

A R U H I

ARUHI Corporation (7198.T)

Mid-term Plan

August 10, 2018

- Our Starting Point : What "ARUHI" Aims For
- Mid-term Plan
 - Overview
 - Businesses
 - ◆ Mortgage Loan Business
 - ◆ New Platform Businesses
 - Policies for dividend pay-out and M&As
- Integration

Our Starting Point

: Aspiration We Put into the Name "ARUHI"

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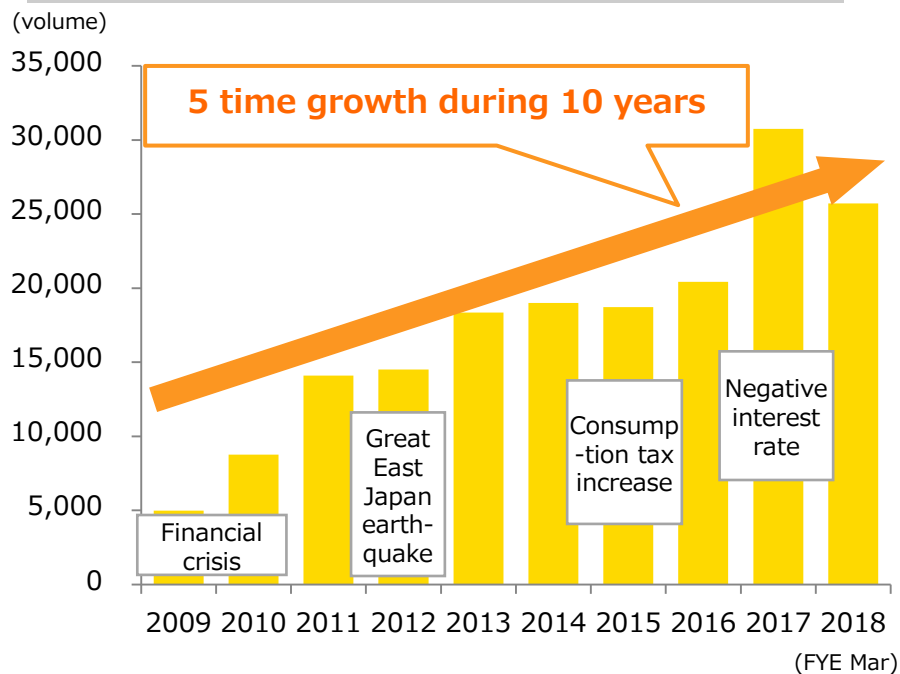
新しい生活は「ある日」始まります。

A new life begins from "ARUHI" (one day).

Our track record for the past 10 years (mortgage loan business)

ARUHI has achieved high growth & high profitability simultaneously

Number of loan executions



■ Number of loans executed by ARUHI

income before tax

[FYE Mar 2009※]
Income ¥**1.1** Bn
Margin **21** %

[FYE Mar 2018]
Income ¥**5.2** Bn
Margin **25** %

※former ARUHI (JGAAP)

KPI

Number of FC stores

[Mar end 2009]

40

[Mar end 2018]

119

Market share for Flat 35 ※new loans, whole FY

[FYE Mar 2009]

8%

[FYE Mar 2018]

23%

Product portfolio (by interest rate type)

[FYE Mar 2009]

All-time fixed
100%

※excluding package loans

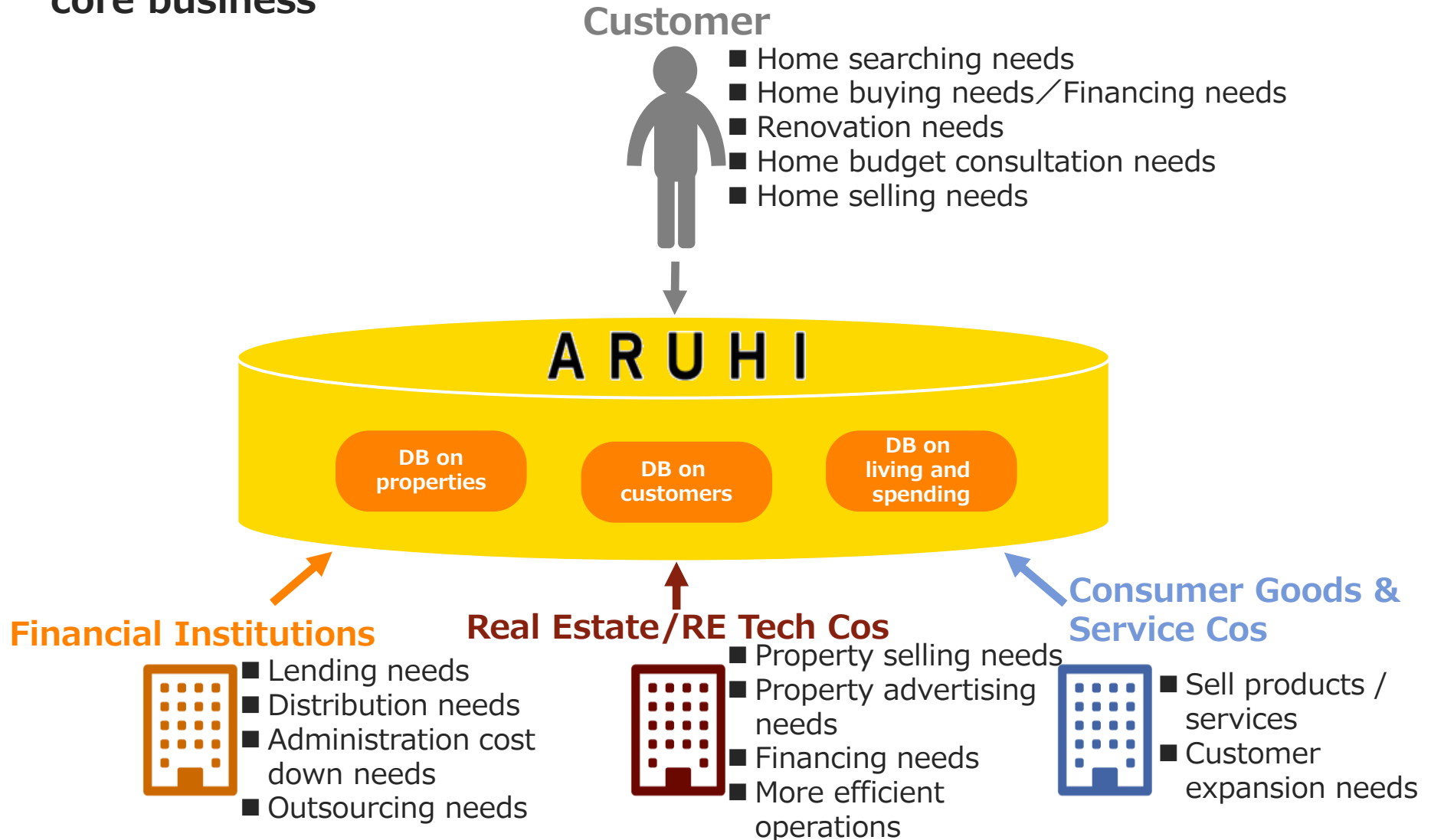
[FYE Mar 2018]

Floating/
others
23%

All-time fixed
77%

Our Business Model in Essence

An unparalleled platform company with mortgage loan business as core business



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There are plenty of growth opportunities in the large and fragmented market

