

Q1 FY03/2024

Supplementary Materials for Consolidated Financial Results

August 1, 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

Q1 results

- **Business Production**
 - Sales: JPY0.96bn (+11% YoY)
 - Operating loss: JPY0.15bn
 - Increase in personnel expenses outpaced sales growth, but we aim to achieve full-year net income target of JPY0.6bn by increasing sales going forward
- **Venture Capital**
 - Operating loss: JPY0.02bn
 - Sold one company in Q1
 - From Q2 onward, we plan to continue promoting sales (i.e., exit) at optimal timing

Expansion of service lineup

- **Technology & Amplify (T&A), a new practice, is gradually starting to expand, with promising signs of further growth**

Share buyback

- **Acquisition status as of July 31, 2023**
 - Number of shares acquired: 465,000 shares (31% of the upper limit of 1,500,000)
 - Acquisition price: JPY1.25bn (42% of the upper limit of JPY3.0bn)
- **Plan to cancel all acquired shares, except those earmarked for stock-based compensation for some executives and employees, by the time of full-year results announcement**



- 1. Q1 FY03/2024 Financial Results**
- 2. Reference Materials**
 - 1) Company profile**
 - 2) Current medium-term management plan**

Q1 FY03/2024 CONSOLIDATED P&L

(EXCLUDES BUSINESSES SOLD IN FY03/2023)

- **Business Production**
 - Sales continued to expand
 - Posted an operating loss as higher personnel expenses resulting from aggressive hiring outpaced sales growth
- **Venture Capital: Sold one company**

(JPYbn)	Q1 FY03/2023	Q1 FY03/2024	YoY change
Sales	1.06	1.17	10.3%
Business Production	0.86	0.96	11.6%
Venture Capital	0.20	0.21	4.6%
Operating profit	0.21	-0.18	-
Business Production*	0.15	-0.15	-
Venture Capital*	0.05	-0.02	-
Recurring profit	0.25	-0.19	-
Net income	- **	-0.18	-

* Segment operating profit = segment profit – companywide expenses

** No figure provided for Q1 FY03/2023, as net income for FY03/2023 was calculated based on all businesses, including those already sold

Q1 FY03/2024 CONSOLIDATED P&L

(INCLUDES BUSINESSES SOLD IN FY03/2023)

