

1H FY03/2023

Financial Results Briefing Presentation

November 7, 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

**Made steady progress in line with the medium-term management plan.
Resolved to transfer* ipet, DI's largest incubation investment, accelerating transformation of the business structure**

Ongoing steady performance in 1H

- **Business Production policy: Continue growth**
 - 1H sales were JPY1.7bn (+31% YoY, 51% of full-year plan). Ongoing expansion on the back of mounting demand for new business creation
 - Team expansion (accelerated hiring) progressing smoothly
- **Incubation policy: Selectively cultivate and appropriately harvest**
 - **Business Investment: Following Work Style Lab and PEACS, resolved to sell* ipet. Will record approximately JPY18.2bn in extraordinary income if successful**
 - **Venture Capital: Secured multiple harvests. Expecting several more in pipeline from Q3 onward**

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

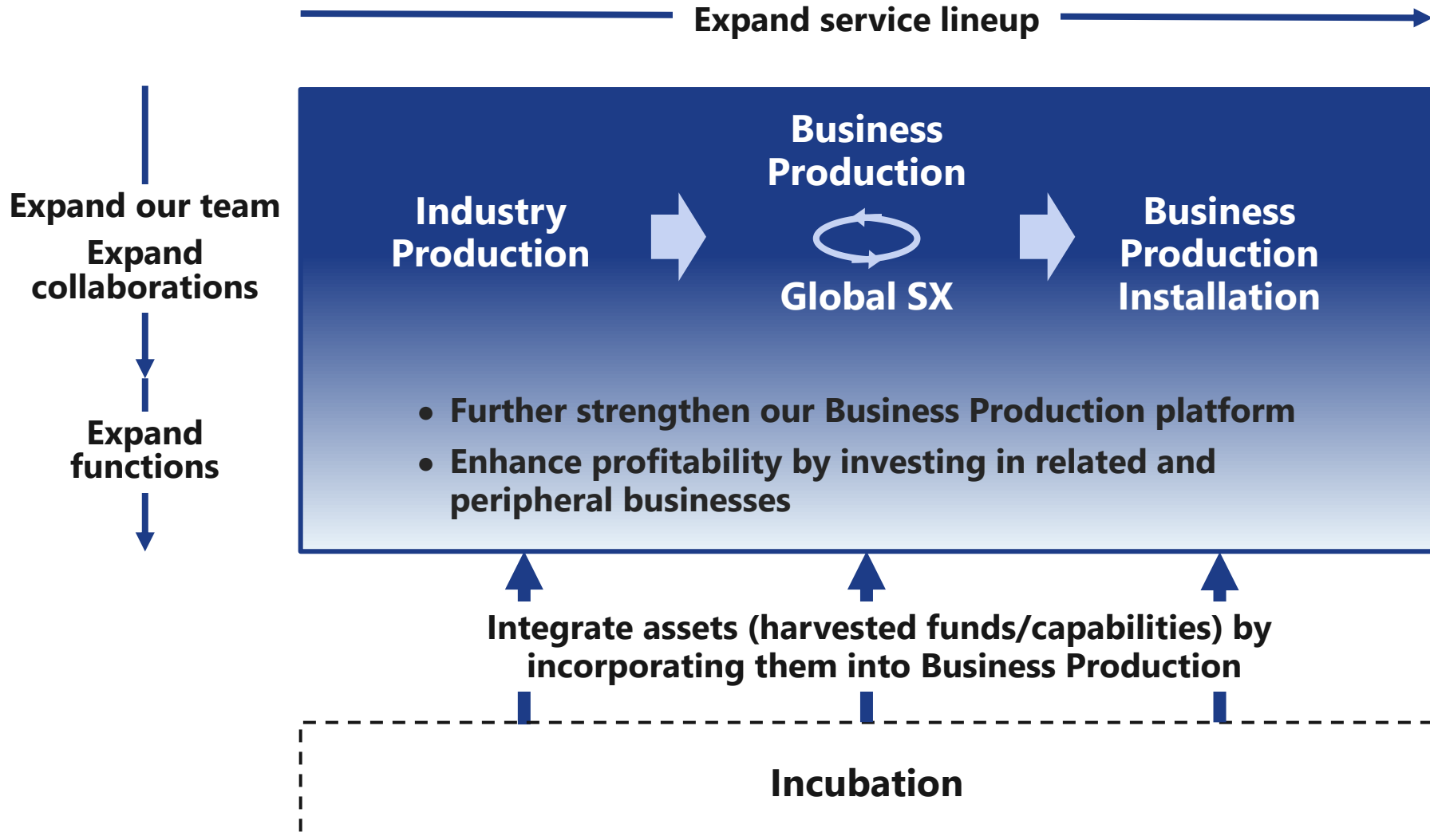
- **Accelerating Business Production through tie-up with MUFG**
- **Launched Business Production Support Program for the ASEAN market with Dentsu**

* Entered into agreement to sell all shareholdings in ipet Holdings in response to a tender offer by Dai-ichi Life Holdings



- 1. (repeat) Medium-Term Management Plan**
- 2. 1H FY03/2023 Financial Results Summary**
- 3. Explanation for ipet Stock Transfer**

INCORPORATE INVESTMENT ASSETS TO FURTHER STRENGTHEN BUSINESS PRODUCTION



(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)



