

Medium-Term Management Plan  
(Fiscal Years Ending March 31 - 2019 - March 31, 2021)

# Zero to One

May 11, 2018

Entrust Inc.



# Zero to One

Always Realizing "Zero to One"

# “Entrust provides social infrastructure through its guarantee schemes, contributing to the invigoration of services and distribution”

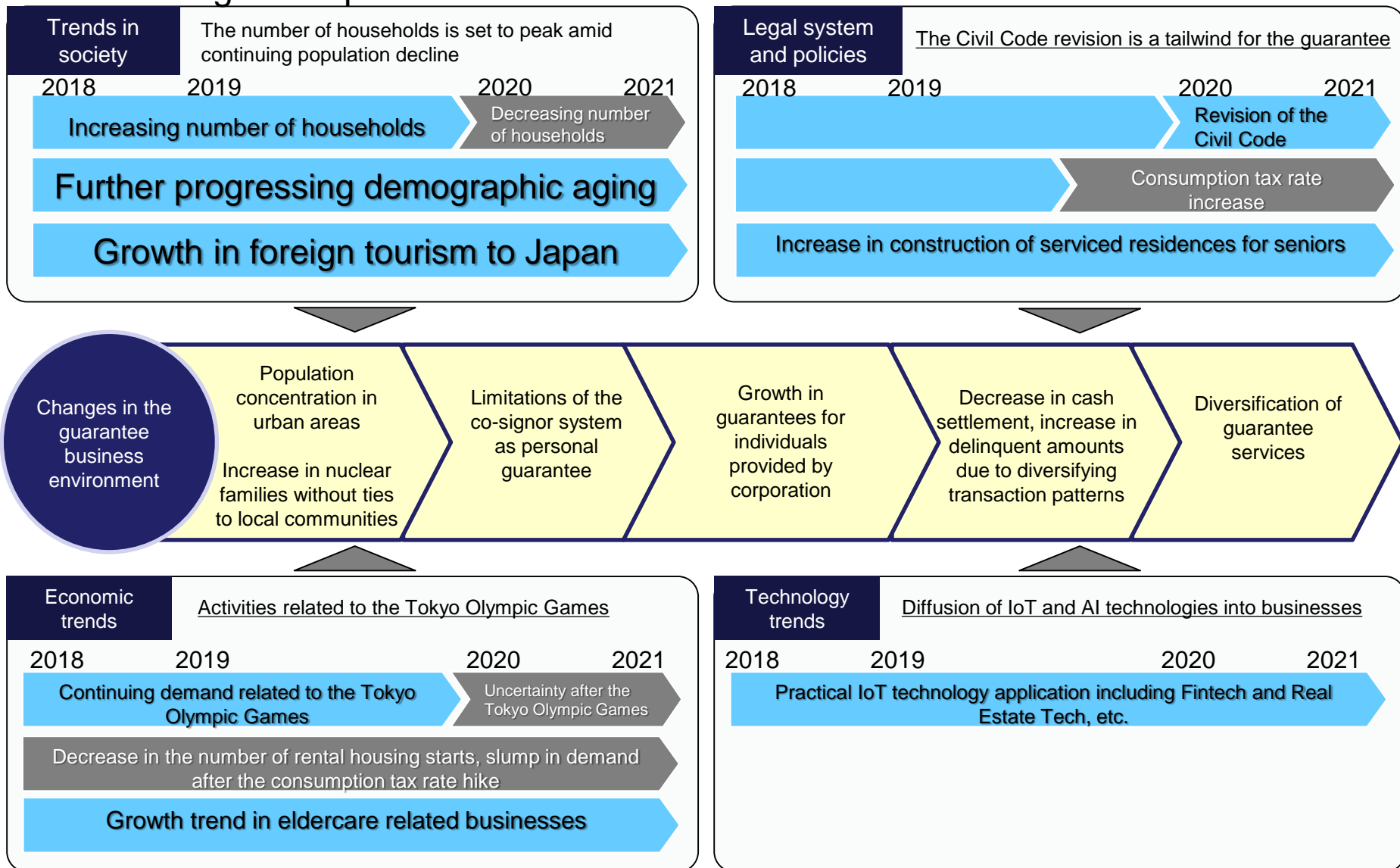
Guarantees, such as a co-signor's endorsements, form a commercial practice rooted in a long history. However, non-performance of a co-signor's promise poses economic risk whose resolution can impose a heavy burden. The risk of economic loss and its weight on operations form constraints on the expansion of commercial transactions.

