

**FY03/2023**

# **Financial Results Briefing Presentation**

**May 11, 2023**

**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 aerial photograph of a coastline with white clouds and a bright sun in the sky.

**DI**

# SUMMARY

**First year of Medium-Term Management Plan ended. Made steady progress centered on three priority themes**

- **Build a foundation for sustainable growth by expanding Business Production**
  - Sales were up from JPY2.8bn in FY03/2022 to JPY3.8bn. Net income (JPY0.3bn) also achieved Medium-Term Management Plan target.
  - Number of business producers increased significantly from 58 at end-FY03/2022 to 87
- **Reap appropriate harvest from Incubation (Business Investment and Venture Capital)**
  - DI's largest incubation investment, ipet, and two other investee companies sold
  - Also sold 11 companies in Venture Capital
- **Maintain balance between growth investment toward enhancing corporate value, and shareholder returns**
  - Announced a return of JPY10.0bn in profit sharing from sale of ipet

**Consolidated results were sales of JPY30.1bn and net income of JPY11.5bn. Record profits**

**In FY03/2024, year two of the Medium-Term Management Plan, continue upfront investments while steadily achieving the goals in the plan**

- **Launch of Technology & Amplify (DX/IT) practice**
- **Continue to expand Business Production through promoting collaboration with partners / strengthening the business model / implementing shareholder returns**



## **1. FY03/2023 Financial Results Summary**

## **2. Medium-Term Management Plan**

**1) (repeat) Summary of the plan**

**2) Toward year two**

# FY03/2023 CONSOLIDATED P&L

(JPYbn)

	FY03/ 2022	FY03/ 2023	YoY change	
			Amount	Percentage
<b>Sales</b>	<b>35.56</b>	<b>30.13</b>	<b>▲5.43</b>	<b>▲15.3%</b>
<b>Gross profit</b>	<b>14.72</b>	<b>13.38</b>	<b>▲1.33</b>	<b>▲9.1%</b>
<b>Operating profit</b>	<b>▲0.16</b>	<b>1.19</b>	<b>1.35</b>	<b>—</b>
<b>Recurring profit</b>	<b>0.04</b>	<b>1.22</b>	<b>1.18</b>	<b>—</b>
<b>Net income</b>	<b>0.007</b>	<b>11.55</b>	<b>11.54</b>	<b>—</b>

Note: Disclosure of profit (loss) after adjustment for insurance items discontinued due to the transfer of ipet Holdings

# FY03/2023 P&L BY SEGMENT

(JPYbn)

FY03/2022

FY03/2023

YoY  
change

Notes

## Business Production

- Sales
- Recurring profit

2.83

3.83

35.3%

0.37

0.33

-11.1%

- Sales significantly increased from FY03/2022
- Profit margin declined due to investments to strengthen recruitment

## Venture Capital

- Sales
- Recurring profit

0.83

1.91

129.2%

-0.02

0.32

—

- Sold 11 companies\* including several large ones
- Impairment losses for eight companies

## Business Investment

### Pet Lifestyle

- Sales
- Recurring profit\*\*

28.65

24.37

-14.9%

0.09

0.56

471.8%

- Sold in Q4 FY03/2023 and recorded JPY18.4bn in extraordinary income
- Excluded from consolidation from Q4

### HR Innovation

- Sales
- Recurring profit

1.32

—

—

-0.15

—

—

- Sold in Q1 FY03/2023 and recorded JPY0.03bn in extraordinary income
- Excluded from consolidation from beginning of FY03/2023

### Fan Marketing

- Sales
- Recurring profit

2.00

—

—

-0.25

—

—

- Sold in Q1 FY03/2023 and recorded JPY0.51bn in extraordinary income
- Excluded from consolidation from beginning of FY03/2023

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

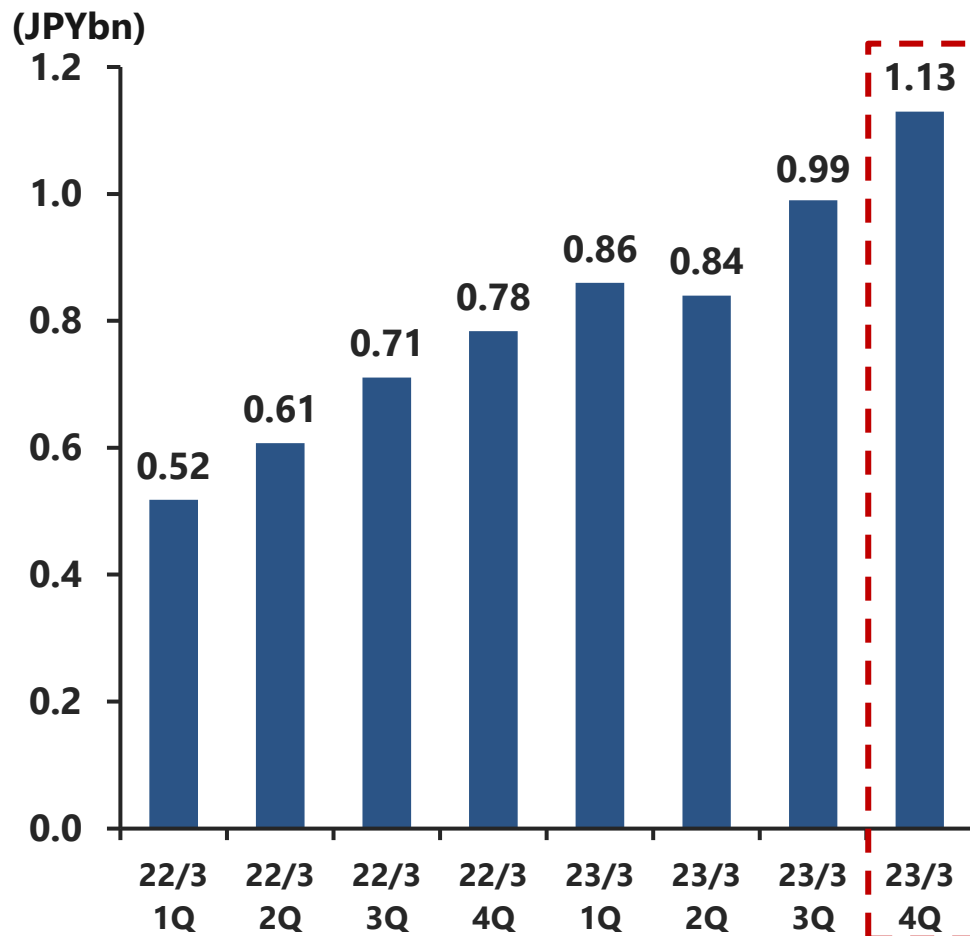
\* Includes company after impairment losses

\*\* Disclosure of profit (loss) after adjustment for insurance items discontinued due to the transfer of ipet Holdings

# CORE BUSINESS PRODUCTION CONTINUES TO EXPAND

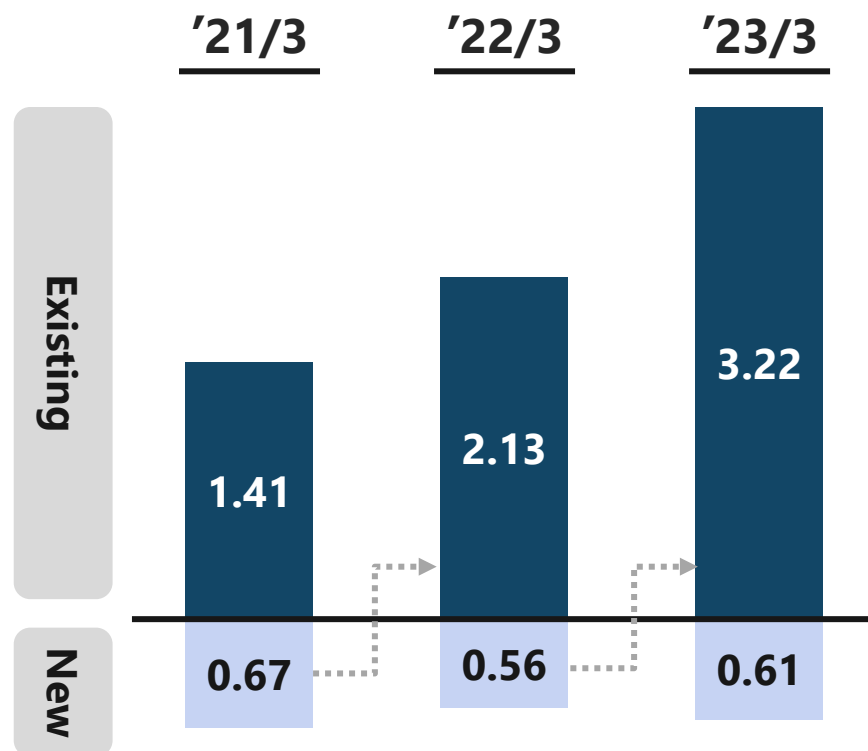
## Status of Business Producing

### Quarterly sales\*



Continued to attract new customers,\*\* while steadily expanding existing customers