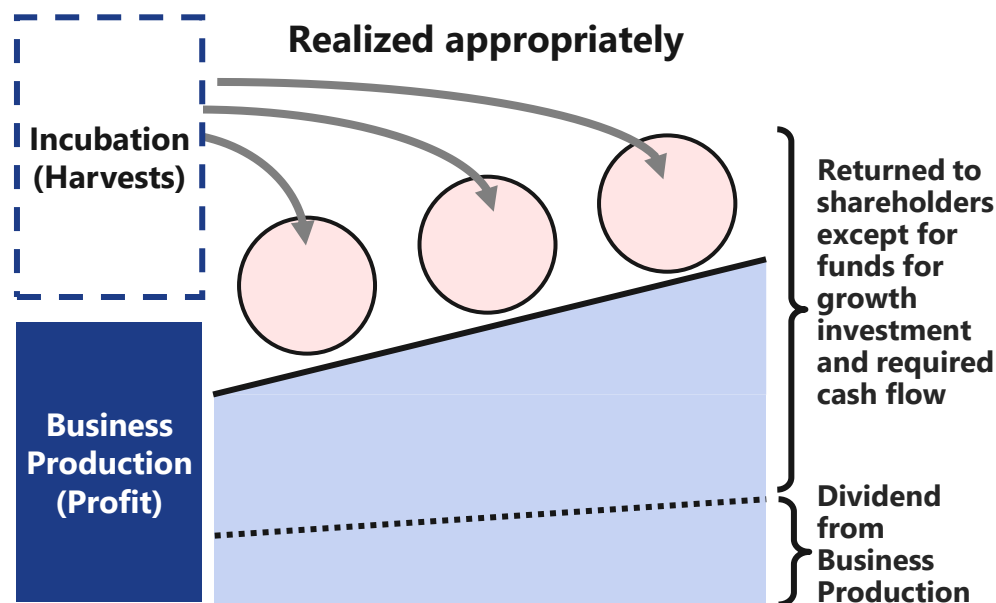
Shareholder returns: Improve EPS and PER

Balance

Disciplined investment
(cost effectiveness)

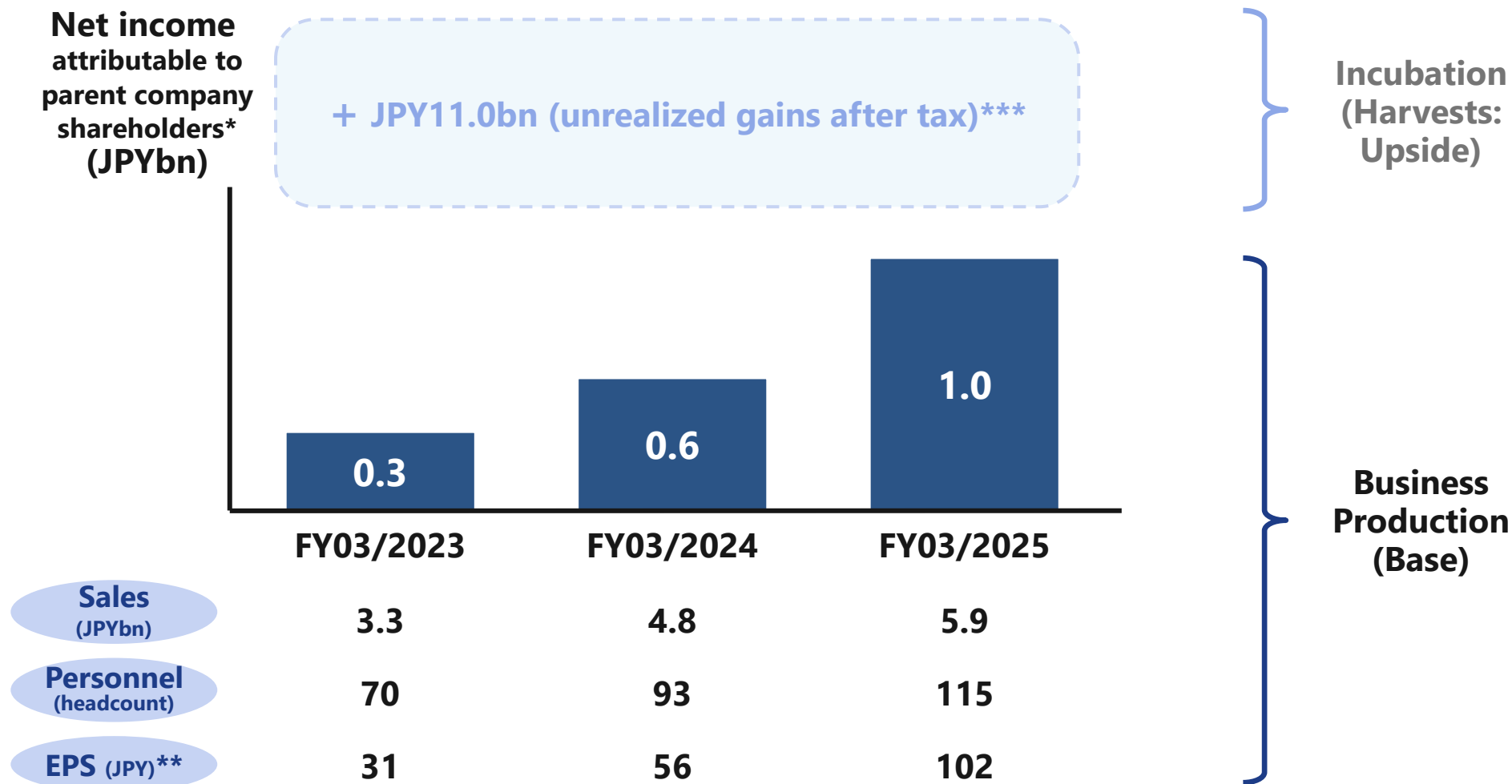
Based on profits from stable growth in P&L
and harvested funds

- (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%



MEDIUM-TERM PROFIT PLAN (FY03/2023 – FY03/2025)

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



* 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



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1H FY03/2023 CONSOLIDATED P&L (AFTER INSURANCE ITEM ADJUSTMENTS)

(JPYbn)	1H FY03/ 2022	1H FY03/ 2023	YoY change	
			Amount	%
Sales	16.79	18.87	2.08	12.4%
Gross profit	7.51	9.35	1.84	24.6%
Operating profit	0.23	2.02	1.79	755.3%
Recurring profit	0.44	2.11	1.67	378.4%
Net income	0.06	0.95	0.89	—
(attributable to parent company shareholders)				

**Tax cost due to resolution for ipet transfer
(Consolidated tax effects on retained earnings)
Accrue JPY0.71bn***

* Retained earnings is calculated based on after insurance item adjustments after FY03/2018, and based on before insurance item adjustments before FY03/2018.

