



日本リビング保証株式会社
Japan Living Warranty Inc.

Materials for the Briefing Session on the Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2022

Japan Living Warranty Inc.
February 10, 2022

Executive Summary

What the Company does

“Putting 100-year value into all homes”

We are striving to realize a society where an appropriately maintained house obtains an adequate asset value assessment and create a sustainable mechanism.

How the Company performed

We achieved record-high net sales and profits, and revised the full-year financial results forecast upward

On top of the increased revenue in stock for the Total Housing Maintenance business, we also made good progress in main areas (renewable energy/GIGA School) of the BPO business.

Topics

From the warranty company to the “transporter of housing information”

Upgrading of solutions/digital investment/share repurchases/new business tie-up

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**What the
Company
Does**

Putting 100-year value into all homes

<We will become the transporter of information on homes via houses x finance x technology>

The asset value of wooden detached houses in Japan is generally believed to become zero after 22 years, or the legal durable years.

However, it is possible to continue to live in appropriately maintained houses comfortably and safely even beyond the legal durable years.

This is where we find a gap between the legal system and actual housing conditions with respect to the assessment of the asset value of houses in Japan today.

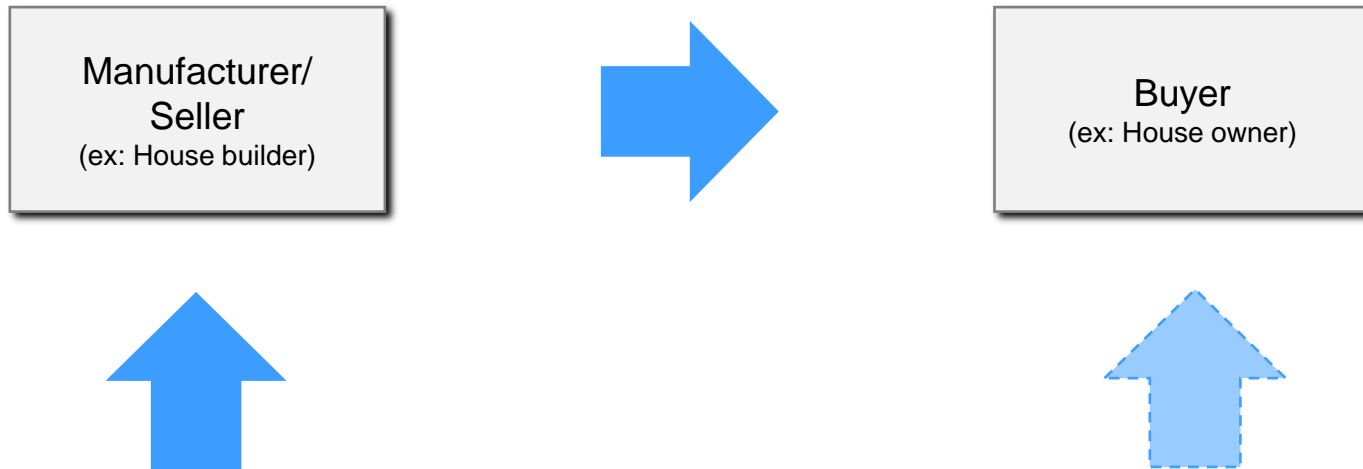
We will strive to realize a society where an appropriately maintained house obtains an adequate asset value assessment and create a sustainable mechanism by managing and conveying a variety of information on homes.



The Company's Business Positioning

We serve as “the player in the background” who provides customized after-sales services for each customer company.

- Provide the after-sales service system
- Original token (electronic money)



Support the enhancement of after-sales services and the development of an independent trade area.

Also act as an agent for the provision of after-sales services.