(Sales by existing/new customers\*)  
(JPYbn)

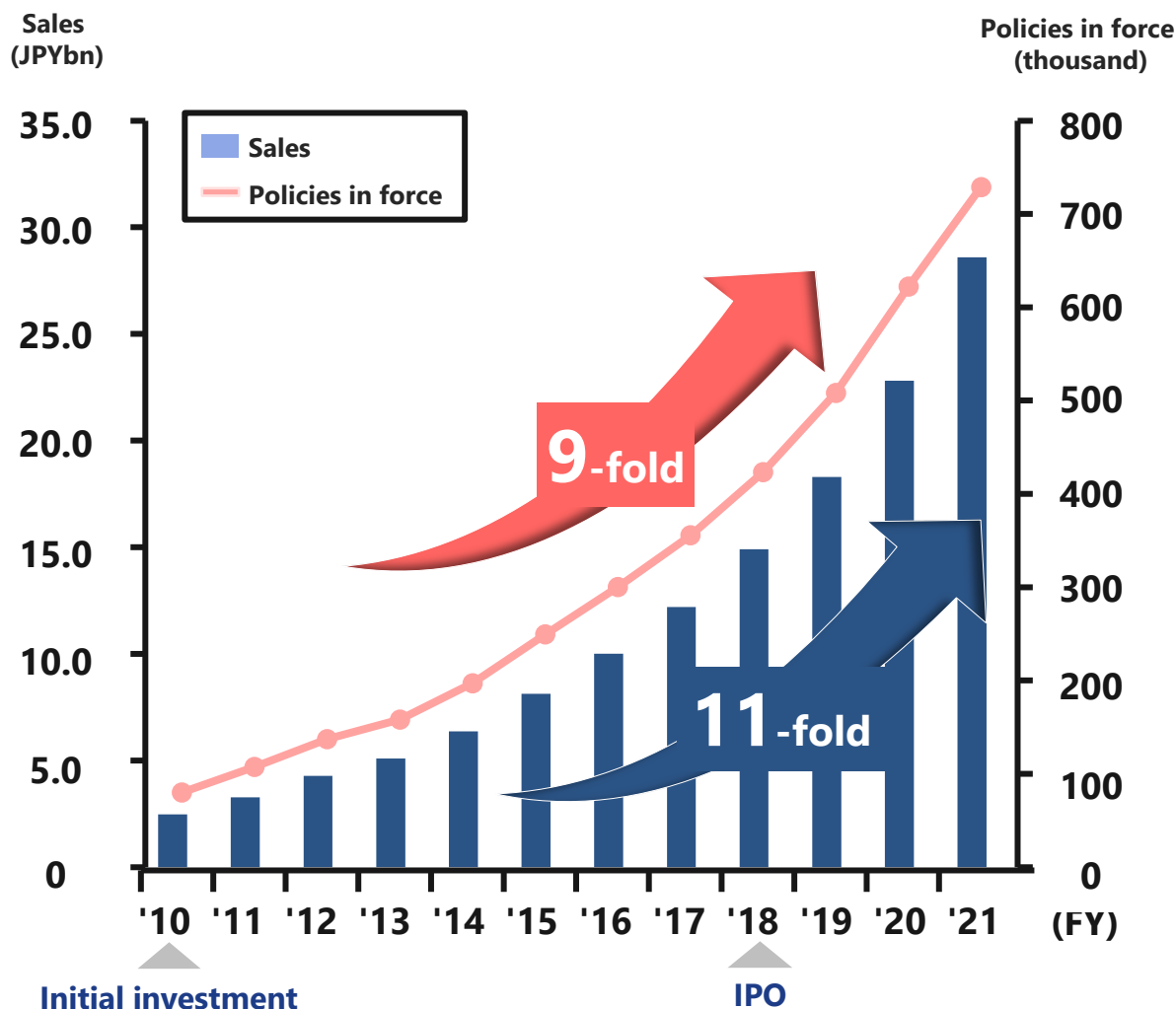


\* Excludes sold businesses

\*\* Includes customers for which sales have not been recorded for past two years or more

# SOLD IPET IN FY03/2023, WHICH DI HAD GROWN SIGNIFICANTLY

## Sales and policies in force after DI investment



## Incubation performance

### Financial impact

- Amount invested: JPY1.8bn (Feb. 2011)
- Sale amount: JPY21.5bn (Jan. 2023)
- Gain on sale: JPY18.4bn\*
- Cash inflow after tax: approx. JPY15.0bn

### Value provided by DI

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

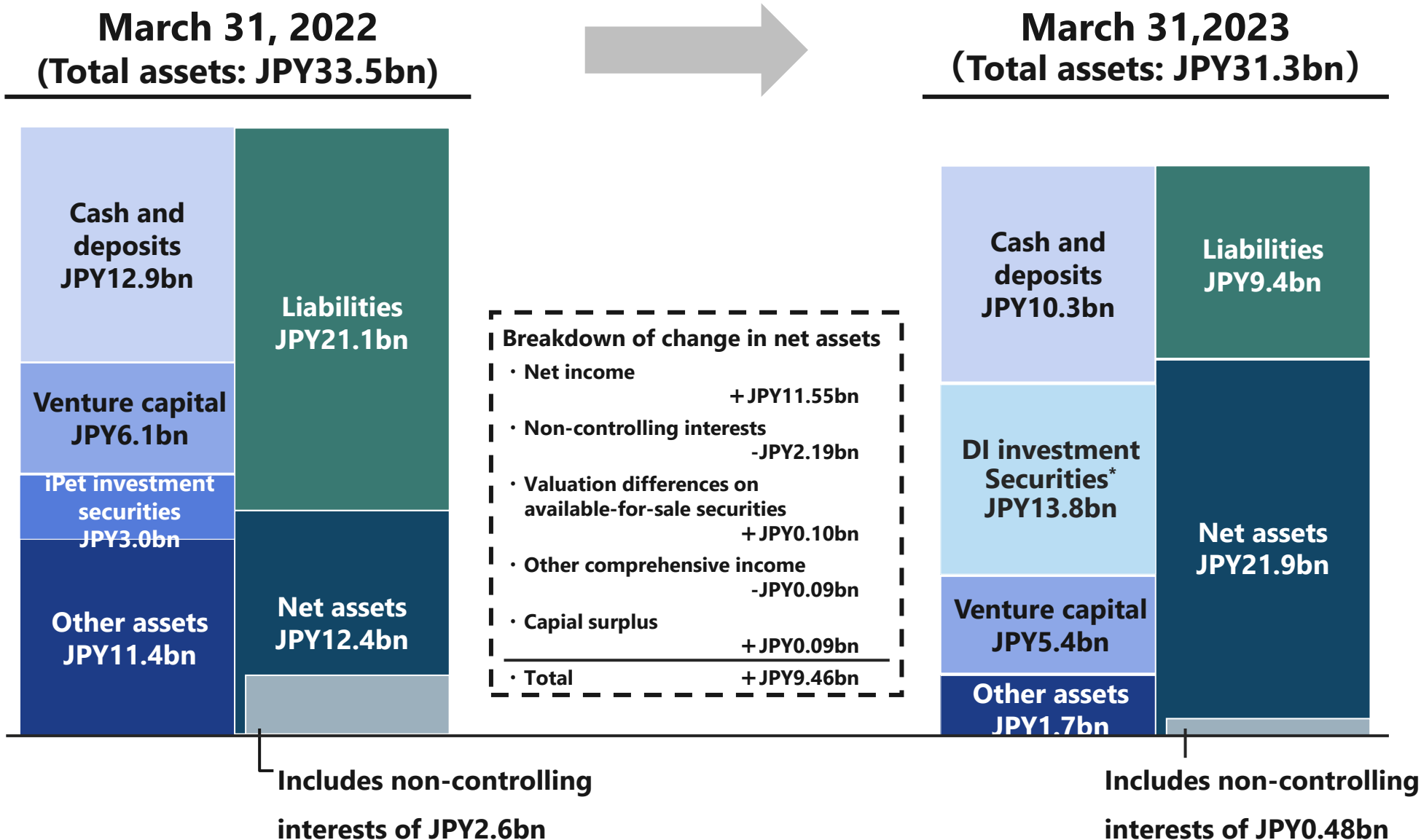
- Built management and governance framework
- Growth strategy planning, execution support
- Digital marketing support
- Capital policy, IPO support
- M&A support

**Proceeds from sale and capabilities accumulated are utilized to return profits to shareholders and further develop Business Production**

\* On a consolidated basis, taking into account profit and loss from consolidations in previous years

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# FY03/2023 CONSOLIDATED BALANCE SHEET



\* Short-term investment asset under management (joint money trust )