1H FY03/2023 CONSOLIDATED P&L (BEFORE INSURANCE ITEM ADJUSTMENTS)

(JPYbn)	1H FY03/ 2022	1H FY03/ 2023	YoY change	
			Amount	%
Sales	16.79	18.87	2.08	12.4%
Gross profit	7.04	8.12	1.08	15.4%
Operating profit	▲0.23	0.79	1.02	—
Recurring profit	▲0.02	0.87	0.90	—
Net income	▲0.12	1.01	1.14	—
(attributable to parent company shareholders)				

Tax cost due to resolution for ipet transfer
(Consolidated tax effects on retained earnings)
Accrue JPY0.15bn

ADJUSTED INSURANCE ACCOUNTING ITEMS AND AMOUNTS

(JPYbn)	1H FY03/ 2022	1H FY03/ 2023
Unadjusted gross profit (consolidated)	7.04	8.12
<ul style="list-style-type: none"> • Adjustment related to ordinary underwriting reserves* • Catastrophe reserve provision** 	+0.05	+0.73
	+0.42	+0.49
Total adjustments	+0.47	+1.23
Adjusted gross profit (consolidated)	7.51	9.35

* 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)

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.

1H FY03/2023 P&L BY SEGMENT

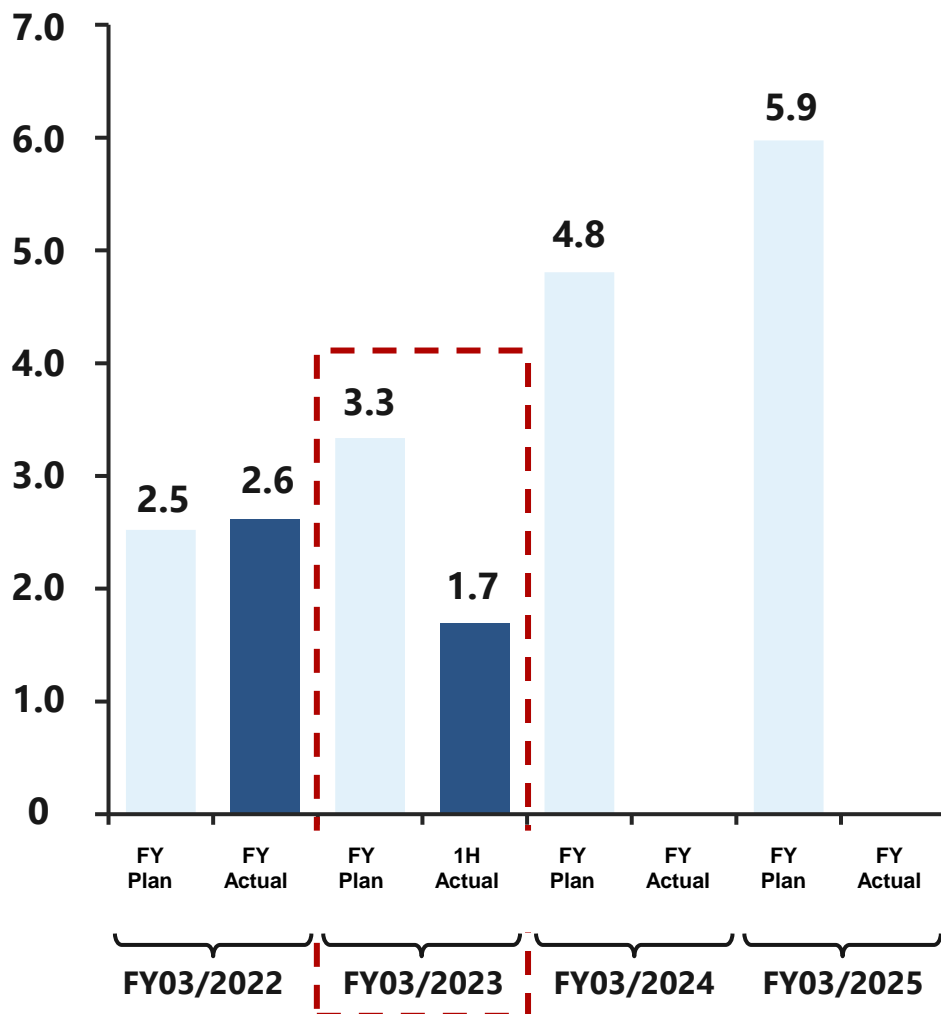
(JPYbn)		1H FY03/2022	1H FY03/2023	YoY change	Notes	
Business Production	● Sales	1.29	1.70	31%	● Continued solid performance from Q1 ● Recurring profit flat YoY due to personnel growth	
	● Recurring profit	0.13	0.15	13%		
Venture Capital	● Sales	0.32	1.17	258%	● Secured multiple harvests ● Expecting further harvest from trade sales from Q3 onward	
	● Recurring profit	0.01	0.38	—		
Business Investment	Pet Lifestyle	● Sales	13.69	15.99	17%	● Steady performance on the back of solid pet demand
		● Recurring profit*	0.58 (0.11)	1.57 (0.33)	170%	
	HR Innovation	● Sales	0.63	—	—	● Sold in Q1 FY03/2023 and recorded JPY0.03bn in extraordinary income ● Excluded from consolidation from beginning of FY03/2023
		● Recurring profit	-0.07	—	—	
	Fan Marketing	● Sales	0.86	—	—	● Sold in Q1 FY03/2023 and recorded JPY0.51bn in extraordinary income ● Excluded from consolidation from beginning of FY03/2023
		● Recurring profit	-0.22	—	—	