General view=**red ocean**

Population/
households

- gradual decline

Housing
market

- decrease in new homes being built

Interest
rate

- risk for higher rates

Mortgage
loan market

- contraction

Competitive
environ-
ment

- competition for lowering fee and interest rates

ARUHI's view=**blue ocean**

- expansion of **foreigners, women** and the **aged** segment
- concentration of population in **metropolitan** and **city areas**
- increase in **used property** distribution
- decrease in new homes being built, but total distribution volume will be **stable**
- diverse product range will **mitigate risk**
- **fee business model** (no changes in asset value)
- stable at **20 Tn yen¹ annually**
- **no platformers** other than ARUHI
- competition diminishing as banks are **scaling down** mortgage loan business
- **growth opportunities** as the market is extremely fragmented (top share is only 6%)

1. Source: Japan Housing Finance Association

The trend of major banks' scaling down their mortgage loan business means more business opportunities for ARUHI

- A Bank
 - cut operations for **9,500 people**
 - decrease domestic branches by **10 to 20 %**
- B Bank
 - cut operations for **4,000 people** by the end of FY2020
 - shift to smaller branches with space saving operations
- C Bank
 - decrease **19,000 people** by the end of FY2026
 - decrease **100 branches** by FY2024
- D Bank
 - shift to smaller branches focused just on consultation
 - streamline operations by introducing **non-working week day** to some of the branches



unclear, complicated, time consuming

- Finding a home in a flood of information of the internet, having to look around many realtors.
- Borrowing loans are a headache because of the complicated and long process.
- Little support from financial institutions after you borrow loans. Relocation, moving in and starting a new life is hectic and tiring.
- There still remains a strong belief that newly built homes are better. But asset value declines quickly. Struggle to decide what to do with renovation or relocation with loans to pay back for a long time.
- **Banks, Fin-tech companies, realtors, RE tech companies – there are no companies that can provide seamless services. No platformers in the industry.**

Contribute to achieve eco-friendly recycling society by “making immovables movable”

our initiatives

Mortgage loan business

- Accelerate growth by introducing diversified products, more sales channels and automation technology (RPA¹, AI²)

Platform business

- hold all deep data around housing and living
- match all needs among parties related to housing and living utilizing technology
- connect individuals, realtors, financial institutions, and companies on a platform

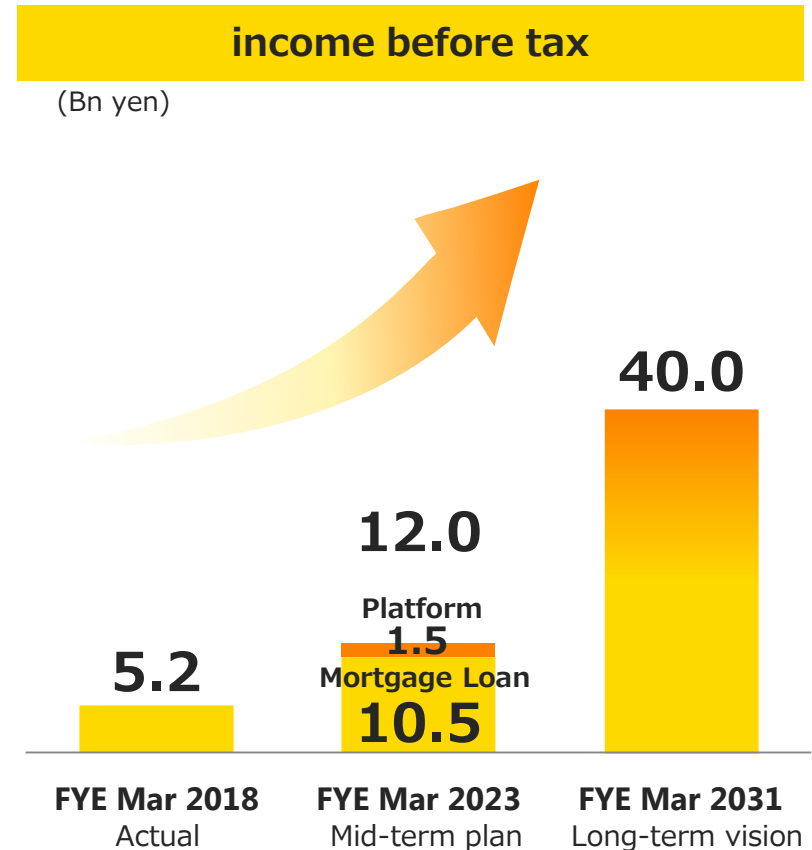
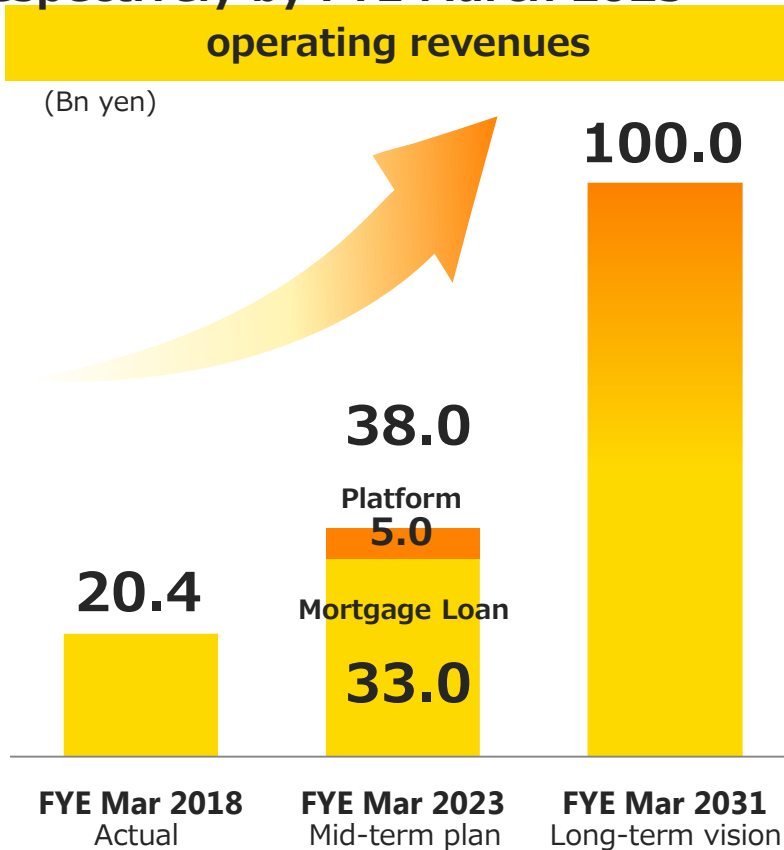
1. Robotics Process Automation
2. Artificial Intelligence

solutions for social tasks

- gratify various kinds of housing needs
 - propose solutions for an individual’s needs through his/her life stages
- **“making immovables movable”**
 - more renovations, more distributions for used properties
- help evolve a **sharing economy** for residential infrastructure
- help achieve **eco-friendly recycling society**

Financial targets

The mortgage loan business will grow CAGR10% in operating revenues and CAGR15% in income before tax, and will reach 38 Bn yen and 12 Bn yen, respectively by FYE March 2023



- mortgage loan business CAGR: **10%**
(FYE Mar 2018 to FYE Mar 2023)
- total business CAGR: **13%**
(FYE Mar 2023 to FYE Mar 2031)

- mortgage loan business CAGR: **15%**
(FYE Mar 2018 to FYE Mar 2023)
- total business CAGR: **16%**
(FYE Mar 2023 to FYE Mar 2031)