Warranty system management

Agent for various after-sales services

Issuance of original tokens *

Provision of mobile applications

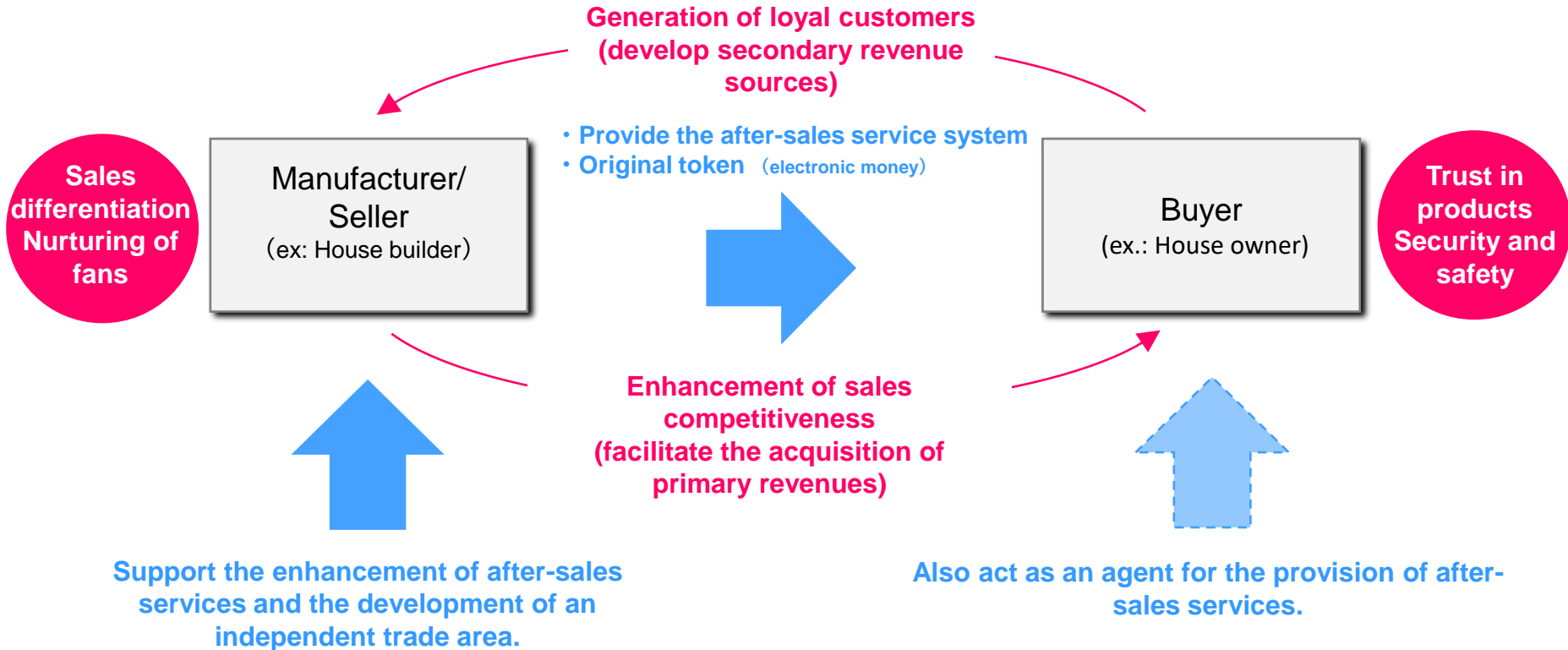
Provision of ordering/settlement systems

Provision of various AI tools

※Issued by Livingpoint Inc., an issuer of instruments of advanced payments (third party-type)

What the Upgrading of After-Sales Services Brings

Create advantages for both manufacturers/sellers and buyers.



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Business Overview

The non-housing areas (BPO business) are expanding rapidly in recent years against the backdrop of growing demand for renewable energy.