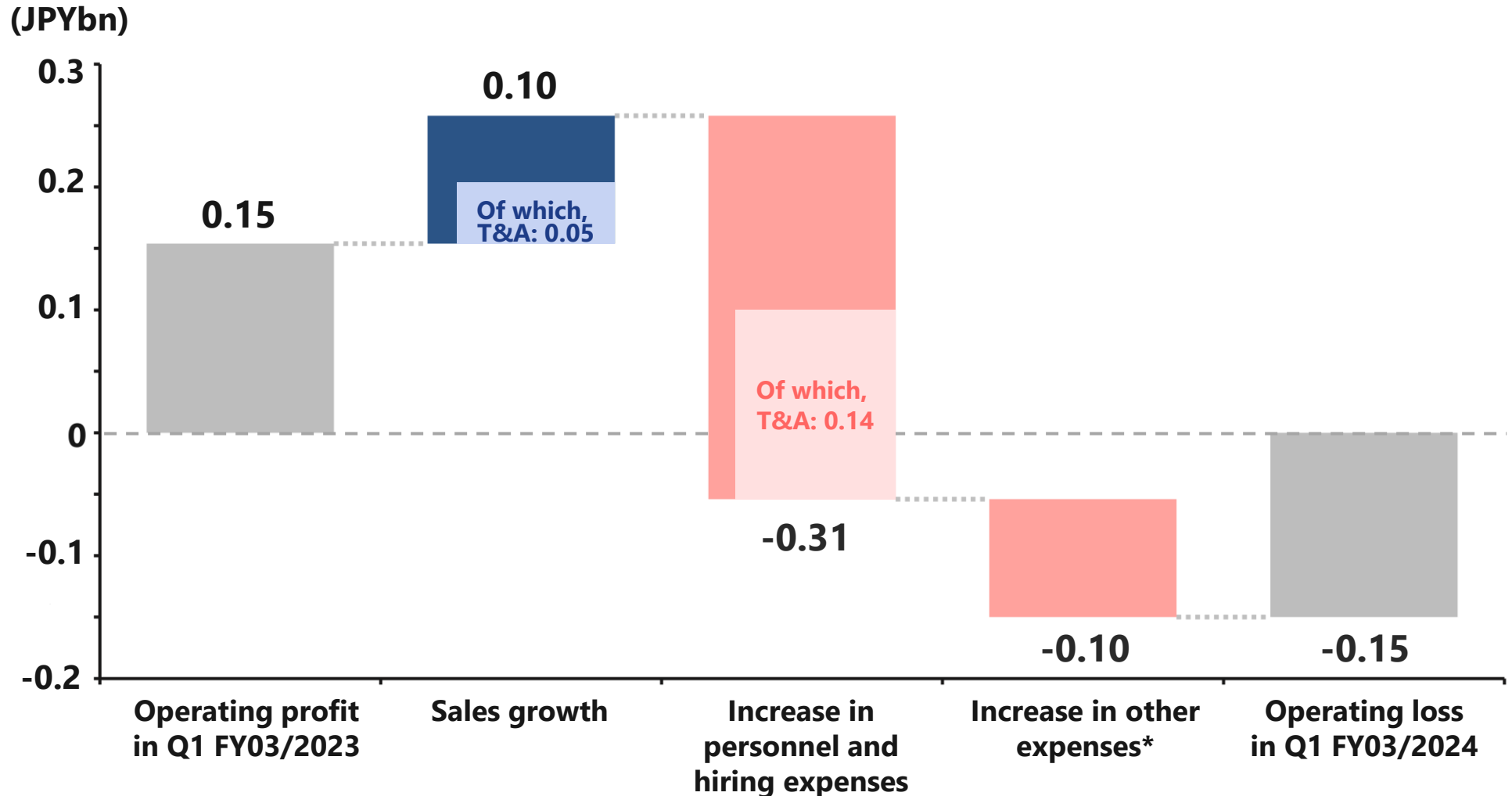
Reference

Q1 FY03/2023 results included the impact of then-consolidated ipet Holdings and extraordinary income of JPY0.54bn from the sale of two subsidiaries

(JPYbn)	Q1 FY03/2023	Q1 FY03/2024	YoY change
Sales	8.98	1.17	-86.9%
Business Production	0.86	0.96	11.6%
Venture Capital	0.20	0.21	4.6%
Pet Lifestyle (ipet)	7.91	-	-
Operating profit	0.35	-0.18	-
Business Production	0.15	-0.15	-
Venture Capital	0.05	-0.02	-
Pet Lifestyle (ipet)	0.13	-	-
Recurring profit	0.42	-0.19	-
Extraordinary income (Gain on sale of shares of subsidiaries and associates)	0.54	-	-
Net income	0.72	-0.18	-

BUSINESS PRODUCTION: OPERATING PROFIT/LOSS (YOY COMPARISON)

Cost increase resulting from ongoing aggressive hiring temporarily preceded sales growth