## **1. FY03/2023 Financial Results Summary**

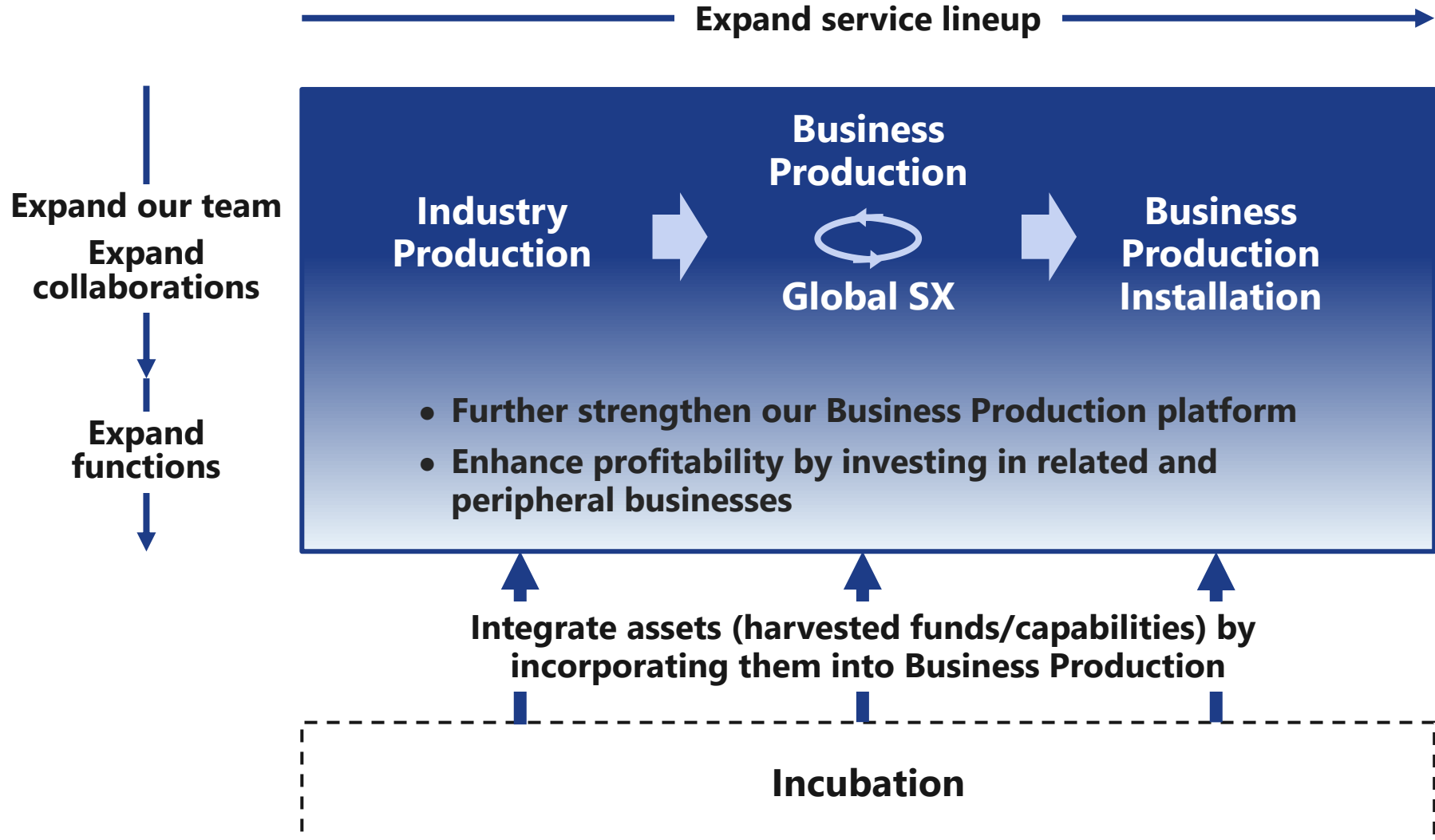
## **2. Medium-Term Management Plan**

**1) (repeat) Summary of the plan**

**2) Toward year two**

# DIRECTION THAT DI INTENDS 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: Improve profitability**  
(Expand functions)

**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

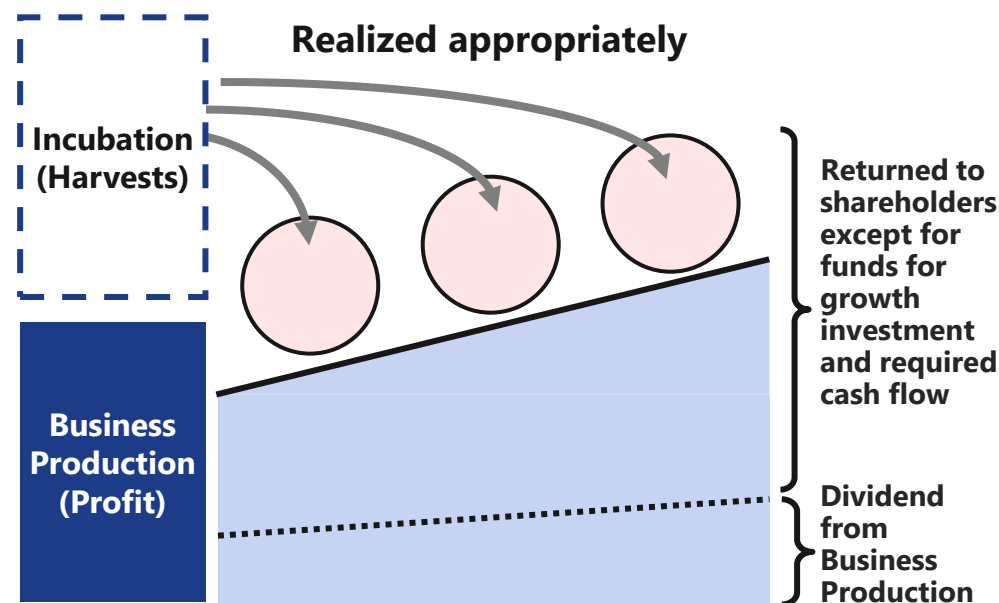
- Invest to bolster capabilities, expand revenue opportunities, etc.
- Estimated ROIC\* > 12%



Balance

**Shareholder returns: Improve EPS and PER**

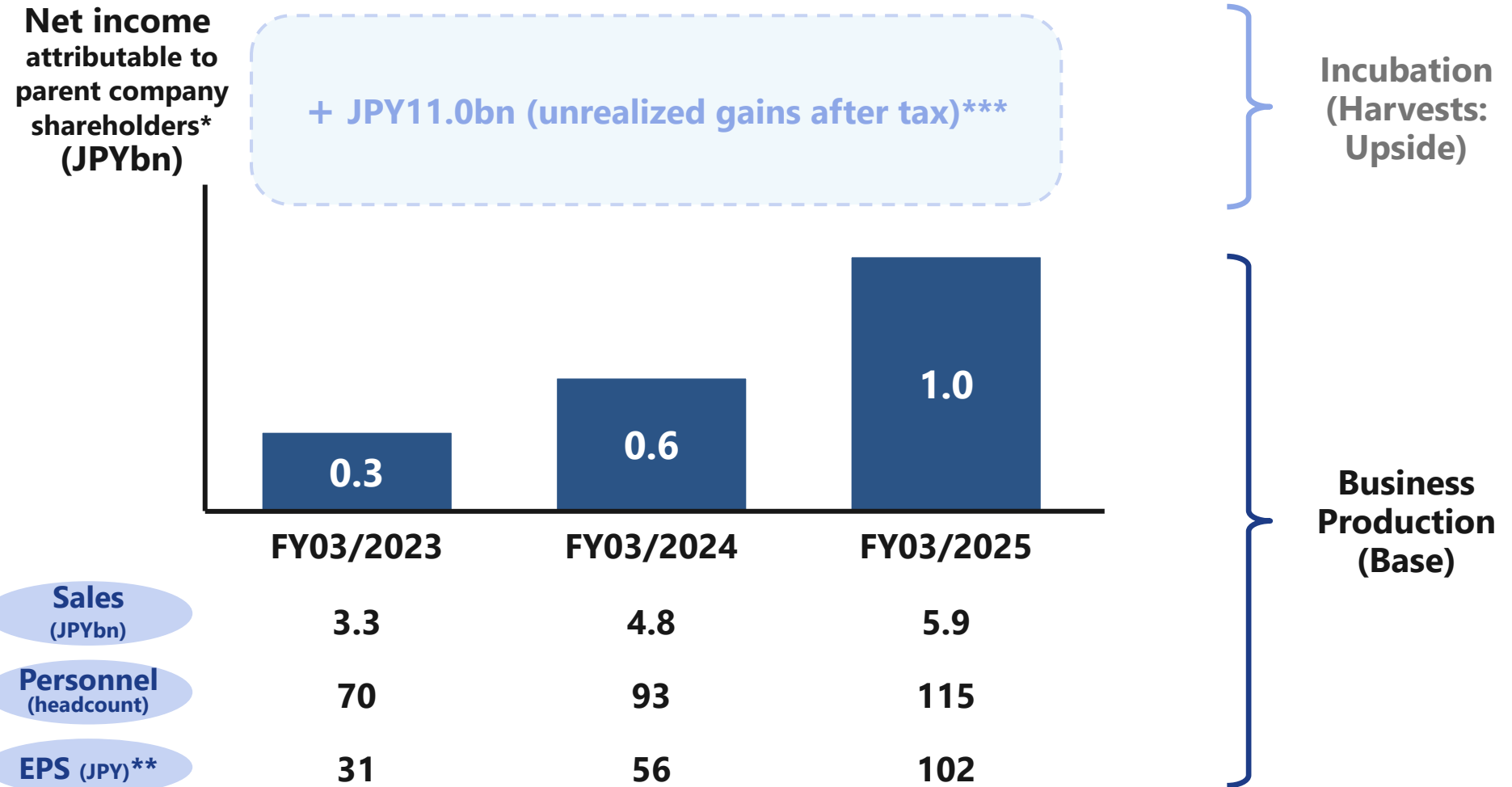
**Based on profits from stable growth in P&L and harvested funds**



