



Q3 FY03/2024

Supplementary Materials for Consolidated Financial Results

February 1, 2024

Dream Incubator Inc. (stock code: 4310)

Q3 RESULTS SUMMARY AND STATUS OF STRUCTURAL REFORMS

SUMMARY

Q3 results:

Business Production continued to expand, while Venture Capital booked impairment losses in six companies

- Business Production:
 - Sales: JPY3.45bn (+28% YoY); operating loss: JPY0.17bn
 - Despite continued sales growth, expansion has yet to match the increase in hiring
- Venture Capital:
 - Operating loss: JPY0.91bn
 - Sold one company. Posted impairment losses in six companies (nine companies total) due to prolonged weak sentiment in the financing market

Progress of structural reforms (establishing an earnings base in Business Production for stable growth, and harvesting investments appropriately in the volatile investment business)

- Business Production: Continuing to steadily sow the seeds for rapid future growth
 - Securing many talented personnel
 - Expect to have about 160 employees, in contrast to the plan for FY03/2024, which called for 93
 - Expansion of customer base and diversification of themes
 - Especially, increase in orders with new service, Technology & Amplify (T&A)
- Investment business: Although FY03/2023 saw the recording of significant gains on sale, impairment losses to exceed gains on sale in FY03/2024

Shareholder returns

- In addition to the share buyback of approximately JPY2.8bn, we plan a special year-end dividend of approximately JPY1.2bn (JPY128 per share) for FY03/2024



Q3 FY03/2024 Financial Results

Reference Materials

- Company profile
- Current medium-term management plan

Q3 FY03/2024 CONSOLIDATED P&L

Excludes businesses sold in FY03/2023

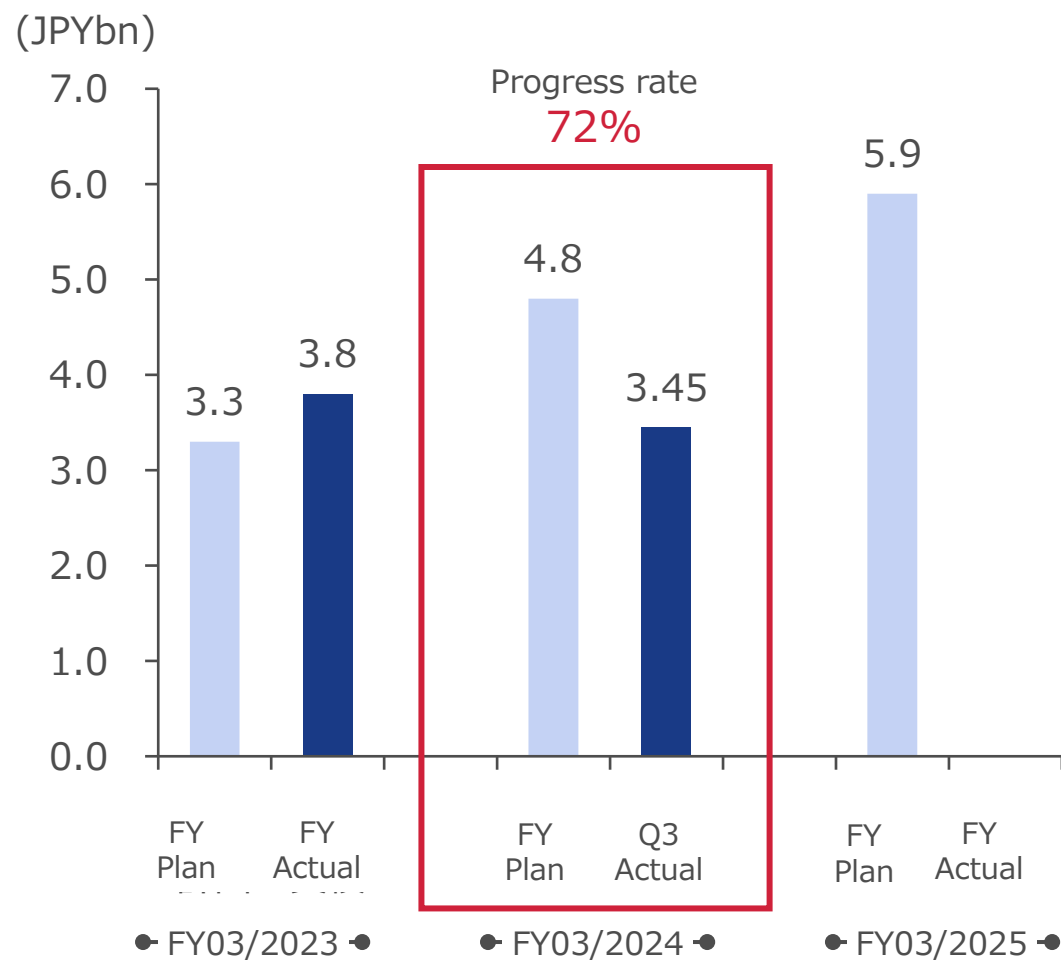
	Q3 FY03/2023 (JPYbn)	Q3 FY03/2024 (JPYbn)	YoY change (%)
Sales	4.61	3.78	-18
• Business Production	2.70	3.45	28
• Venture Capital	1.91	0.33	-83
Operating profit	1.10	-1.08	—
• Business Production*	0.30	-0.17	—
• Venture Capital*	0.80	-0.91	—
Recurring profit	1.13	-1.11	—
Net income	— **	-1.03	—