Note: Recurring profit was calculated as segment profit - companywide expenses ± non-operating profit/loss
 * After insurance item adjustments (Figures in parentheses are before adjustment)

BUSINESS PRODUCTION SALES

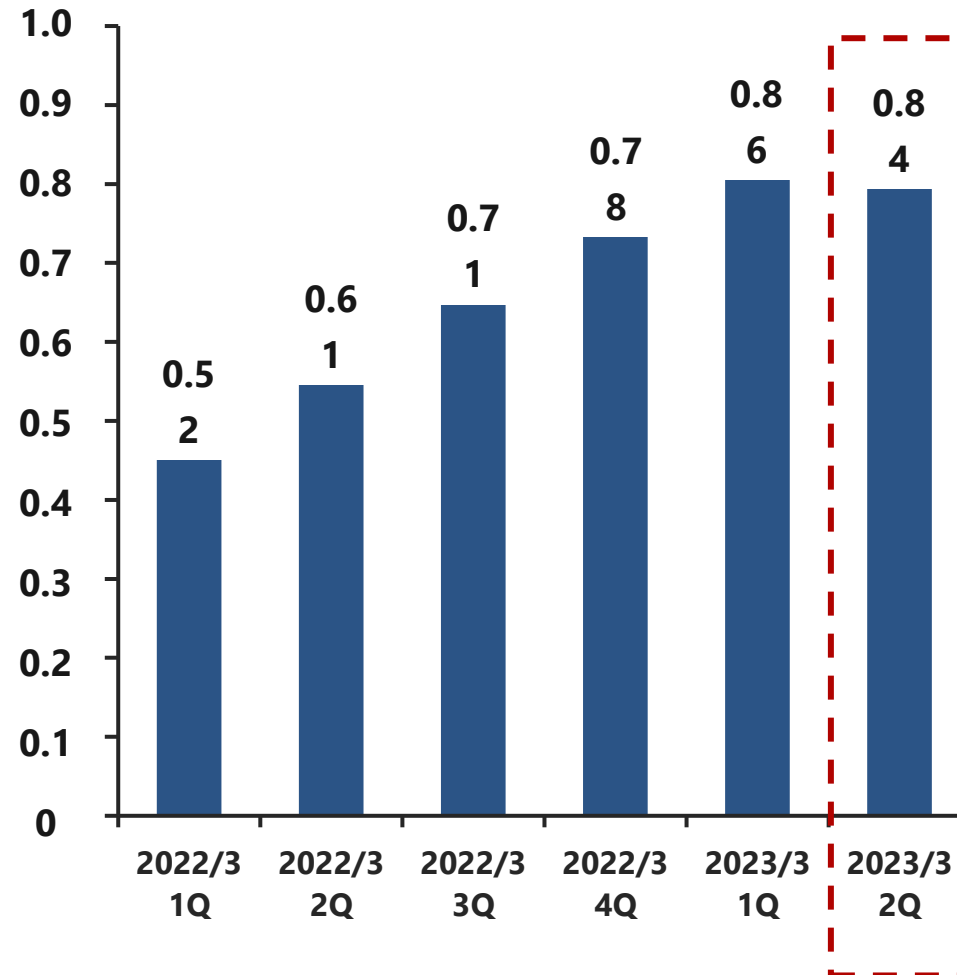
Sales* progress vs. plan

(JPYbn)



Quarterly sales*

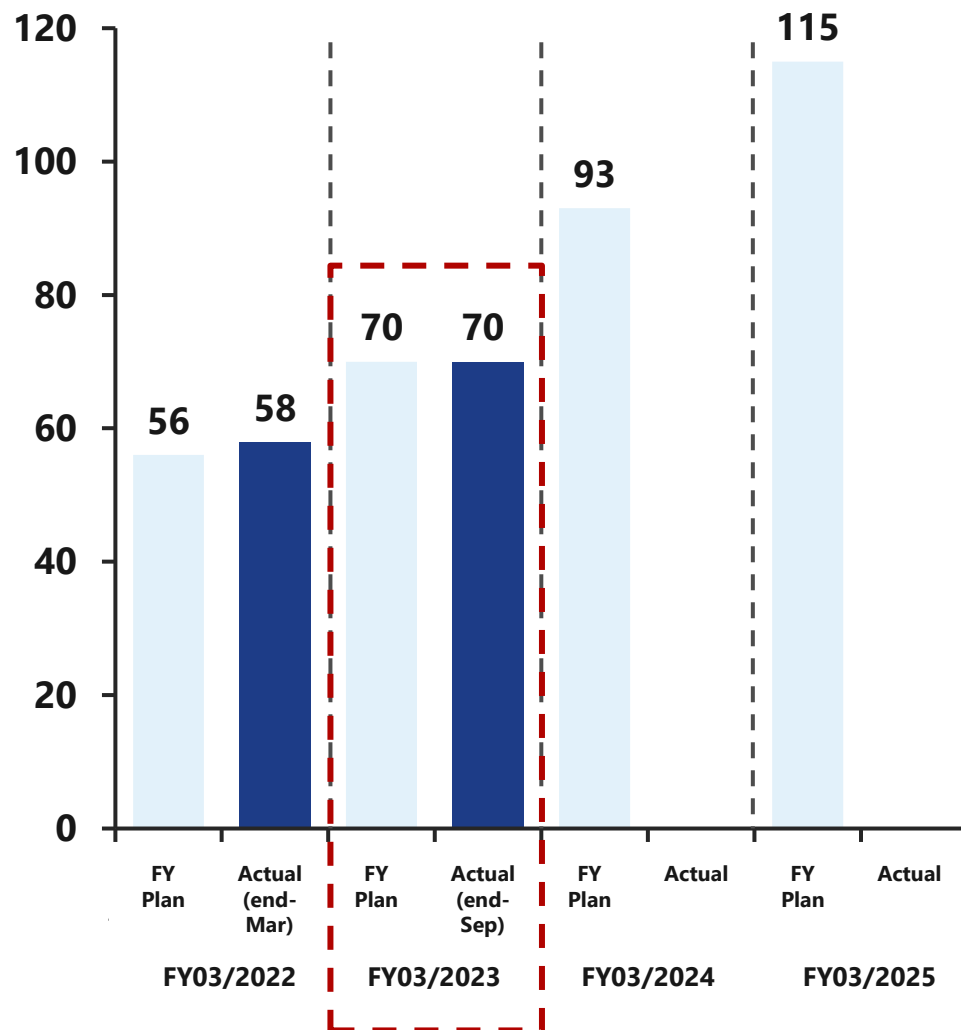
(JPYbn)



