

Japan Living Warranty (7320)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2020		1,955	204	284	186	37.35	5.00	126.08
FY06/2021		2,801	554	630	362	72.72	10.00	185.69
FY06/2022CoE		3,100	610	710	465	92.96	10.00	-
FY06/2021	YoY	43.3%	170.7%	121.5%	94.5%	-	-	-
FY06/2022CoE	YoY	10.6%	10.0%	12.6%	28.1%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2021		1,214	176	255	167	-	-	-
Q3 to Q4 FY06/2021		1,587	378	375	195	-	-	-
Q1 to Q2 FY06/2022CoE		1,510	330	375	245	-	-	-
Q3 to Q4 FY06/2022CoE		1,590	280	335	220	-	-	-
Q1 to Q2 FY06/2022CoE	YoY	24.4%	87.2%	46.9%	46.6%	-	-	-
Q3 to Q4 FY06/2022CoE	YoY	0.1%	(26.0%)	(10.8%)	12.4%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (13 August 2021)


For Further Growth

On 11 August 2021, Japan Living Warranty, which advocates "Putting 100-year Value into all Homes", released its FY06/2021 results. It has been revealed that surging sales and earnings resulted in renewal of record high performance. The Company provides warranty services for various facilities, etc. related to housings through collaboration with partner non-life insurance company, seeing consistently increased balance outstanding of policy on the Total Housing Maintenance side for operators of housing business as well as massively cultivating new markets on the BPO side for manufacturers of facilities. Meanwhile, the Company aims at "realizing a move to next phase with the 5 pillars for growth" from a long-term perspective. In other words, the Company plans to see persistent growth by means of actively investing in the development of new schemes and/or sales promotions of new services. For example, the Company announced that it had started providing Asset Value Warranty Program on 30 June 2021. With technology of warranty, e-money and AI scoring all being crossed, the Company is trying to get at improvement of asset value of wooden detaching housings, while revealing its intention to aggressively propel sales of such services for FY06/2022. We are to have an online interview with management in order to discuss the issues more in depth, so that we should be able to launch our Company report to be extensively distributed.

IR Representative: Hiroshi Nishihara, Finance Division (81-(0)3-6276-0387 / nishihara.hrs@jlw.jp)