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ARUHI is the largest specialist mortgage loan provider in Japan

Current status of ARUHI

1. **Top player in Flat 35¹ for 8 consecutive years² with market share of 23%³**
2. **Ranked No. 5⁴ in terms of total mortgage loan amount with market share of 3%⁵**
3. **133 sales offices⁵ nation-wide**
4. **Fee-based business model with limited balance sheet risk**

Targets for Mar 2023

40% market share

No. 1, market share of 6%

more than 250 offices nation-wide, with additional 25 each year

→ the business model continues

1. Flat 35: all time fixed interest rate housing loans provided by Japan Housing Financing Agency in affiliation with private financial institutions

2. Based on statistics from FY2010 to FY2017; Number of Flat 35 loans executed (ARUHI Survey)

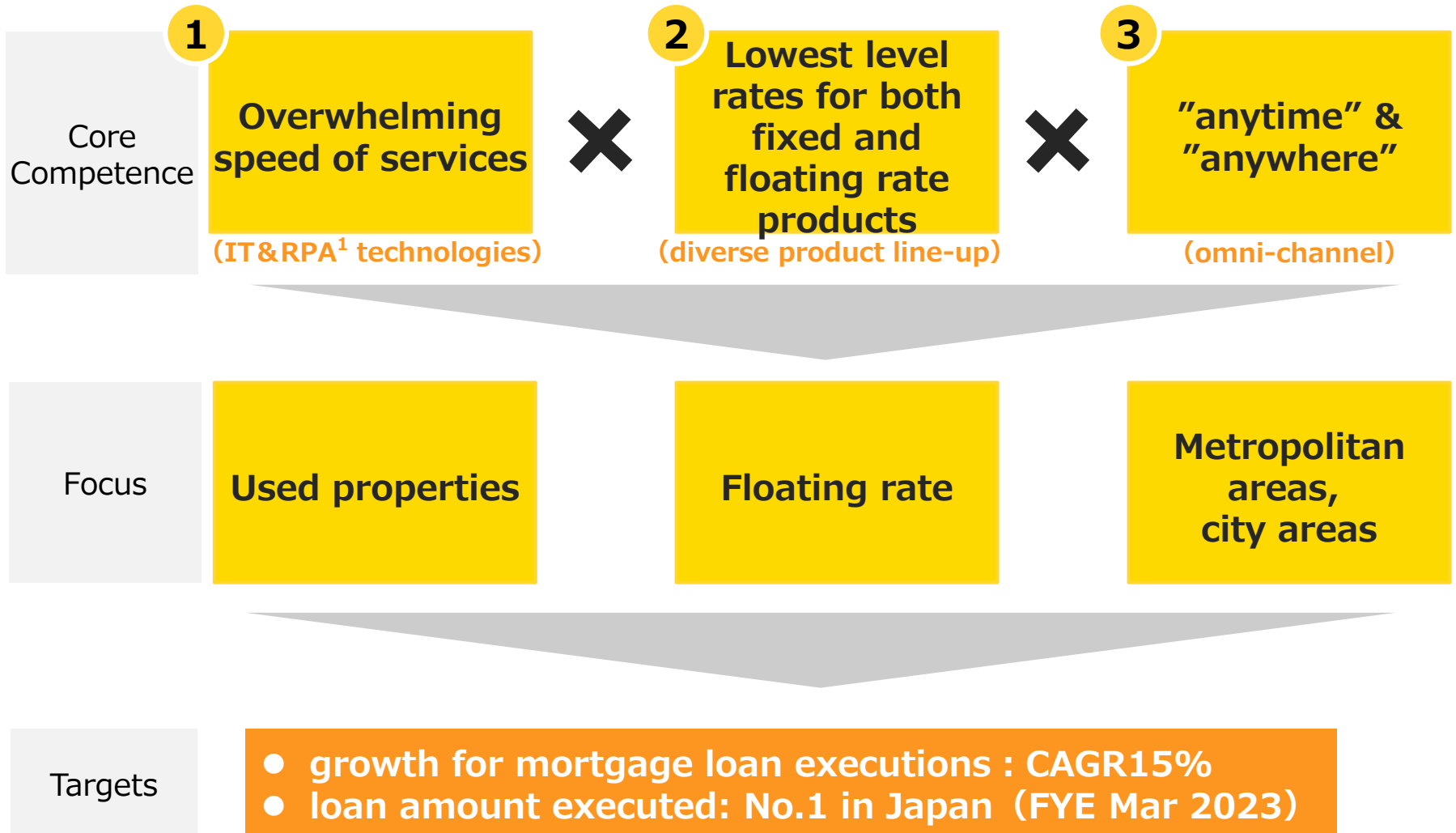
3. Based on statistics in FY2017; Number of Flat35 loans executed (ARUHI Survey)

4. Source: Bloomberg

5. ARUHI Survey

6. As of June end 2018 (including franchise offices, directly managed sales offices and direct sales sites)

Focus on growth segments by utilizing our strengths



1 Overwhelming speed

To become the best choice player by realtors and borrowers by achieving overwhelming speed

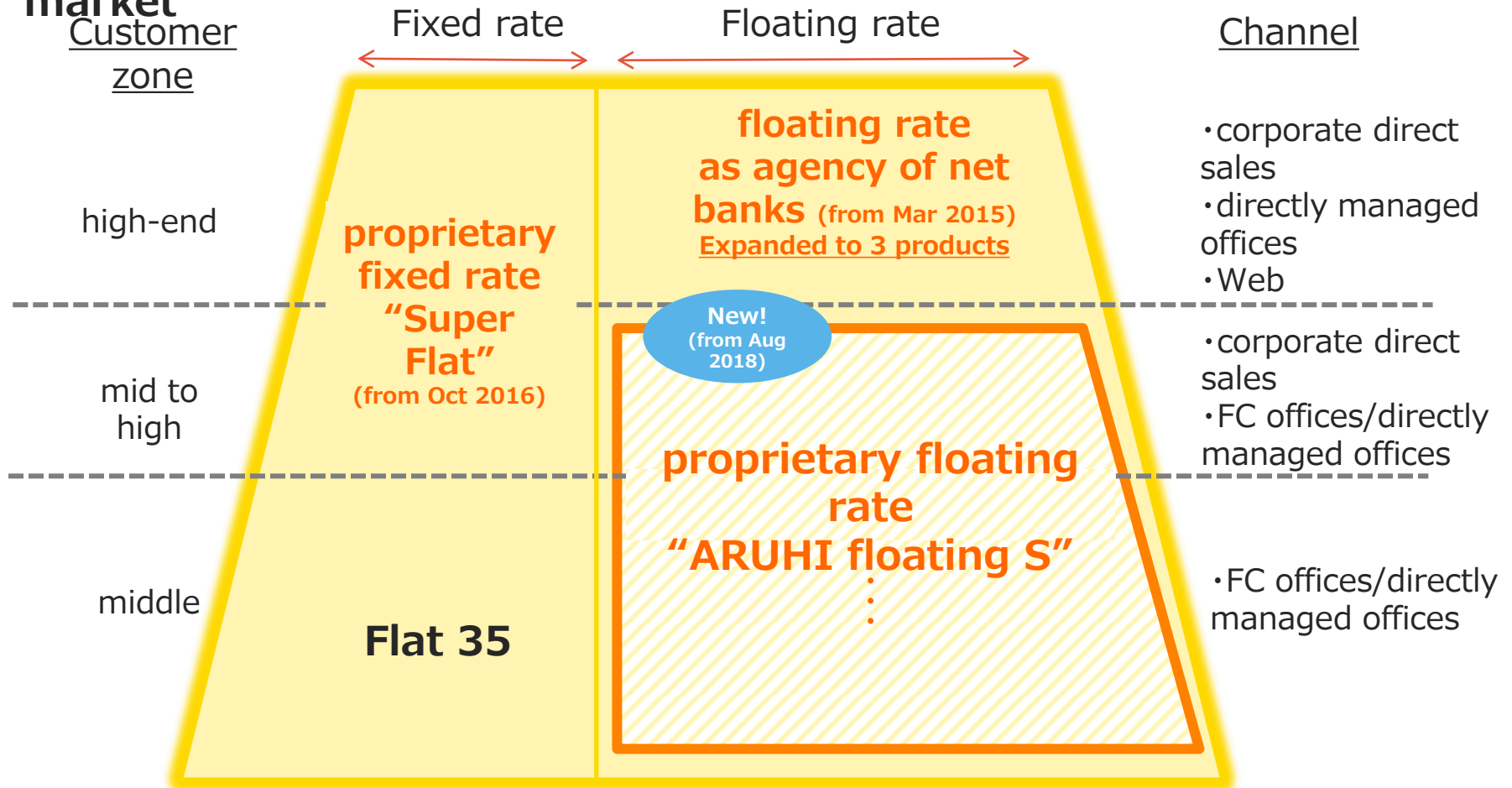
	competitor average	ARUHI's maximum performance
		<u>current</u> <u>target</u>
execution of Flat35	2 to 4 weeks ↔ 6 days	3 days
execution of ARUHI Floating S	1 to 2 weeks ↔ 5 days	3 days
quick pre-screening	(N/A) ↔ 36 hours	1 min

