

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 Executive Summary (5 October 2021)

Long-term Warranty for Homes

Japan Living Warranty to advocate "putting 100-year value into all homes" has successfully launched long-term warranty for homes, while suggesting this will realize sustained growth for the Company as a whole with its rapid developments in the operations. By FY06/2025, sales of long-term warranty for homes are to exceed those of the Company as a whole in FY06/2021, do we estimate based on the Company's suggestions. More importantly, the Company sees limited incurrence for cost of sales in the operations as sales are of commission income, generating a substantial impact for prospective earnings. Meanwhile, extended warranty for housing equipment, the key earnings pillar so far, has evolved into the core of management support consulting, provided to housing business operators, from the perspective of after-purchase servicing, suggesting a further growth for the future. On top of this, the Company has conspicuously benefited from horizontal application of knowhow on extended warranty and repair arrangement, fostered in the operations of extended warranty for housing equipment. That is to say, commission income has surged for representative service of desk work for buying extended warranty for equipment associated with regenerated energy and tablets. It is not too much to say that significantly increased sales and earnings for the Company as a while in FY06/2021 were brought about by those on the BPO side in charge of all those operations. On the Total Housing Maintenance side in charge of extended warranty for housing equipment as the key source of earnings, the Company saw earnings stagnated. Sales are increasing steadily, which has been offset by increased expenses incurred by aggressive growth-oriented investment, according to the Company. Still, this has laid the foundation for rapid expansion of long-term warranty for homes for the future.

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: Mothers of Tokyo Stock Exchange (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 for housing properly maintained to be adequately evaluated as assets ● Setting up new schemes by means of crossing Housing, Finance and Technology ● Horizontally applying knowhow on extended warranty and repair arrangement, fostered for housing business operators | |
| Segments | I . Total Housing Maintenance II . BPO | |
| Representatives | Representative director and president: Yoshitaka Adachi Representative director and chairperson: Takuya Arakawa | |
| Shareholders | Yoshitaka Adachi 13.59%, Takuya Arakawa 13.27%, Shunsuke Takebayashi 10.32% (as of the end of June 2021, but for treasury shares) | |
| Head Office | Shinjuku-ku, Tokyo, JAPAN | |
| No. of Personnel | Consolidated: 103, Parent: 96 (as of the end of June 2021) | |