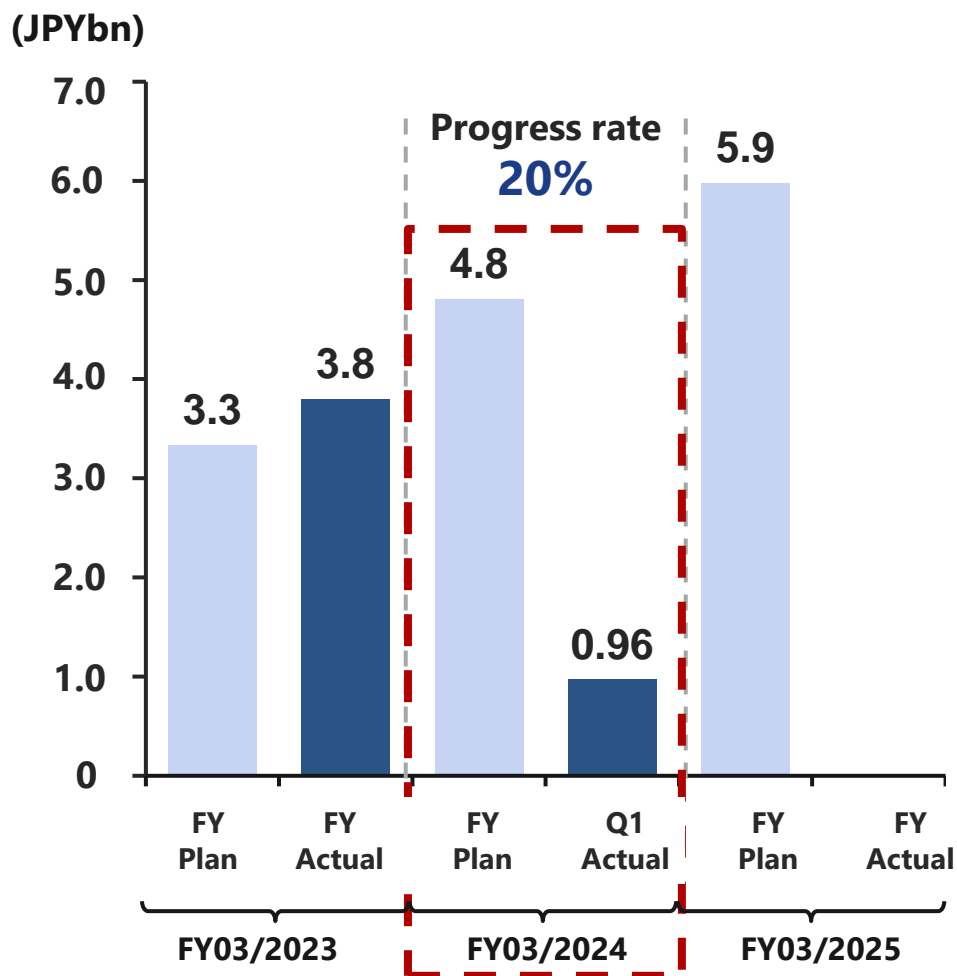


* Mainly floor expansion, capex, and project outsourcing expenses

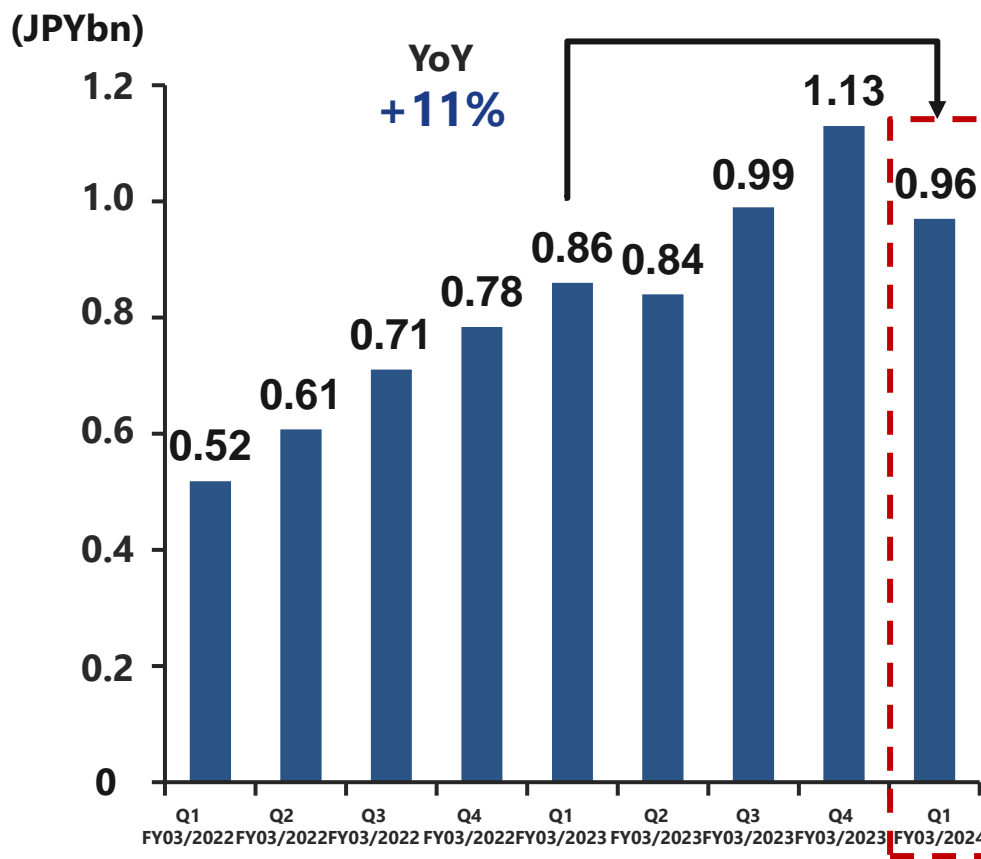
BUSINESS PRODUCTION: SALES

Sales continued to grow, up 11% YoY and reaching 20% of the full-year target

Sales progress vs. plan



Quarterly sales*

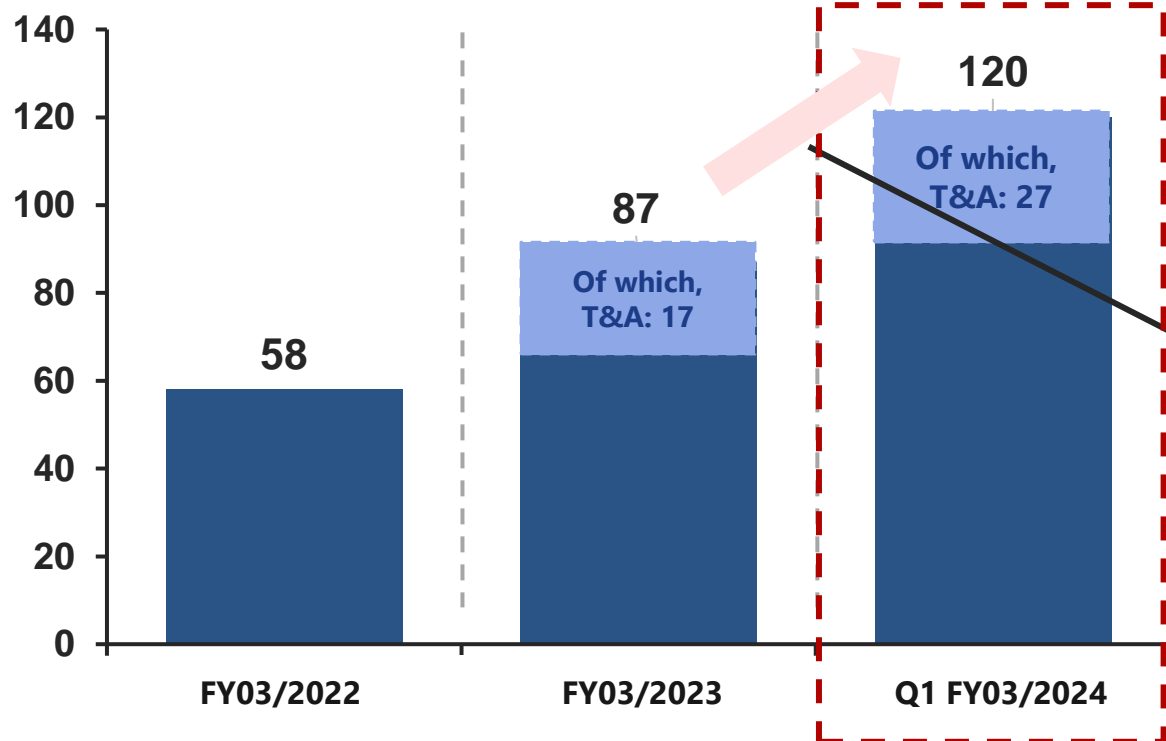


* Excludes sales in businesses sold

BUSINESS PRODUCTION: NUMBER OF BUSINESS PRODUCERS

Number of business producers*

(No. of people)



	Increase/decrease		
	End-Mar 2023	Net increase	End-Jun 2023
BP (excl. T&A)	70	23**	93
T&A	17	10	27
Total	87	33	120

We will continue hiring talented individuals to increase growth potential in the next fiscal year onward

- Aim to achieve full-year net income target of JPY0.6bn by increasing sales going forward