Entrust, by assessing and underwriting risk and mitigating the associated costs through its guarantee schemes, achieves guarantees for contract counterparties and contributes to the activation and expansion of client companies' trading activities.

In addition to property rent guarantees, Entrust develops markets for a variety of guarantee offerings and works to let its guarantee schemes proliferate as social infrastructure.

## 2. Recognizing the external environment

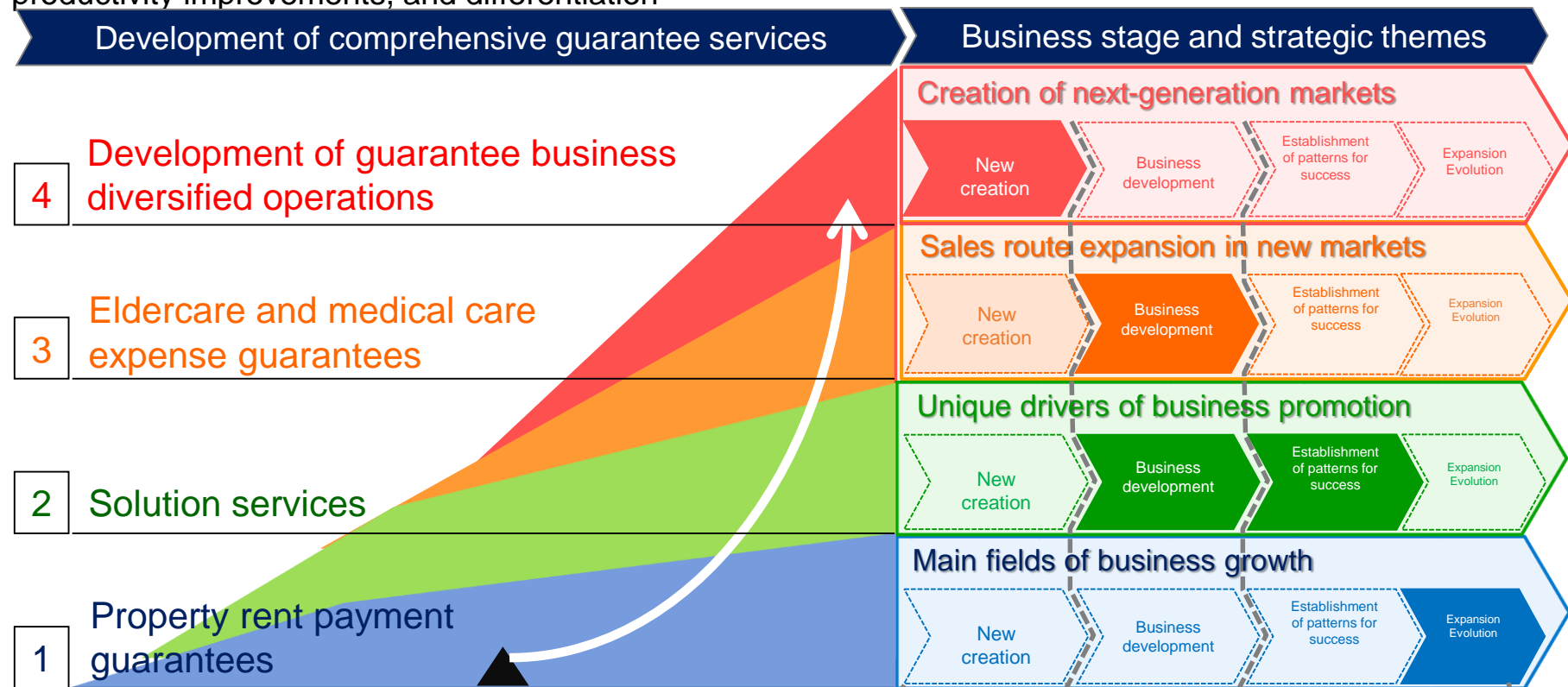
### Anticipated changes in the business environment during the period of the medium-term management plan