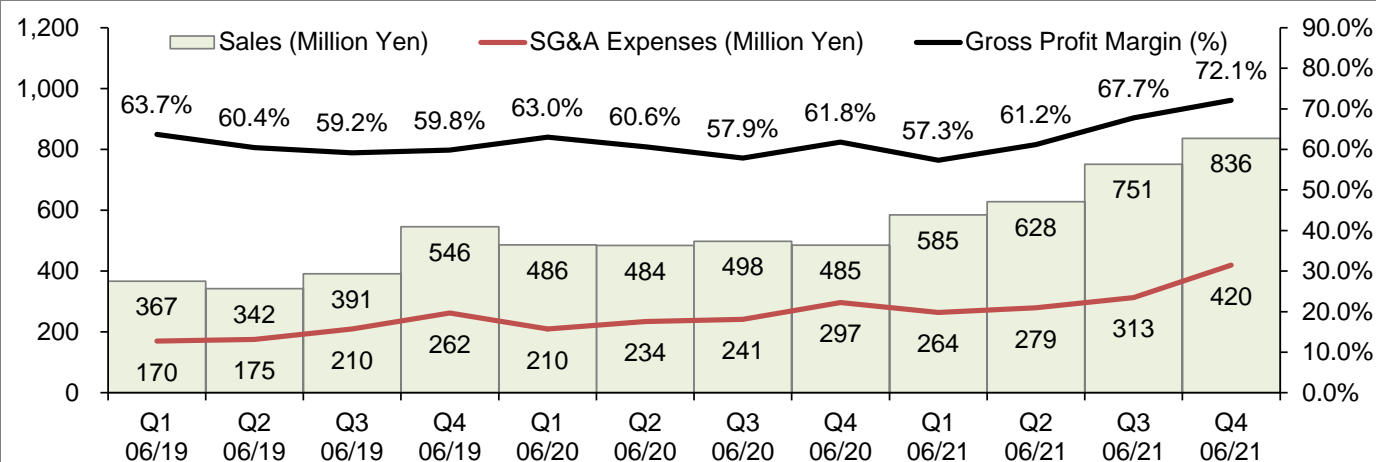
Source: Company Data

3.0 Recent Trading and Prospects

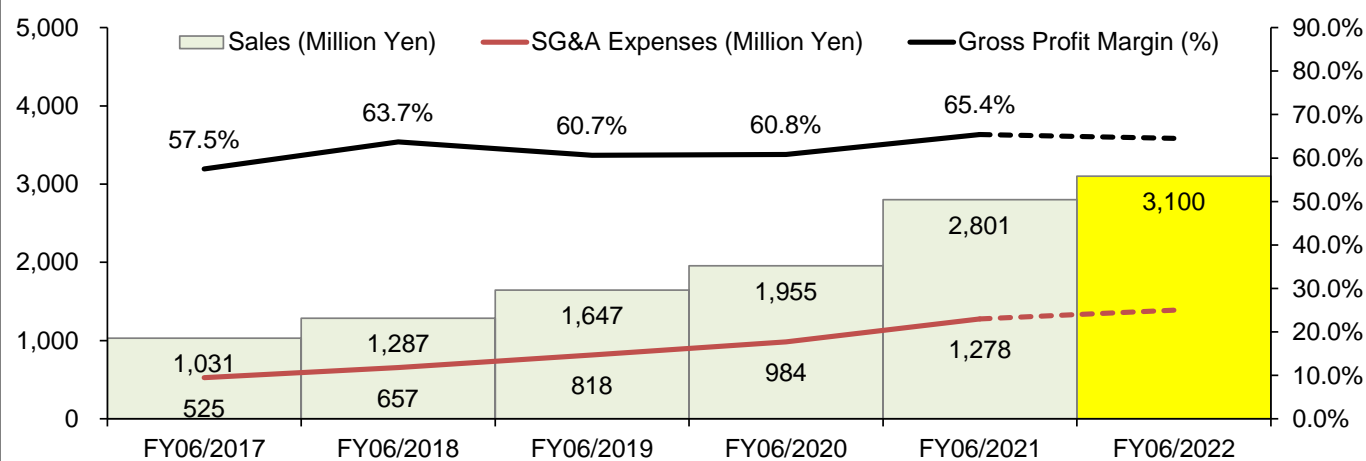
FY06/2021

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). At the same time, gross profit came in at ¥1,832m (up 54.1%) and SG&A expenses ¥1,278m (up 29.9%), implying gross profit margin of 65.4% (up 4.6% points) and sales to SG&A expenses ratio of 45.6% (down 4.7% points).

Sales, SG&A Expenses and Gross Profit Margin (quarterly)