* Segment operating profit = segment profit – companywide expenses

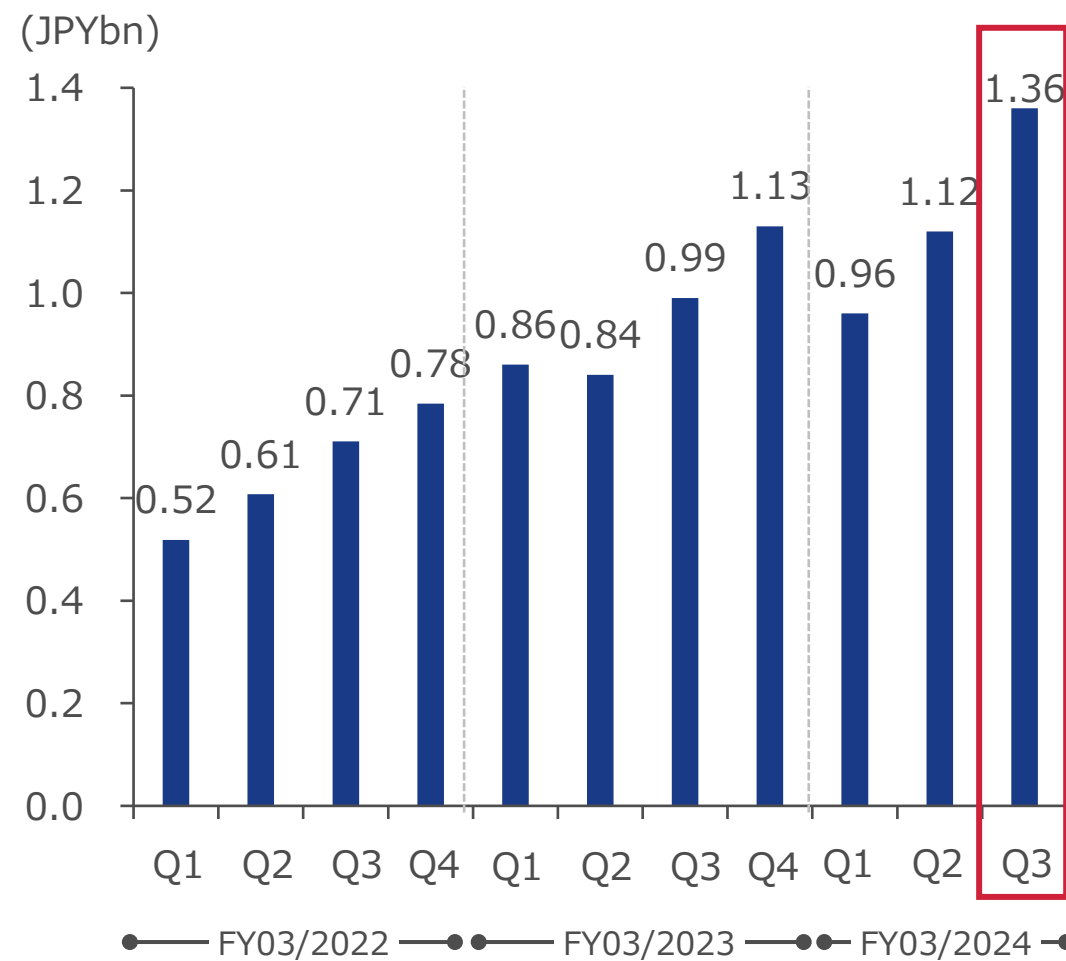
** No figure provided for Q3 FY03/2023, as net income for FY03/2023 was calculated based on all businesses, including those already sold