2.0 Company Profile

Putting 100-year value into all Homes

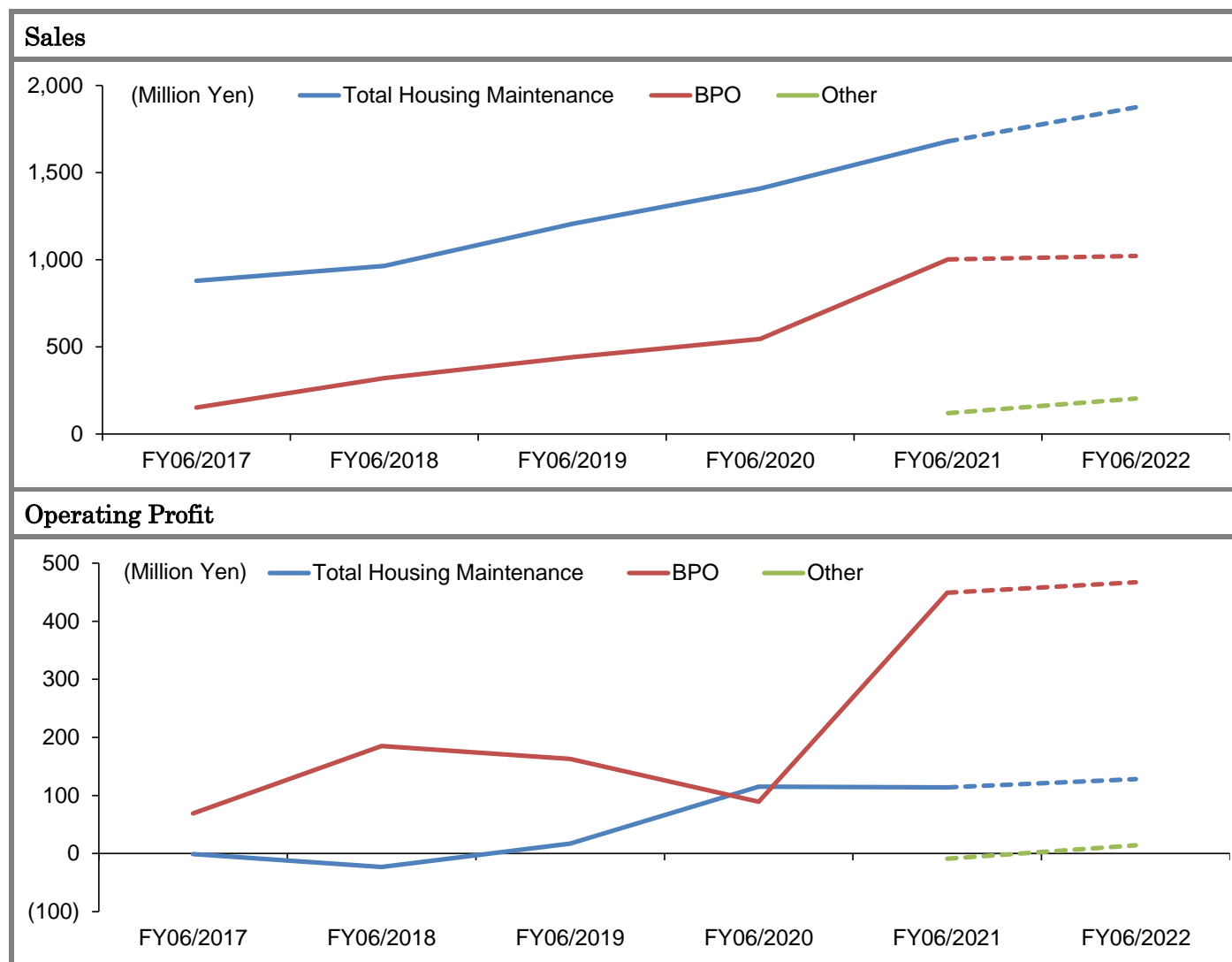
Company Name	Japan Living Warranty Inc. Company Website IR Information (Japanese) Share price (Japanese)	 日本リビング保証株式会社 Japan Living Warranty Inc.
Established	12 March 2009	
Listing	30 March 2018: Tokyo Stock Exchange Mothers (ticker: 7320)	
Capital	¥211m (as of the end of June 2021)	
No. of Shares	5,058,300 shares, including 56,175 treasury shares (as of the end of June 2021)	
Main Features	<ul style="list-style-type: none"> ● Realizing society where assets for housings being properly maintained are evaluated adequately ● Developing new schemes by means of crossing expertise in housings, finance, technology, etc. ● Focus on sustainable schemes in diverse domains 	
Segments	I . Total Housing Maintenance II . BPO	
Representation	Representative director and president: Yoshitaka Adachi	
Shareholders	Yoshitaka Adachi 13.59%, Takuya Arakawa 13.33%, Shunsuke Takebayashi 12.43% (as of the end of December 2020, but for treasury shares)	
Head Office	Shinjuku-ku, Tokyo, JAPAN	
No. of Personnel	Group executives and regular employees: 152 (as of 1 August 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

FY06/2021

In FY06/2021, sales came in at ¥2,801m (up 43.3% YoY), operating profit ¥554m (up 170.7%), recurring profit ¥630m (up 121.5%) and profit attributable to owners of parent ¥362m (up 94.5%), while operating profit margin 19.8% (up 9.3% points).



Source: Company Data, WRJ Calculation

By segment, Total Housing Maintenance saw sales of ¥1,679m (up 19.2%), operating profit of ¥114m (down 0.1%) and operating profit margin of 6.8% (down 1.3% points), while BPO saw sales of ¥1,002m (up 83.3%), operating profit of ¥449m (up 400.8%) and operating profit margin of 44.8% (up 28.4% points).