EXPAND OUR TEAM: STEADY PROGRESS

Business producer* team size against plan

(No. of people)



Aggressively broadcasting the appeal of DI

“Business Production” itself attracts talent

- Created original comic series to widely convey the social significance of DI and the appeal of our work, developed marketing measures focused on business producers
- Accelerated hiring of ambitious, highly talented personnel, which also feeds into retention



価値創造・実現推進・価値拡大

3つの領域の進化によって
事業創造は加速する

ドリームインキュベータ
第一本部 統括執行役員 石川雅仁氏
第二本部 統括執行役員 島崎崇氏
第三本部 取締役副社長COO 細野恭平氏

DI

READ MORE

ACCELERATE GROWTH OF BUSINESS PRODUCTION THROUGH COLLABORATION

Accelerating Business Production through collaboration with MUFG

Mitsubishi UFJ Financial Group (MUFG), one of the world's largest financial groups, established a new unit to contribute to the business creation of large corporate clients.

DI will support this initiative by leveraging its Industry Production and Business Production schemes, while accelerating its own Industry Production and Business Production businesses, pursuing business development and innovation for both companies.

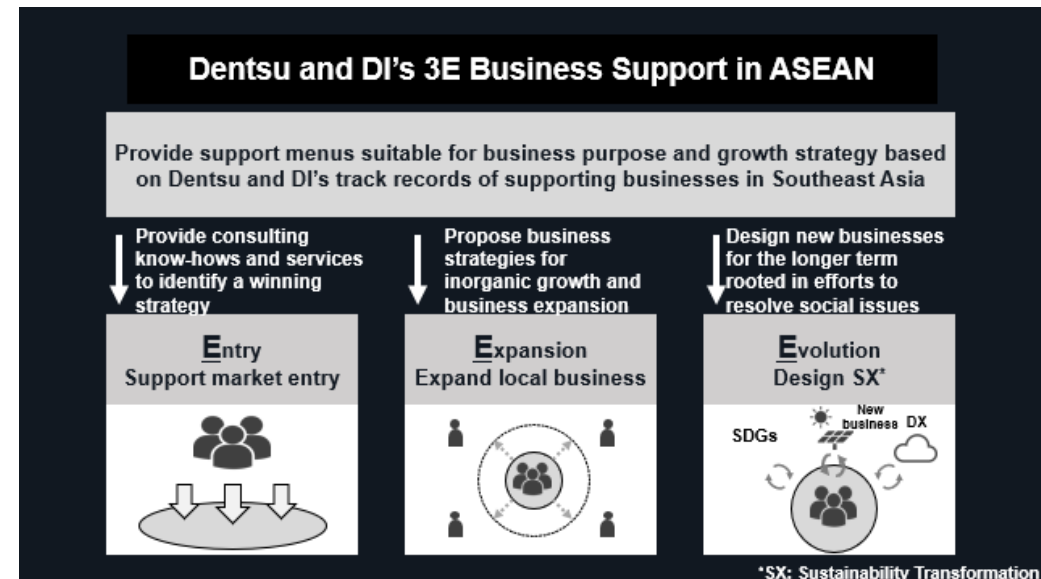


Launch of Business Production Support Program for the ASEAN market with Dentsu

Providing support in the areas of three E's based on DI and Dentsu's support track records in Southeast Asia

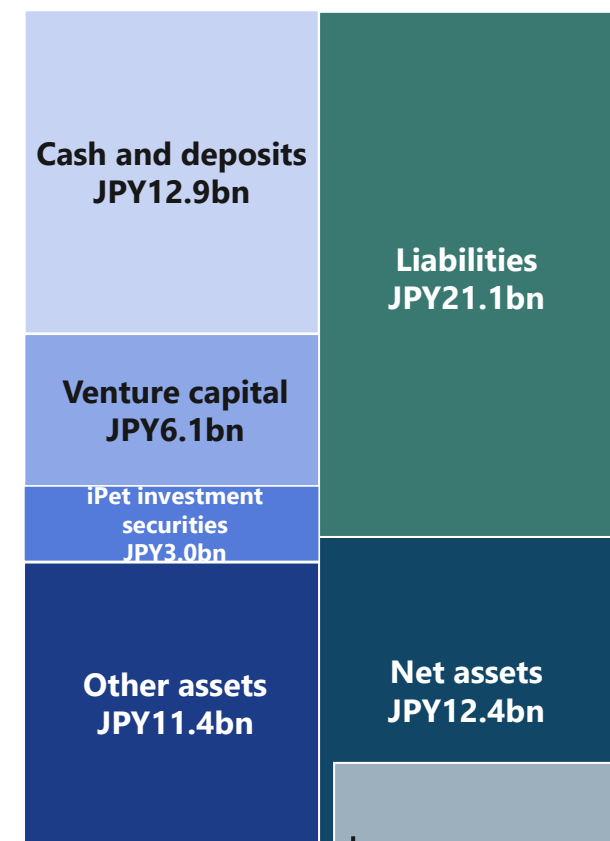
1. Enter: Support market entry
2. Expansion: Expand local business
3. Evolution: Design SX*