BUSINESS PRODUCTION: SALES

Sales progress vs. plan



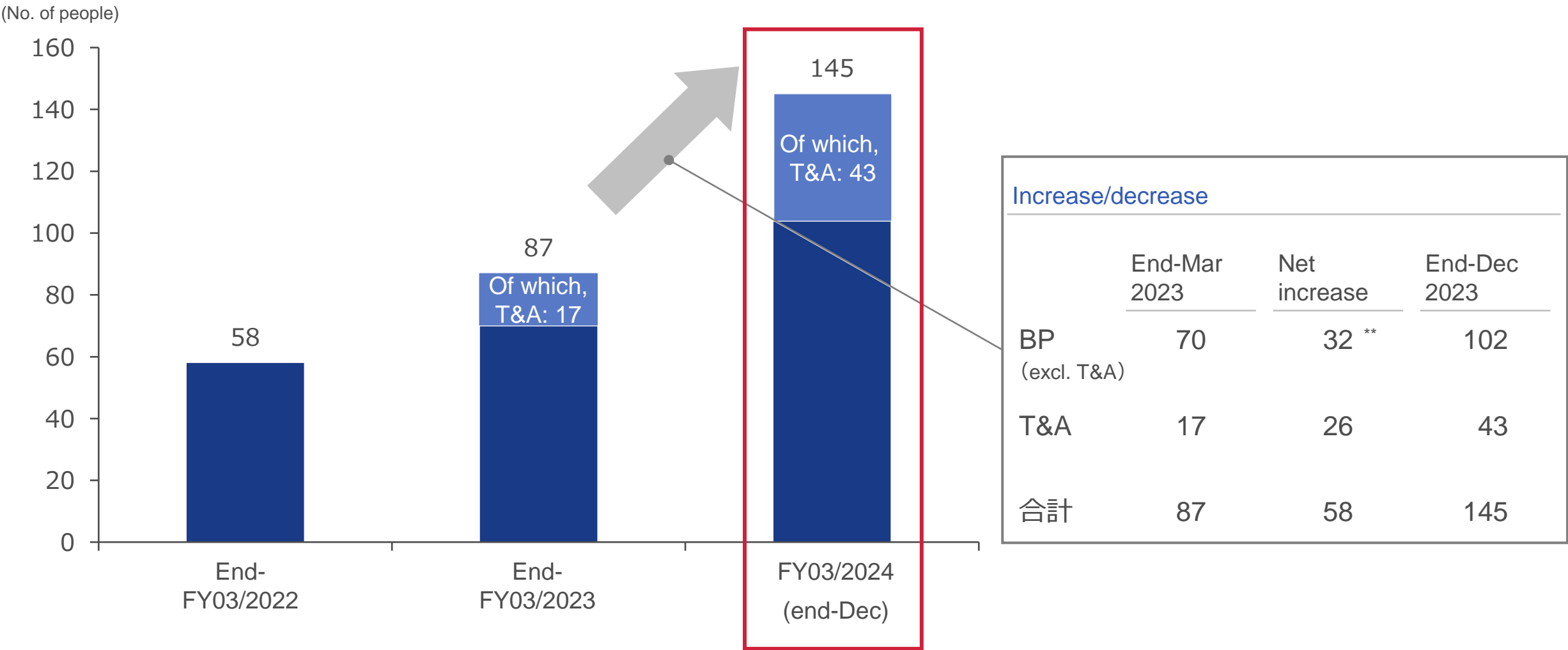
Quarterly sales*



* Excludes sales in businesses sold

BUSINESS PRODUCTION: CONTINUED TO SECURE MANY TALENTED PERSONNEL

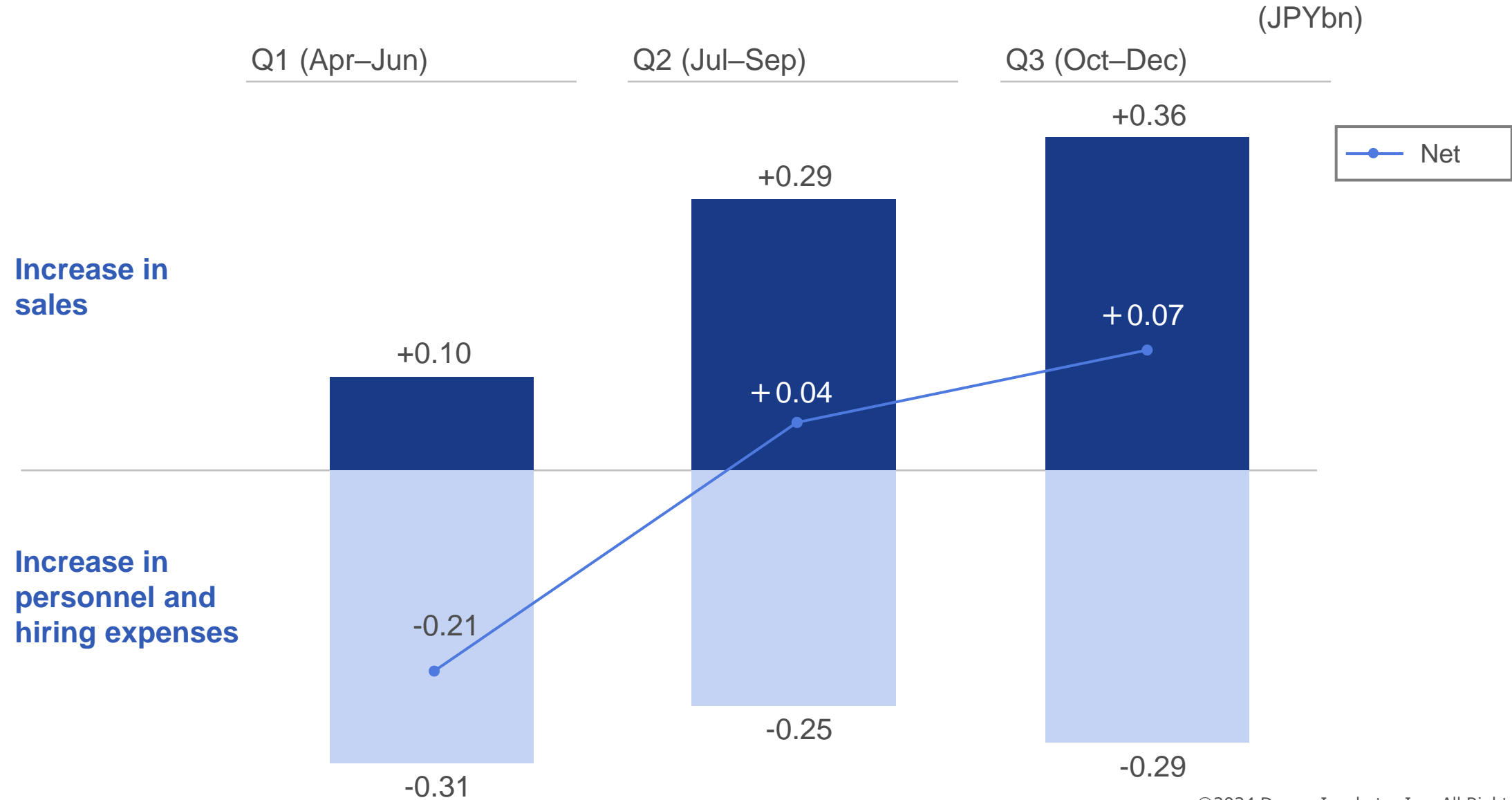
NUMBER OF BUSINESS PRODUCERS*



* Excludes employees dedicated to Incubation
** Includes two employees transferred from Incubation