- Organization with **small number of talented people** (number of employees: around 300₁)
- Uninterrupted **IT investments**
 - direct connection with Japan Housing Finance Agency
 - full utilization of **RPA**
 - introduction of **AI** (planned)

1. As of March end 2018 (full-time employees only)
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2 Entry into floating rate loan segment

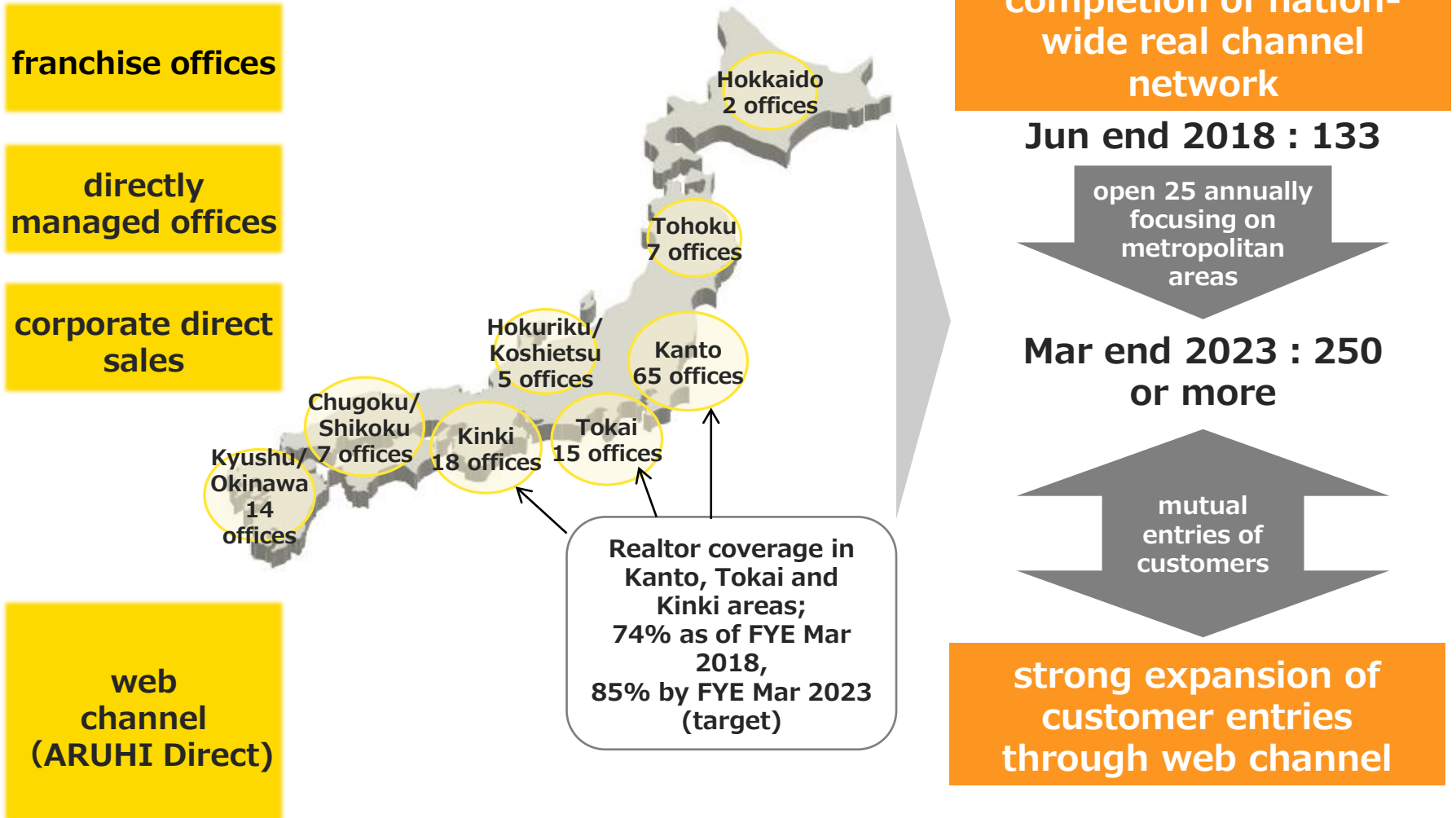
Expand product line-up and grow loan executions in the floating rate market



proportion of floating rate products:
 FYE Mar 2018 : 10% → FYE Mar 2023: 33%

3 "Anytime" & "anywhere" (omni-channel)

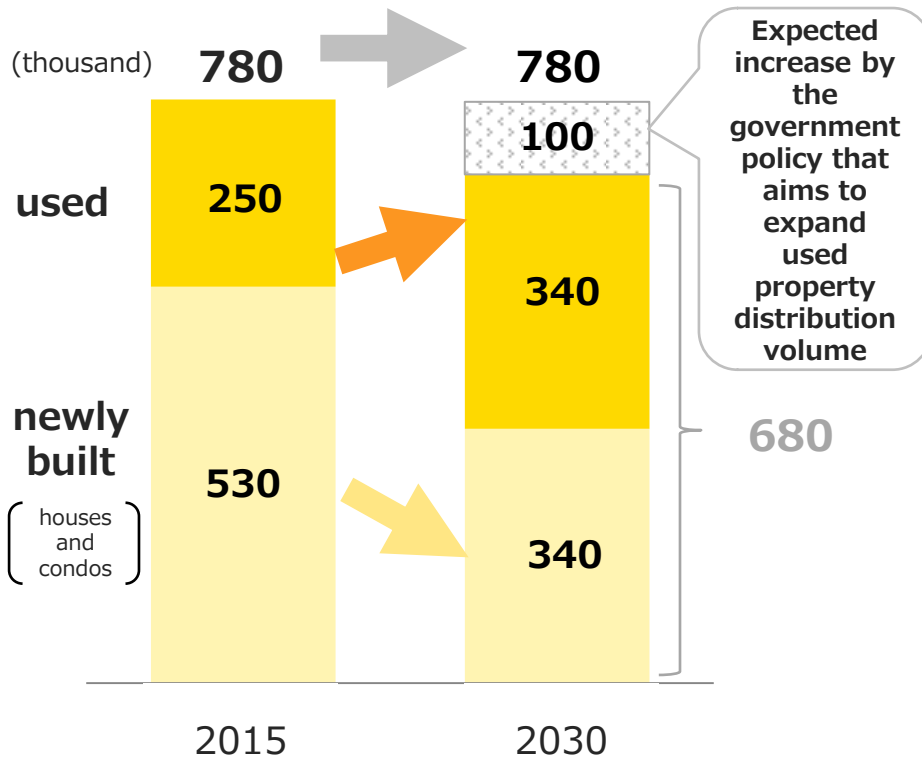
Plan to open **25 offices** annually from this fiscal year for the coming 5 years to cover **90%** of nation-wide realtors



