

# FY2016

# Results Briefing Materials



(Security code : 7183)



**あんしん保証株式会社**

Anshin Guarantor Service Co., Ltd.

May, 2017

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# Earnings highlights

## Year-on-year increase in operating revenues and ordinary income

➤ Operating revenues	¥2,323 million (up 6.9% YoY)
➤ Operating income	¥264 million (down 0.1% YoY)
➤ Ordinary income	¥326 million (up 1.4% YoY)
➤ Net income	¥216 million (down 3.3% YoY)

## Guarantee membership and guarantees outstanding remain strong

➤ Number of guarantee members	194,000 (up 16.9% YoY)
➤ Guarantees outstanding	¥10,193 million (up 12.2% YoY)
➤ Number of franchise members	1,944 (up 34.4% YoY)

# Summary of results

## YoY increase in operating revenues

(¥ million)	FY2015 results	FY2016 targets	FY2016 results	Versus FY2015 results	Versus FY2016 target
Operating revenues	2,174	2,684	<b>2,323</b>	<b>6.9%</b>	<b>△13.5%</b>
Operating income	264	337	<b>264</b>	<b>△0.1%</b>	<b>△21.6%</b>
Ordinary income	321	380	<b>326</b>	<b>1.4%</b>	<b>△14.1%</b>
Net income	224	265	<b>216</b>	<b>△3.3%</b>	<b>△18.5%</b>

	FY2015 results	FY2016 targets	FY2016 results	Versus FY2015 results	Versus FY2016 target
Operating income ratio	12.2%	12.6%	<b>11.4%</b>	<b>△0.8pt</b>	<b>△1.2pt</b>
Ordinary income ratio	14.8%	14.2%	<b>14.0%</b>	<b>△0.8pt</b>	<b>△0.1pt</b>
Net income ratio	10.3%	9.9%	<b>9.3%</b>	<b>△1.0pt</b>	<b>△0.6pt</b>

- ✓ Operating revenues only grew 6.9% YoY, owing to a specific franchise member moving rent liability guarantee operations to a subsidiary.
- ✓ Operating income decreased due to higher upfront spending to hire human resources in line with growth strategy and to update infrastructure for new products.

## A sound financial position for a guarantee company

Assets				Liabilities			
(¥ million)	FY2015	FY2016	Change	(¥ million)	FY2015	FY2016	Change
Cash and deposits	1,140	750	△34.2%	Operating accounts payable	140	158	12.9%
Operating accounts receivable	364	402	1.2%	Unearned revenue	110	132	19.6%
Right to reimbursement	718	968	34.8%	Other	241	240	1.2%
Advances paid of collection	57	273	371.9%	Current liabilities	492	532	8.7%
Other	98	96	△2.6%	Non-current liabilities	13	12	△10.0%
Allowance for doubtful accounts	△248	△250	1.0%	Total liabilities	506	544	8.2%
Current assets	2,131	2,239	5.1%	Net assets			
Tangible fixed assets	15	20	31.3%	(¥ million)	FY2015	FY2016	Change
Intangible fixed assets	25	174	576.4%	Capital stock	664	680	2.5%
Investments and other assets	44	44	1.0%	Shareholders' equity	1,710	1,930	12.7%
Non-current assets	85	239	179.7%	Total net assets	1,710	1,934	12.9%
Total assets	2,217	2,479	11.8%	Total liabilities and net assets	2,217	2,479	11.8%

### Point

- Current ratio **420.9%**
- Fixed assets ratio **12.4%**
- Equity ratio **77.9%**

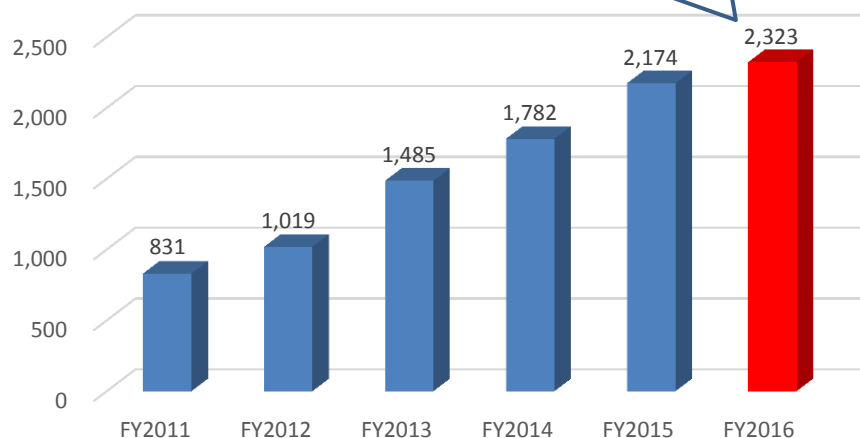
- ✓ Aggressively sold own guarantee products using cash on hand

# Summary of results(3)

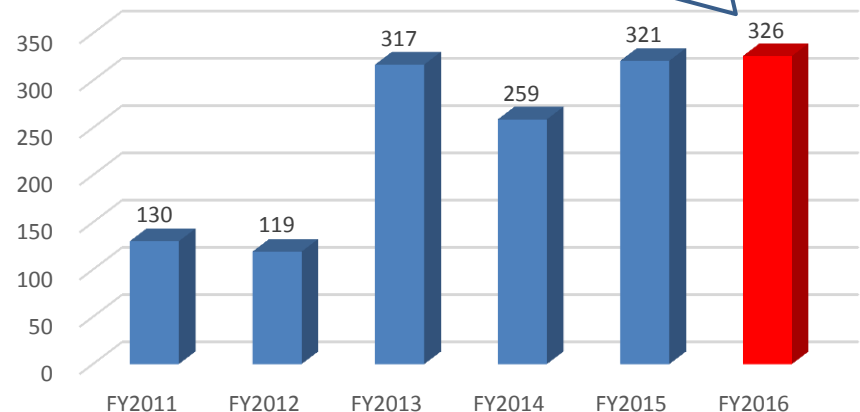
## Operating revenues and ordinary income



Operating revenues (¥ million)



Ordinary income (¥ million)



(¥ million)	FY2016	FY2015
Operating revenues	<b>2,323</b>	2,174
Operating expenses	<b>2,059</b>	1,909
Operating income	<b>264</b>	264
Non-operating income/loss	<b>62</b>	57
Ordinary income	<b>326</b>	321
Extraordinary income/loss	—	—
Profit before income taxes	<b>326</b>	321
Net income	<b>216</b>	224

✓ Operating revenues increased on sales of new products and the development of new sales channels, including general properties, despite the impact of a specific franchise member moving rental liability guarantee operations to a subsidiary.