*SX=Sustainability Transformation



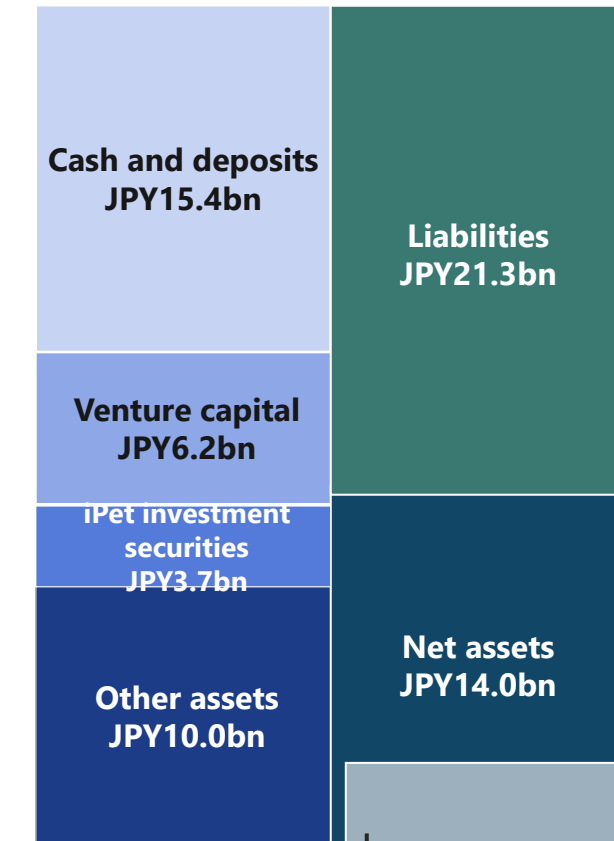
1H FY03/2023 CONSOLIDATED BALANCE SHEET

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



Includes non-controlling
interests of JPY2.6bn

September 30, 2022
(Total assets: JPY35.3bn)

