



# Management's Discussion & Analysis

## 1. Overview of Operations

### (1) Operating results

The Company, in the final year of its medium-term management policy, sets "Innovation for Next Orico - Making Steady Progress Toward Creating an 'Orico for the New Era'" as its basic policy. The Company has made steady progress in its six basic strategies of 1) implementation of digital innovation, 2) implementation of process innovation, 3) business expansion in Asia, 4) expansion of synergies within the Orico Group, 5) enhancement of consulting sales, and 6) enhancement of sustainability initiatives to rebuild a strong earnings structure and create new business models, aiming to realize a sustainable society and further increase its corporate value.

As a result, operating results in the fiscal year under review were as follows.

Operating revenues reached the same level as previous fiscal year to ¥229.8 billion.

Per business segment, whereas revenues decreased in the credit cards and cash loans business and bank loan guarantee business, revenues have been maintaining an upward trend in the settlement and guarantee business even amid the COVID-19 pandemic.

Operating expenses decreased ¥6.4 billion year on year to ¥200.8 billion.

General expenses decreased ¥7.9 billion year on year to ¥139.5 billion.

In addition to the decrease due to one-off factors, cost controls brought about by process innovation, such as expanding the scope of web-based credit card statements and optimizing IT costs, were successful.

In addition, bad debt-related expenses decreased ¥0.4 billion year on year to ¥49.0 billion, due to a decrease in provision of allowance for credit losses resulting from the low level of

delinquent receivables throughout the year, despite an increase in provision of allowance for losses on interest refunds due to an increase in the amount of overpaid interest refunds.

As a result of these factors, ordinary profit increased ¥6.4 billion year on year to ¥28.9 billion.

Profit attributable to owners of parent decreased ¥0.2 billion year on year to ¥19.4 billion.

Operating results of each segment are shown below.

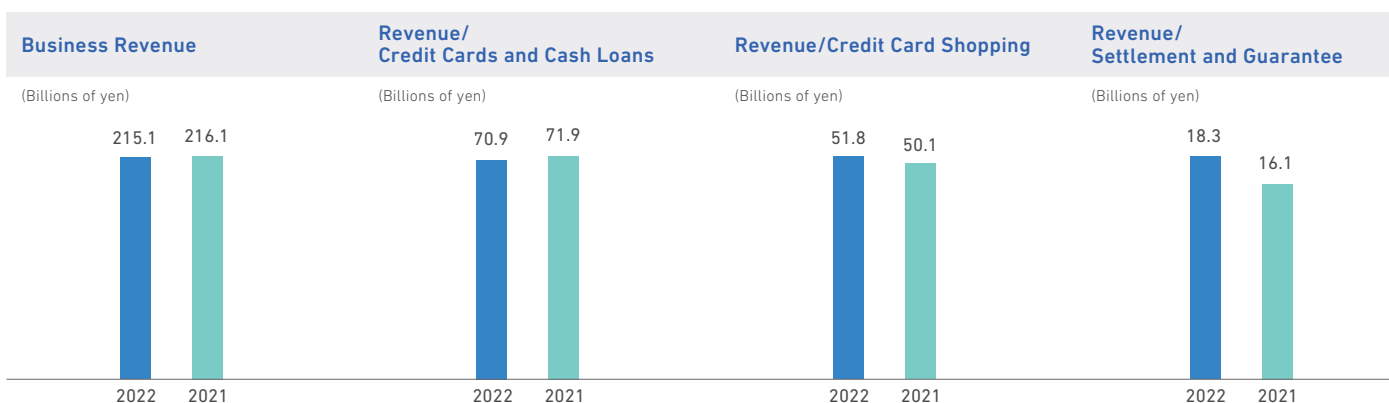
### (Reference) Breakdown of business revenues by business

Business	Fiscal 2022	Fiscal 2021	Change
	Amount (Billions of yen)	Amount (Billions of yen)	(%)
Credit cards and cash loans	70.9	71.9	(1.4)
[Of which: credit card shopping]	[51.8]	[50.1]	[3.4]
Settlement and guarantee	18.3	16.1	13.5
Installment credit	84.0	82.2	2.2
Bank loan guarantee	33.1	37.8	(12.5)
Other	8.7	8.0	8.5
Total	215.1	216.1	(0.5)

### Credit cards and cash loans business

In the credit cards and cash loans business, transaction volume for credit card shopping in the fiscal year under review exceeded the previous year's level due to capturing daily living-related consumption, and expansion of new products, among others.