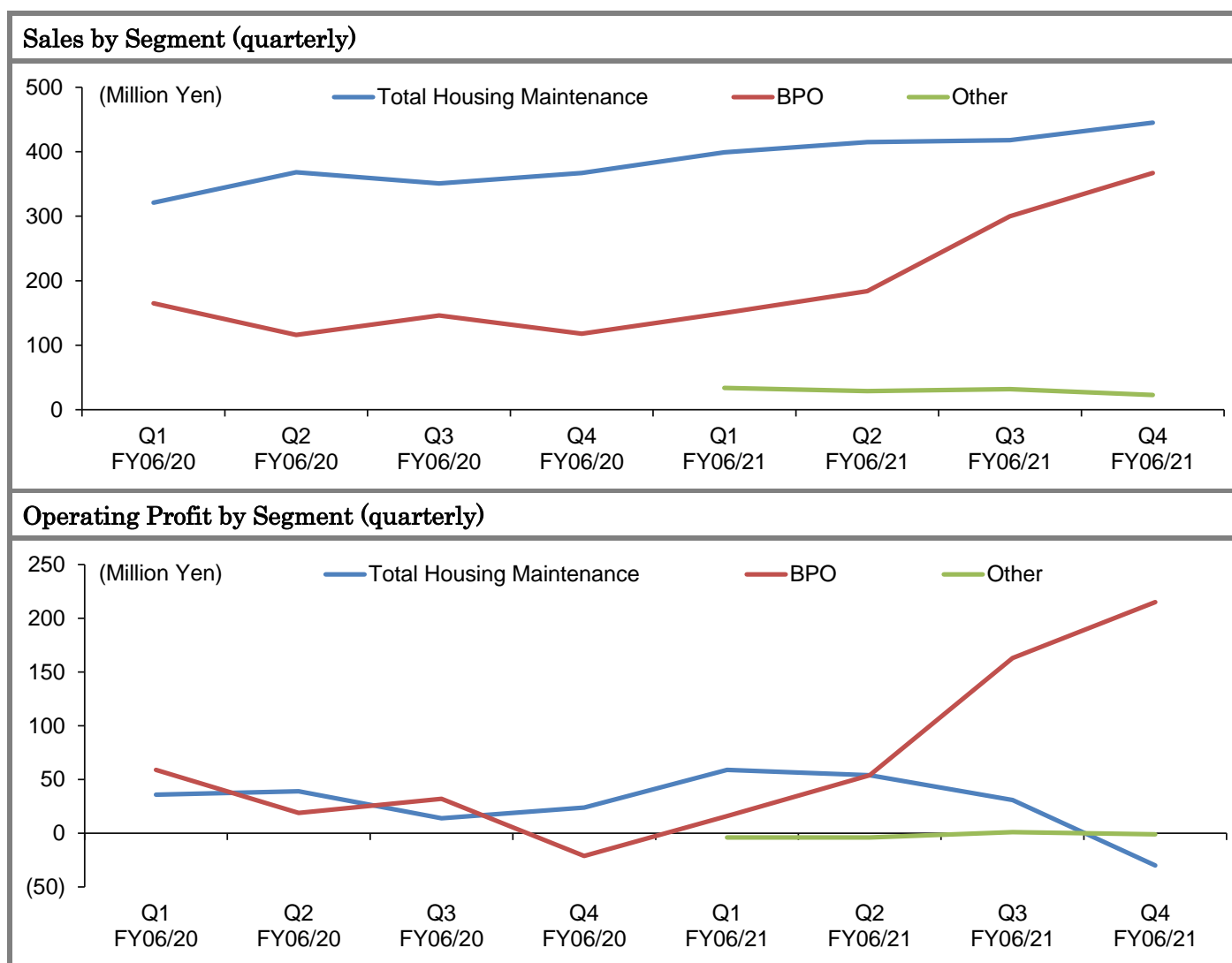


Sales, SG&A Expenses and Gross Profit Margin (fiscal year)



Source: Company Data, WRJ Calculation

Substantially increased sales had an effect to have conspicuously driven earnings. Meanwhile, SG&A expenses also increased a lot, which was mainly attributable to increased expenses incurred by aggressive growth-oriented investment for the future on the Total Housing Maintenance side, according to the Company. In particular, the Company appears to have increased spending on such expenses in Q4. In anticipation of future growth mainly of rapid developments in the operations of long-term warranty for homes, the Company made progress in hiring of personnel in charge of sales and IT, a wide variety of system investment in line with promotion of digitalization, while expanding office at the same time, which are raised as the key issues. For example, the Company has disclosed that 68.9% of headquarters office expenses has been allocated to the Total Housing Maintenance side versus 31.1% for the BPO side, implying a major increase of expenses for the former, stemming from growth-oriented investment.