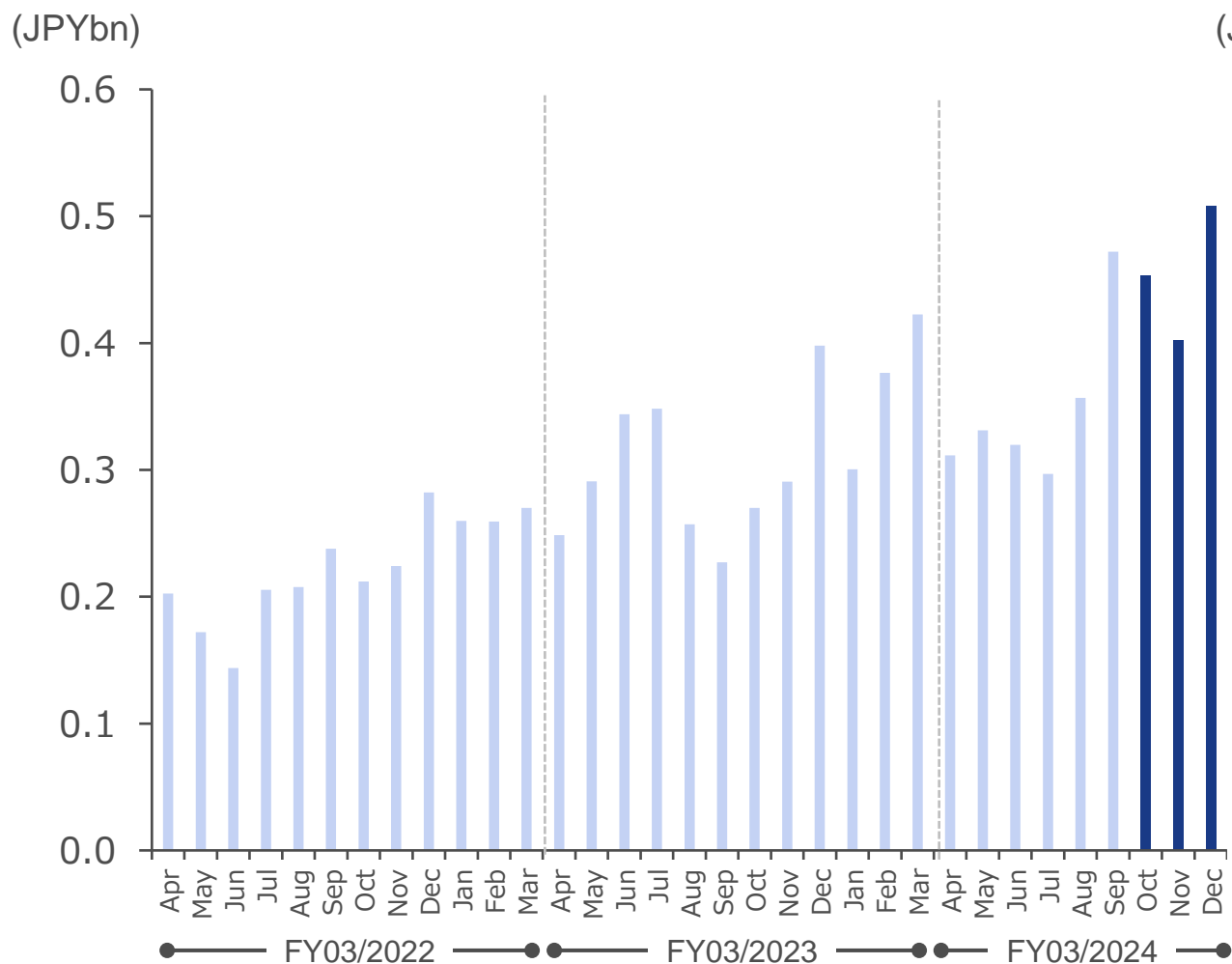
BUSINESS PRODUCTION: DESPITE CONTINUED SALES GROWTH, EXPANSION HAS YET TO MATCH HIRING

Year-on-year comparison of quarterly sales and personnel and hiring expenses

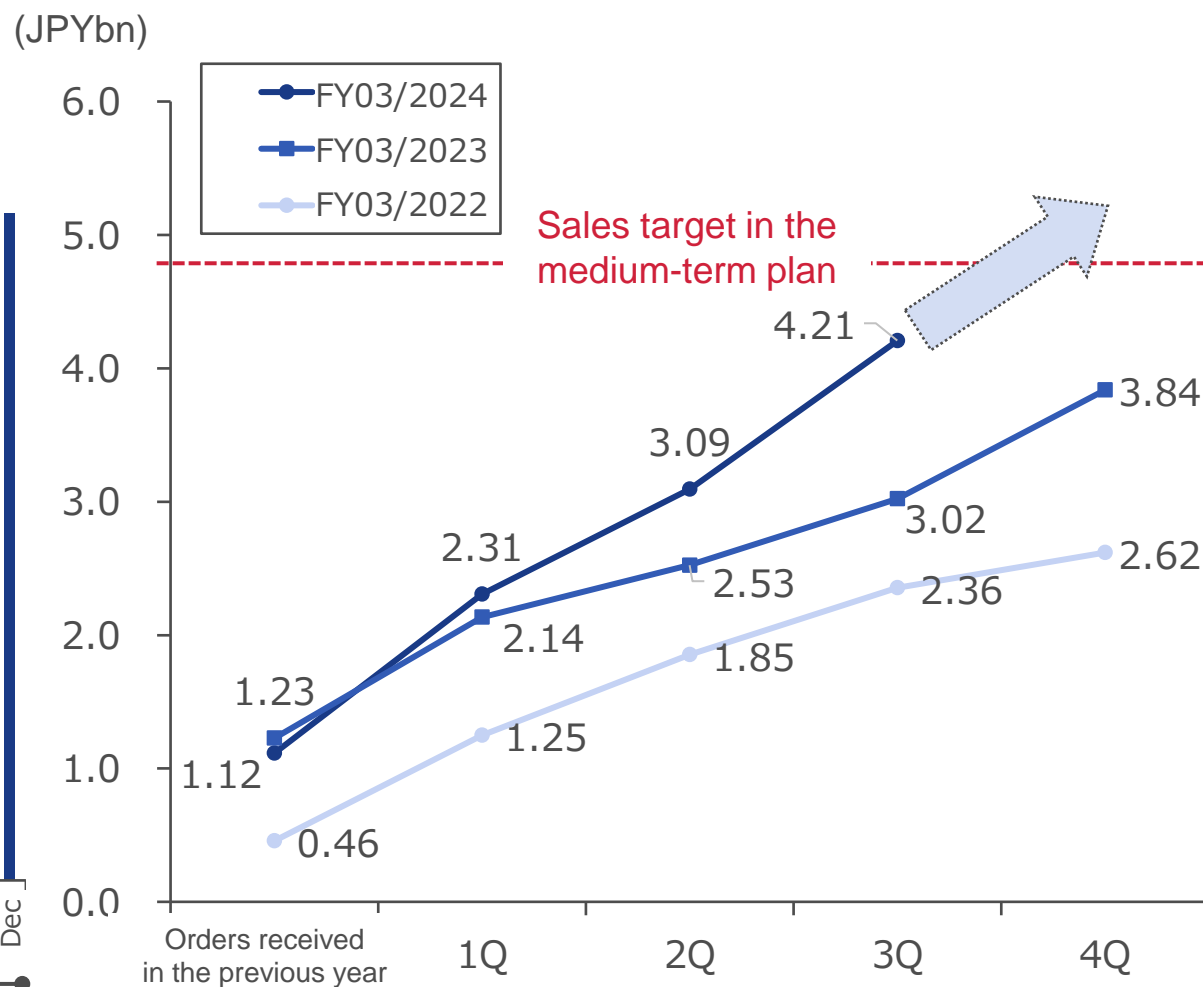


BUSINESS PRODUCTION: FULL-YEAR SALES EXPECTED TO EXCEED MEDIUM-TERM PLAN

Monthly sales



Confirmed portion of full-year sales* (at each point in time)



* Of total orders, orders for which sales are recorded in the current fiscal year.
FY03/2022 figures exclude sales of transferred businesses.