	Total Housing Maintenance business (Housing business)	Business Process Outsourcing business (BPO business)
Value offered	Support the planning/implementation of after-sales services	
Main business partners	Housing business operators, centering on house builders, condominium developers and builders, and building contractors Cumulative number of business partners Approx. 3,500 firms	Various manufacturers, centering on renewable energy-related and educational ICT-related companies Cumulative number of business partners Approx. 100 firms
Principal products	Long-term warranty for buildings/equipment ↓ Mainly <u>the booking of warranty prorated according to periods</u>	Consulting service for the development of warranty systems + Administration service ↓ Mainly <u>the block booking for the full year</u>

Recurring revenue model business
+
Pay-per-product model business

How the Company Performed in the Second Quarter of the Fiscal Year Ending June 30, 2022




Summary of Consolidated Financial Results for the Second Quarter

Rises in both net sales and profits YoY; achieved record net sales and profits

	Q2 consolidated financial results (2021.7-2021.12)	YoY ※		Progress vs. full-year forecast	Full-year consolidated financial results forecast (2021.7-2022.6)
Net sales	Record high 1,608 Millions of yen	+413 Millions of yen	134.6%	51.9%	3,100 Millions of yen
Operating profit	Record high 467 Millions of yen	+307 Millions of yen	291.6%	76.6%	610 Millions of yen
Ordinary profit	Record high 524 Millions of yen	+285 Millions of yen	219.2%	73.8%	710 Millions of yen
Net income	Record high 355 Millions of yen	+199 Millions of yen	227.9%	76.3%	465 Millions of yen

※The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, dated March 31, 2020) from the beginning of the consolidated accounting period of the first quarter, and the year-on-year increase/decrease (rate) is stated by comparison with the figures obtained by the retroactive application of the Accounting Standard. See Page 20 for details.

Factor Analysis of Consolidated Financial Results for the Second Quarter

Item	YoY	Situation and factors
Net sales		<ul style="list-style-type: none">• Net sales under long-term warranty contracts expanded smoothly.• Projects in the renewable energy-related area and in the home electronics area pertaining to the GIGA School vision continued to perform favorably.
Operating profit		<ul style="list-style-type: none">• While the Company continued proactive upfront investment (in the areas of recruitment and DX promotion) toward the realization of the growth strategy, the progress in the BPO business contributed to pushing up operating profit.
Ordinary profit		<ul style="list-style-type: none">• Asset management that leveraged the business model (financial instruments/real estate) made good progress.

Net Sales by Segment for the Second Quarter

Both Total Housing Maintenance and BPO businesses achieved record-high net sales.

	Q2 consolidated financial result (2021.7-2021.12)	YoY		Progress vs. full-year forecast	Full-year financial results forecast (2021.7-2022.6)
		Change	YoY %		
Net sales	Record high 1,608 Millions of yen	+413	134.6%	51.9%	3,100 Millions of yen
Total Housing Maintenance business	Record high 908 Millions of yen	+93	111.4%	48.4%	1,875 Millions of yen
BPO business	Record high 652 Millions of yen	+336	206.3%	63.8%	1,022 Millions of yen
Other	48 Millions of yen	- 15	75.3%	23.6%	203 Millions of yen



The "Other" category is the business segment not included in reported segments and include housing construction and large-scale reform businesses as well as the platform business such as business matching and settlements.

Operating Profit/Loss by Segment for the Second Quarter

Proactively implemented investment in human resources and DX.
The Total Housing Maintenance business went ahead as planned, while the BPO business made progress in excess of the plan.