### 3. Fundamental policies of the medium-term management plan

#### ● Business development

As a comprehensive guarantee service company, we will create, develop, expand, and evolve guarantee products and solution services. We will resolve issues at each business stage, aiming to realize value creation, productivity improvements, and differentiation



#### ● Business investment

We will practice step-by-step investment. We will view business opportunities from the two perspectives of inherent potential for growth and risk of loss.

Investment in growth opportunities

(1) Investment in challenging opportunities  
Search for new business opportunities, trials, etc.

(2) Investment in preparations  
Preliminary preparations aimed at establishing a market

(3) Investment in realization  
Nurturing of cash spinners and strengthening of competitive edge

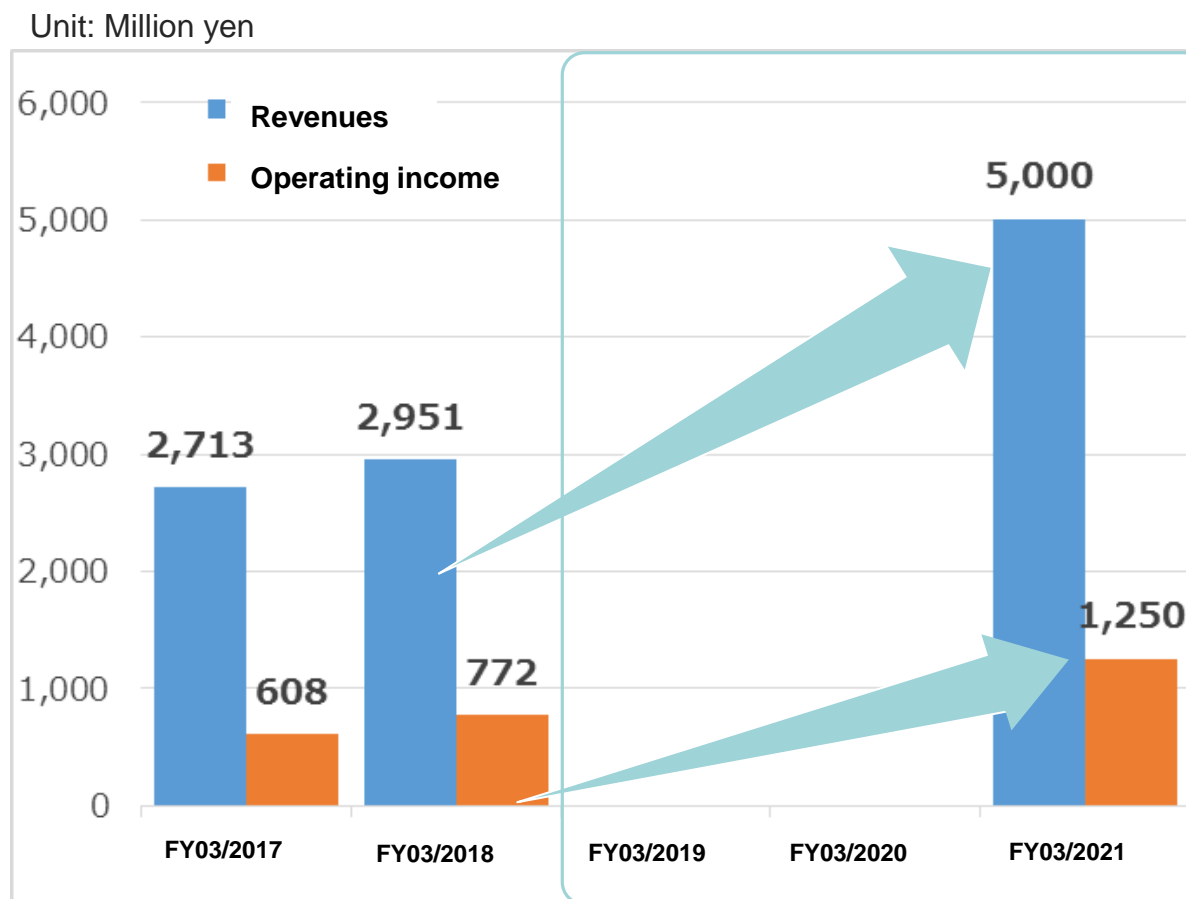
## 4. Performance targets of the medium-term management plan