* Excludes employees dedicated to Incubation

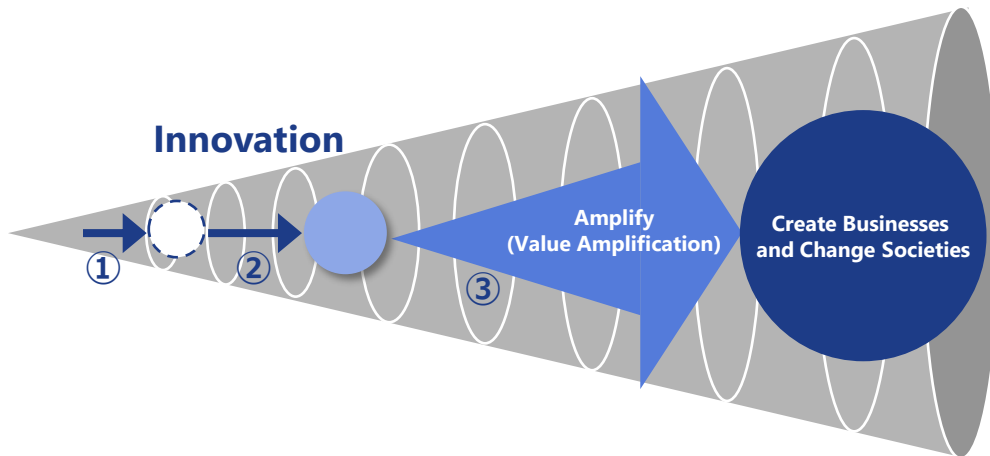
** Includes two employees transferred from Incubation © DI 2023 – ALL RIGHTS RESERVED.

LAUNCH OF TECHNOLOGY & AMPLIFY (T&A)

Significance and aim of T&A

Businesses created through Business Production are *amplified* through technology

- Integration and collaboration with existing Business Production team



① Conceptualize from 0

Industry Production
Business Production

② Turn concepts from 0 to 1

Business Production
Installation

③ Transform 1 into 10 and even 100

Technology
& Amplify

Status

FY03/2023

FY03/2024 (as of Q1)

Focus

Established initial structure

Intend to get the business on track and expand the scope

Recruitment

Hired executives and established initial structure

- Six executives/ managing directors

Promoting expansion of the member base

- 27-person structure as of June 30
- +10 from March 31

Orders

Began making proposals to customers in earnest

Orders in full swing

- Sales of JPY0.05bn in Q1
- Launch took some time, but order forecast on an uptrend since June
- Orders also include projects connected to BP

Demand is robust, showing promising signs of growth

VENTURE CAPITAL: PORTFOLIO AND MARKET VALUE

- Sold one company
- No major change in the book or market value

(JPYbn)

		March 31, 2023		→	June 30, 2023	
		Book value ¹⁾	Market value ²⁾		Book value ¹⁾	Market value ²⁾
Core venture portfolio ³⁾	Japan	0.1 (9 co.)	1.4	▲ Sold one company (no investment/ impairment)	0.1 (8 co.)	1.1
	India	1.8 (21 co.)	6.5		2.0 (21 co.)	6.6
	Other	0.0 (1 co.)	0.3		0.0 (1 co.)	0.3
	Total	2.0 (31 co.)	8.2		2.1 (30 co.)	8.1
LP investment in funds ⁴⁾		2.4 (6 co.)	2.4		2.5 (6 co.)	2.5
Venture Capital		4.5 (37 co.)	10.7 (1.7)		4.7 (36 co.)	10.7 (1.7)

1) For investees of in-house funds, only DI's stake is shown.

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

3) Excludes shares in companies that have been impaired and have no subsequent up rounds, and stock options not subject to valuation.