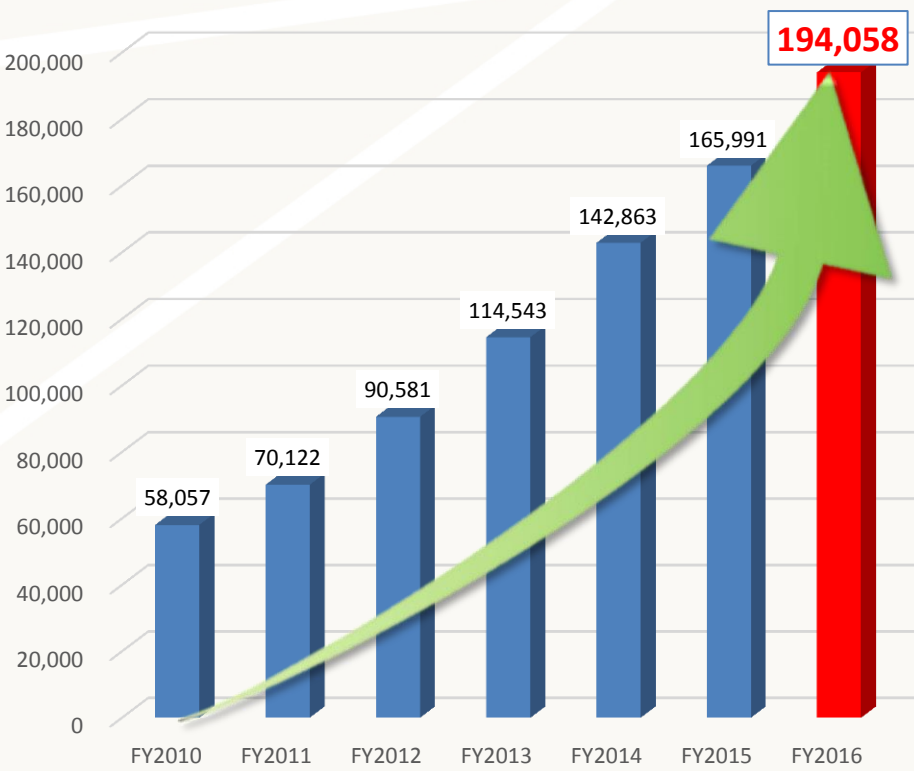
# Summary of results(4)

Number of guarantee members and guarantees outstanding

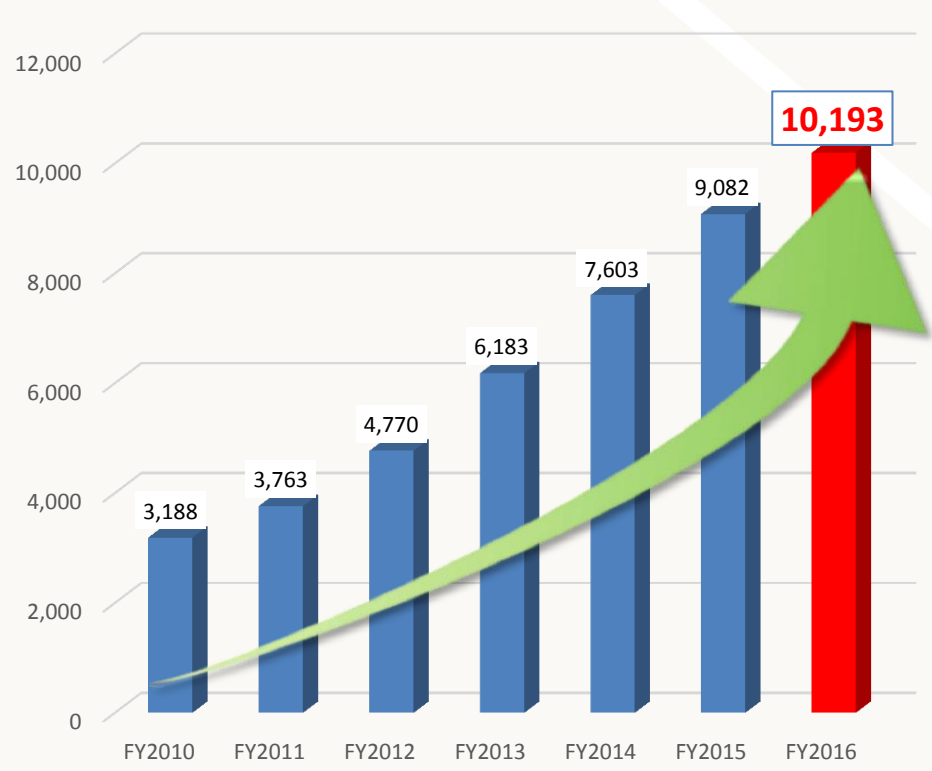


- ✓ Strong levels of guarantee members and guarantees outstanding
- ✓ 194,000 guarantee members, exceeded ¥10 billion in guarantees outstanding