**Medium-term  
performance targets**  
(Until the fiscal year ending  
March 31, 2021)

**Revenues**  
**5,000 million yen**

**Operating income**  
**1,250 million yen**

**Operating income ratio**  
**25%**



# 5. Priority strategy 1: Property rent guarantees

Property rent guarantee services will further expand and evolve as a core growth business

## Market environment

Changes in the target population  
(number of households)

Number of households at the high point

Decrease in the number of rental housing starts



At major management companies related to manufacturers, the number of units under management will increase  
⇒ Gradual concentration of major companies

Growth at major companies

Changes in the guarantee utilization rate

Promotion of property rent guarantee company usage

\* Ministry of Land, Infrastructure and Transport, October 2016  
"Current Status of Property Rent Guarantees"

2010 43% → 2014 56%

Growth from rising guarantee attachment ratios

+

Civil Code revision to be enforced in April 2020

Obligation to set an express maximum liability amount of the co-signor

⇒ Procuring co-signors will become increasingly difficult

## Positioning

Targets of Entrust

Market comprised of rental property management companies

Major management companies

Medium-sized management companies

Small management companies, guarantee brokers

Competition 1: Own guarantee companies within management companies' group

Competition 2: Guarantee business companies

## Development approach

Order-made product offerings

Flexible responses to the individual needs of major management companies

Guarantee products

Solution services

Full line of product and service offerings

Increasing variation of guarantees, resolution of needs surrounding guarantees

Guarantee products

- Residents (general / corporate), business use
- Subrogation payment type and card partnership type
- For seniors and welfare recipients, etc.

## Investment opportunities

Infrastructure investment for new product development, sales force reinforcement, and operational efficiency enhancement

## 6. Priority strategy 2: Solution service

The solution service is complementary to the guarantee service and a driver to promote sales expansion

### Market situation

#### Rental property market

##### Target customer

Medium sized and major rental property management companies

\* Management companies with at least 1,000 properties under management

##### Main competition

Guarantee companies owned by management companies

Out of the top 50 management companies, one-half have proprietary guarantee companies

\* National Rental Housing Newspaper and own research

#### Other than rental property market

Communication EC

Finance

Training institutions

Human resources Staff dispatch

etc.