\* Net income ÷ invested capital

# 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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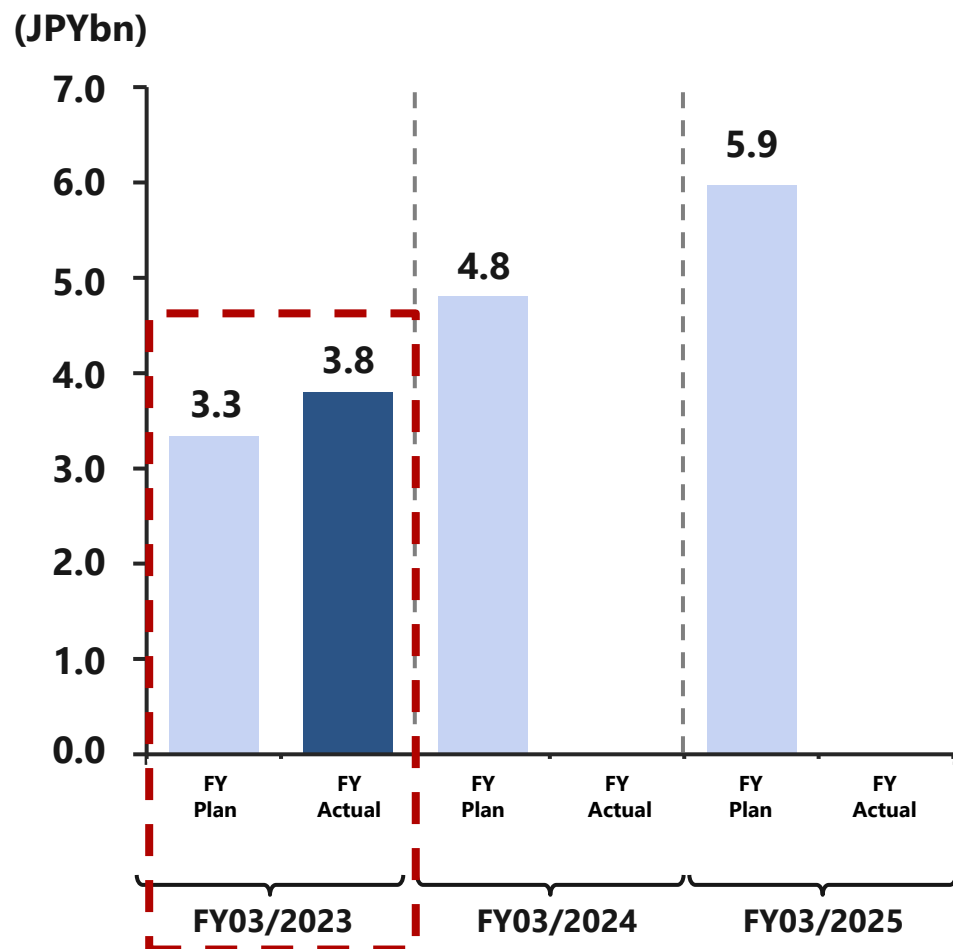
# YEAR ONE PROGRESS SUMMARY AND YEAR TWO FOCUS POINTS

Priority themes	Major progress in year one	Focus points for year two
<b>Business Production</b>		
Expand service lineup	<ul style="list-style-type: none"> <li>Reinforced structure by organizing into three divisions</li> <li>Recruited executives for new Technology &amp; Amplify practice</li> </ul>	<ul style="list-style-type: none"> <li>Expand the Technology &amp; Amplify business and get it on track</li> </ul>
Expand our team	<ul style="list-style-type: none"> <li>Accelerated hiring ahead of schedule</li> <li>Started strengthening branding</li> </ul>	<ul style="list-style-type: none"> <li>Continue and steadily implement</li> </ul>
Expand collaborations	<ul style="list-style-type: none"> <li>Built foundation for collaboration with clients and business partners</li> </ul>	
Expand functions	<ul style="list-style-type: none"> <li>(First, secured funds to expand functions)</li> </ul>	<ul style="list-style-type: none"> <li>Continue consideration to strengthen the business model</li> </ul>
<b>Incubation</b> <ul style="list-style-type: none"> <li>Appropriate harvest</li> </ul>	<ul style="list-style-type: none"> <li>ipet, 13 other companies sold</li> </ul>	<ul style="list-style-type: none"> <li>Continue and steadily implement</li> </ul>
<b>Company-wide management</b> <ul style="list-style-type: none"> <li>Balance growth investments and shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Decided on allocation of recovered funds               <ul style="list-style-type: none"> <li>Shareholder returns JPY10.0bn (including JPY2.0bn as special dividend at end-FY03/2023)</li> <li>Growth investments JPY5.0bn</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Continue and steadily implement shareholder returns</li> </ul>