### Number of guarantee members



### Guarantees outstanding (¥ million)



# **Outcome of FY2016 initiatives**

(1) Expand guarantees  
business

(2) Control bad debt  
ratio

Management topics for FY2016

『**AND MORE, “Provide more assurance”**』

~Establish a solid business foundation for next growth stage~

(3) Strengthen internal  
management structure

(4) Improve work  
efficiency and  
productivity



Key measures	Outcome of initiative
<p><b>(1) Expand guarantee business</b></p> <ul style="list-style-type: none"> <li>▪ Deeper engagement in transactions</li> <li>▪ Develop and expand sales channels</li> </ul>	<ul style="list-style-type: none"> <li>✓ Launched sales of APLUS Anshin Rent Guarantee, a joint product with APLUS</li> <li>✓ Commenced sales of Aeon Card de Rent, a joint product with Aeon Credit Service and Aeon Bank</li> <li>✓ Started selling Anshin Support Pay for students</li> <li>✓ Entered guarantee market for storage rooms</li> <li>✓ Entered guarantee market for owner-managed general properties</li> </ul>
<p><b>(2) Control bad debt ratio</b></p> <ul style="list-style-type: none"> <li>▪ Improve creditworthiness</li> <li>▪ Minimize credit risk</li> </ul>	<ul style="list-style-type: none"> <li>✓ Systemize collection functions</li> <li>✓ Strengthen legal collections, including compensation claim litigation</li> <li>✓ Enhance credit management functions with CIC data and scoring</li> </ul>



Key measures	Outcome of initiative
<p><b>(3) Strengthen internal management structure</b></p> <ul style="list-style-type: none"> <li>▪ Strategic hiring of human resources</li> <li>▪ Establish employee training system</li> </ul>	<ul style="list-style-type: none"> <li>✓ Advanced strategic hiring aligned with growth strategy</li> <li>✓ Enhanced training by introducing outside training system</li> <li>✓ Create and disseminate “ten things to know” for employees and upper management</li> </ul>
<p><b>(4) Improve work efficiency and productivity</b></p> <ul style="list-style-type: none"> <li>▪ Improve work efficiency</li> <li>▪ Improve productivity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Define requirements for and advance development of next management system release in January 2018</li> <li>✓ Implement BPR to improve work efficiency and productivity</li> <li>✓ Measures to improve work efficiency via division of duties and reorganization</li> </ul>

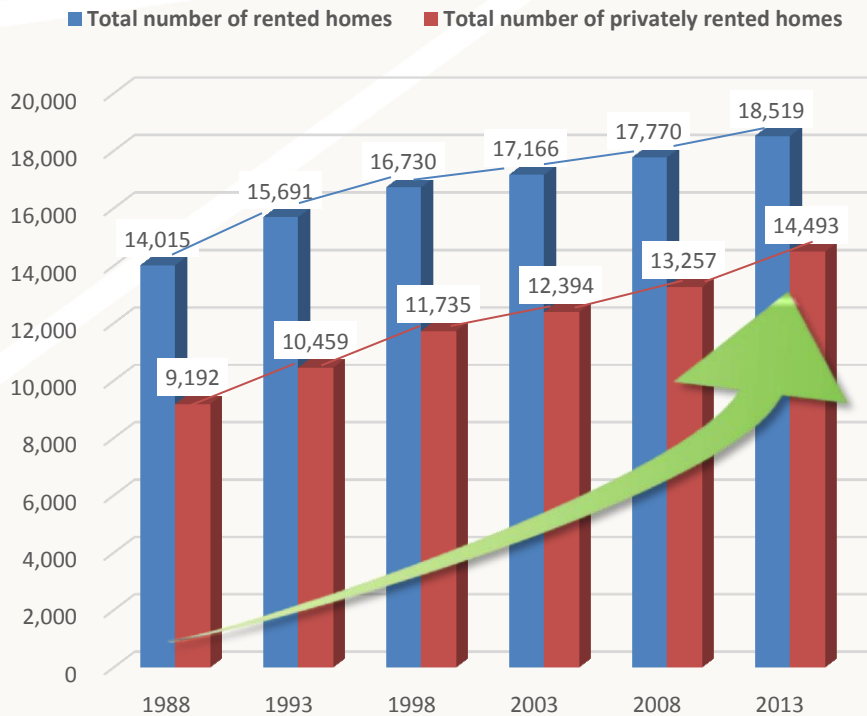
# Market conditions

# 4 Market conditions(1)

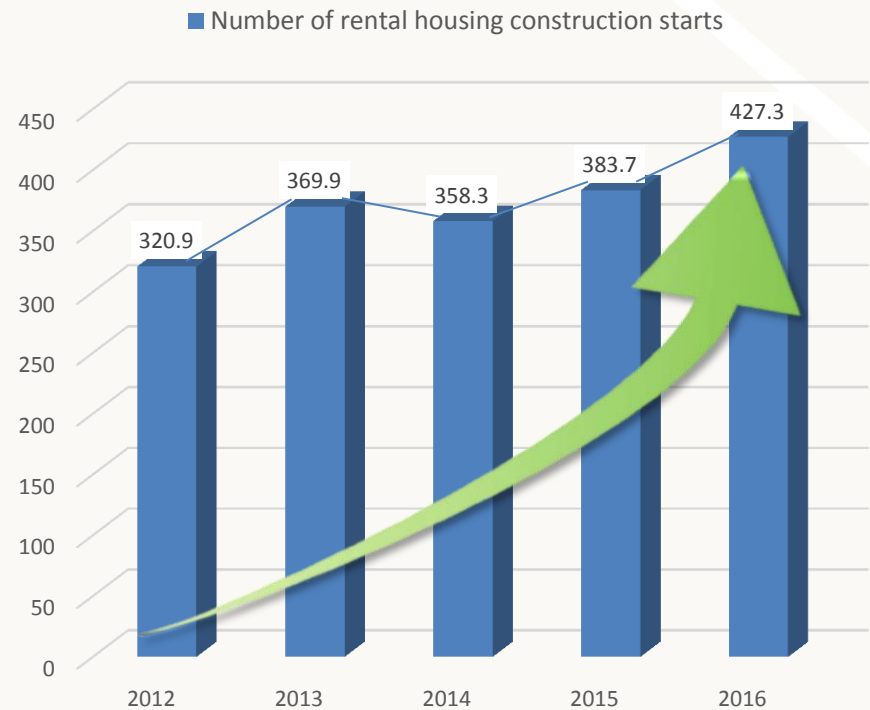


- ✓ Continued growth in number of privately rented homes, the target group for rental liability guarantees
- ✓ Strong numbers in rental housing construction starts
- ✓ Expect continued growth in number of privately rented homes