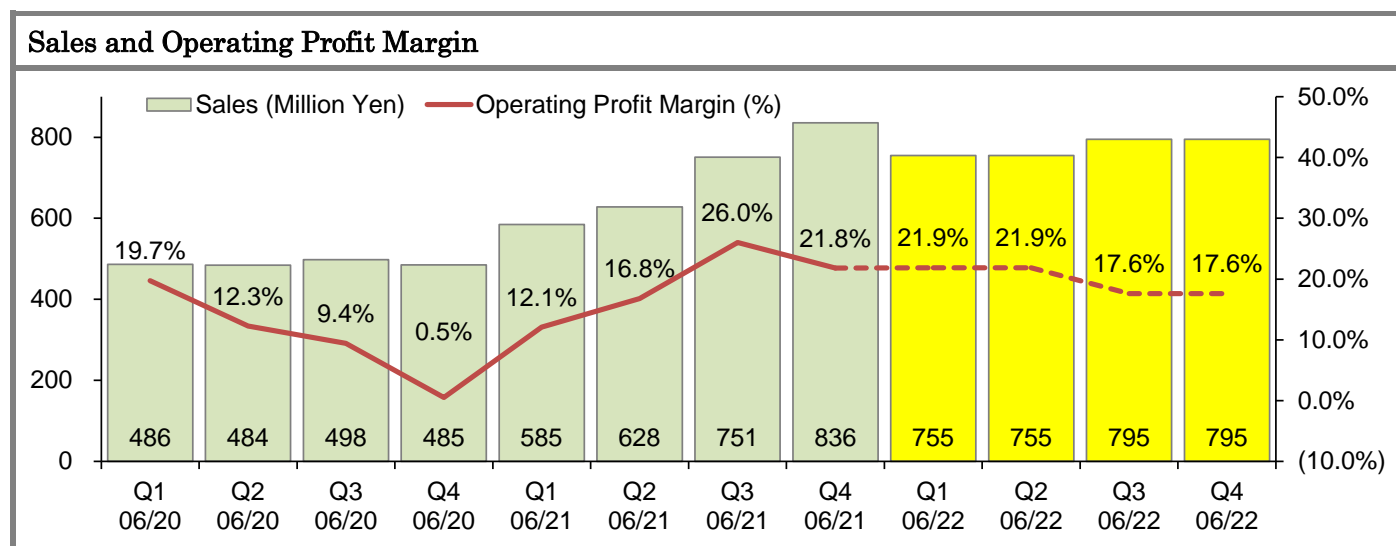
On the Total Housing Maintenance side, the Company provides operators of housing business with management support consulting from the perspective of after-purchase servicing. Although principally being in charge of warranty services for various facilities, etc. related to housings as the key source of earnings, there is an aspect at the same time that the Company comprehensively supports sales enhancement and improvement of efficiency in operations for counterparty, being involved with provision of diverse solutions such as representative services for after-purchase servicing and those of supporting CRM.

As of the end of FY06/2021, the balance outstanding of policy, comprising deferred income and long-term deferred income, stood at ¥6,534m, having increased by ¥1,119m (20.7%) from the end of FY06/2020 due to steady acquisitions of new long-term warranty contracts. Recurring fee revenues to be generated from here appears to be expanding nicely too. Still, operating profit as a whole for the segment has remained roughly unchanged over the previous year, because of a large increase in SG&A expenses due to implementation of aggressive growth investment to drive prospective earnings, i.e., in hiring personnel mainly of sales and IT, diverse systems to realize digitalization, office floor expansion, etc., according to the Company.

Meanwhile, on the BPO (Business Process Outsourcing) side, the Company provides manufacturers of above-mentioned facilities with consulting to structure warranty schemes based on own expertise on warranty and repairs. Being positioned as administrative agency services for counterparty, sales and cost of sales are basically all booked in one lump, i.e., one-time-fee business model. When compared with Total Housing Maintenance, i.e., recurring fee business model, this is the key difference, while they basically have solutions in common for contents and objectives. In FY06/2021, sales surged and thus effect of increased sales quite a lot, as a result of having succeeded in massively cultivating new markets.