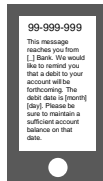
##### Needs of major companies

- 1) Specialized services superior to in-house production at high cost performance
- 2) If there is an in-house guarantor company within the group of a management company, the management company will be unable to adopt guarantee products from an outside provider

### Development approach

#### Provide services that can efficiently resolve customers' needs and problems

##### Doc-on and Rakure Services



- Call-center function (Patent acquired)
- Reminder notice function
- Settlement function (Patent pending)

##### C&O (Consulting & Operations)

Screening support



Contract management



Collecting agency



Unpaid items information



Investigative visits



Legal action support



Delinquency management



##### Insurance desk

Insurance knowledge and know-how

Safe management of personal information

Compliance-based business operations

##### Development with a full line-up

Higher customer satisfaction, higher sales

##### Entry tools

Creation of trust by resolving individual needs

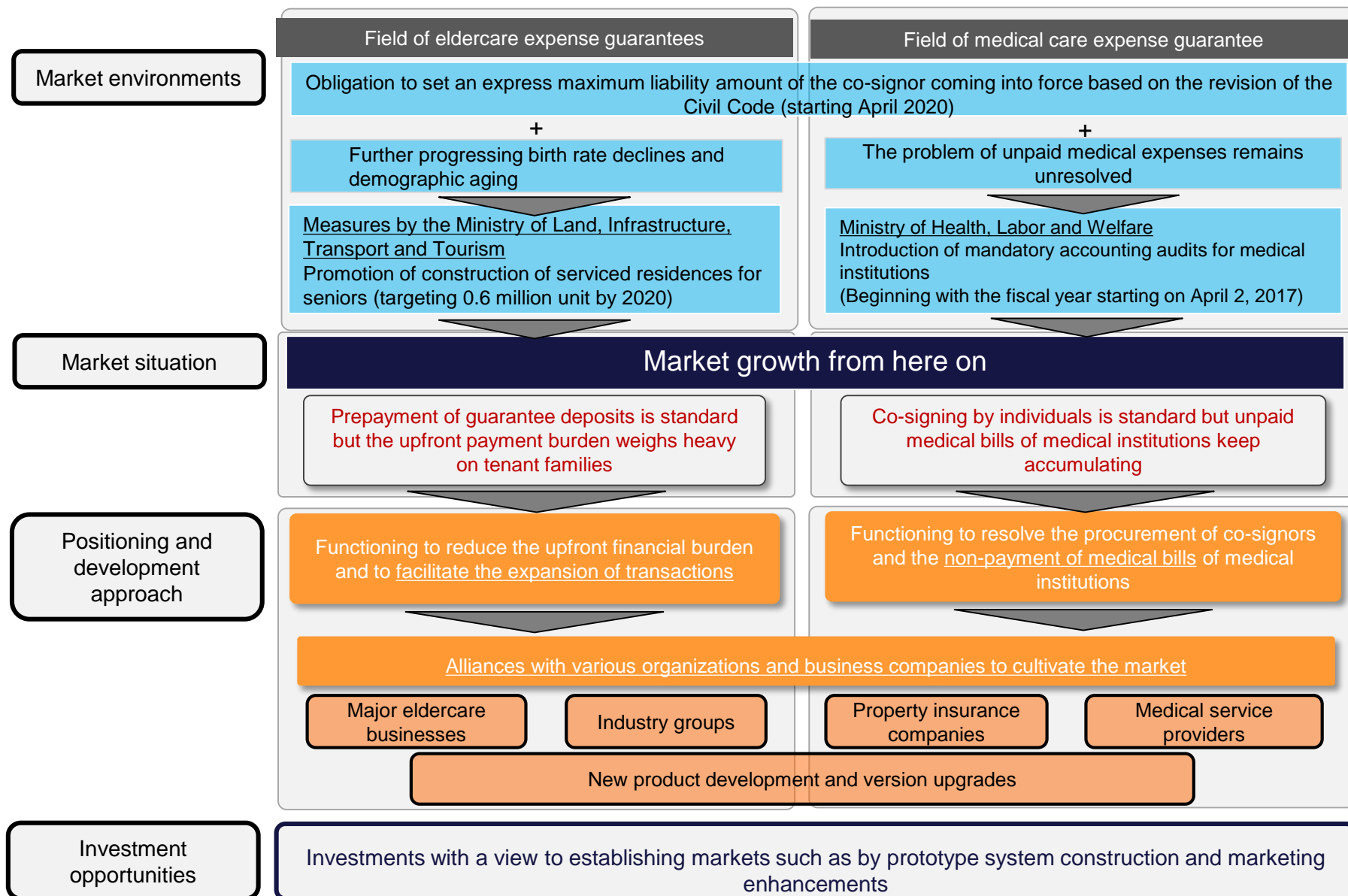
### Investment opportunities

Investment in specialization furtherance using IoT, investment in strengthening infrastructure equipped for volume increases