Total number of rented homes, total number of privately rented homes (thousand)



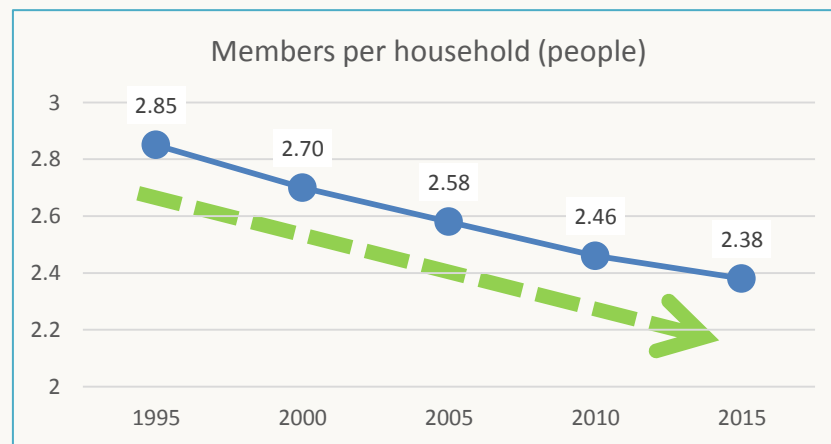
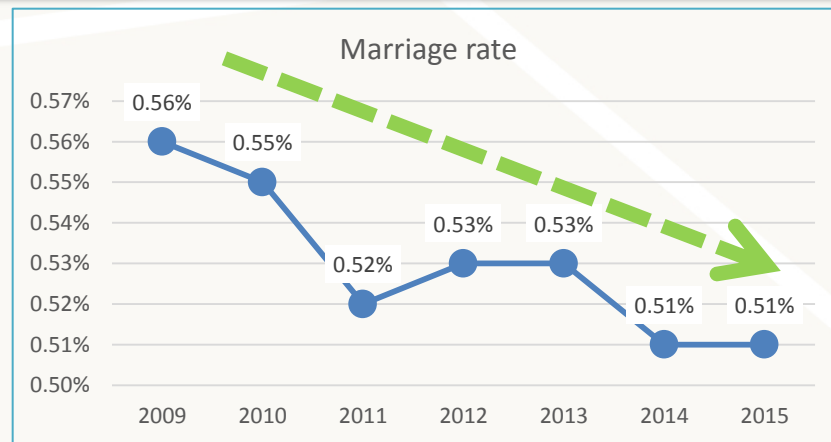
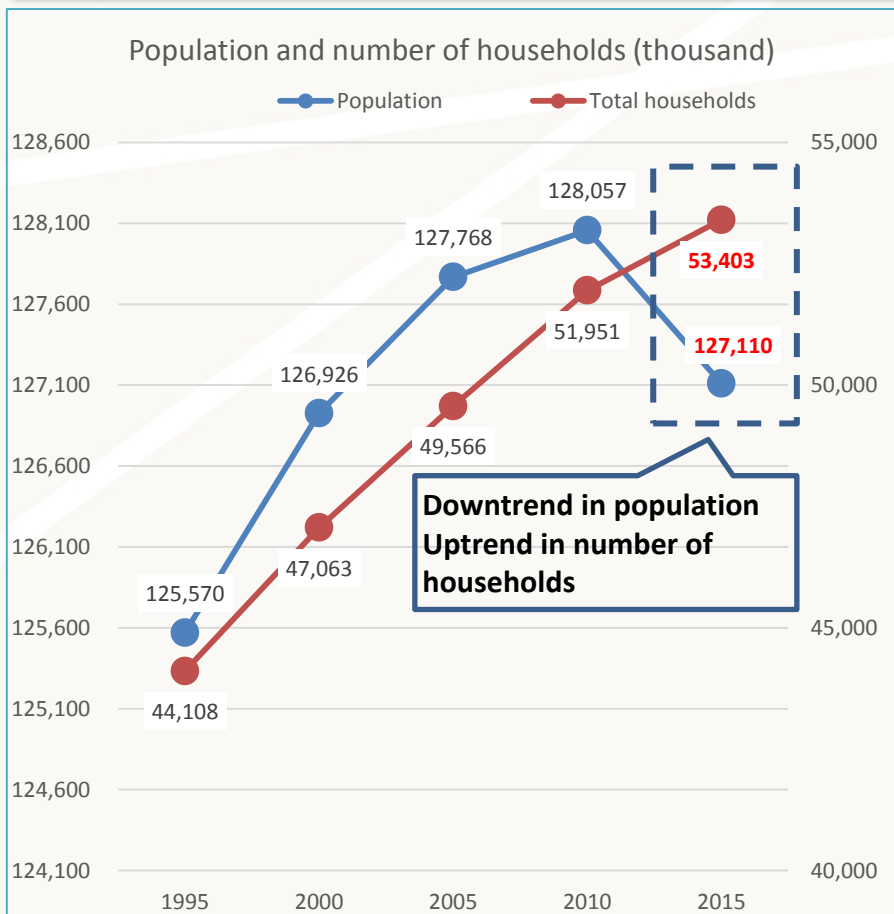
Number of rental housing construction starts (thousand)



【Source】  
Total number of rented homes: Housing and Land Statistical Survey Report, FY13 Housing and Land Survey (Preliminary) by Population Census Division of Statistical Survey Department, Statistics Bureau, Ministry of Internal Affairs and Communications  
Number of rental housing construction starts: Construction Start Statistical Survey Report by Construction Research and Statistics Office, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism



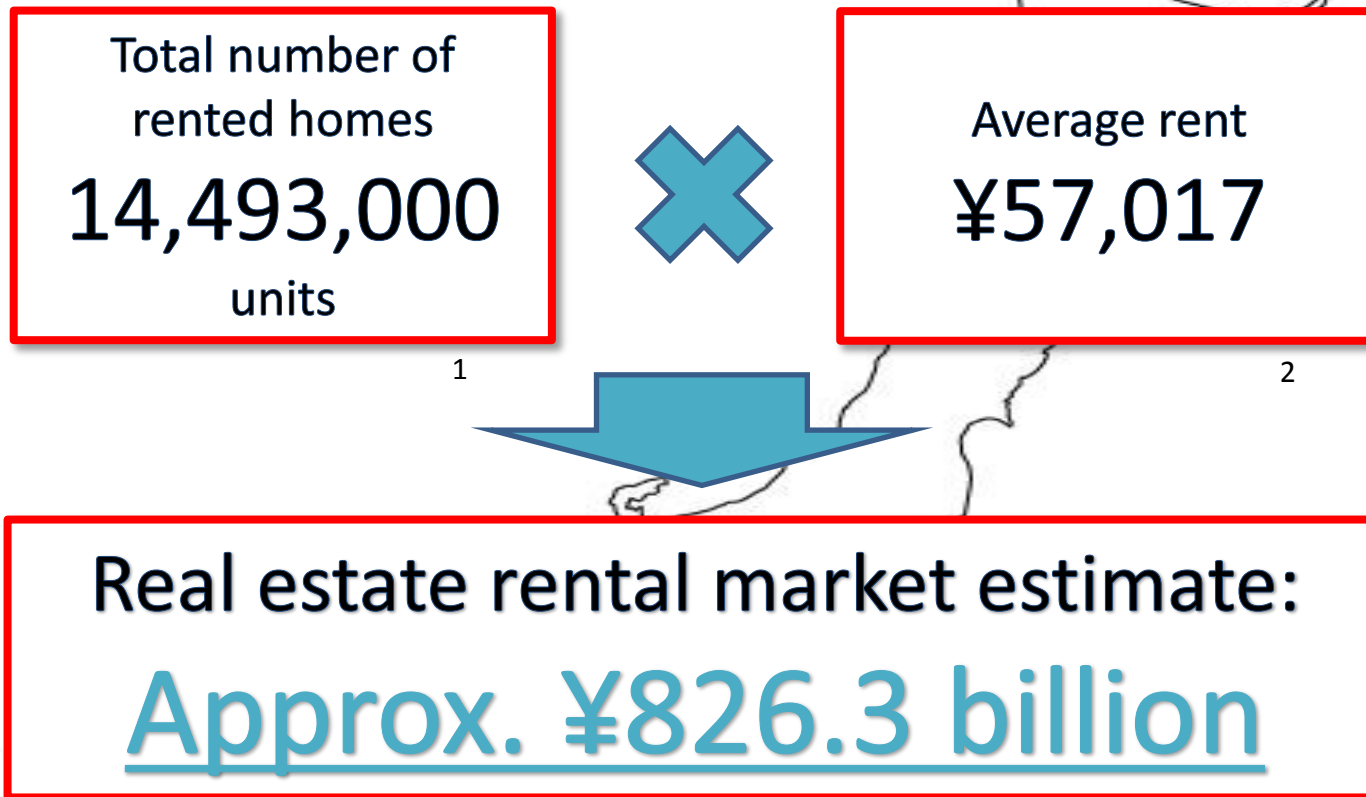
- ✓ Yearly increase in number of households as people per household and marriage rates decline
- ✓ Higher number of households means growth in target group for rental liability guarantee business



**【Source】**

Population and households: 2015 Population Census by Statistics Bureau, Ministry of Internal Affairs and Communications. Marriage rate: Vital Statistics by Vital, Health and Social Statistics Office, Director-General for Statistics and Information Policy, Ministry of Health, Labour and Welfare