Proceeding initiatives to focus on the used property market that is growing

changes in home distribution volume

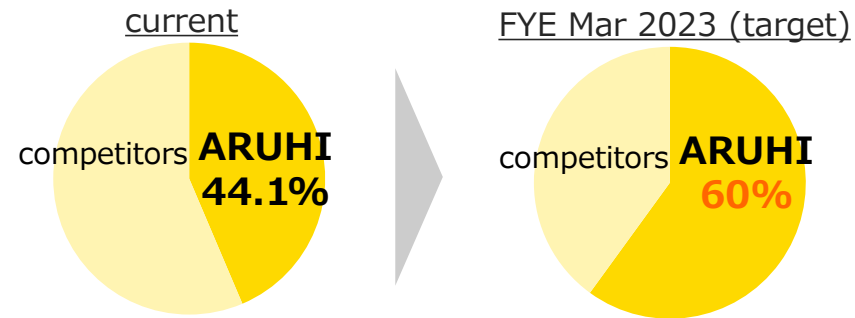
- total amount of home distribution volume: flat
- used home distribution volume: CAGR 2 to 4%



Source: NIR

our initiatives

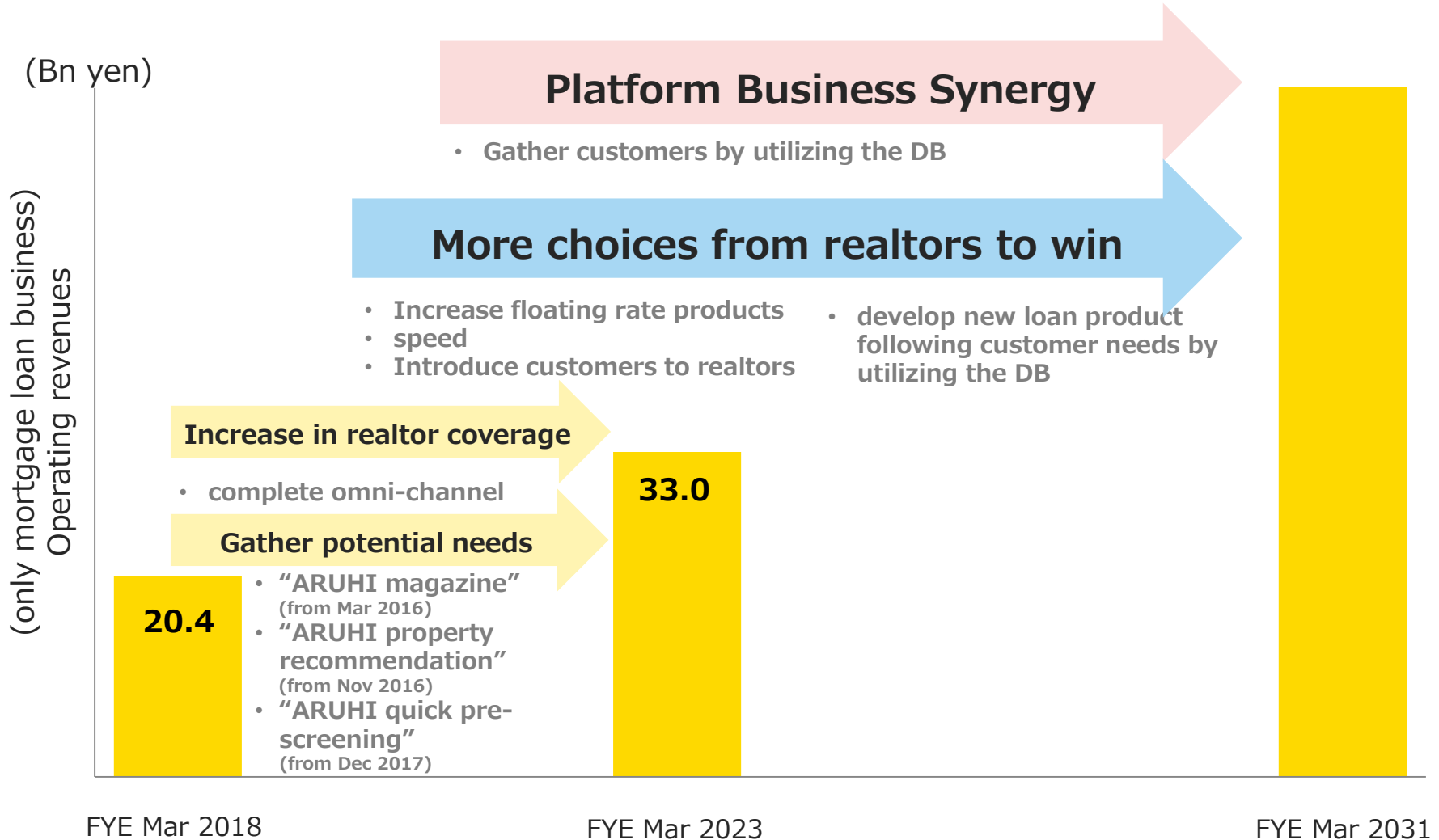
- further expand top market share for the used home segment of Flat 35



- speed
 - speed is the key for all of sellers, intermediaries, and buyers
- to open offices focusing on city areas
 - major part of used homes are located in city areas
- expansion of floating rate product line-up
 - strong for both fixed and floating rate products