FY06/2022 Company Forecasts

FY06/2022 Company forecasts (announced on 11 August 2021) are going for prospective sales of ¥3,100m (up 10.6% YoY), operating profit of ¥610m (up 10.0%), recurring profit of ¥710m (up ¥12.6%) and profit attributable to owners of parent of ¥465m (up 28.1%), while operating profit margin of 19.7% (down 0.1% point). At the same time, Company forecasts are going for prospective annual dividend of ¥10.00 per share, implying payout ratio of 10.8%.



Source: Company Data, WRJ Calculation (quarters of FY06/2022: half-year Company forecasts, pro rata)

4.0 Financial Statements

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Sales	486	971	1,469	1,955	585	1,214	1,965	2,801		+846
Cost of Sales	179	370	580	766	249	493	736	969		+202
Gross Profit	306	600	888	1,188	335	720	1,229	1,832		+643
SG&A Expenses	210	444	686	984	264	544	857	1,278		+294
Operating Profit	96	155	202	204	70	176	371	554		+349
Non Operating Balance	25	51	64	79	71	79	98	76		(3)
Recurring Profit	121	206	267	284	142	255	470	630		+346
Extraordinary Balance	0	0	0	(7)	0	0	0	(66)		(59)
Profit before Income Taxes	121	206	267	277	142	255	470	564		+286
Total Income Taxes	40	69	89	91	48	88	154	201		+110
Profit Attributable to Owners of Parent	81	137	177	186	94	167	315	362		+176
Sales YoY	+32.4%	+36.9%	+33.5%	+18.7%	+20.4%	+25.0%	+33.7%	+43.3%		-
Operating Profit YoY	+51.6%	+64.0%	+74.2%	+13.2%	(26.3%)	+13.4%	+83.8%	+170.7%		-
Recurring Profit YoY	+78.4%	+93.5%	+85.6%	+33.6%	+16.7%	+23.6%	+76.0%	+121.5%		-
Profit Attributable to Owners of Parent YoY	+67.2%	+84.0%	+80.8%	+30.4%	+15.3%	+21.8%	+77.5%	+94.5%		-
Gross Profit Margin	63.0%	61.8%	60.5%	60.8%	57.3%	59.3%	62.5%	65.4%		+4.6%
Sales to SG&A Expenses Ratio	43.2%	45.8%	46.7%	50.3%	45.3%	44.8%	43.6%	45.6%		(4.7%)
Operating Profit Margin	19.7%	16.0%	13.8%	10.5%	12.1%	14.5%	18.9%	19.8%		+9.3%
Recurring Profit Margin	25.1%	21.3%	18.2%	14.6%	24.3%	21.0%	23.9%	22.5%		+8.0%
Profit Attributable to Owners of Parent Margin	16.8%	14.1%	12.1%	9.5%	16.1%	13.8%	16.0%	13.0%		+3.4%
Total Income Taxes / Profit before Income Taxes	33.0%	33.6%	33.5%	32.8%	33.8%	34.5%	33.0%	35.7%		+2.9%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Sales	486	484	498	485	585	628	751	836		+350