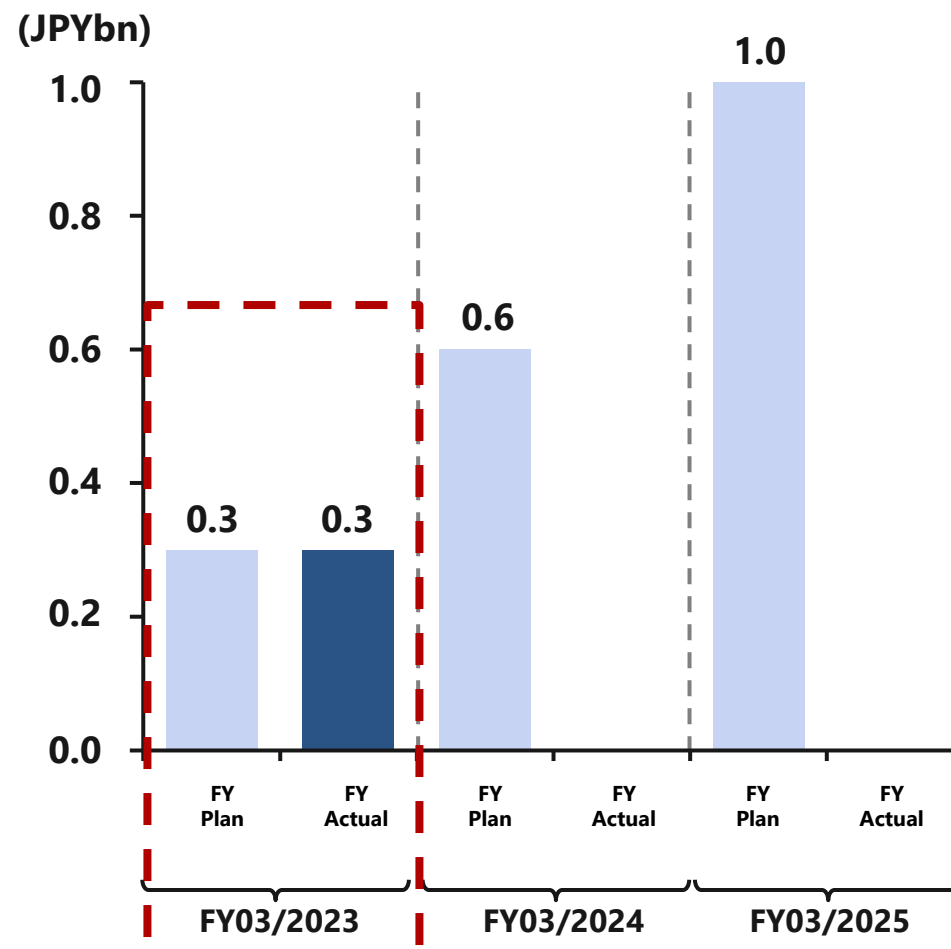
# QUANTITATIVE SUMMARY: ACHIEVED SALES AND NET INCOME TARGETS IN YEAR ONE

## Business production vs. plan

### Sales progress vs. plan



### Net income\* progress vs. plan



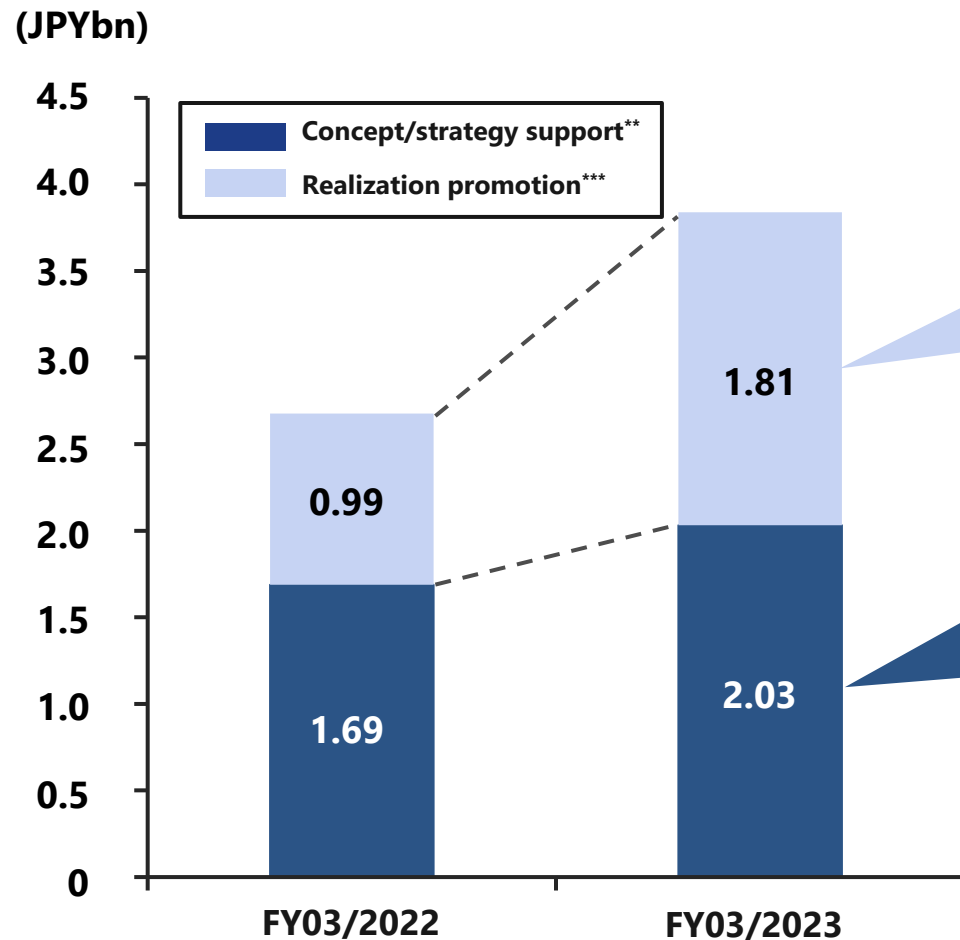
**Full-year plan for year two remains unchanged. However, accelerated HR investment anticipating business expansion may result in losses at early stages.**

\* Simply calculated by deducting taxes (30% tax rate) from profit adjusted for income from non-controlling interests

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# STRONG DEMAND FOR BUSINESS CREATION AND EXPANSION OF SERVICE LINEUP AS MAIN FACTORS FOR ACHIEVEMENT

## Sales\* by service



## Example project themes

- Support for establishment and operation of organization for new business creation
- Support for realization of sustainability plans
- Promotion of concrete business concept for hydrogen society
- Support for procurement of the non-fossil certificate
- Support for development of cloud-based data services
- Support for building new businesses using metaverse
- Support for realization of business creation (various)

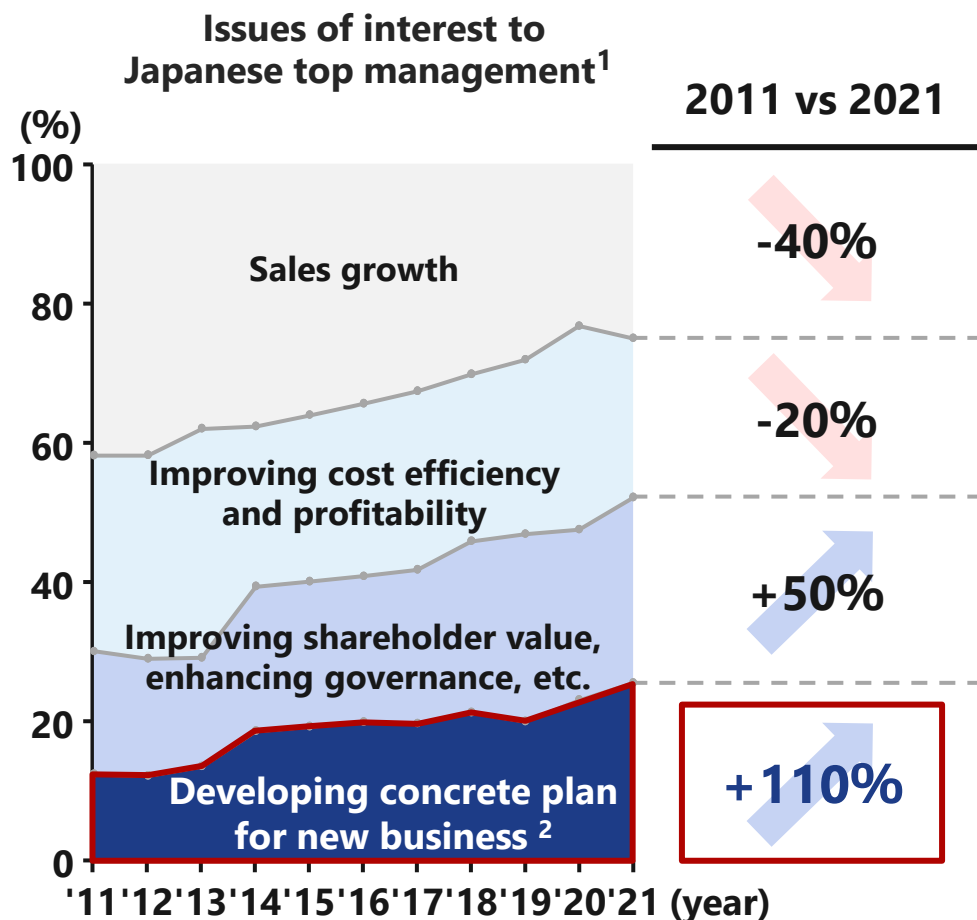
- New business concept based on social issues + policy trends
- Business creation as backbone of GX area
- Industry production of sinks/forests
- AI strategy formulation
- Cross-industry alliance business expansion strategy
- Mobility services x Commercialization
- Exploring entry into US healthcare device market
- Investment strategy centered on public-private partnerships in Asia
- Support for startups' global expansion

\* Excludes sold businesses  
\*\* Industry Production, Business Production, Global SX  
\*\*\* Business Production Installation

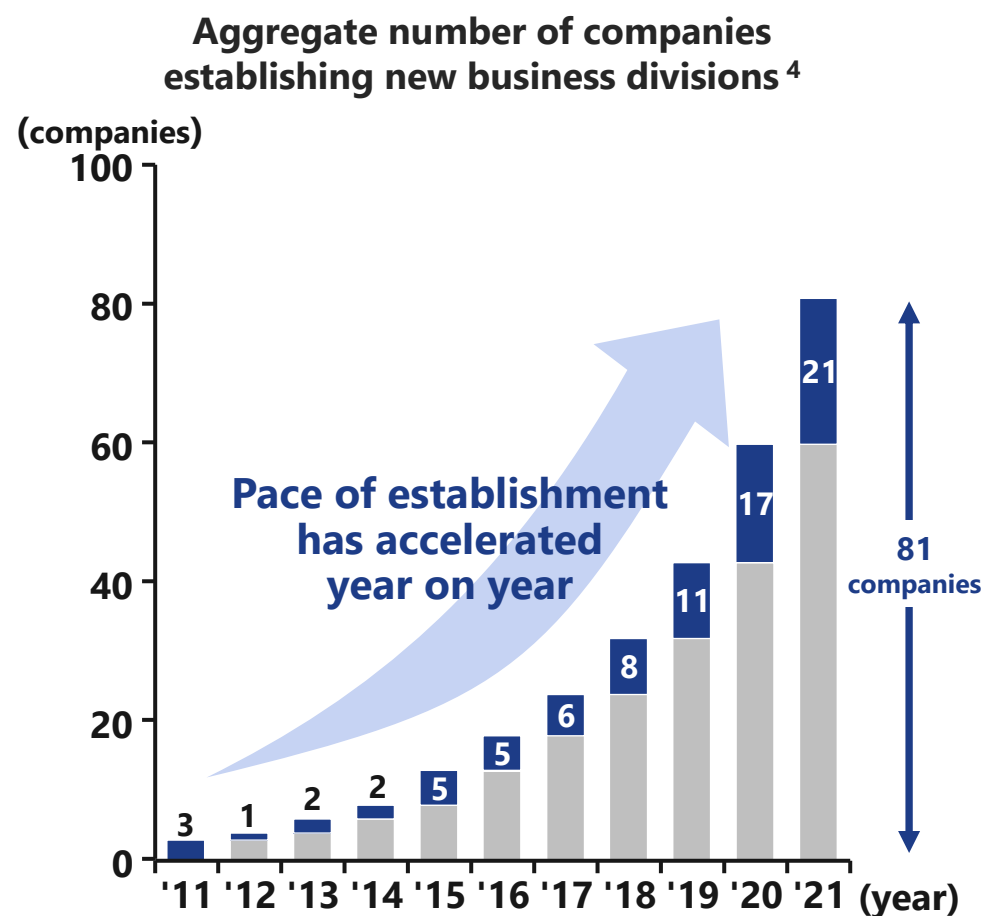


# BUSINESS CREATION BECOMING THE TOP AGENDA AT AN ACCELERATED PACE

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



80% of top 100 companies<sup>3</sup> 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.