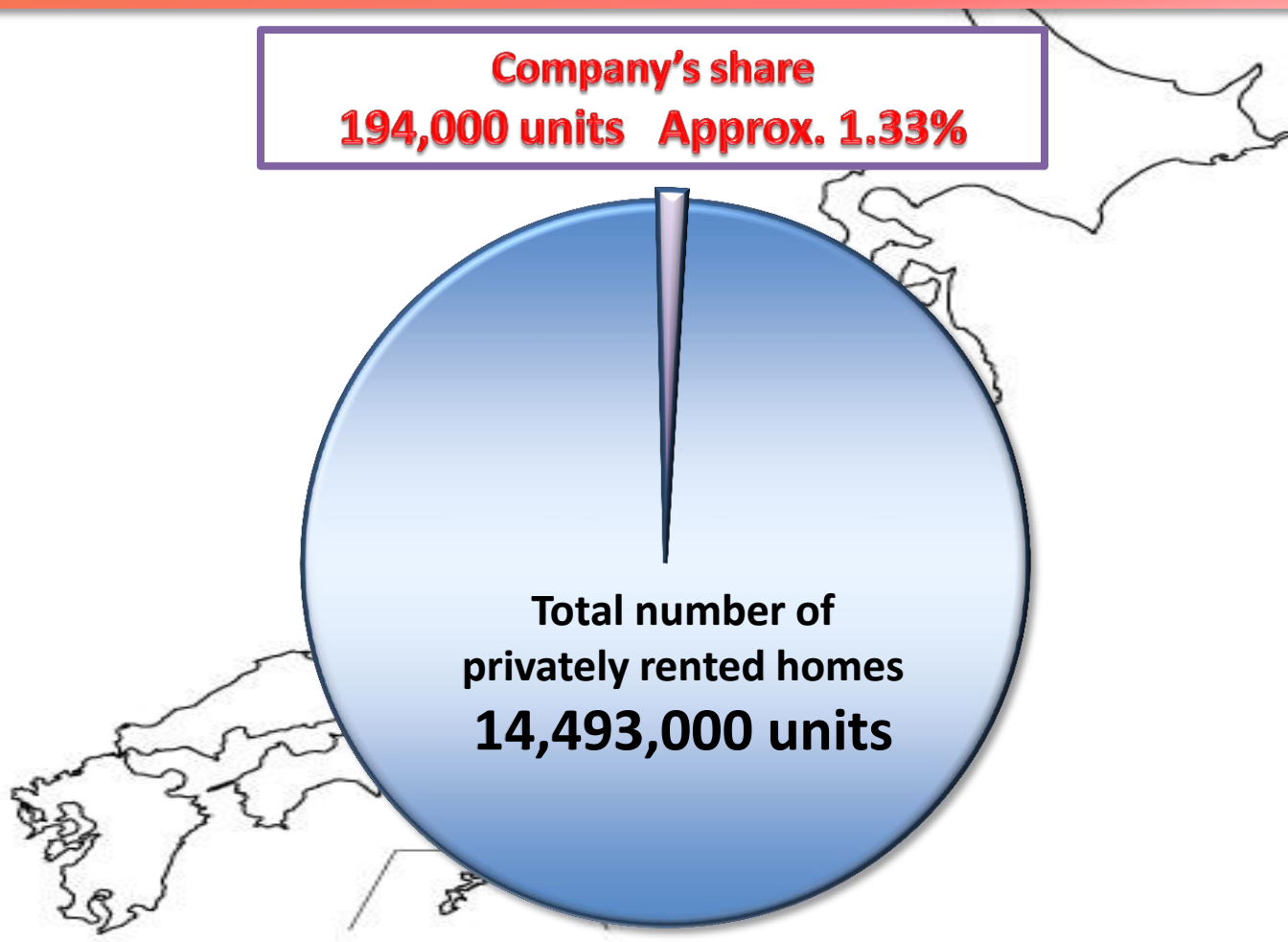
【Source】

1: Total number of rental homes: Housing and Land Statistical Survey Report, FY13 Housing and Land Survey (Final National Edition) by Population Census Division of Statistical Survey Department, Statistics Bureau, Ministry of Internal Affairs and Communications

\* Total number of rental homes as of March 2016, limited to wood and non-wood construction privately rented homes, the company's target group.

2: Average rent: Explanation of Results of 2013 Housing and Land Survey by Statistics Bureau, Ministry of Internal Affairs and Communications (average rent for wood and non-wood construction privately rented homes)

### ✓ Company's market share as percentage of total number of privately rented homes

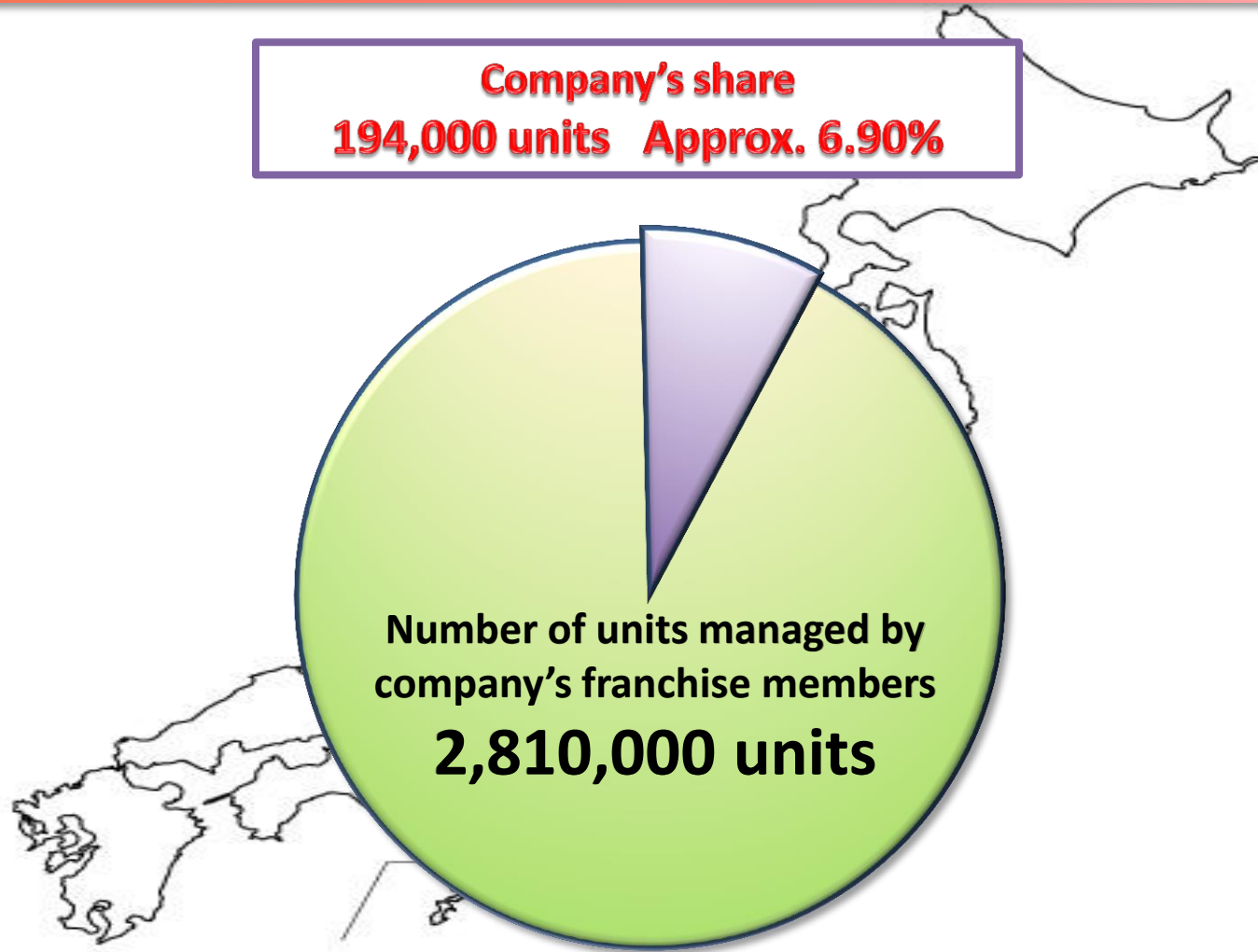


【Source】

Total number of rented homes: Housing and Land Statistical Survey Report, FY2013 Housing and Land Survey (Final National Edition) by Population Census Division of Statistical Survey Department, Statistics Bureau, Ministry of Internal Affairs and Communications