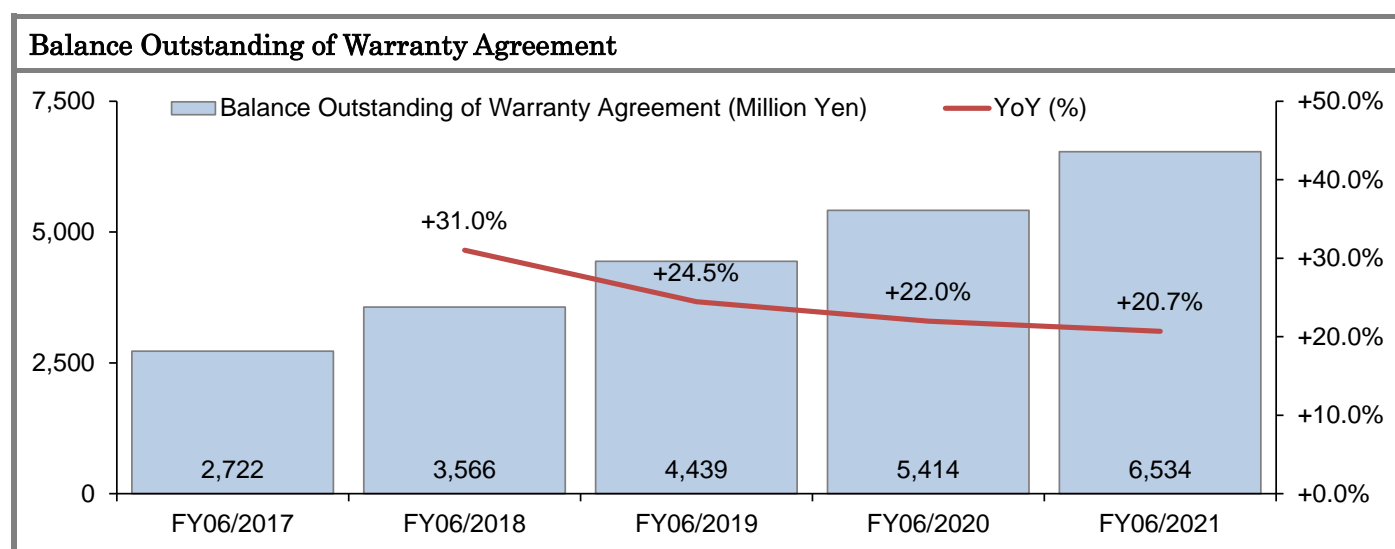


Source: Company Data, WRJ Calculation

Total Housing Maintenance

On the Total Housing Maintenance side, sales came in at ¥1,679m (up 19.2%), operating profit ¥114m (down 0.1%) and operating profit margin 6.8% (down 1.3% points). Here, the Company is running operations of providing housing business operators with management support consulting from the perspective of after-purchase servicing. The Company is involved with extended warranty for housing equipment as the key earnings source, while also offering services of acting over after-purchase servicing, CRM support, third-party inspection, settlement, AI, etc. Meanwhile, the Company says that it sets up the optimal combination out of all those services for the counterparties based on characteristics of each, so that it should be able to comprehensively support enhancement of sales capabilities and streamlining of operations for them.

As above-mentioned, the Company aims to improve its ability of “strategical proposal” to support management strategy of housing business operators, while trying to enhance recurring revenue model of the counterparties at the same time, having newly set up division of customer success. In the first place, housing business operators have needs in two aspects, i.e., pay-per-delivery model and recurring revenue model, while the Company is now trying to maximize compensations to be obtained by means of contributing to both of the aspects. In other words, this is the Company’s plan to pursue a long-term growth. With respect to pay-per-delivery model, the Company refers to sales of homes newly built, while contract for work after delivery, represented by repair and renovation of homes existing for recurring revenue model. For pay-per-delivery model, the Company is to make progress in proposals of sales promotions with long-term warranty for homes to have seen a favorable takeoff as an explosive. Meanwhile, for recurring revenue model, the Company is to make progress in proposals to create contact points with customers and form trading sphere by means of offering mobile app on an OEM basis to be launched this autumn.



Source: Company Data, WRJ Calculation

With respect to extended warranty for housing equipment, accounting for the bulk of earnings on the Total Housing Maintenance side at the moment, the Company offers service of warranting to cope with troubles occurred for housing equipment, comprising water heater, kitchen unit, bath unit, bathroom vanity, hot water washing toilet stool, intercom, etc. with no further expenses through a tie-up with major non-life insurance company. The Company suggests that all those troubles occur a couple of times within 10 years after homes newly built and they basically occur after the period of manufacturer's warranty (roughly one to two years). In other words, the bulk of actual troubles are coped with by spending extra expenses. Meanwhile, in light of this, the Company set up a scheme to extend the period of warranty to 5 years and/or 10 years, having launched extended warranty for housing equipment in August 2009.

As of the end of FY06/2021, balance outstanding of warranty agreement stood at ¥6,534m (up 20.7%), the number of agreement 228,900 (up 10.7%), agreement unit price ¥28,500 (up 9.0%) and the number of equipment covered by agreement 1,727,400 (up 17.1%). In other words, demand picked up steadily and thus this must have driven sales of the segment as well as for earnings. Nevertheless, operating profit of this segment stagnated as expenses increased stemming from growth-orient investment as mentioned earlier. Meanwhile, for FY06/2021, the Company roughly estimates that the Company's extended warranty for housing equipment has been adopted by some 10% of wooden detached housing completed in Japan during the same period.