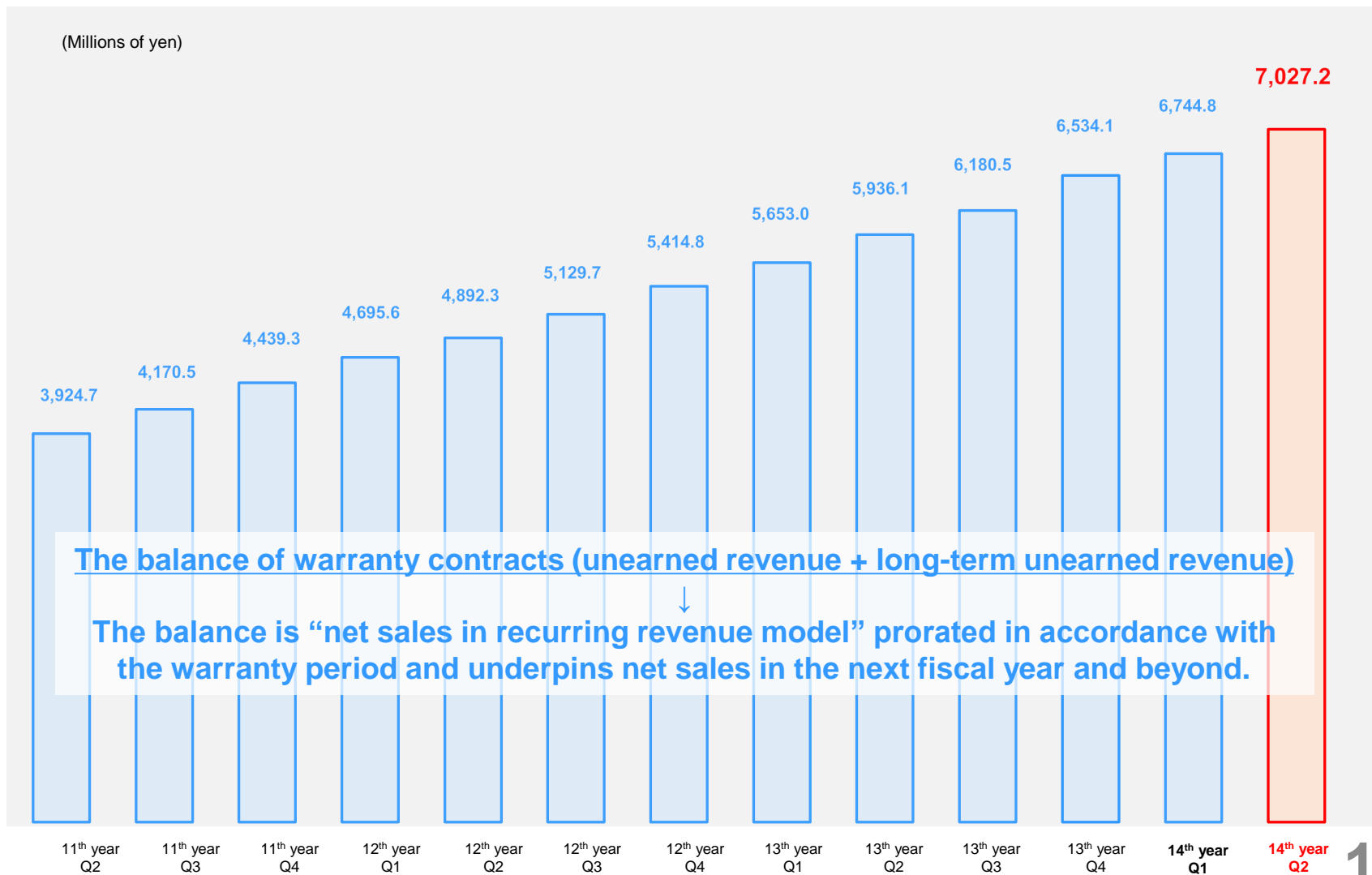
	Second Quarter (2021.7-2021.12)	YoY		Progress vs. full- year forecast	Full-year financial results forecast (2021.7-2022.6)
Operating profit/loss	Record high 467 Millions of yen	+307	291.6%	76.6%	610 Millions of yen
Total Housing Maintenance business	62 Millions of yen	-51	54.7%	48.4%	128 Millions of yen
BPO business	Record high 407 Millions of yen	+352	736.7%	87.2%	467 Millions of yen
Other	-2 Millions of yen	+7	-	-	14 Millions of yen



The "Other" category is the business segment not included in reported segments and include housing construction and large-scale reform businesses as well as the platform business such as business matching and settlements.