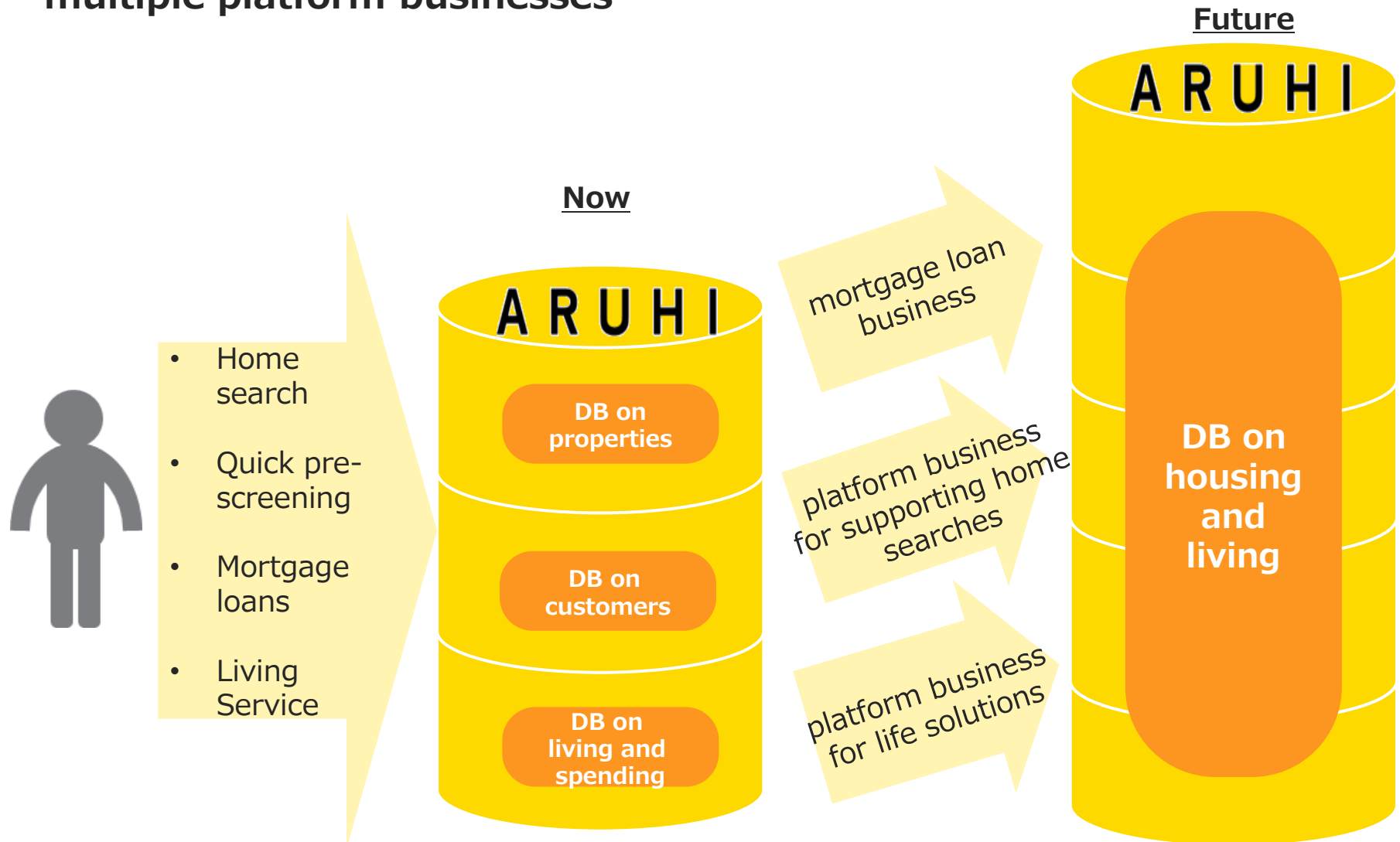
Growth drivers for mortgage business

Implement measures to utilize the DB, while maintaining and strengthening ARUHI's core competence



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Expand and deepen database on housing and living by running multiple platform businesses



Develop three new platform businesses, utilizing the market position, database, infrastructure built through mortgage loan business

1) platform business for supporting home searches

- **“quick pre-screening before home search”** utilizing **RPA and AI**
 - create a new process to acquire a home by starting from knowing maximum loan amount you can borrow
 - create a paperless, fully automated loan application process
- **Introduce customers** who want to acquire a home to realtors and monetize

2) platform business for life solutions

- to provide free of charge consulting services as a **“home doctor for housing & home budget”** and gather deep data by understanding customers’ lifetime needs
- to further develop and match parties who need and who provide **products and services at various life events**

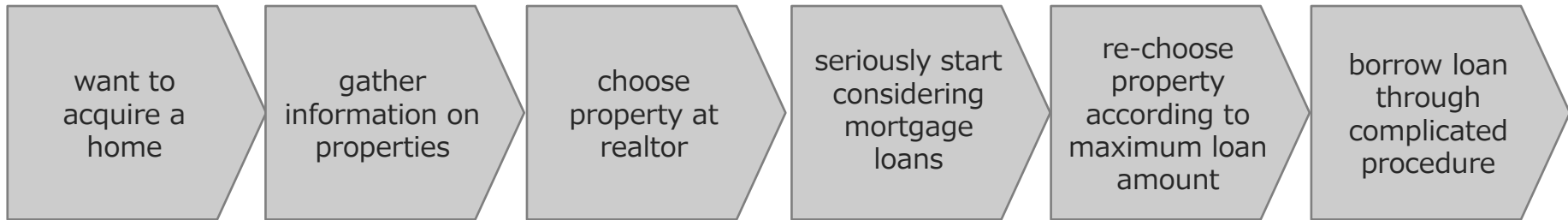
3) platform business for loan operation outsourcing

- Release ARUHI’s loan operation infrastructure utilizing **RPA and AI** , and **handle loan operations** for other financial institutions
- to **monetize mortgage loan operations** that have been a cost center

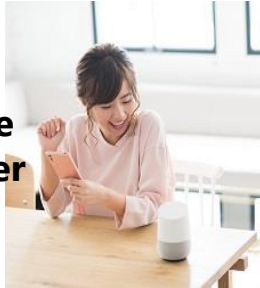
Platform business for supporting home searches ARUHI

Create a new paperless, fully automated loan application process which starts from knowing maximum loan amount by utilizing “quick pre-screening before home search”, AI and RPA