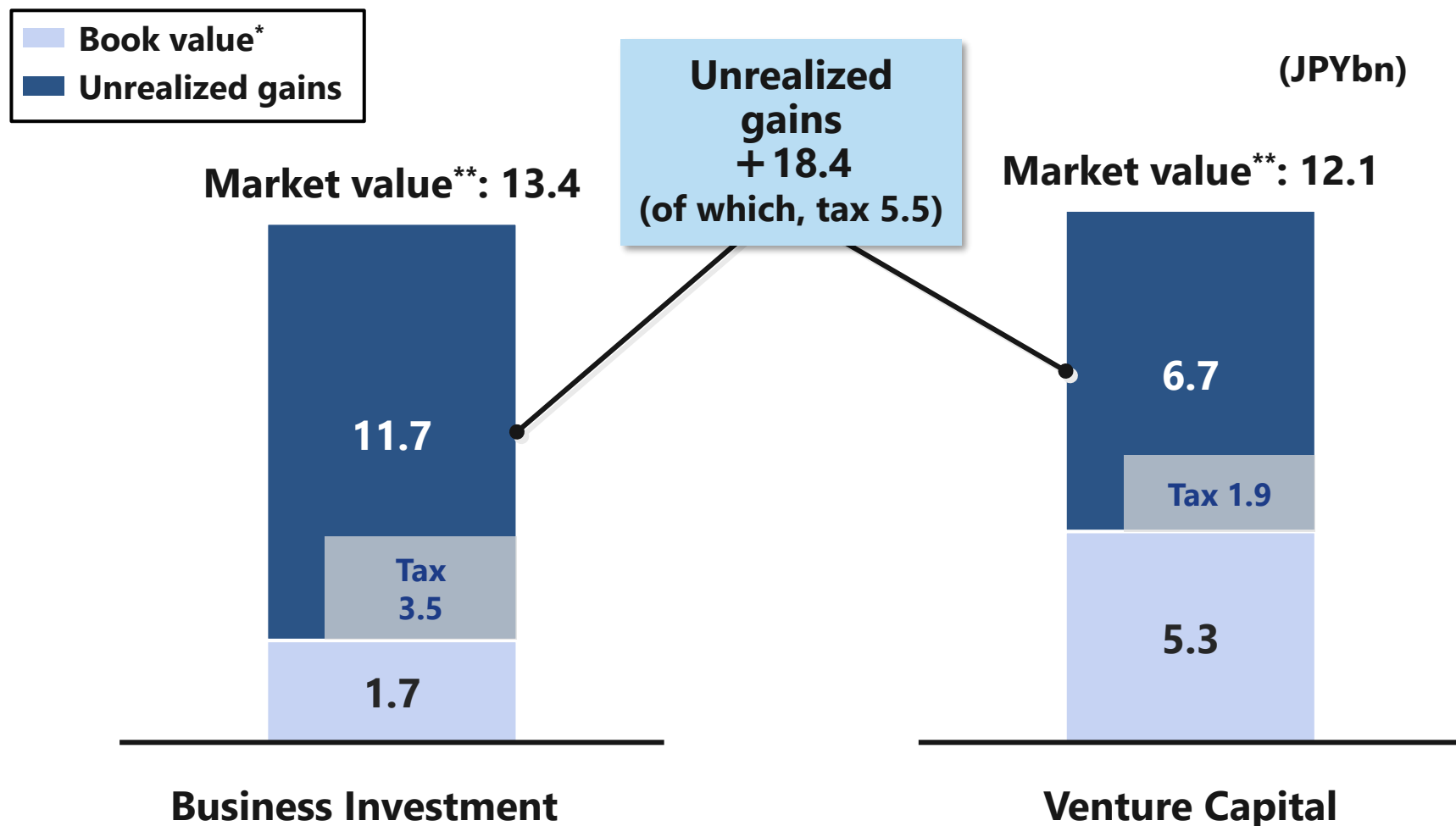


Includes non-controlling
interests of JPY2.8bn

Breakdown of change in net assets

• Net income	+ JPY1.01bn
• Non-controlling interests	+ JPY0.22bn
• Valuation differences on available-for-sale securities	+ JPY0.43bn
• Other comprehensive income	+ JPY0.05bn
• Capital surplus	▲ JPY0.17bn
• Total	+ JPY1.55bn

STATUS OF INVESTMENT AS OF END-1H 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.



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Purpose and background of business transfer

- **We first invested in ipet in February 2011 and has supported the company's growth. As a result, over roughly a 10-year period, ipet has realized an 11-fold increase in sales and a 9-fold increase in policies in force.**
- **Considering this remarkable growth, DI determined that it has fulfilled its mission of incubation.**
- **ipet needs to build relationships with new partners that can provide capital and other support for the next stage of growth.**
- **In line with direction laid out in our medium-term management plan, we decided to sell our entire stake in ipet in response to takeover bid by Dai-ichi Life Holdings.**

Financial impact (if transfer proceeds to plan)

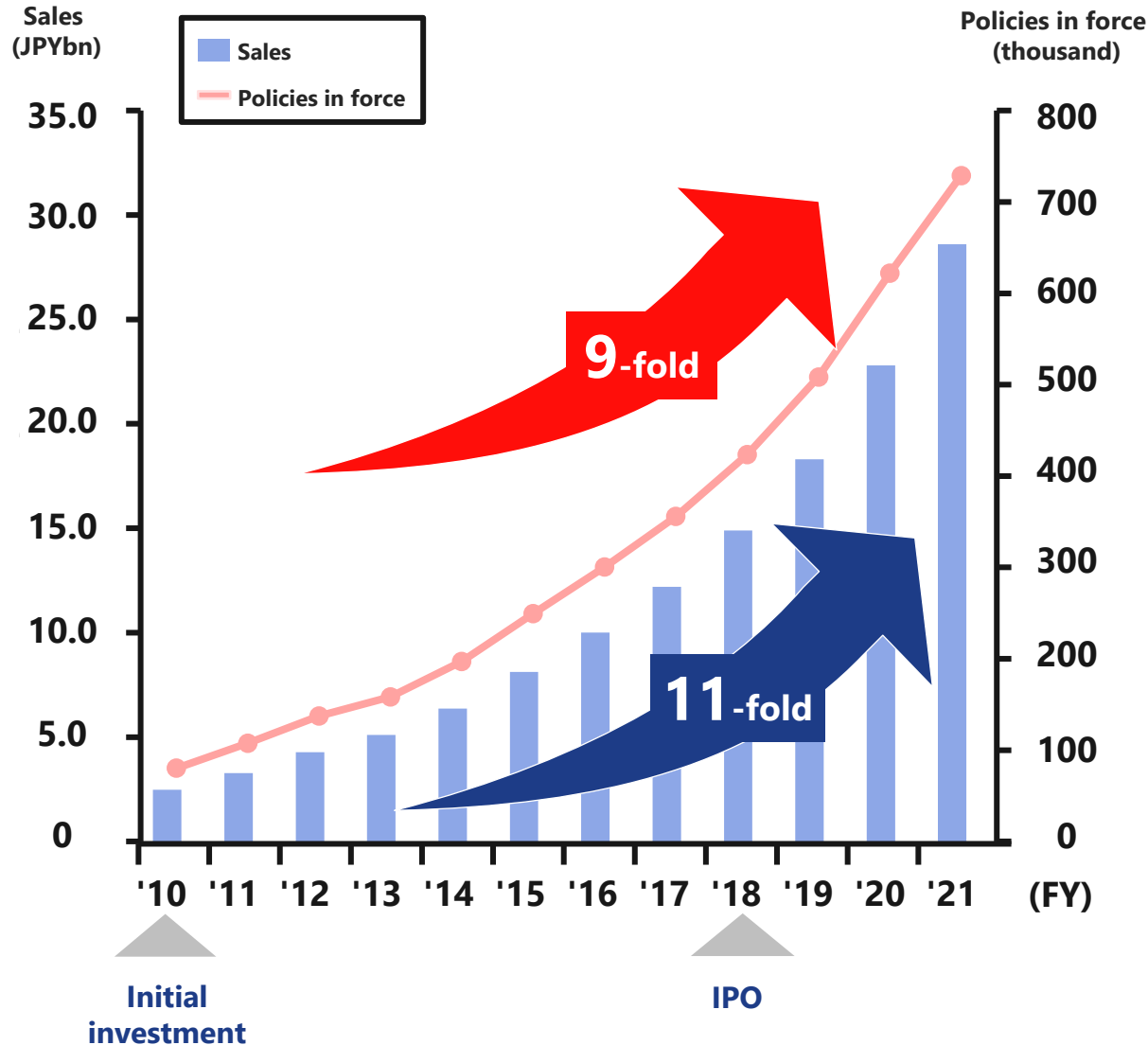
- **Extraordinary income of approximately JPY18.2bn**
- **Net cash inflow of approximately JPY15.0bn**