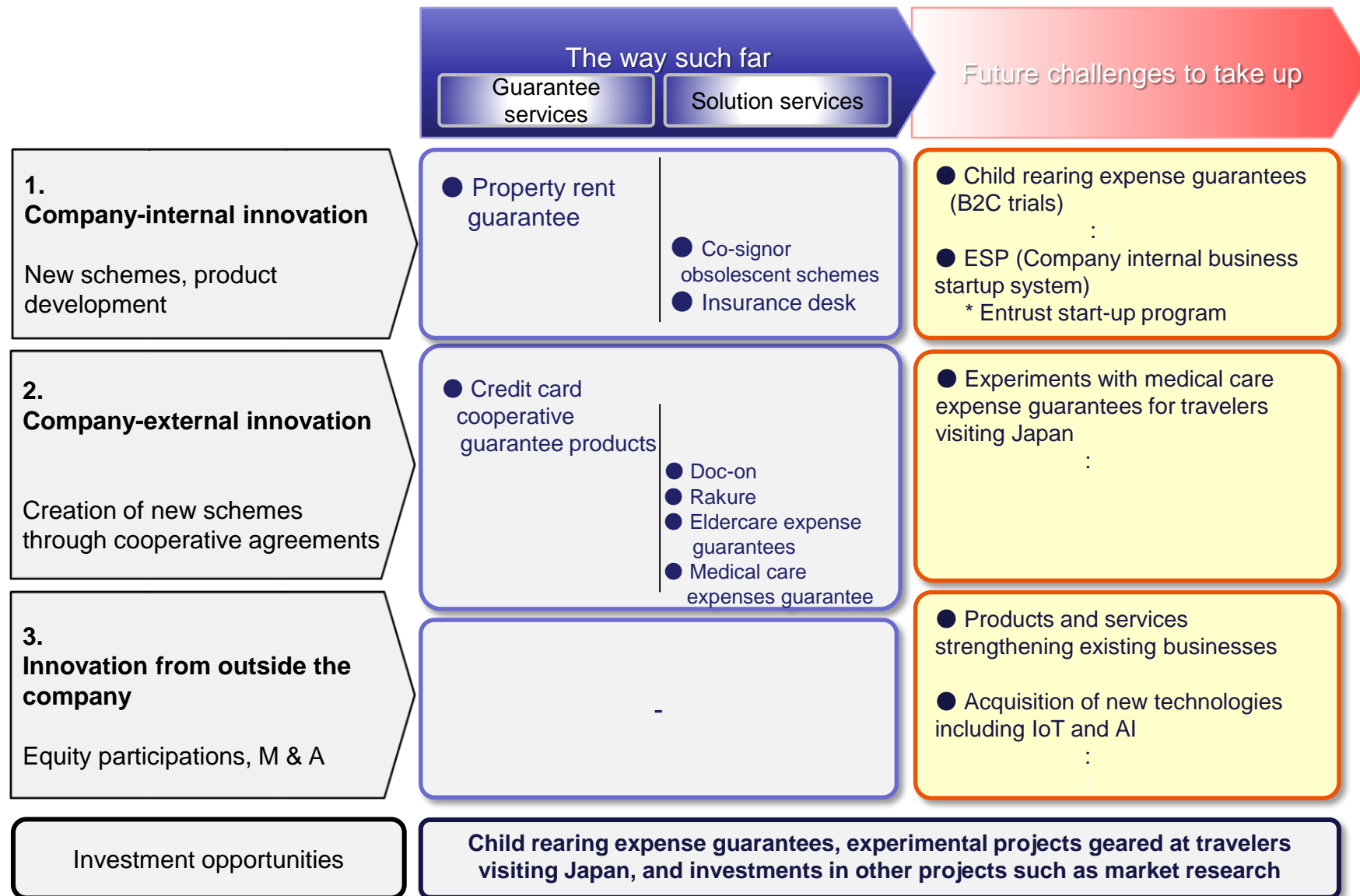
## 7. Priority strategy 3: Eldercare expense guarantees and medical care expense guarantees