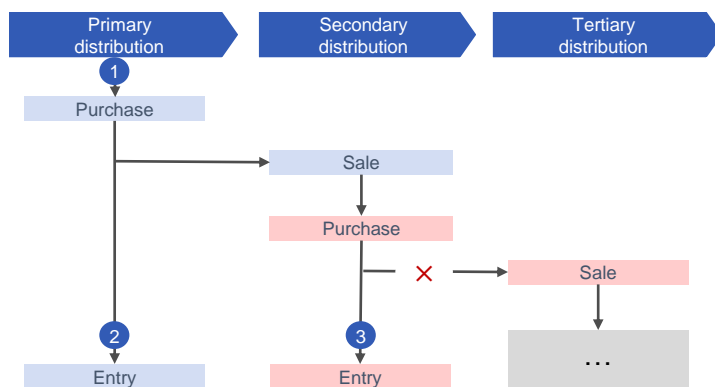
PROJECT CASE STUDIES

Measures to prevent unauthorized resale of tickets using My Number Card

Overview

- Demonstration of using My Number Card to verify a person's identity at the time of ticket purchase and entry, thereby potentially preventing mass purchases through multiple accounts and high-priced fraudulent reselling.
 - A demonstration experiment is scheduled to be conducted at the “38th Mynavi Tokyo Girls Collection 2024 Spring/Summer” event.
- Results and insights obtained from a pilot experiment aimed at reducing workload in the entertainment industry, which has been carried out in collaboration with the Digital Agency since September 2023, will also be fully utilized.

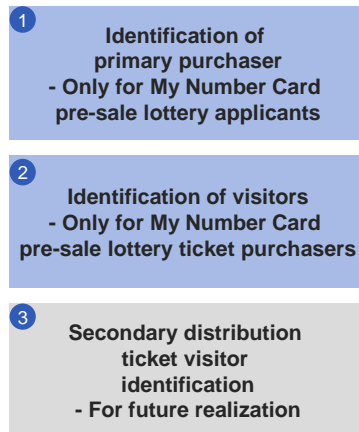
Identity verification points in ticket distribution



Establishment of an entrance lane exclusively for the relevant ticket

(Figure: Demonstration experiment overview)

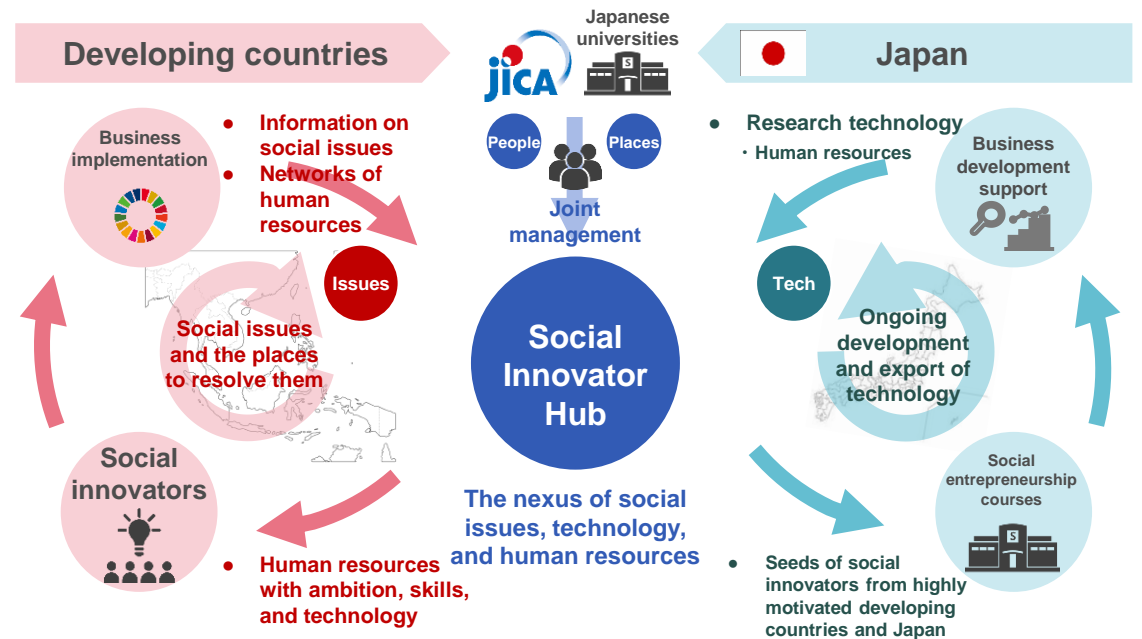
Using JPKI*



JICA×DI launches next generation social entrepreneurship development project

Overview

- We have started conducting investigations on behalf of JICA for the establishment of the JICA Social Innovator Hub (tentative name)
- The new Social Innovator Hub aims to address social challenges and promote sustainable development through the cultivation of individuals with knowledge and experience in social entrepreneurship, as well as the creation of a platform for business co-creation.