Cost of Sales	179	190	209	185	249	244	242	233		+47
Gross Profit	306	293	288	300	335	384	508	603		+303
SG&A Expenses	210	234	241	297	264	279	313	420		+123
Operating Profit	96	59	46	2	70	105	195	182		+180
Non Operating Balance	25	25	13	15	71	7	19	(21)		(37)
Recurring Profit	121	84	60	17	142	113	214	160		+143
Extraordinary Balance	0	0	0	(7)	0	0	0	(66)		(59)
Profit before Income Taxes	121	84	60	10	142	113	214	94		+83
Total Income Taxes	40	29	20	1	48	40	66	46		+45
Profit Attributable to Owners of Parent	81	55	40	9	94	72	148	47		+38
Sales YoY	+32.4%	+41.7%	+27.2%	(11.1%)	+20.4%	+29.6%	+50.8%	+72.1%		-
Operating Profit YoY	+51.6%	+88.9%	+119.7%	(96.2%)	(26.3%)	+77.5%	+317.4%	-		-
Recurring Profit YoY	+78.4%	+120.4%	+63.0%	(74.5%)	+16.7%	+33.6%	+254.5%	+812.1%		-
Profit Attributable to Owners of Parent YoY	+67.2%	+115.8%	+70.9%	-	+15.3%	+31.3%	+267.1%	+430.0%		-
Gross Profit Margin	63.0%	60.6%	57.9%	61.8%	57.3%	61.2%	67.7%	72.1%		+10.3%
Sales to SG&A Expenses Ratio	43.2%	48.4%	48.5%	61.3%	45.3%	44.4%	41.7%	50.3%		(11.0%)
Operating Profit Margin	19.7%	12.3%	9.4%	0.5%	12.1%	16.8%	26.0%	21.8%		+21.3%
Recurring Profit Margin	25.1%	17.5%	12.2%	3.6%	24.3%	18.0%	28.6%	19.2%		+15.6%
Profit Attributable to Owners of Parent Margin	16.8%	11.5%	8.1%	1.9%	16.1%	11.6%	19.7%	5.7%		+3.9%
Total Income Taxes / Profit before Income Taxes	33.0%	34.4%	33.4%	15.0%	33.8%	35.5%	31.1%	49.5%		+34.5%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative / Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021		
Total Housing Maintenance	321	689	1,040	1,408	399	814	1,233	1,679		+270
BPO	165	282	428	546	150	334	635	1,002		+455
Other	-	-	-	-	34	64	96	120		+120
Sales	486	971	1,469	1,955	585	1,214	1,965	2,801		+846
Total Housing Maintenance	36	75	90	115	59	114	145	114		(0)
BPO	59	79	111	89	16	71	234	449		+359
Other	-	-	-	-	(4)	(9)	(8)	(9)		(9)
Operating Profit	96	155	202	204	70	176	371	554		+349
Total Housing Maintenance	11.3%	11.0%	8.7%	8.2%	14.9%	14.0%	11.8%	6.8%		(1.3%)
BPO	36.1%	28.2%	26.0%	16.4%	10.8%	21.3%	36.9%	44.8%		+28.4%
Other	-	-	-	-	(14.4%)	(14.5%)	(8.3%)	(8.2%)		-
Operating Profit Margin	19.7%	16.0%	13.8%	10.5%	12.1%	14.5%	18.9%	19.8%		+9.3%