Eldercare and medical care expense guarantees will be developed as new markets following property rent guarantees



## 8. Priority Strategy 4: Expansion of the guarantee business to other industries

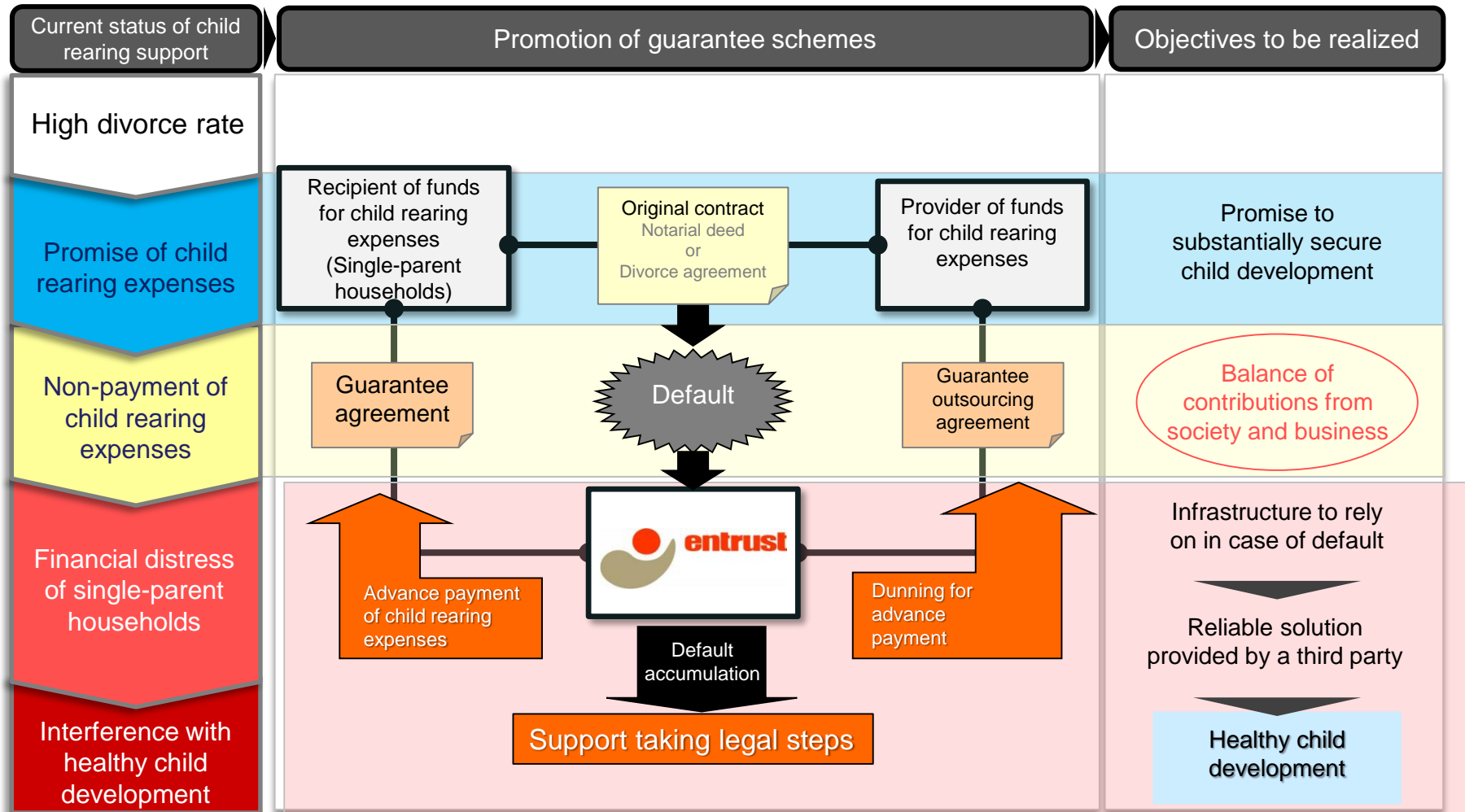
Identify company-internal and external sources of new business, develop new guarantee and solution services, and create next-generation business operations