(Figure: The Social Innovator Hub concept)

VENTURE CAPITAL: PORTFOLIO AND MARKET VALUE

(JPYbn)

		March 31, 2023				December 31, 2023		
		Book value ¹⁾		Market value ²⁾		Book value ¹⁾		Market value ²⁾
Core venture portfolio	Japan	0.1	(9co.)	1.4	<div><div></div><div>Sold two companies ^{4) 5)} Booked impairment losses in 1 company⁴⁾</div><div>Booked impairment losses in 8 companies⁴⁾</div></div>	0.05	(7co.)	0.75
	India	1.8	(21co.)	6.5		1.2	(13co.)	4.9
	Other	0.0	(1co.)	0.3		0.0	(1co.)	0.3
	Total	2.0	(31co.)	8.2	1.3	(21co.)	6.0	
LP investment in funds ³⁾		2.4	(6co.)	2.4		2.4	(6co.)	2.4
Total		4.5	(37co.)	10.7 (1.7)		3.7	(27co.)	8.4 (1.3)

- 1) Excludes stocks that have been fully impaired and have no subsequent up-rounds, and stock options not subject to valuation (for stocks held in own funds, includes only the portion equivalent to DI's stake)
2) Before taxes. Taxes are shown in parentheses (included in the value above).
3) Book value takes into account the amount of gains/losses. Market value is not calculated because the calculation method differs for each fund.
4) Includes partial sales/impairment losses
5) Excludes sale of one impaired company

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2023

March 31, 2023
(Total assets: JPY31.3bn)



December 31, 2023
(Total assets: JPY18.2bn)

Cash and deposits JPY10.3bn	Liabilities JPY9.4bn
Short-term Investment assets* JPY13.8bn	Net assets JPY21.9bn
Venture capital JPY5.4bn	
Other assets JPY1.7bn	

(Major increase/decrease)

Liabilities

- Income taxes payable:
-JPY 6.1bn

Net assets

- Dividends: -JPY 2.0bn
- Share buyback:
-JPY 2.8bn
- Net loss: -JPY 1.0bn

Cash and deposits JPY 6.4bn	Liabilities JPY2.1bn
Short-term Investment assets* JPY5.3bn	Net assets JPY16.1bn
Venture capital JPY4.4bn	
Other assets JPY2.1bn	

SHAREHOLDER RETURNS

Shareholder return policy during the medium-term plan period (FY03/2023–FY03/2025) (disclosed)

- Total shareholder returns of JPY10.0bn
 - FY03/2023: Paid special dividends of JPY2.0bn
 - FY03/2024: Return over JPY4.0bn to shareholders, primarily in the form of share buyback
 - Executed approximately JPY2.8bn in share buyback
 - Determined implementation of a special year-end dividend of approximately JPY1.2bn (JPY128 per share)
 - FY03/2025: Return the remaining amount (JPY4.0bn) to shareholders

Future policy

- The method of returns for FY03/2025 and details on the retirement of treasury stock acquired will be disclosed at the time of full-year FY03/2024 earnings announcement

FULL-YEAR FORECAST

Business Production (versus medium-term plan)

- Sales: Approx. JPY5.0bn versus target of JPY4.8bn
- Net income/loss*: Loss of approx. JPY0.1bn versus target of income of JPY0.6bn
- FY03/2025 forecast will be disclosed at the time of full-year FY03/2024 earnings announcement

Venture Capital

- Further prolongation of weak sentiment in the financing market may lead to impairment losses in Q4



Q3 FY03/2024 Financial Results

Reference Materials

- Company profile
- Current medium-term management plan

OVERVIEW OF DREAM INCUBATOR (DI)

Company profile

Name	Dream Incubator Inc.	
Established	June 1, 2000 (launch of operations)	
Stock code	4310 (TSE Prime)	
Head office	Tokyo Club Building, 4F 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, Japan	
Capital*	JPY5.0bn	
Employees*	143	
Key subsidiaries	Dream Incubator (Vietnam) Joint Stock Company Next Rise Social Impact Fund Investment Limited Partnership DI India Digital Investment Fund	
Management	Takayuki Miyake Kyohei Hosono Tetsuro Harada Tsutomu Fujita Soichiro Uno Yuriya Komatsu Sakon Uda	Representative Director, President Director, Executive Vice President Director, Chairman of the Board Outside Director Outside Director, Audit & Supervisory Committee member Outside Director, Audit & Supervisory Committee member Outside Director, Audit & Supervisory Committee member
Business	Business Production (business creation support, growth strategy consulting, etc.)	

Corporate philosophy

Credo	1. Service (Strive to benefit clients and people) 2. Create (Generate profit by yielding added value) 3. Grow (Contribute to develop a better society) 4. Share (Harmonize with society for mutual prosperity)
MVV	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

History

2000	Launched operations with the aim of developing investment/incubation and consulting businesses
2002	Listed on TSE Mothers Market
2005	Listed on TSE First Section
2007	Established Dream Incubator Vietnam in Ho Chi Minh City, Vietnam
2011	Acquired shares in ipet (current ipet Holdings) and made it a consolidated subsidiary for incubation
2018	Formed DI India Digital Investment Fund
2021	Entered into a capital and business alliance with Dentsu Group Formed Next Rise Social Impact Fund Investment Limited Partnership
2022	Changed stock listing to TSE Prime Market
2023	Sold all shares in ipet Holdings and two other subsidiaries to concentrate resources on Business Production

DI'S VALUE ADDED: BUSINESS PRODUCTION (BUSINESS CREATION SUPPORT)

Support menu	Description
Industry Production	<ul style="list-style-type: none">• With the aim of resolving social issues through business, support customers' review of business creation potential, starting with the industry outlook• Design new concepts, with boundary-defying ideas that can change existing rules, through discussions with government bodies and other organizations
Business Production	<ul style="list-style-type: none">• Support the development of business strategies, leveraging the technologies, resources, and other strengths of customer companies• Focused on designing business models, develop a framework for large projects through networking and policy collaborations
Business Production Installation	<ul style="list-style-type: none">• In addition to strategy development, support business creation of customer companies through to execution and realization of results• Further support customer companies with resolving management issues they face in the process of business creation (related to organizational structure, personnel, infrastructure, etc.)
Technology & Amplify	<ul style="list-style-type: none">• To <i>amplify</i> the business value of customer companies through technology, provide comprehensive support from strategy development to conceptualization and execution• Support customers from the conceptualization stage, combining digital architecture and business strategies
Global SX*	<ul style="list-style-type: none">• Centered on Asia, support global business production of Japanese companies• In collaboration with JICA, develop and execute schemes for new public-private collaboration and social impact creation, primarily in emerging nations

EXECUTIVES



Takayuki Miyake

Representative Director, President

- After his time at the Ministry of Economy, Trade and Industry (METI), where he developed a venture capital program, oversaw the development of a range of policies within the Ministry, including international energy policies, and formulated laws and regulations, he entered the consulting industry.
- To realize DI's founding philosophy (create 100 companies like Sony and Honda), which left much impression on him, Mr. Miyake established the concept of "industry production" and "business production," focused on creating businesses rooted in efforts to address social issues.
- He co-authored *Business Production Strategies to Create 300 Billion Yen Business* and *The Road to Success in Business Production to Create 300 Billion Yen Business* (PHP Institute); co-authored *Creating the Future through Industry Production: How to Think to Create New Businesses One after Another* (Nikkei BP); and authored *Empathy x Digging Deep Is the Strongest Business Skill* (PHP Institute).