The trends of balance outstanding of warranty agreement do suggest prospective sales of extended warranty for housing equipment. Amount of warranty agreement newly acquired came in at ¥2,191m (up 11.8%) and growth rate of more than 20% has persisted for balance outstanding of warranty agreement. In light of this, it will be the case that sales of extended warranty of housing equipment continue expanding nicely in FY06/2022 and thereafter. When compared with the trends over the past years, it cannot be denied that balance outstanding for warranty agreement has been seeing a deceleration in growth rate. More importantly, however, surging sales of long-term warranty for homes will be eventually more than compensating, which will rather accelerate growth rate for this segment from a long-term perspective.

Sales of extended warranty for housing equipment are booked pro rata over the extended warranty period, i.e., for 5 years and/or 10 years and thus cost of sales likewise. When customers credit amount of warranty agreement newly acquired to the bank account, the Company books deferred income and long-term deferred income (\cong balance outstanding of warranty agreement), collectively corresponding to the amount, on balance sheet as liabilities, while prepaid expenses and long-term prepaid expenses, collectively corresponding to cost of sales (payment of insurance premium to major non-life insurance company tying up with the Company) as assets. This is followed by decreases for both pro rata in line with progress of provision of services during the period of warranty, booking sales and cost of sales correspondingly at the same time. Meanwhile, the actual results here over the past 5 years suggest that the operations carry gross profit margin of some 65%.

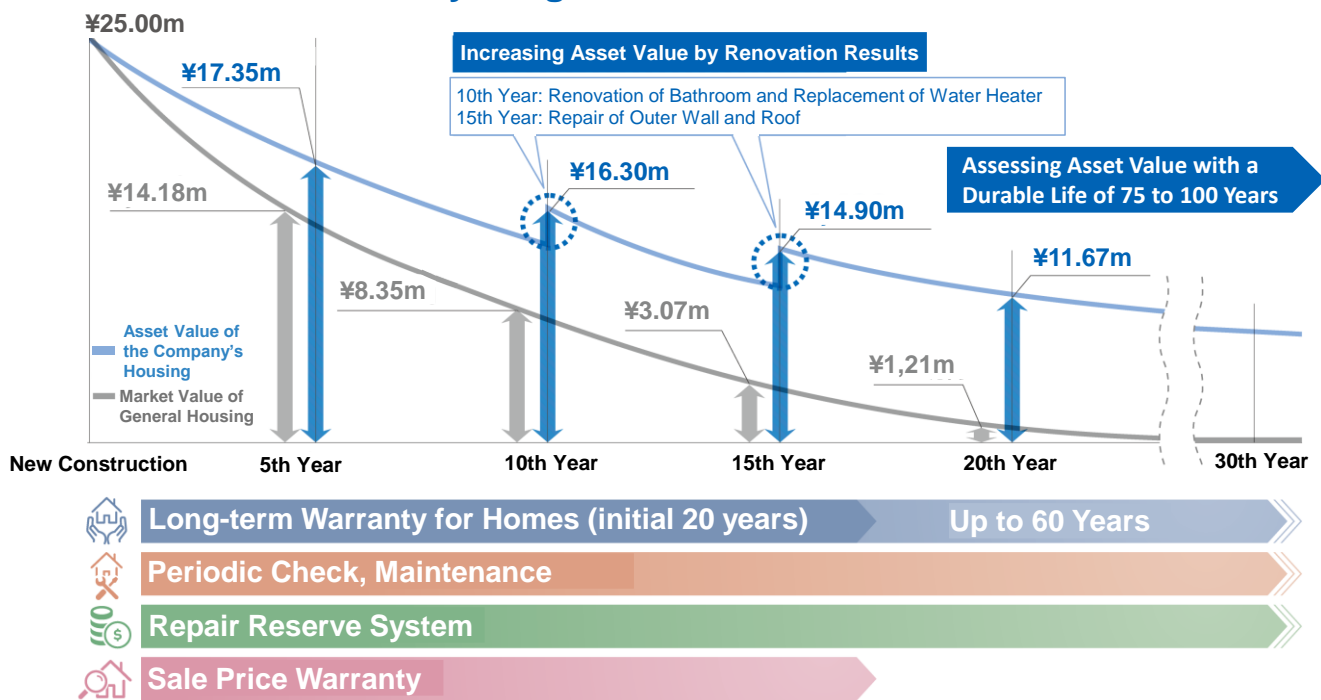
As mentioned earlier, the Company is heavily involved with extended warranty for housing equipment, while being involved with provision of other services like acting over after-purchase servicing, CRM support, etc. at the same time. Still, it appears that sales of extended warranty of housing equipment are large in particular, while the Company suggests that the operations carry gross profit margin relatively higher. In light of this, it should be the case that extended warranty for housing equipment is the key earnings pillar in this segment at the moment.