## 9. Priority strategy 4: Development of business types other than guarantee business: Trials in child rearing expense guarantees

For single-parent households a stable source of funds for child rearing expenses is essential for children's development.

Pilot projects have been started with a view to establishing infrastructure for the self-support of single-parent households



# 10. Investment and financial strategy

Entrust emphasizes four areas of investment, namely, growth investment, shareholder returns, management efficiency, and financial soundness, and in so doing realizes a balanced investment and financial strategy.

## 1. Growth investment

### ● Investment stance

"Step-by-step"

Investments will be made with a view to business growth proceeding in stages

### ● Investment opportunities

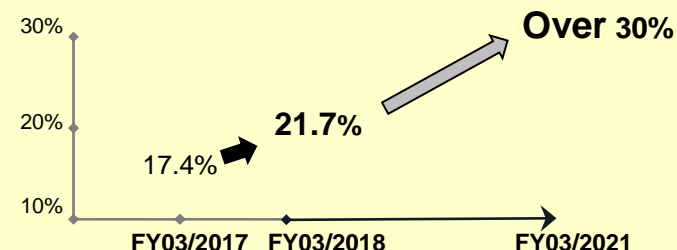
(1) Investment in challenging opportunities Search for new business opportunities, trials, etc.	(2) Investment in preparations Preliminary preparations aimed at establishing a market	(3) Investment in realization Nurturing of cash spinners and strengthening of competitive edge
<u>Discovering new business opportunities</u> - Experimental project operations - Company-internal proposal competition * ESP System - Test marketing - M & A, etc.	<u>Establishment of frameworks for commercialization</u> - Creation of a prototype system - Establishment of specialized units and acquisition of staff - Reinforcement of promotion - M & A, etc.	<u>Business reinforcement, revenue expansion</u> - Development of new guarantee products - Testing of IoT and AI applications in actual use - Sales force strengthening - Creation of an information core system - Establishment of a large-scale solution center - M & A, etc.
<b>70 - 150 million yen</b>	<b>80 - 150 million yen</b>	<b>500 - 700 million yen</b>

**Investment target: 650 - 1,000 million yen**

## 2. Shareholder returns

### ● Dividend payout ratio

Attainment of a ratio exceeding 30% by the end of FY03/2021



## 3. Business efficiency

### ● ROE

Maintain ROE above 20%, emphasize management efficiency

## 4. Financial soundness

### ● Equity ratio

Maintain financial soundness with a targeted equity ratio of 60%

## Important information concerning the use of this document

The numerical business results projections stated in these materials are based on judgments and expectations derived from the information available at the time. The materials have been prepared based on numerous assumptions and perceptions obtained from information that includes risks and uncertainties.

Users of these materials are reminded that owing to a diversity of factors actual business results can materially differ from business results projections. Factors that have the potential to affect actual business results include, without limitation, deterioration in the business environment or economic conditions, trends surrounding laws, regulations, and related rules, and unfavorable rulings in litigation.

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