\* Total number of rented homes limited to wood and non-wood construction privately rented homes, the company's target group.

✓ Market share as percentage of units managed by company's franchise members

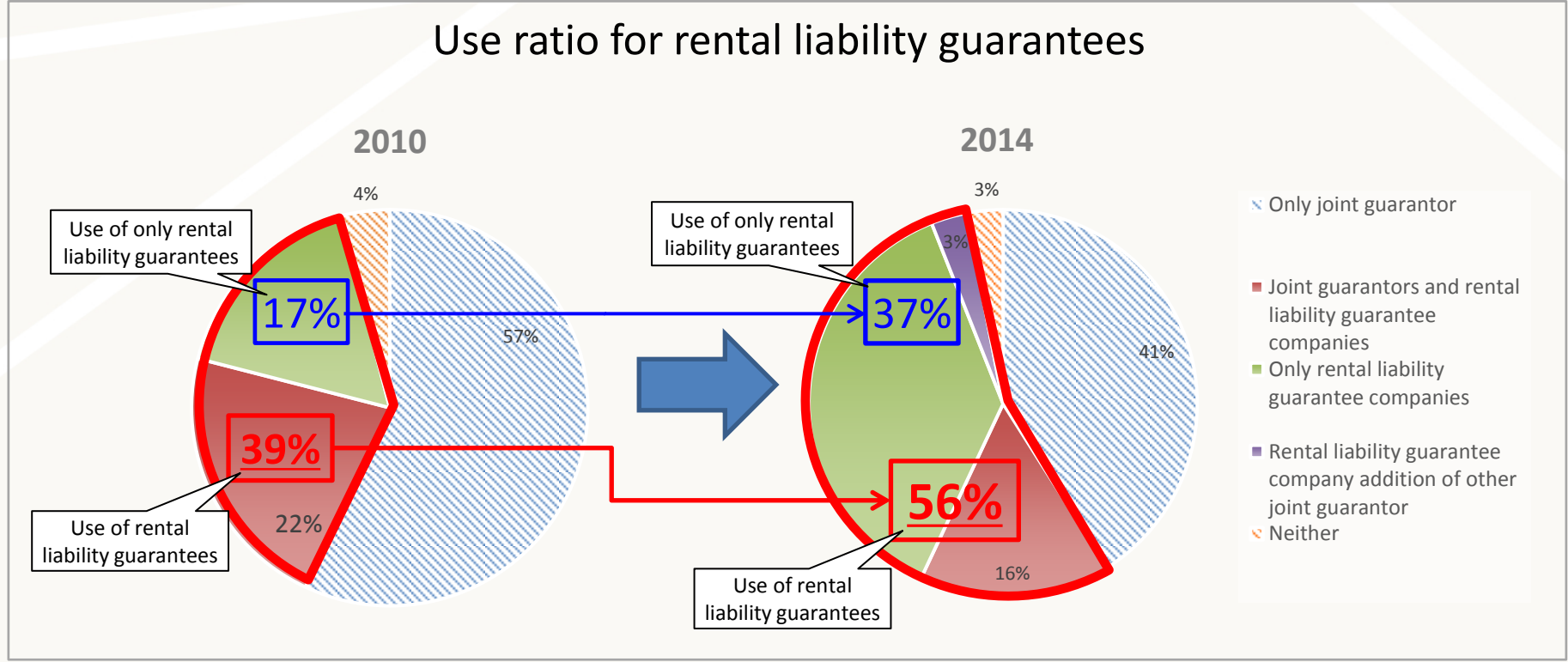


# Trends in rent liability guarantee industry

# 5 Trends in rent liability guarantee industry(1)



- ◆ Guarantee company use ratio increased to **56%** in 2014 from rise in single-member households amid declining birthrates, aging population and trend toward nuclear families
  - ◆ Use ratio of only rental liability guarantees up to **37%** in 2014
- ⇒ **Social needs increasing each year for rental liability guarantee companies**



Source

- Use of rental liability guarantees: Ministry of Land, Infrastructure, Transport and Tourism’s Current Conditions in Rental Liability Guarantees (October 2016)
- Japan Property Management Association’s Rental Liability Guarantee Company Survey Report (FY2014)

On Friday, April 14, 2017, the House of Representatives passed amendments to the Civil Code (related to obligations) that were proposed by the Civil Code (Obligations Related) Working Group of the Legislative Council.

## (1) Mandatory to set maximum amount for individual guarantees

When an individual assumes a liability guarantee, the maximum amount of liability (maximum amount the guarantor is responsible for) must be clearly stated beforehand, which may make it more difficult for individuals to enter into contracts as guarantors.

Secured claims in excess of this maximum amount essentially become unsecured claims, lowering the probability of full collection even if a guarantor is assigned.

⇒ **Greater need for a system that replaces personal (people) guarantors**

## (2) Mandatory provision of information about delinquent rent payments when guarantee contracts signed

It may become mandatory for debtors to provide their guarantor information about their ability to pay and any past delinquencies when an individual guarantees a liability. If certain conditions are satisfied, the guarantee contract may be nullified, or it may become impossible to seek payment from the guarantor.

