

Developing extended warranty business for housing equipment in BtoBtoC format

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【7386 Japan Warranty Support Sector : Other Financing Business】

Fiscal Year		Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Sep. 2021		1,251	18.4	485	11.6	493	9.9	321	9.6	161.0	568.7	0.0
Sep. 2022		1,446	15.6	555	14.5	550	11.5	358	11.3	176.8	749.9	0.0
Sep. 2023	CE	1,711	18.3	603	8.5	659	19.7	428	19.4	196.0	-	30.0
Sep. 2023	E	1,678	16.0	607	9.2	664	20.6	448	25.0	201.3	889.0	30.0
Sep. 2024	E	1,871	11.5	662	9.1	707	6.5	480	7.1	215.6	1,072.7	35.0
Sep. 2025	E	2,052	9.7	716	8.2	761	7.6	518	7.9	232.7	1,267.4	40.0

Note: CE(company expectations),E(Stock Research Center expectations)
Source: Stock Research Center

1. Corporate Overview

Japan Warranty Support operates an extended warranty business for housing equipment in a BtoBtoC format. Japan Warranty Support concludes a business consignment contract for housing equipment repair services with partner companies such as house developers and electronics retailers, and these partner companies act as warranty providers, concluding warranty contracts with purchasers of housing equipment and issuing membership certificates to purchasers. The purchaser pays a guarantee fee to the partner company in a lump sum to start the service, and Japan Warranty Support receives a business consignment fee from the partner company based on the business consignment agreement.

While Japan Warranty Support's core service is extended warranty service for housing equipment, in recent years the company strengthened its new services, including the addition of an emergency visit service (for lost keys, water-related problems, etc.) as well as BPO business which handles call centers, membership registration work, issuance of membership cards, payment collection and the like, on behalf of its customer companies.

2. Financial Analysis

Net sales increased by an average of 32.8% per year from fiscal year ended September 2017 to fiscal year ended September 2022, due to an increase in members brought on by the start of transactions with major clients. Ordinary profit increased only 21.1% during the same period, however, due to higher personnel and other costs associated with the strengthening of the management system.

3. Non-Financial Analysis

The source of Japan Warranty Support's intellectual capital is its efficient business operations in a BtoBtoC format.

4. Corporate Strategy Analysis

Japan Warranty Support's three strategies are to expand its share of the domestic market of extended warranty services for housing equipment, to develop its detached house management business and to enter new domains and expand overseas.

5. Analyst Evaluation

We forecast a 16.0% increase in net sales, 9.2% increase in operating profit, and 20.6% increase in ordinary profit for fiscal year ending September 2023.

We anticipate continued growth over the medium term due to expansion of warranty fee sales from extended warranty services, new services, the BPO business and the like. We forecast a year-on-year revenue increase of 11.5% and operating profit increase of 9.1% in fiscal year ending September 2024, and 9.7% and 8.2%, respectively, in fiscal year ending September 2025.

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