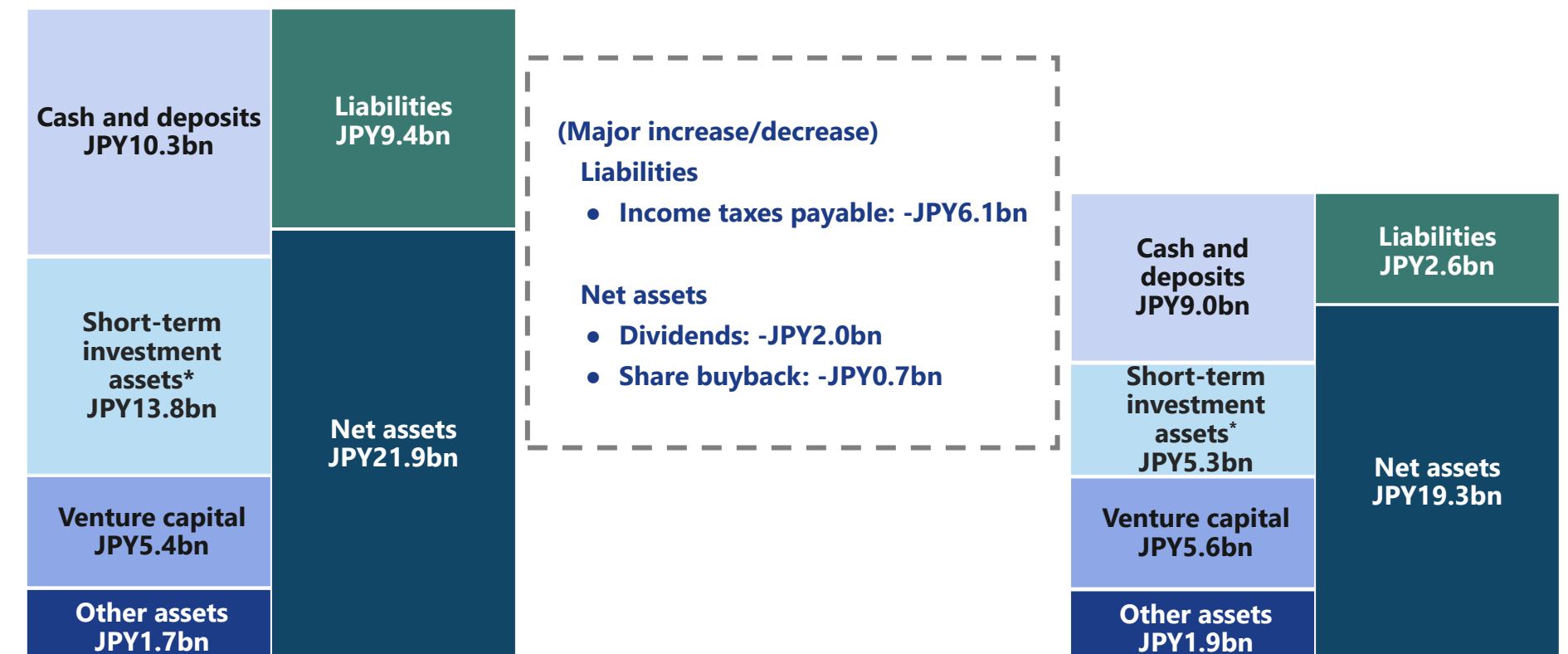
4) Book value takes into account the amount of gains/losses. Market value is not calculated because the calculation method differs for each fund.

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2023

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



June 30, 2023
(Total assets: JPY21.9bn)



STATUS OF SHARE BUYBACK

Shareholder return policy for FY03/2024: Return over JPY4.0bn to shareholders, primarily in the form of share buybacks

Matters resolved regarding share buyback (May 11)

- **Total number of shares to be acquired: 1,500,000 (upper limit)
15% of total shares issued (excl. treasury stock)**
- **Total acquisition price: JPY3.0bn (upper limit)**
- **Acquisition period: May 12, 2023–March 31, 2024**

Acquisition status as of July 31, 2023

- **Number of shares acquired: 465,000 shares (31% of upper limit)**
- **Total acquisition price: JPY1.25bn (42% of upper limit)**

Policy after acquisition

- **Plan to cancel all shares, except those earmarked for stock-based compensation for some executives and employees, by the time of full-year results announcement**



1. Q1 FY03/2024 Financial Results

2. Reference Materials

1) Company profile

2) Current medium-term management plan

OVERVIEW OF DREAM INCUBATOR (DI)

Company profile	Name	Dream Incubator Inc.		Corporate philosophy	Credo	1. Service (Strive to benefit clients and people)	
	Established	June 1, 2000 (launch of operations)				2. Create (Generate profit by yielding added value)	
	Stock code	4310 (TSE Prime)				3. Grow (Contribute to develop a better society)	
	Head office	Tokyo Club Building, 4F 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, Japan				4. Share (Harmonize with society for mutual prosperity)	
	Capital*	JPY5.0bn			MVV	Mission: Create Businesses and Change Societies	
	Employees*	143		Vision: Become the First Choice of Challengers			
	Key subsidiaries	Dream Incubator (Vietnam) Joint Stock Company Next Rise Social Impact Fund Investment Limited Partnership DI India Digital Investment Fund		Value: Advance Beyond Boundaries.			
	Management	Takayuki Miyake	Representative Director, President			– Envision Beyond Boundaries of Areas	
		Kyohei Hosono	Director, Executive Vice President			– Formulate Beyond Boundaries of Customaries	
		Tetsuro Harada	Director, Chairman of the Board			– Partner Beyond Boundaries of Organizations	
Tsutomu Fujita		Outside Director		– Challenge Beyond Boundaries of Ourselves			
Soichiro Uno		Outside Director, Audit & Supervisory Committee member		History	2000	Launched operations with the aim of developing investment/incubation and consulting businesses	
Yuriya Komatsu		Outside Director, Audit & Supervisory Committee member			2002	Listed on TSE Mothers Market	
Sakon Uda	Outside Director, Audit & Supervisory Committee member		2005		Listed on TSE First Section		
Business	Business Production (business creation support, growth strategy consulting, etc.)		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			
			2022	Formed Next Rise Social Impact Fund Investment Limited Partnership			
			2023	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 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 Research Institute); co-authored *Creating the Future through Industrial 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 Research 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.