⇒ **Operations related to managing the collection of claims becomes more complicated**

## (3) Definition of legal nature of security deposits

Plans call for clarifying security deposits as security for the payment of rent, and rules regarding the obligation to restore site to its original condition as the responsibility of the renter (lessor) in principle (normal wear and tear, deterioration with age).

These changes may lead to more disputes over the cost of restoring a site to its original condition.

⇒ **More difficult to collect unpaid rent and costs for restoring sites to original conditions**

The revised law is likely to be enacted from autumn 2019 to 2020. (April 24, 2017 edition of the National Rental Housing Newspaper)

**Trend in revisions to laws related to joint guarantors in monetary claims act**



**Growing social needs for the industry and the company**



**Faster spread of institutional guarantees**

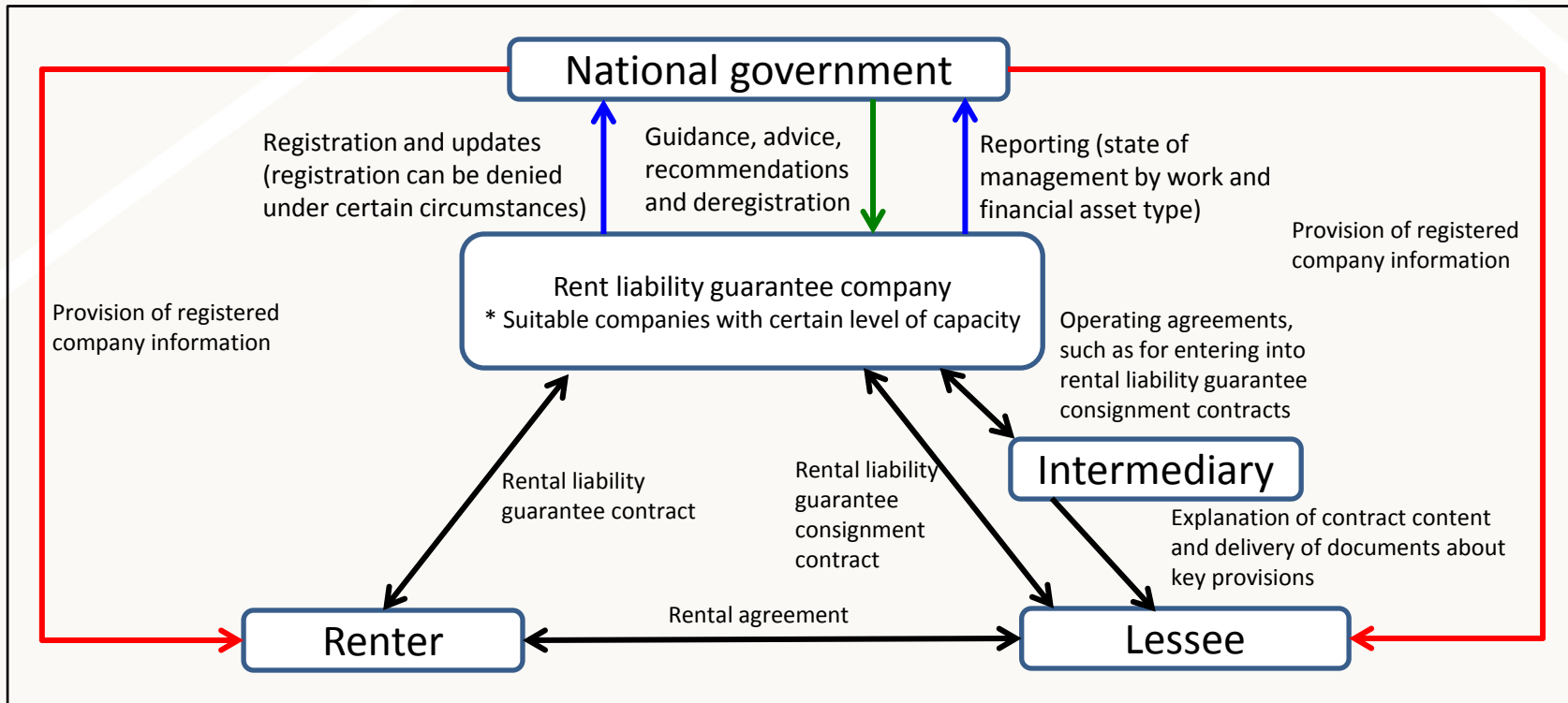
Source: Ministry of Justice's proposal to amend Civil Code (Law of Obligations)

On February 3, 2017, the Cabinet Office decided on a legislative draft (a budget-related proposal) for amending some laws related to promoting the supply of rental housing for people in need of housing.

## 【New housing safety net system】

This system helps people facing hardship in securing housing by facilitating moves into uninhabited private homes through rent subsidies and assistance with rent liability guarantees.

## Creation of registration system (voluntary) for companies that provide proper rental liability guarantees



# Initiatives for FY2017



# 6 Initiatives for FY2017(1)

Full-year targets



(¥ million)	FY2017 targets	FY2016 results	YoY change
Operating revenues	<b>2,892</b>	2,323	<b>24.5%</b>
Operating expenses	<b>2,594</b>	2,059	<b>26.0%</b>
Operating income	<b>298</b>	264	<b>12.8%</b>
Non-operating income/loss	<b>62</b>	62	<b>△0.2%</b>
Ordinary income	<b>360</b>	326	<b>10.3%</b>
Profit before income taxes	<b>360</b>	326	<b>10.3%</b>
Net income	<b>235</b>	216	<b>8.5%</b>

Aggressively promote core  
businesses and create  
structure for business  
diversification

Enhance risk  
management system

## Management topics for FY2017

「**New Guarantor Value**」  
～ “Provide Finest Guarantees and Maximum Assurance” ～

Strengthen human  
resource capabilities and  
organizational systems

Reinforce compliance

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