Meanwhile, it was revealed in [the news releases \(in Japanese\) on 8 December 2020](#) that Aera Home Co., Ltd. brought in a solution, comprising the Company's long-term warranty for homes, extended warranty of housing equipment and "Ouchi Point" on 1 December 2020 and this solution would be adopted as standard for detached housing to enter into a building contract in the future. "Ouchi Point" is an address term for e-money issued by the Company for e-money reserve service, belonging to CRM support, which introduces a scheme just like repair reserve system of condos to prepare for future renovation and/or maintenance to detached housing for the customer to enter into a building contract. Meanwhile, operators of housing business, including the customer, provide service of running a check on homes in the 10th years after the delivery. On top of this, the Company adds warranty on building frames during the 11th year and 20th year, including those of importance in terms of load-bearing, those of preventing rainwater inroads, drain-pipes etc., which is long-term warranty for homes, sometime called "20-year warranty for homes", given a fact that the period of warranty lasts for 20 years.

To date, a lot of housing business operators have been bringing in long-term warranty for homes as in the above-mentioned case, although standard adoption not always being opted. The Company cites a background that this is an epoch-making warranty to drive pay-per-delivery model (sale of homes newly built) for the counterparties. However, it appears that sales of long-term warranty for homes have remained insignificant in FY06/2021. The Company has disclosed that it saw amount of warranty fee paid of no more than ¥142m, while suggesting that it saw sales equating to one third of this (¥47m). Meanwhile, the Company has recognized commission income or compensations for provision of service in a lump sum as sales here, which is a distinguished feature when compared with extended warranty for housing equipment, the earnings pillar at the moment. Elsewhere, it takes at least 6 months to book sales after bringing in and adoption, according to the Company. In other words, it takes a while for favorable takeoff in demand to be reflected in sales.

"Bringing in" in the above context refers to a situation that a specific housing business operator is ready to start up provision of long-term warranty for homes, while "adoption" to a situation of being adopted for a specific property for the counterparty to have received order to build. At the same time, it takes some 6 months to complete and deliver detached housing after receiving order, generally speaking, while settlement of the price is usually accompanied by delivery. With this settlement of the price, the Company books commission income as a lump sum as sales. Now, for "adoption" to be followed by "bringing in", the Company suggests that an upward trend is to persist by way of rise in awareness on this epoch-making warranty.

Asset Value Warranty Program



Source: Company Data

Further, the Company has disclosed that it started up provision of [Asset Value Warranty Program \(in Japanese\)](#) on 30 June 2021. This is a solution, including the first service in the market to warrant sale price (based on AI scoring) on top of services adopted by aforementioned Aera Home Co., Ltd., etc., i.e., long-term warranty for homes, periodical check, maintenance, repair reserve system (based on e-money), etc. In other words, the Company is going for an enhancement of asset value of wooden detached housing by means of crossing warranty, e-money and AI scoring. The Company firmly believes that this will revitalize distribution of secondhand homes, which is being promoted as a national policy, while being convinced at the same time that this will contribute to the realization of a sustainable society in turn.

"Sale price warranty" is extremely revolutionary in a respect of evaluating value of wooden homes up to 100 years after completion by means of reflecting maintenance to the asset value of homes, while the Company mentions that adoption of this service contributes to enhancement of sales for both pay-per-delivery model (sale of homes newly built) and recurring revenue model (repair, renovation, etc.) of the Company's customers or housing business operators. Consequently, sales of long-term warranty for homes will be accelerating, which will drive growth for the Company from a long-term perspective. The Company sees limited incurrence for cost of sales in the operations as sales are of commission income, generating a substantial impact for prospective earnings.