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021		
Total Housing Maintenance	321	368	351	367	399	415	418	445		+77
BPO	165	116	146	118	150	184	300	367		+249
Other	-	-	-	-	34	29	32	23		+23
Sales	486	484	498	485	585	628	751	836		+350
Total Housing Maintenance	36	39	14	24	59	54	31	(30)		(54)
BPO	59	19	32	(21)	16	54	163	215		+236
Other	-	-	-	-	(4)	(4)	1	(1)		(1)
Operating Profit	96	59	46	2	70	105	195	182		+180
Total Housing Maintenance	11.3%	10.8%	4.2%	6.6%	14.9%	13.2%	7.4%	(6.9%)		(13.5%)
BPO	36.1%	17.0%	21.8%	(18.5%)	10.8%	29.8%	54.3%	58.5%		+77.0%
Other	-	-	-	-	(14.4%)	(14.6%)	4.1%	(7.7%)		-
Operating Profit Margin	19.7%	12.3%	9.4%	0.5%	12.1%	16.8%	26.0%	21.8%		+21.3%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020	Q1 06/2021	Q2 06/2021	Q3 06/2021	Q4 06/2021		
Cash and Deposit	1,739	943	1,022	1,203	1,005	1,347	3,013	5,547	+4,344	
Accounts Receivables	49	42	48	46	50	47	60	55	+9	
Other	1,250	1,034	1,232	1,190	1,545	1,732	1,533	1,702	+512	
Current Assets	3,039	2,021	2,304	2,440	2,601	3,126	4,607	7,305	+4,865	
Tangible Assets	37	34	74	76	134	131	129	310	+233	
Intangible Assets	69	77	81	91	157	161	179	139	+47	
Deposit	785	1,176	1,189	1,318	1,320	1,026	1,026	1,165	(153)	
Long-term Prepaid Expenses	1,348	1,741	1,966	2,056	2,004	1,953	2,033	2,090	+34	
Investment Real Estate (Net Amount)	662	883	880	878	1,108	1,911	1,905	1,900	+1,022	
Other	1,023	1,432	1,432	1,425	1,445	1,582	1,798	1,461	+35	
Investments and Other Assets	3,819	5,233	5,469	5,679	5,879	6,473	6,763	6,618	+939	
Fixed Assets	3,926	5,345	5,625	5,848	6,171	6,766	7,071	7,068	+1,220	
Deferred Assets	-	-	-	-	-	-	-	-	+0	
Total Assets	6,966	7,366	7,929	8,288	8,773	9,893	11,679	14,375	+6,086	
Accounts Payables	59	58	62	67	61	61	75	74	+7	
Short Term Debt	-	-	-	5	12	33	33	33	+28	
Deferred Income	831	867	915	953	1,008	1,042	1,025	1,135	+182	
Deposit	-	-	-	207	-	-	-	1,508	+1,300	
Other	368	403	582	245	476	544	729	647	+401	
Current Liabilities	1,259	1,330	1,560	1,479	1,558	1,681	1,864	3,399	+1,919	
Long Term Debt	-	-	93	91	212	635	627	619	+527	
Long Term Deferred Income	3,863	4,024	4,214	4,461	4,644	4,893	5,259	5,507	+1,045	
Long Term Deposit	1,300	1,409	1,472	1,610	1,626	1,864	3,049	3,873	+2,263	
Other	9	12	10	14	17	24	33	46	+32	
Fixed Liabilities	5,173	5,446	5,791	6,178	6,501	7,418	8,969	10,047	+3,868	
Total Liabilities	6,432	6,776	7,351	7,657	8,059	9,100	10,834	13,446	+5,788	
Shareholders' Equity	538	594	636	645	714	787	815	873	+227	
Other	(4)	(4)	(58)	(14)	(1)	5	28	55	+70	
Net Assets	533	589	578	630	713	793	844	928	+297	
Total Liabilities and Net Assets	6,966	7,366	7,929	8,288	8,773	9,893	11,679	14,375	+6,086	
Equity Capital	533	589	578	630	713	793	844	928	+298	
Interest Bearing Debt	-	-	93	97	224	669	661	652	+555	
Net Debt	(1,739)	(943)	(929)	(1,106)	(780)	(677)	(2,351)	(4,894)	(3,788)	
Equity Ratio	7.7%	8.0%	7.3%	7.6%	8.1%	8.0%	7.2%	6.5%	-	
Net Debt Equity Ratio	(326.5%)	(160.2%)	(160.9%)	(175.6%)	(109.5%)	(85.4%)	(278.6%)	(527.5%)	-	
ROE (12 months)	38.6%	41.5%	44.1%	33.8%	32.0%	31.3%	45.6%	46.5%	-	
ROA (12 months)	4.3%	4.8%	4.8%	51.5%	3.9%	3.9%	5.0%	5.6%	-	
Quick Ratio	142%	74%	69%	85%	68%	83%	165%	165%	-	
Current Ratio	241%	152%	148%	165%	167%	186%	247%	215%	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q1 to Q2 06/2020	Q1 to Q3 06/2020	Q1 to Q4 06/2020	Q1 06/2021	Q1 to Q2 06/2021	Q1 to Q3 06/2021	Q1 to Q4 06/2021	
Operating Cash Flow	-	97	-	573	-	497	-	5,120	+4,547
Investing Cash Flow	-	(1,209)	-	(1,469)	-	(847)	-	(1,631)	(162)
Operating CF and Investing CF	-	(1,111)	-	(896)	-	(349)	-	3,488	+4,384
Financing Cash Flow	-	(24)	-	74	-	547	-	420	+345

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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