Total Housing Maintenance Business Outstanding Balance of Warranty Contracts

The steady acquisition of long-term warranty contracts helped the outstanding balance of warranty contracts (the balance of unearned revenue and long-term unearned revenue) rise some 280 million yen during the second quarter to reach over 7 billion yen.



Upward Revision of Consolidated Financial Results Forecast for the Year Ending June 30, 2022

The full-year financial results forecast has been revised upward as follows:
Year-on-year comparison also showed major upward momentum on the new revenue recognition standard basis.

	Before revision			After revision		
	Full-year consolidated financial results forecast (2021.7-2022.6)	Progress rate up to Q2	New standard application basis YoY	Full-year consolidated financial results forecast (2021.7-2022.6)	Progress rate up to Q2	New standard application basis YoY
Net sales	3,100 Millions of yen	51.9%	118.1%	3,200 Millions of yen	50.3%	121.9%
Operating profit	610 Millions of yen	76.6%	159.7%	700 Millions of yen	66.7%	183.3%
Ordinary profit	710 Millions of yen	73.8%	154.9%	800 Millions of yen	65.5%	174.6%
Net income	465 Millions of yen	76.3%	191.2%	530 Millions of yen	67.0%	217.9%

03

Topics

Topics 1. Upgrading of Solutions Offered/Deployment of Strategic Products

Accumulated new order receipts smoothly through the deployment of strategic products by business area; in particular, the 20-year warranty for capacitors made extremely favorable progress.

New house builders

Support sales competitiveness and the winning of loyal customers through the after-sales service designing.

Housing reliable support

20-year Building warranty

Asset value warranty

Housing manager

In particular, we facilitated the use by small businesses of the digital platform that allows them to complete the customization of warranty services on the WEB.

“Aftermization”^{*}
Platform

User businesses exceeded 350 firms.

* Aftermization: After service + Customization

Real estate brokers

Provide inspection warranty services to both sellers and buyers.

Trade reliable support

Existing equipment support

User businesses exceeded 100 firms.

Non-housing business operators (BPO area)

Planning and provision of services that capture the trend of the times

Renewable energy equipment warranty

GIGA School equipment warranty

20-year warranty for capacitors extremely favorable

2. Thorough Enhancement of Digital Investment

We will thoroughly enhance digital investment in both human resources and services toward our evolution from the warranty company to “the transporter of housing information.”



Human resources

- Over the medium term, we will aim for the ratio of over 50% of regular employees to the overall digital human resources.
- We will focus on the recruitment and nurturing of a variety of human resources responsible for the promotion of DX, such as the designing of business and services and project management, on top of technical staff, such as engineers and data scientists.



Services

- Upgrading of the functions of the OEM-based mobile application “Housing Manager”
- Automation of the acceptance of repair orders by using AI chatbots
- Development of DX solutions in the real service area
- Rebuilding of the data management base for utilization of scoring and other data

The Company will repurchase own shares as follows for the purpose of using them in the remuneration system designed to secure talented people.

1	Class of shares to be repurchased	Common shares
2	Total number of shares that can be repurchased	50,000 shares
3	Total value of shares to be repurchased	100,000,000 yen
4	Repurchase period	From February 14, 2022, to March 24, 2022

* The whole or part of share repurchases may not be conducted depending on market developments.

(Reference) The status of treasury stock as of December 31, 2021

Total number of shares issued * excluding treasury stock	5,008,038 shares
Number of treasury stock	50,262 shares

4. New Business Tie-Ups with Emerging Technology Companies

The Company newly concluded a capital and business tie-up agreement with camelove, Inc., a firm that provides the camera subscription service.

camelove, Inc.

Capital and business tie-up in January 2022
The firm provides the camera subscription service.