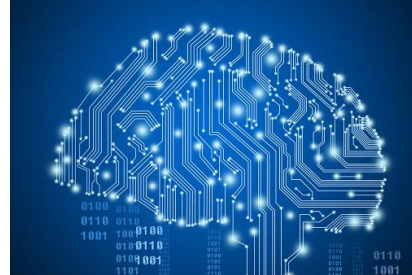
【BEFORE】



smart phone
smart speaker



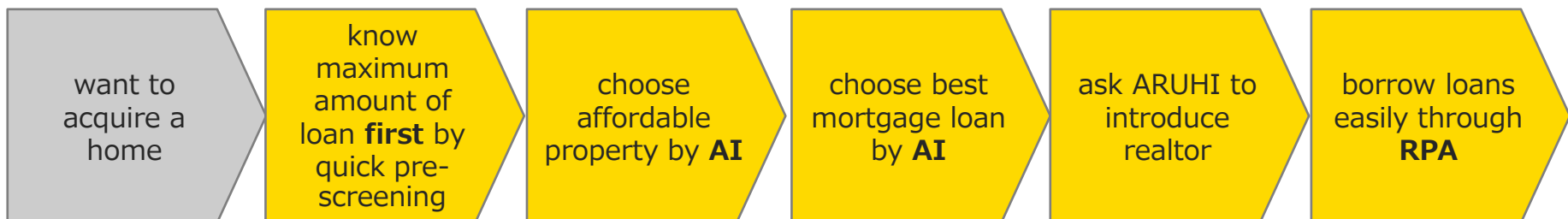
AI



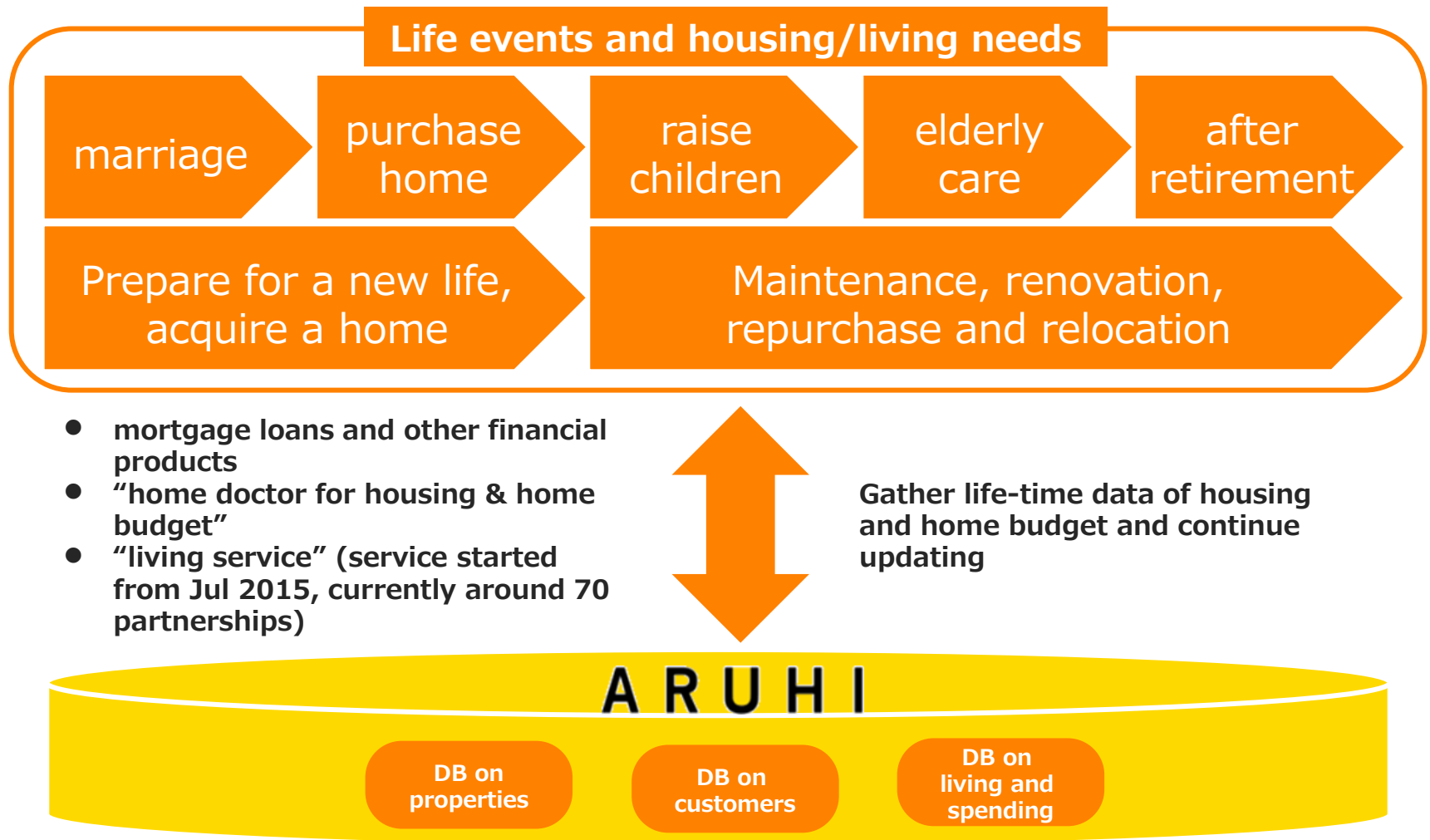
RPA



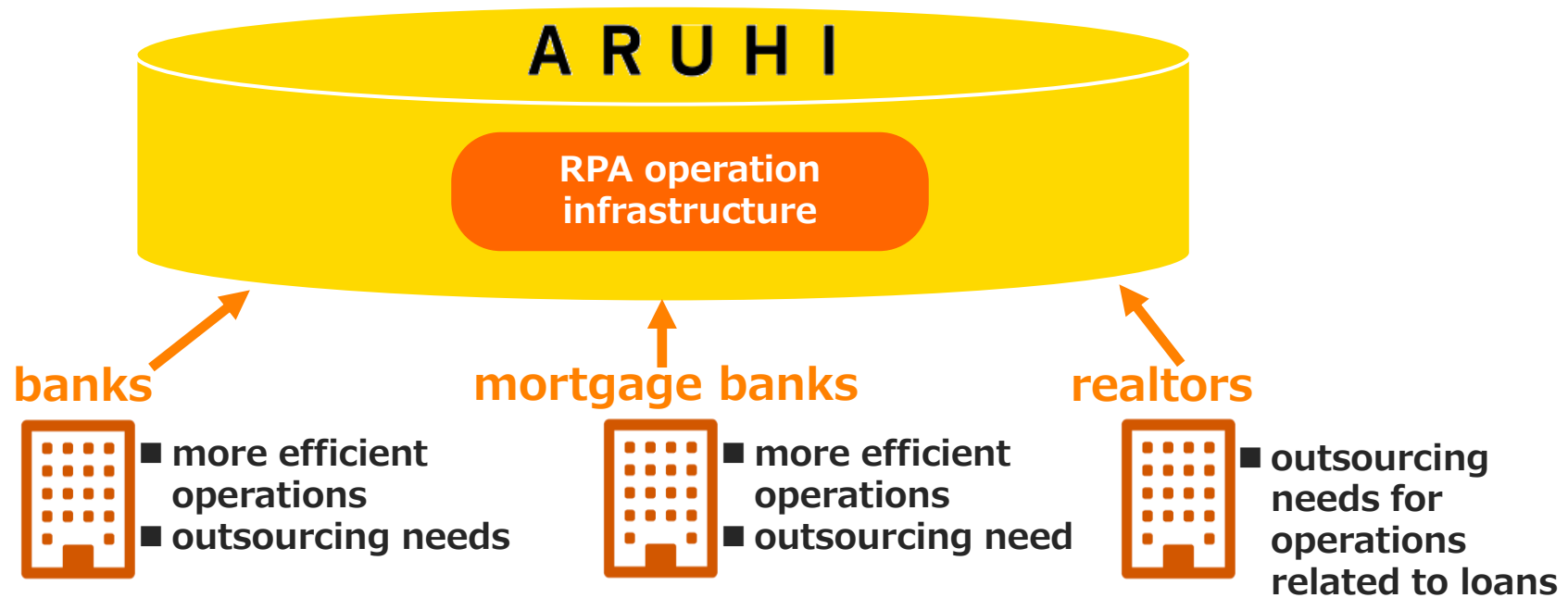
【AFTER】



Start life event matching services



To be outsourced on various operations based on infrastructure built for Flat 35 business, and to make operations that have been a cost center money making business





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Policies for dividend pay-out and M&As

To have dividend pay-out ratio of 30 to 40%, balancing investment requirements necessary for growth.