Planned use of proceeds from sale

- **Of the expected net cash inflow of roughly JPY15.0bn, we plan to use JPY10.0bn to make returns to shareholders and JPY5.0bn to fund growth investments in Business Production. We will provide more information by fiscal year end.**

AFTER DI INVESTMENT, IPET ON MAJOR GROWTH TRAJECTORY

Sales and policies in force after investment



Value provided by DI

Sent officers, employees to provide end-to-end support, from strategy formulation to execution

- Built management and governance framework
- Growth strategy planning, execution support
- Channel, product strategy support
- Digital marketing support
- Capital policy, IPO support
- M&A support
- DX support

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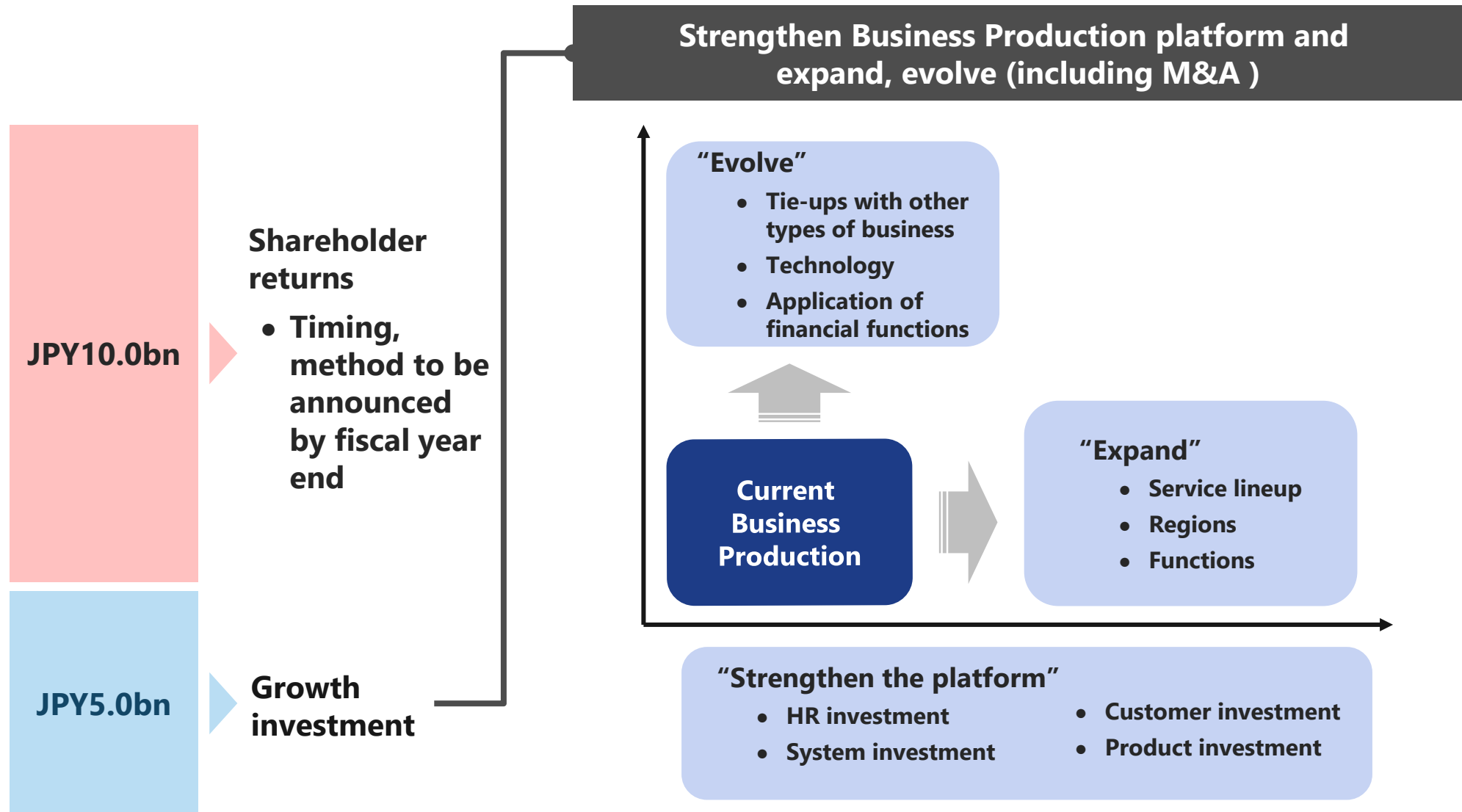
INCUBATION (BUSINESS INVESTMENT) PERFORMANCE

Reference

		Business	Investment (Mo/Yr)	Sale (Mo/Yr)	Unrealized/ realized gain or loss ¹ (JPYbn)
Investment in progress	Boardwalk	Events E-tickets	Sep 2015	—	Undisclosed ³
Sale in progress	ipet Holdings	Health insurance for pets	Sep 2011	—	+19.3 ² (+18.2)
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 completed."
Figures are based on pre-tax cash flows, excluding amounts reflected in consolidated P&L.
2. Gains to be realized under the tender offer agreement with Dai-ichi Life Holdings for shares of ipet Holdings (tender offer price of JPY3,550 per share).
The figure in parenthesis is the amount expected to be recorded in the current fiscal year.
3. In principle, unrealized gains from investments in progress are not disclosed (excluding cases where the investee is listed)
4. Amounts include prior year losses. Figures in parentheses are amounts recorded in the current fiscal year.
5. Takes form of a fund but effectively evaluated as business investment© DI 2022 – ALL RIGHTS RESERVED.

PROFIT SHARING POLICY: SHAREHOLDER RETURNS=JPY10.0BN, GROWTH INVESTMENT=JPY5.0BN



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

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.

Dream Incubator Inc.

The Business Producing Company