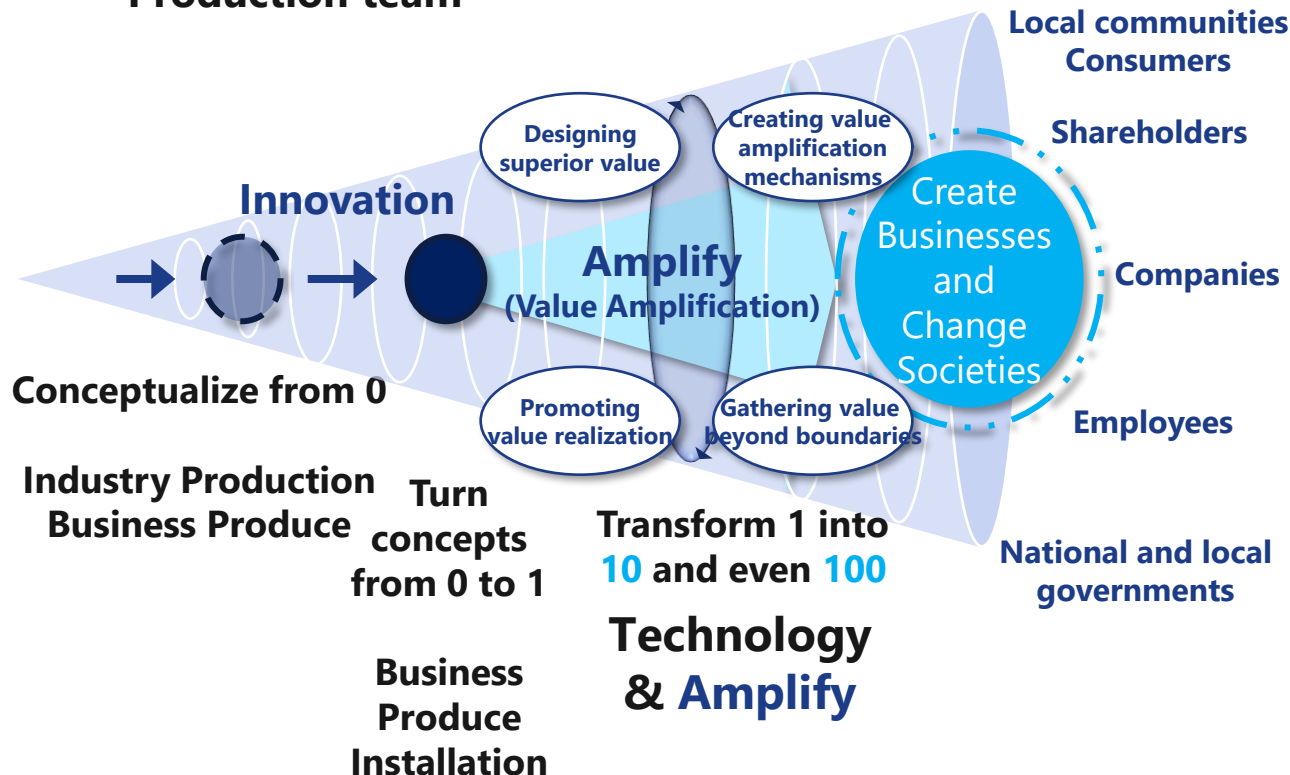
Source: "Survey on Current Corporate Management Issues" by Japan Management Association; press releases/organizational charts of the companies

# EXPAND SERVICE LINEUP: LAUNCH OF NEW T&A PRACTICE

## Significance and Aim of Technology & Amplify

Businesses created through Business Production are *amplified* through technology

- Integration and collaboration with existing Business Production team



## Current status

Built initial system

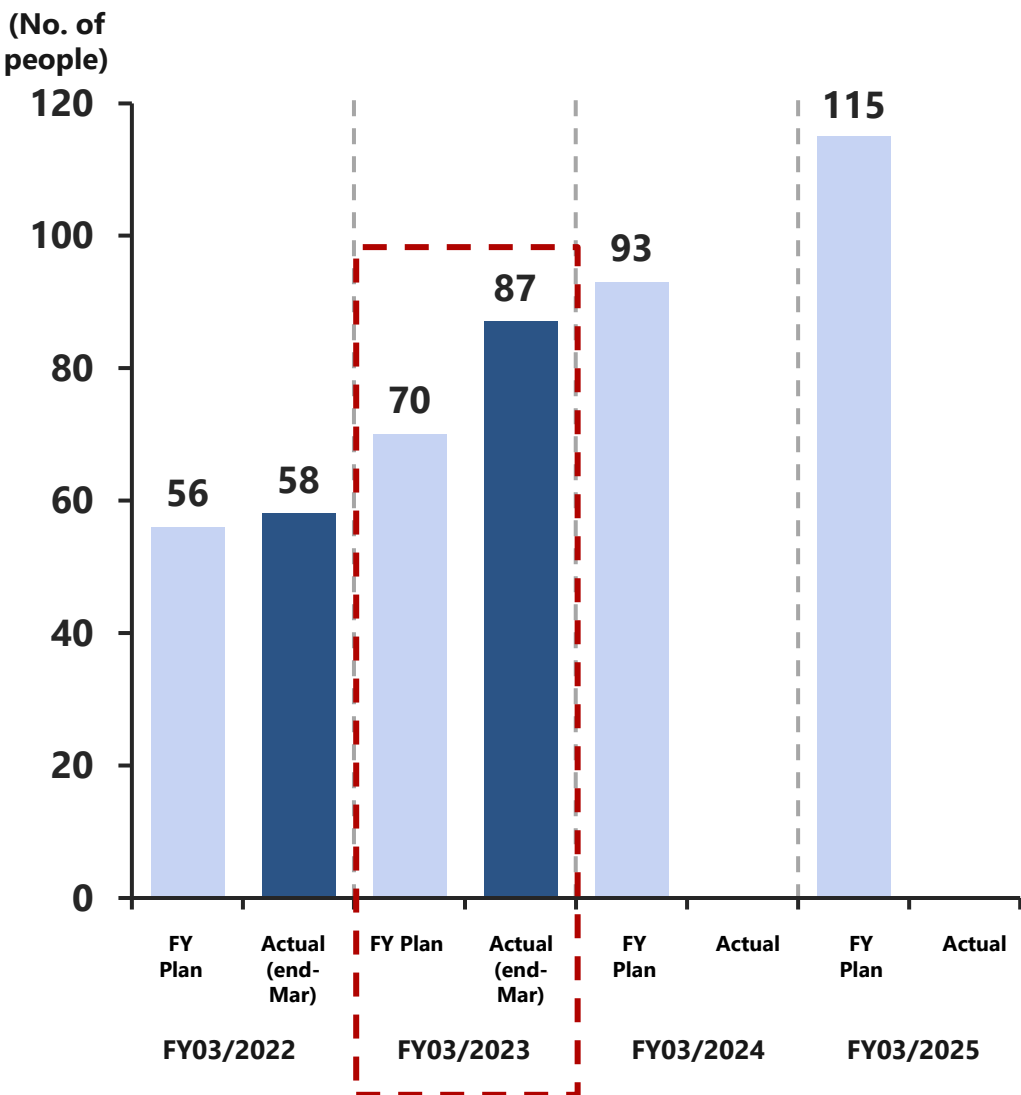
- Six executive officers/ managing directors
  - All are DX/technology professionals
- Expanding to a team of several dozen people

Full-scale start of proposal activities to customers

- Receiving many inquiries with high expectations
- Proposal from furthest upstream to *amplification*
- Growing opportunities for new consultations/proposals for DI
  - Corporate DX/IT, accounting departments, etc.

# EXPAND OUR TEAM (1): STEADILY SECURE PERSONNEL AND IMPROVE THE ENVIRONMENT

## Business producer\* team size against plan



## Developing environment for investment in human capital

Respond to an increase in personnel with diverse backgrounds and values

- Promote diversity, equity, and inclusion
  - Increase female business producers
  - Enhance training, etc.
- Maintain system to support success of professionals
  - Encourage male employees to take childcare leave, etc.
- Expand office spaces
  - Respond to increase in personnel
  - Improve productivity by activating communication
- Build alumni network
  - Awarded Jury Prize at Japan Alumni Awards 2022

\* Excluding incubation specialists

# EXPAND OUR TEAM (2): STRENGTHEN BRANDING ACTIVITIES

## FY03/2023: Start full-scale activity

- 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



READ MORE

## FY03/2024: Expand scope while ensuring quality

- Unveil new Technology & Amplify practice
- Plan to release Business Production book (fourth book)
- President Miyake's Twitter
- Other article planning, etc.