With regard to cash loans, although the loan balance decreased from the end of the previous fiscal year due to a decline in demand for funds caused by a drop in consumer spending in the previous fiscal year, new transaction volume increased from the previous fiscal year, indicating that the bottom has been reached.



As a result, revenues in the credit card shopping increased 3.4% year on year to ¥51.8 billion, and revenues from cash loans decreased 12.5% year on year to ¥19.0 billion. Total revenues in the credit cards and cash loans business decreased 1.4% year on year to ¥70.9 billion.

### Settlement and guarantee business

In the settlement and guarantee business, rent settlement guarantee increased year on year due to market expansion in the form of an increase in the number of single-person households and growing demand in response to the revision of the Civil Code, as well as a result of strengthened marketing to business partners and share expansion.

Also, in the accounts receivable settlement guarantee business, transaction volume increased year on year due to increased adoption by major corporations as well as strong performance mainly in the refueling industry.

As a result, revenues in the settlement and guarantee business increased 13.5% year on year to ¥18.3 billion.

### Installment credit business

In the installment credit business, transaction volume involving auto loans remained unchanged year on year, because of the impact on the distribution market due to a shortage of semiconductors in the new car sector.

Shopping credit transaction volume declined year on year due to the delay in construction work caused by a shortage of materials in the home renovation loans.

The Company will continue to increase transaction volume due to strengthen differentiation from competitors by promoting of its online products and the others.

Revenues in the installment credit business increased 2.2% year on year to ¥84.0 billion.

### Bank loan guarantee business

In the bank loan guarantee business, the balance of guarantees declined from the previous fiscal year-end; however, the balance from new loans on deeds has been on a recovery trend mainly due to the alliance with major financial institutions and introduction of the housing-related products that meet customer needs.

As a result, revenues in the bank loan guarantee business decreased 12.5% year on year to ¥33.1 billion.

### Other businesses

In the servicer business, revenues increased year on year due to an increase in the number of large loans collected through the promotion of efficient collection methods and initiatives toward viable business areas, among others.

As a result, revenues in other businesses increased 8.5% year on year to ¥8.7 billion.