NetSmile

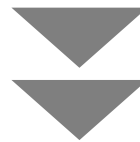
Capital and business tie-up in February 2021
The firm provides AI analysis solutions.



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RUN'EDGE

Capital and business tie-up in September 2021
The firm provides video search and analytical technology.

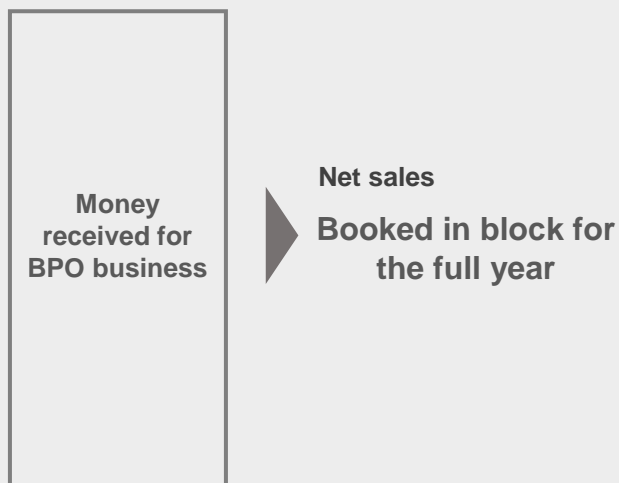


We are currently developing DX service solutions in the real service area through the recording, analysis and utilization of video clips.

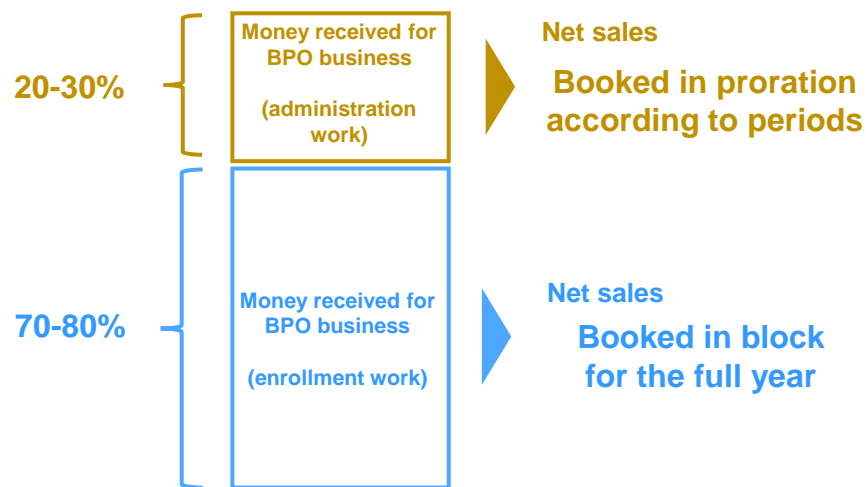
[Repost] Application of the “Accounting Standard for Revenue Recognition”

Following the application of the “Accounting Standard for Revenue Recognition” from the beginning of the Fiscal Year ending June 30, 2022, we changed the way of booking net sales in the BPO business, including past net sales

<The year ended June 30, 2021,
and before>



<The year ending June 30, 2022,
onward>



* The ratio between administration work and enrollment work varies for each project.

Notes on Forward-Looking Statements

Materials and information provided in this document include forward-looking statements.

These statements are written in accordance with the judgment of Japan Living Warranty Inc. based on information available to it as of the date on which this document was prepared. As such, future-looking statements shall in no way guarantee our financial results in the future and include the possibilities and uncertainties of actual results different to these statements.

Such possibilities and uncertainties include the general conditions of the industry and markets as well as general domestic and international economic conditions, such as interest rates and foreign exchange rate fluctuations.

Even in the event of new information or future developments going forward, Japan Living Warranty Inc. shall not be responsible for the update/revision of information pertaining to forward-looking statements contained in this document.