Strategy consulting firm DI  
proposes the new normal  
for ease of work

The keys to maximizing  
performance are  
freedom and autonomy.



時代は増幅<アンプリファイ>を求めている:ドリームインキュベータの「テクノロジー&アンプリファイ」とは

企業が新規事業を行なう際、ゼロからの価値創造のために外部のコンサルティングファームに依頼することはしばしばある。しかし実行のフェーズにおいて、そのつくり上げた価値が果たして持続可能なものとなるのは難しい。戦略コンサルティングファームであり、「ビジネスプロデュースカンパニー」であるドリームインキュベータ(DI)は、その価値を「増幅」させるべく新たなビジネス「テクノロジー&アンプリファイ」を立ち上げた。彼らの顔から見てきたのは、自由な発想で実践を行う選手コンサルタントたちの姿だった。

PROMOTION 2023.03.03 FRI 09:30



**Increase exposure with the key term Business Production**

# EXPAND COLLABORATIONS: DEEPEN COLLABORATIONS WITH CLIENTS/BUSINESS PARTNERS

## Accelerating Business Production through collaboration with MUFG

Mitsubishi UFJ Financial Group (MUFG) established a new unit to contribute to the business creation of large corporate clients and collaborated with DI Industry Production and Business Production.

They proposed new concept and business plan to large corporate clients and several projects started to move toward realization.



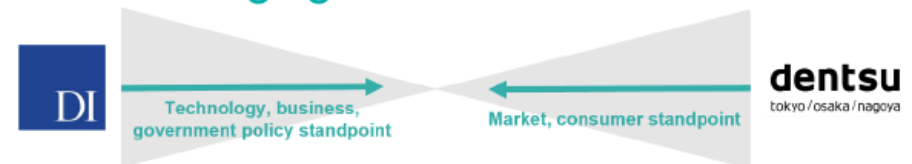
## Collaboration with Dentsu Group

### Activities so far

- Personnel exchange
- Joint product development + press releases
  - Launch of R&D Transformation Promotion Team
  - Business Production Support Program for the ASEAN market
- Received orders for joint projects
- Support for skills transfer to accelerate Dentsu Group's BX\*

Aim to further deepen collaboration in the future such as in joint projects and winning orders for large-scale projects

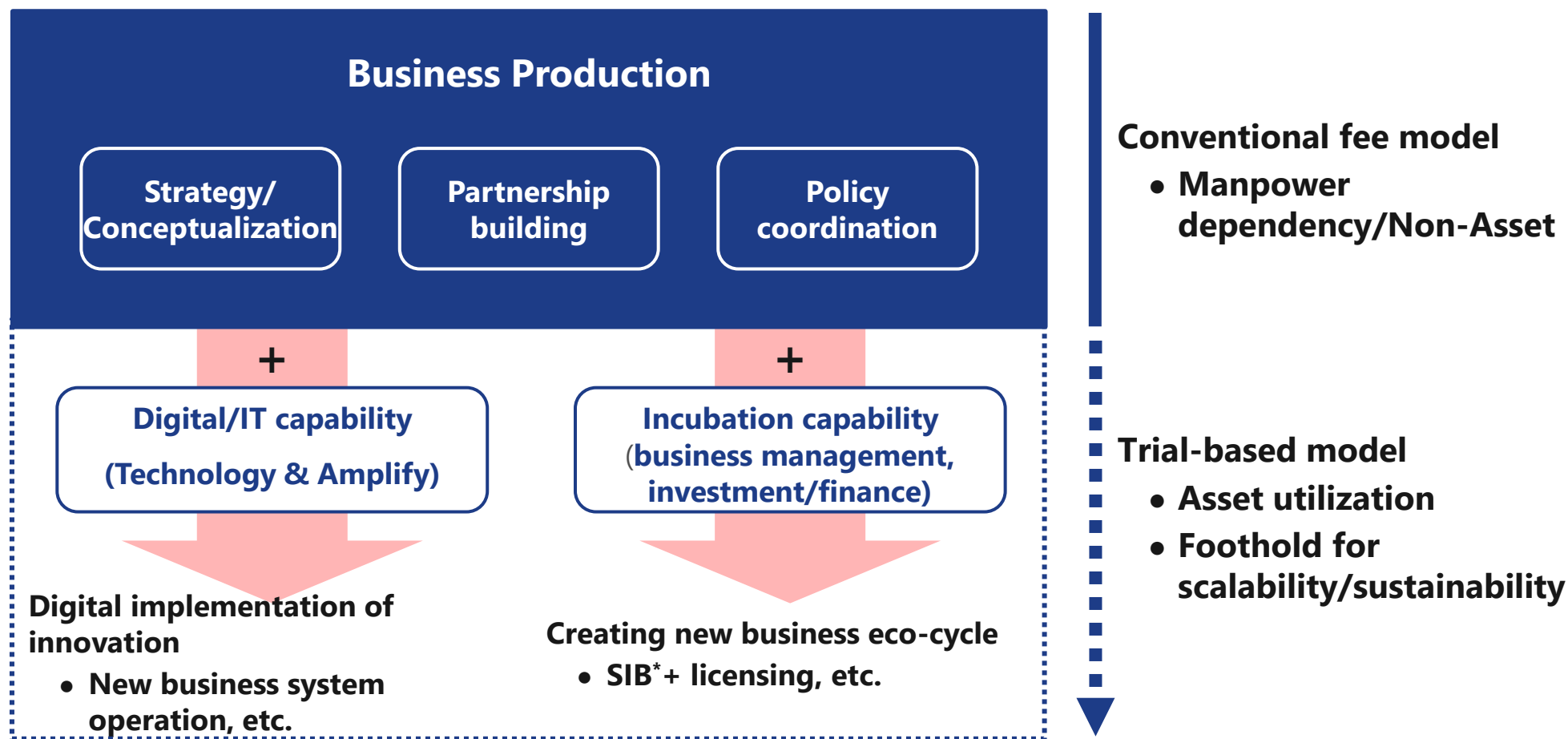
### Bringing R&D to more of life



**New scheme to create and propose Industry and Business Production seeds together**

# EXPAND FUNCTIONS: STRENGTHEN BUSINESS MODEL FOR SUSTAINABLE GROWTH


Pursue even more profitable model incorporating Incubation and digital/IT capabilities



# INCUBATION: STEADY PROGRESS IN HARVESTING

## Portfolio and market value

(JPYbn)

		End-March 2022			End-March 2023	
		Book value <sup>1)</sup>	Market value <sup>2)</sup>		Book value <sup>1)</sup>	Market value <sup>2)</sup>
Core venture portfolio <sup>3)</sup>	Japan	1.0 (12 co.)	2.4		0.1 (9 co.)	1.4
	India	1.8 (27 co.)	4.3		1.8 (21 co.)	6.5
	Other	0.02 (2 co.)	0.4		0.00 (1 co.)	0.3
	Total	2.9 (41 co.)	7.2		2.0 (31 co.)	8.2
LP investment in fund <sup>4)</sup>		2.4 (6 co.)	2.4	+ Investment <sup>6)</sup> (4 co.)  ▲ Sale <sup>7)</sup> (4 co.)  ▲ Impairment loss (8 co.)	2.4 (6 co.)	2.4
Venture Capital		5.3 (47 co.)	9.6 (1.1)		4.5 (37 co.)	10.7 (1.7)
Business Investment <sup>5)</sup>		2.6 (3 co.)	13.9 (3.4)	▲ Sale (3 co.)	— (—)	—

1) For investees in own funds, only the value equivalent to DI's interest is included.

2) Before taxes. Taxes are shown in parentheses (included in the value above).

3) Excludes companies for which impairment losses have been recorded and that experienced no up-round financing thereafter, and stock options not subject to valuation.

4) Book value reflects profit/loss in investments. Market value is not calculated as calculation methods differ by fund.

5) Boardwalk is included in venture portfolio.

6) Includes additional investments.

7) Excludes companies for which impairment losses have been recorded.