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



1. Q1 FY03/2024 Financial Results

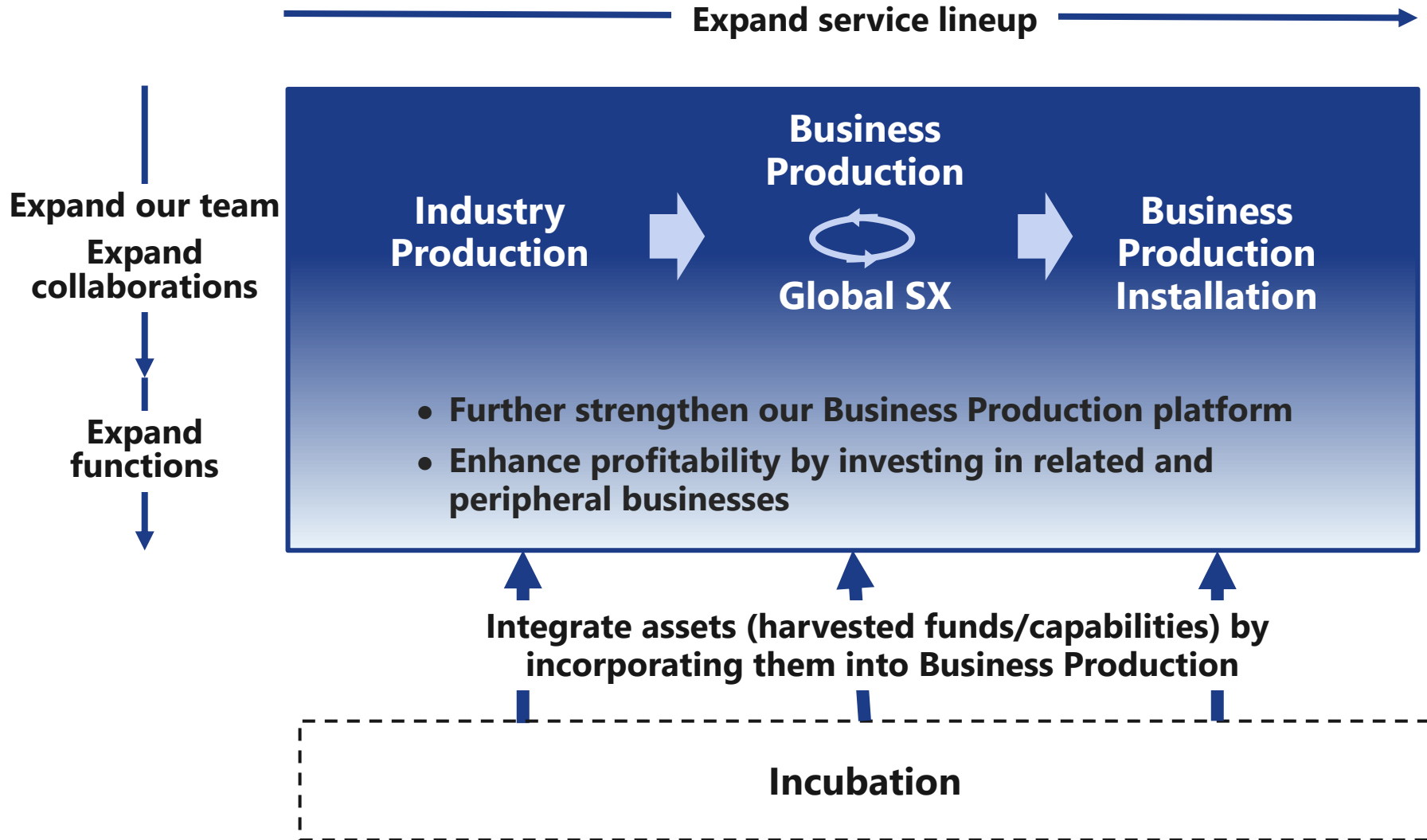
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DIRECTION THAT DI INTENDS TO TAKE