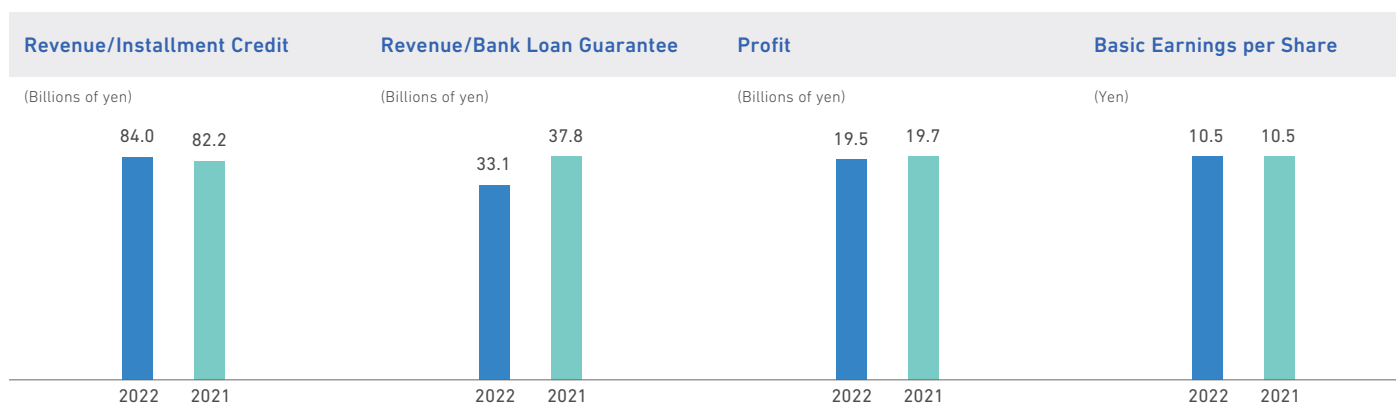
## (2) Financial position

### (a) Assets

Total assets as of the end of fiscal 2022 decreased ¥61.9 billion to ¥3,752.0 billion compared with the end of the previous fiscal year.

The sum total of direct installment receivables and guaranteed loan receivables, operating assets of the customer finance service, was ¥2,493.1 billion, a decrease of ¥77.2 billion compared with the end of the previous fiscal year, and the total amount with the addition to those operating assets of beneficiary certificates retained for receivable securitization was ¥3,078.5 billion, a decrease of ¥64.4 billion compared with the end of the previous fiscal year, thereby accounting for 82.0% of total assets.

Direct installment receivables decreased ¥48.7 billion to ¥1,211.4 billion compared with the end of the previous fiscal year.





Guaranteed loan receivables decreased ¥28.4 billion to ¥1,281.6 billion compared with the end of the previous fiscal year.

#### (b) Liabilities

Total liabilities as of the end of fiscal 2022 decreased ¥50.2 billion to ¥3,535.2 billion compared with the end of the previous fiscal year.

Guaranteed loan payables decreased ¥28.4 billion to ¥1,281.6 billion compared with the end of the previous fiscal year.

Total amount of interest-bearing debt including short-term bank loans, commercial papers, current portion of unsecured corporate bonds, current portion of long-term debt, unsecured corporate bonds and long-term debt was ¥1,804.9 billion, a decrease of ¥12.9 billion compared with the end of the previous fiscal year.

To cover interest refund claims for the interest rates charged in excess of the upper limit imposed by the Interest Rate Restriction Act, the Company recorded an allowance for losses on interest refunds of ¥16.1 billion as of the end of fiscal 2022, an increase of ¥3.5 billion compared with the end of the previous fiscal year, upon having taken into account the historical amount of refunds and recent refund conditions.

#### (c) Net assets

Net assets as of the end of fiscal 2022 decreased ¥11.6 billion to ¥216.8 billion compared with the end of the previous fiscal year.

Retained earnings decreased ¥7.2 billion to ¥53.2 billion compared with the end of the previous fiscal year.

The equity ratio fell by 0.2 percentage points to 5.7% compared with the equity ratio of 5.9% as of the end of the previous fiscal year.

### (3) Cash flows

The respective cash flow positions in fiscal 2022 and the factors thereof are as follows.

#### (Cash flows from operating activities)

Cash provided by operating activities in fiscal 2022 amounted to ¥81.7 billion, an increase in cash provided by ¥27.1 billion from the previous fiscal year.

This was due to the lack of an increase in trade receivables as a result of continuing sluggish consumption following the spread of COVID-19 from the previous fiscal year.

#### (Cash flows from investing activities)

Cash used in investing activities in fiscal 2022 amounted to ¥19.0 billion, an increase in cash used of ¥5.0 billion from the previous fiscal year.

This was the result of factors that include acquisition of intangible assets (software) associated with the Company's strategic systems investment to achieve growth.

#### (Cash flows from financing activities)

Cash used by financing activities in fiscal 2022 amounted to ¥40.1 billion, an increase in cash used of ¥84.3 billion compared with the previous fiscal year.

This was mainly due to progress in the redemption of commercial paper.

As a result, cash and cash equivalents as of the end of fiscal 2022 were ¥408.1 billion, an increase of ¥23.0 billion compared with the end of the previous fiscal year.