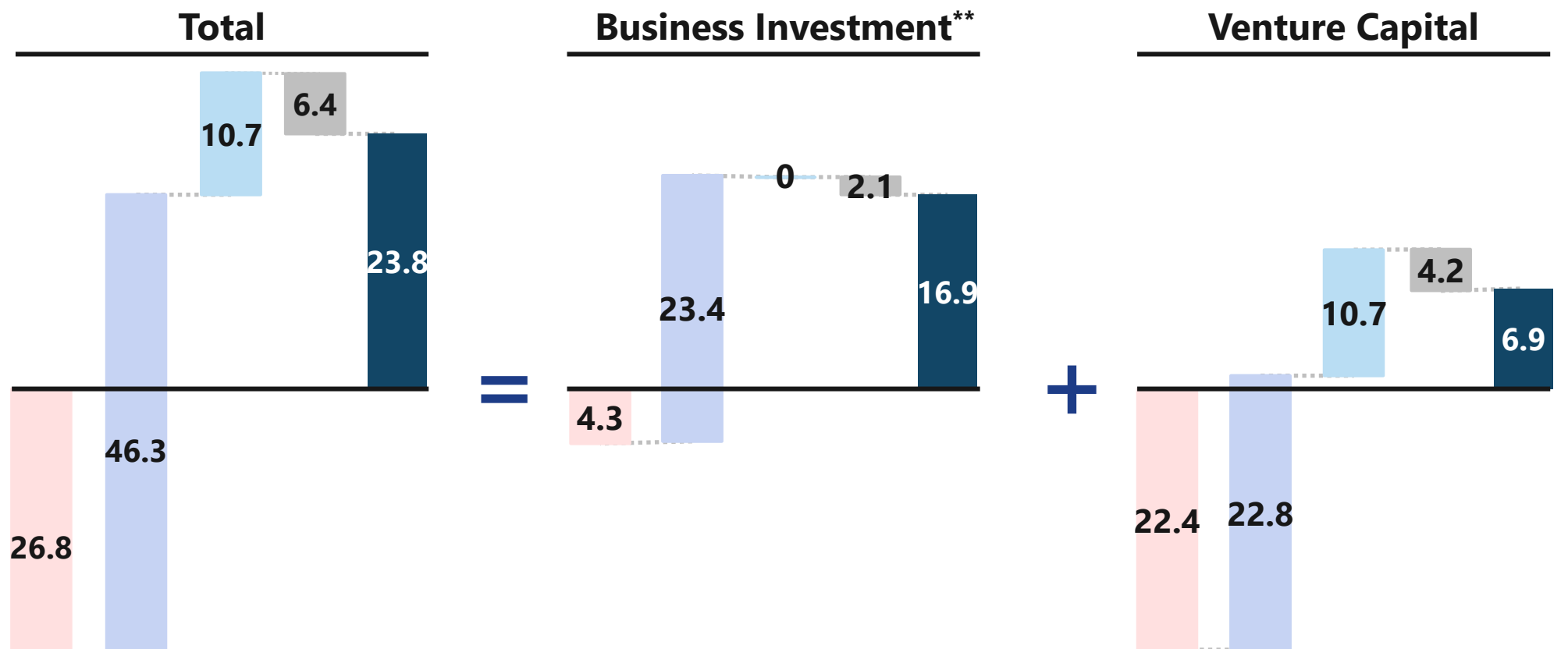


# INCUBATION BUSINESS PERFORMANCE

Reference

Cumulative cash flows\* from establishment to FY03/2023  
(including amount of estimated recovery)

(JPYbn)



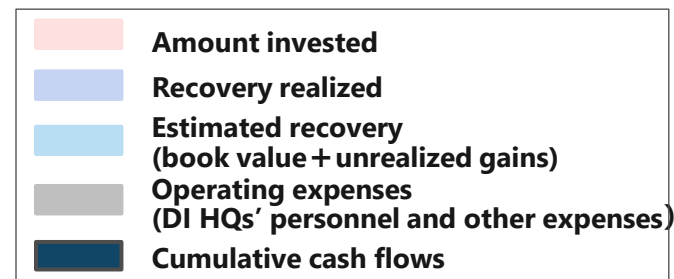
\* Before tax

\*\* Include BOARDWALK in venture business portfolio

\*\*\* 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)

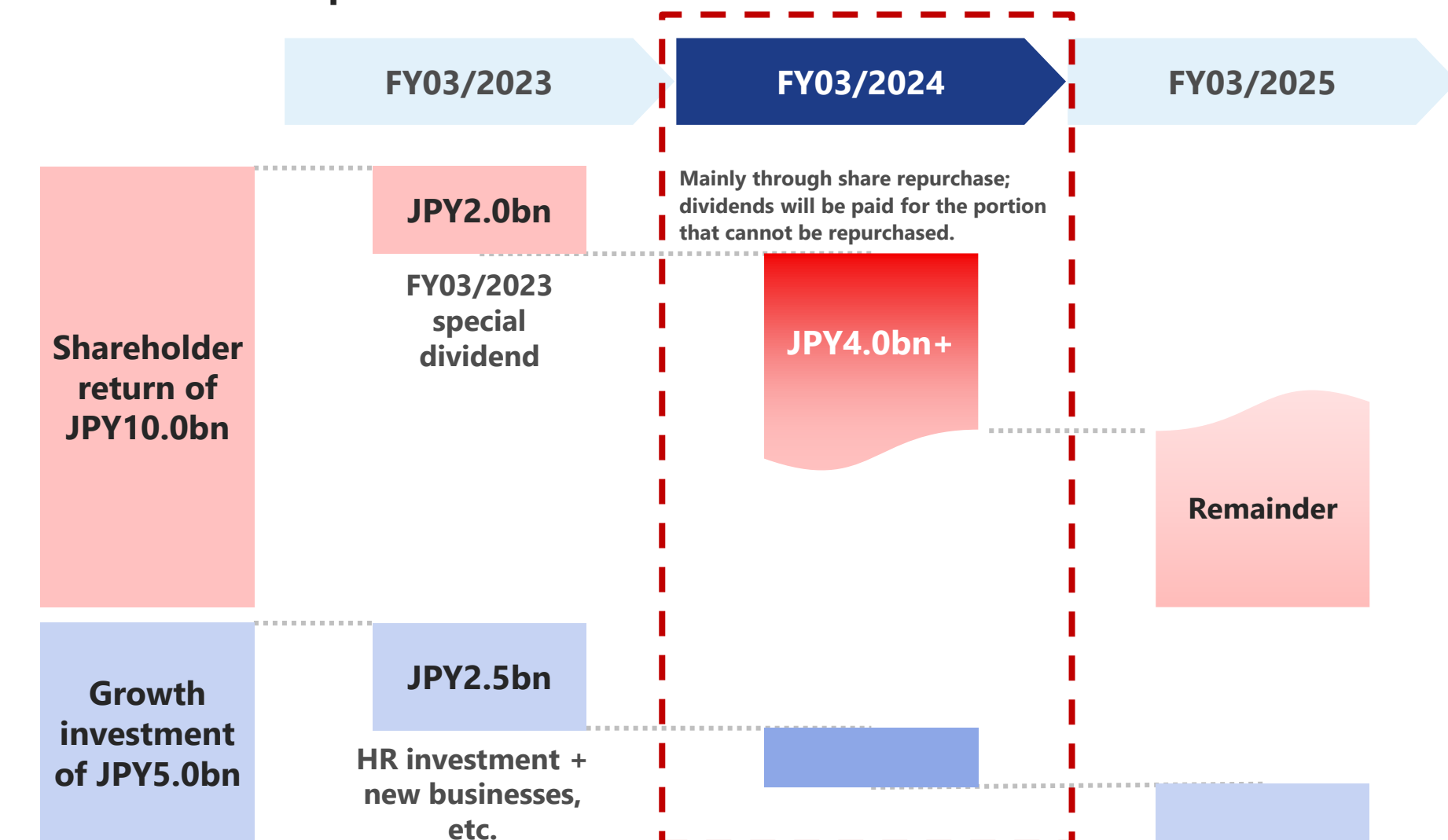
When these prices are unavailable, book value is used without revaluation.





# SHAREHOLDER RETURNS FOR FY03/2024

## Proceeds from ipet sale



**Own-Share repurchase of up to JPY3.0bn disclosed this day**

# CORPORATE GOVERNANCE

## Board of Directors

Name	Current position	Type
<b>Tetsuro Harada</b> (Candidate for appointment)	Representative Director & CEO Chairman of the Board of Directors	
<b>Takayuki Miyake</b> (Candidate for appointment)	Representative Director, President & COO	
<b>Kyohei Hosono</b> (Candidate for appointment)	Director, Vice President & COO	
<b>Tsutomu Fujita</b> (Candidate for appointment)	Director	Outside Independent
<b>Soichiro Uno</b>	Director, Audit & Supervisory Committee member	Outside
<b>Yuriya Komatsu</b> (Candidate for appointment)	Director, Audit & Supervisory Committee member	Outside Independent
<b>Sakon Uda</b>	Director, Audit & Supervisory Committee member	Outside Independent

Change in representative director (as of June 20, 2023)

Representative Director & CEO Harada

→ Director, Chairman of the Board of Directors\*

\* Subject to approval at the Annual General Meeting of Shareholders scheduled for June 20

## Operational status

### Board of Directors

- Shift to a monitoring model from FY03/2023 with a majority of outside directors
- Number of representative directors reduced from two to one\* due to progress in structural reforms resulting in end of conglomerate structure (as of June 20)
- Focus on monitoring sustainable growth and continually updating succession plans going forward

### Consultation with the nomination and compensation committee

- Commenced operation of remuneration system for directors which was reviewed in FY03/2022
  - Increased weight of executive remuneration linked to business performance to encourage efforts to enhance corporate value in short, medium and long term
- In line with the recording of extraordinary income, special bonuses of JPY2.0bn for executives and employees as HR investment were allocated, in addition to shareholder returns of JPY10.0bn

# 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.

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# Dream Incubator Inc.

The Business Producing Company