Kyohei Hosono

Director, Executive Vice President

- At Japan Bank for International Cooperation, he was involved in ODA for former Soviet Union countries, efforts to resolve debt issues of emerging nations, and ODA reforms.
- Mr. Hosono joined DI because he was attracted to the Company's business model encompassing both strategic consulting and incubation.
- At DI, he was mainly in charge of global business and incubation. While in Vietnam, he supported global expansion of large companies, promoted investments in local companies, and experienced the ordeal of leading the revitalization of a listed local investee. Currently, he is involved in global business production to support Japanese companies striving to resolve social issues facing emerging nations, and he is also in charge of HR, finance, accounting, and IR as a corporate officer.



Tetsuro Harada

Director, Chairman of the Board

- While undergoing sonar operator training for naval vessels in the Japan Maritime Self-Defense Force in Etajima, Mr. Harada witnessed the devastation brought by war to Hiroshima and the city's recovery from it. Driven by his desire to contribute to the industrial development that propelled this recovery, he transitioned to the private sector.
- At Nippon Life Insurance, he was engaged in financial planning, loan sales planning, and HR planning.
- Mr. Harada joined DI shortly after its founding, after learning about the Company's purpose of fostering new businesses and new industries. He was engaged in strategic consulting, top management development, and investment and incubation for a range of major companies in IT, telecommunications, manufacturing, general trading, wholesale, retail, construction, etc. After leading structural reforms as CEO, he became chairman of the Board and supports the Company's succession for continued growth.



CORPORATE MISSION

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
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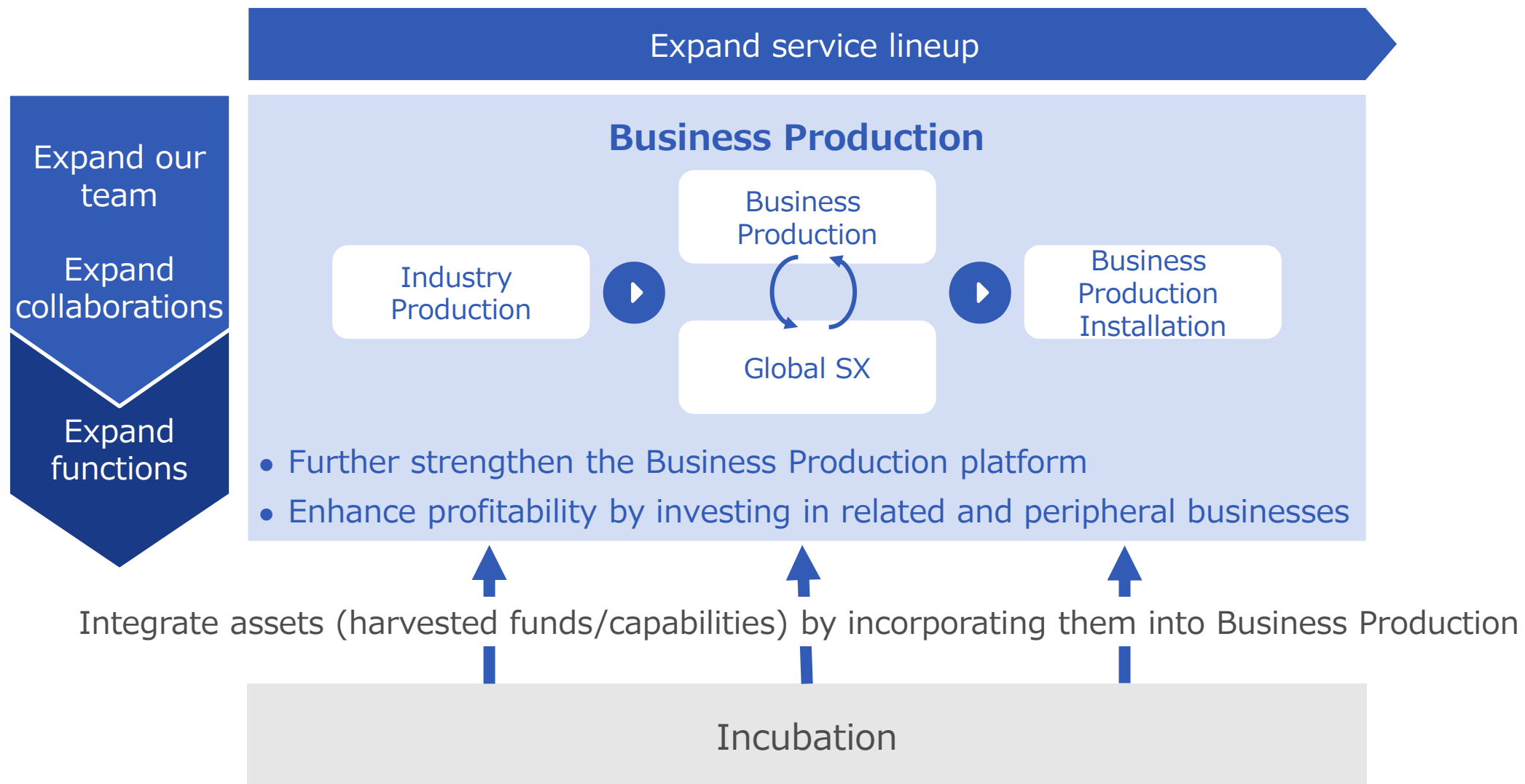
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DIRECTION DI AIMS TO TAKE

Incorporate investment assets to further strengthen Business Production



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.