Cash surplus considered to be used for growth, including M&As and/or higher pay-out ratio

	FYE Mar 2018 (actual)	FYE Mar 2019 through FYE Mar 2022 (plan)	
CAPEX (IT investments)	¥0.5 Bn	¥3.5 Bn	 <p>well managed use of cash</p>
ROE	15%+		
pay-out ratio	30 to 40%		



Investment for
growth
including M&As

and/or



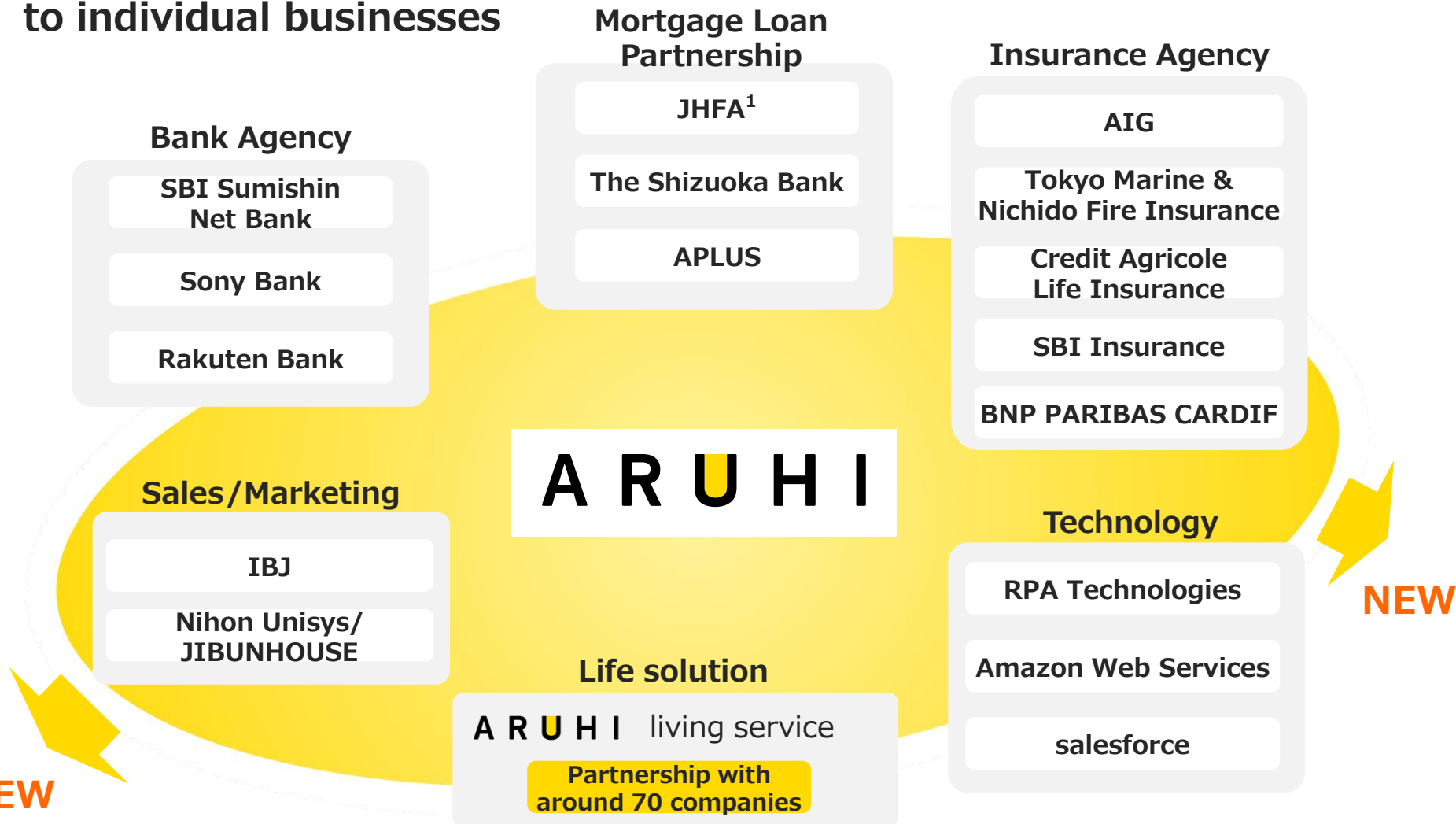
higher
pay-out

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● Integration

New development of platform businesses

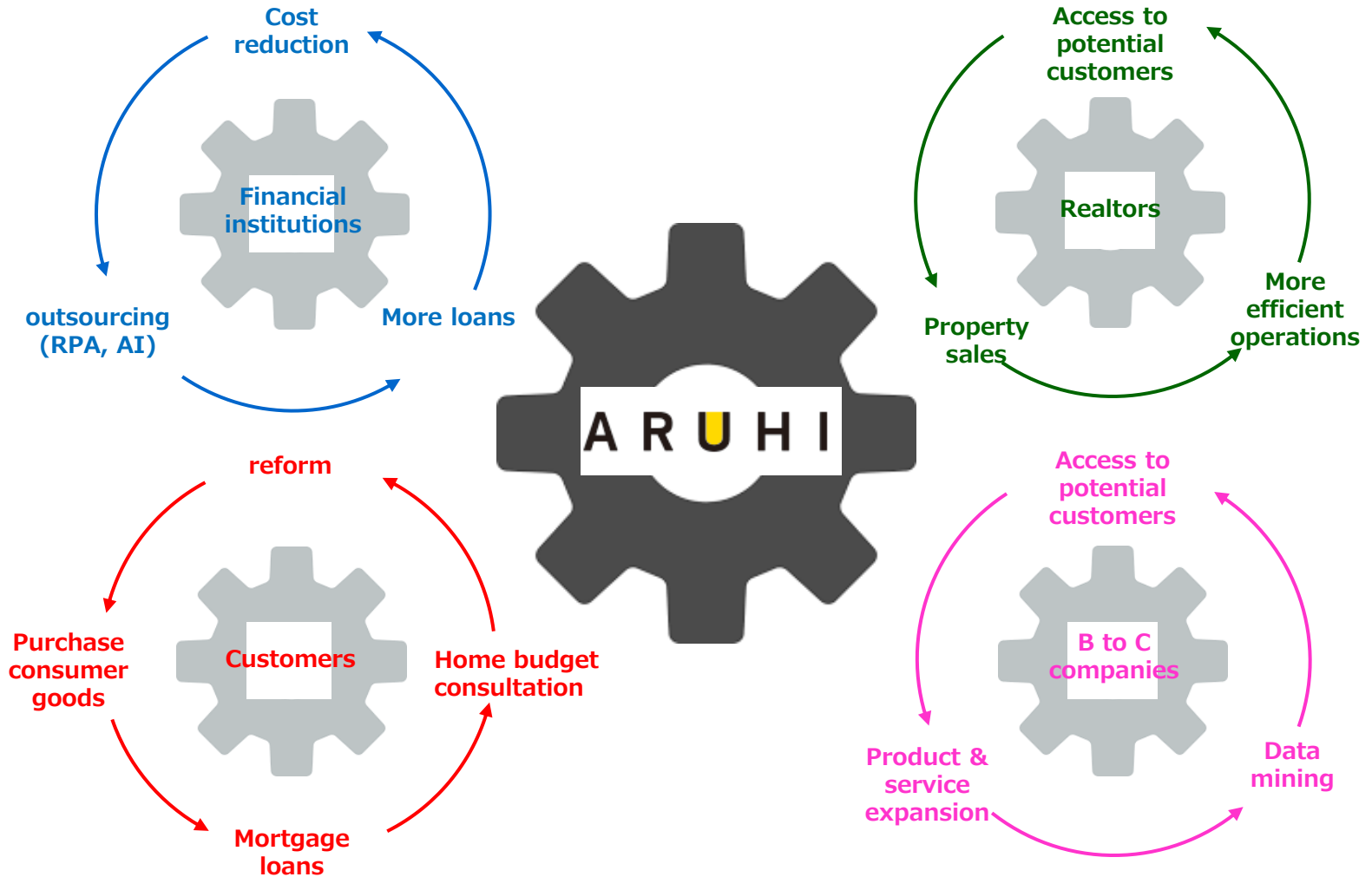
Develop and expand platforms built through mortgage loan business to individual businesses



1. Japan Housing Finance Association

What we aim for

A multi-platform company that integrates customers, realtors, financial institutions and companies



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