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)



Shareholder returns: Improve EPS and PER

Balance

Disciplined investment
(cost effectiveness)

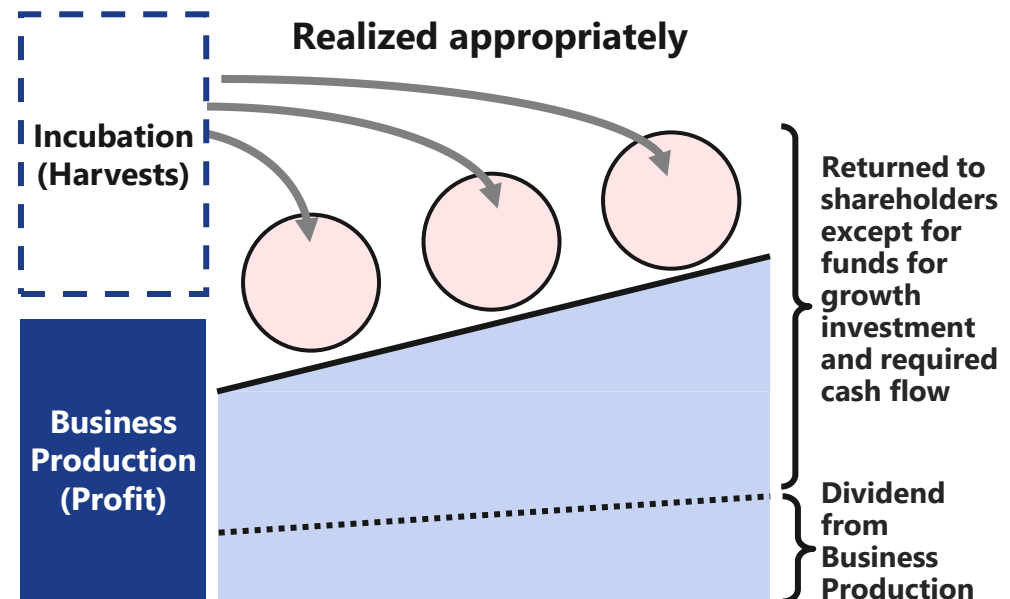
Based on profits from stable growth in P&L
and harvested funds

(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%



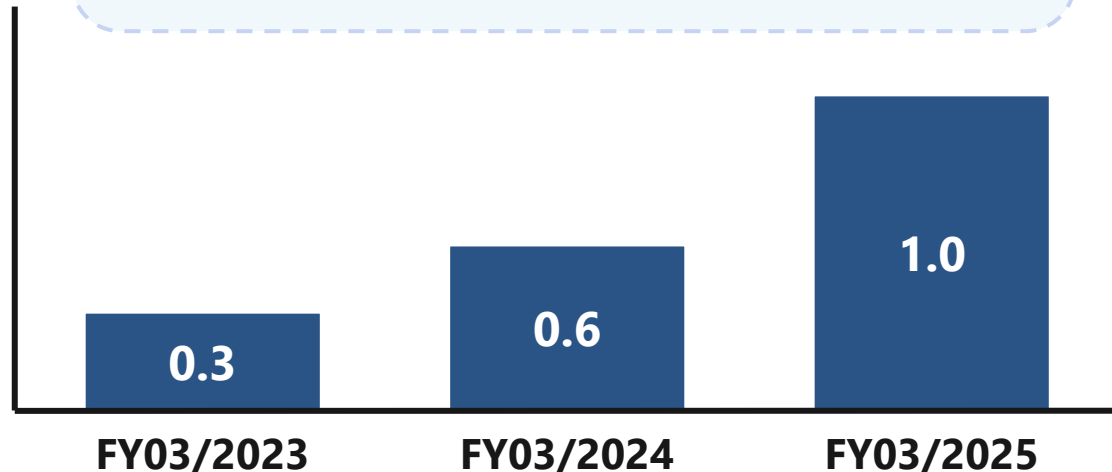
MEDIUM-TERM PROFIT PLAN (FY03/2023–FY03/2025)

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

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

DISCLAIMER

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Dream Incubator Inc.

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