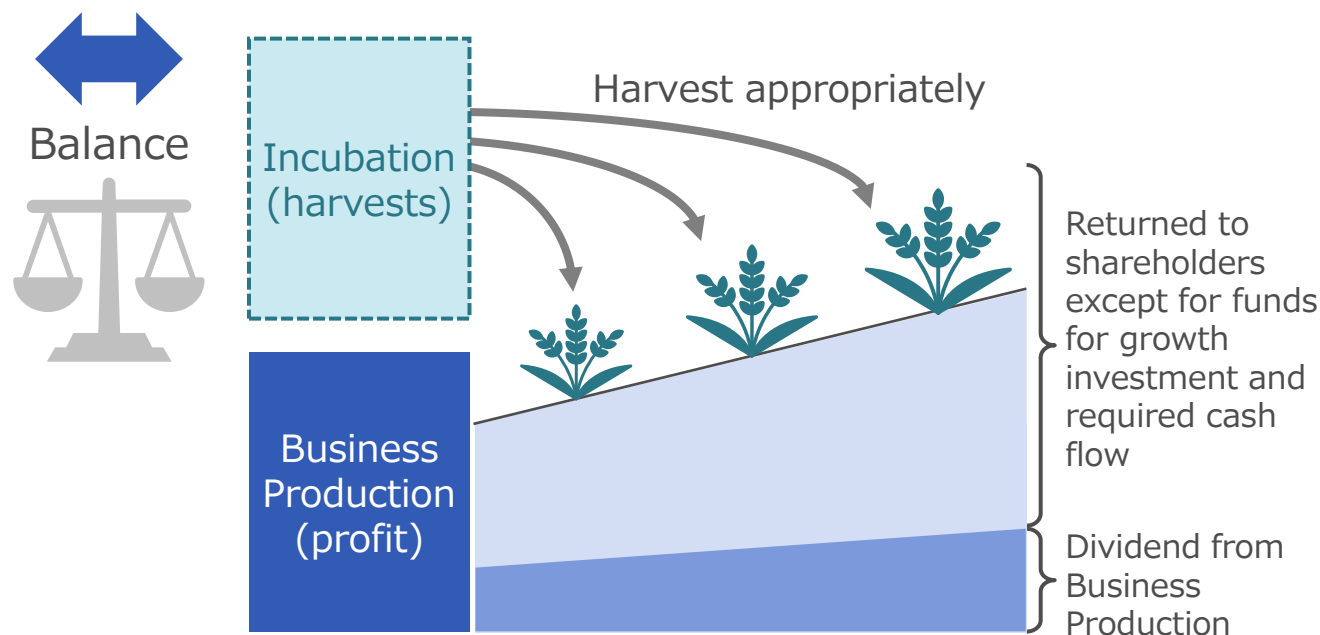
Growth investment (expansion of functions):
Grow profits

Disciplined investment (cost effectiveness)

- 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 and expand revenue opportunities, etc.
 - Anticipated ROIC* > 12%

Shareholder returns:
Increase EPS and PER

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

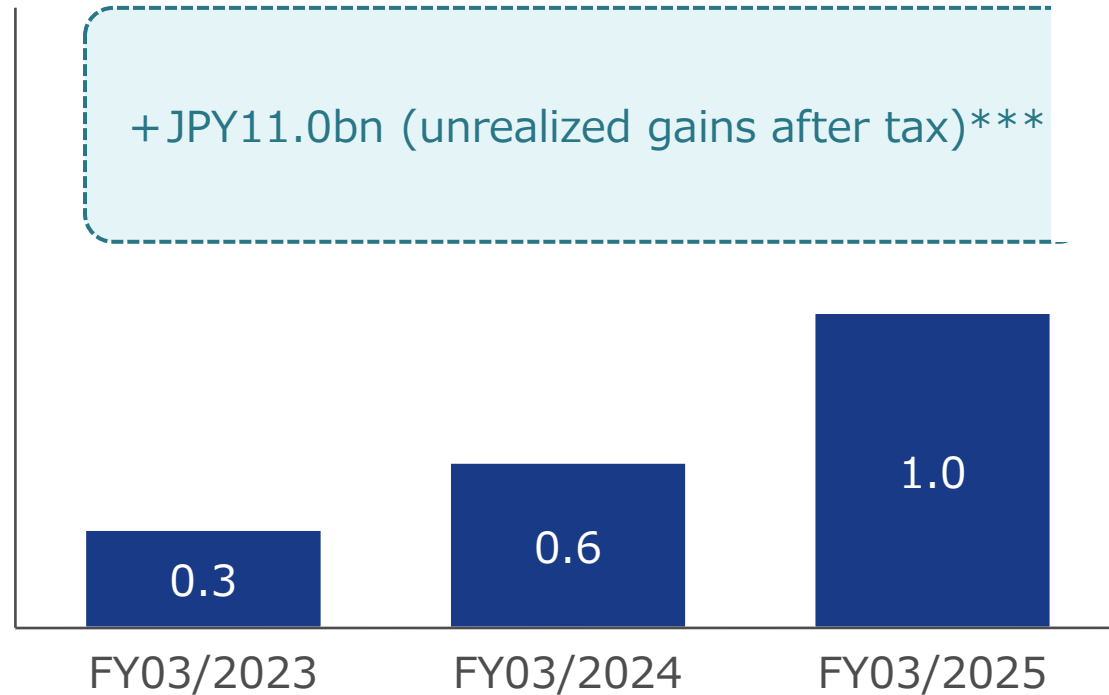


* $\text{Net income} \div \text{invested capital}$

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)



Incubation
(harvest=upside)

Business
Production
(base)

Sales (JPYbn)	3.3	4.8	5.9
Personnel(headcount)	70	93	115
EPS (JPY)**	31	56	102

* Simple calculation of recurring profit x tax rate of 30%
** Calculation assumes number of shares outstanding as of end-March 2022
*** As of end-March, 2022

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 decisions based on their own judgement. The Company accepts absolutely no responsibility for losses arising from the use of these materials.

Dream Incubator Inc.

The Business Producing Company