BPO

On the BPO (Business Process Outsourcing: provision of outsourcing services being entrusted with a part of business process of counterparties) side, sales came in at ¥1,002m (up 83.3%), operating profit ¥449m (up 400.8%) and operating profit margin 44.8% (up 28.4% points). Here, the Company is running operations of providing warranty system construction consulting, based on horizontal application of knowhow on extended warranty and repair arrangement, forested in extended warranty for housing equipment, provided on the Total Housing Maintenance side. The operations are basically of outsourcing services being trusted with a business process for counterparties to get on extended warranty, while sales (commission income) and cost of sales are booked in a lump sum, according to the Company. Now, as sales are of commission income, it appears that the Company sees limited incurrence for cost of sales. In FY06/2021, this segment saw profit margin of no less than 44.8% at the operating level after allocation of headquarters expenses, given a conspicuous effect on surged sales.

This segment is basically exposed to the market for regenerated energy and that of GIGA (Global and Innovation Gateway for All) School, while the former accounts for some 60% of sales in this segment and some 40% for the latter. For the former, the Company raises equipment related to solar photovoltaic power generation, power generation by wind and biomass power generation as objects of extended warranty, spotting that sales associated with storage battery are currently firm in particular. Meanwhile, the latter is basically of tablets for which demand picked up sharply in line with the progress of GIGA School vision. For H2 (January to June 2021), sales stemming from here did surge and thus sales of this segment likewise. This trend is expected persist in Q1 FY06/2022 (July to September 2021), but the impacts stemming from here are not to reappear for the Company in Q2 (October to December) and thereafter.

Other

For Other, sales came in at ¥120m, operating profit minus ¥9m and operating profit margin minus 8.2%. This segment was created in line with consolidation of Yokohama House Inc. as wholly-owned subsidiary in July 2020. The bulk of sales here are of renovation for homes, i.e., the mainstay operations of this subsidiary, according to the Company.

ROE of 46.6%

As of the end of FY06/2021, total assets stood at ¥14,375m versus total liabilities of ¥13,446m (including deferred income of ¥1,135m and long-term deferred income of ¥5,507m) and equity capital of ¥928m (equity ratio of 6.5%), while net debt equity ratio of minus 527.5% (cash and deposit of ¥5,547m / interest-bearing debt of ¥652m). Meanwhile, the Company saw ROE of 46.6% for FY06/2021, based on this financial background.

Total liabilities are exposed to balance outstanding for warranty agreement (\cong deferred income and long-term deferred income) by 46.8%, implying that the Company sees fairly high profitability based on favorable financial strengths. For the Company's balance sheet, deferred income and long-term deferred income are booked as liabilities generally defined as those of being obliged to be given up to other economic agents for the future, although they are actually of being entitled to be collected from other economic agents for the future. As a result of this, it superficially looks dependent too much on liabilities, while it actually looks rather troubling in a sense being swapped with excess cash, implying a huge room to continue growth-oriented investment aggressively with own funds.

For FY06/2021, free cash flow has expanded up to no less than ¥3,488m due partly to temporary factors and the above-mentioned trends have further accelerated. Presumably, in light of this, the Company has revealed its intention to enhance own growth also by means of pursuing gains from management of assets, represented by real estate and/or securities with a thorough optimization of risk and return for the sake of efficiently utilizing excess cash. With respect to management of assets for real estate in FY06/2021, the Company saw net gains of ¥40m (rental of ¥89m and cost for rental of ¥49m with respect to investment real estate), having contributed to improvement at the non-operating level to a corresponding extent, which equated to 7.2% of operating profit.

Meanwhile, given that initial Company forecasts (announced on 14 August 2020) were substantially exceeded, the Company has paid fiscal yearend (annual) dividend of ¥10.00 per share for FY06/2021, implying payout ratio of 13.8% versus ¥5.00 per share initially planned. Considering dividend on equity ratio (DOE) of 6.4% = payout ratio of 13.8% \times ROE of 46.6%, it looks there is an ample room to further increase dividend. Still, it appears that the Company places more importance on rewarding shareholders with an increase in capital gains, accompanying sustained growth into the future.

FY06/2021 Company Forecasts and Actual Results

| Consolidated Fiscal Year (Million Yen) | Date | Event | Sales | Operating | Recurring | Profit Attributable to Owners of Parent |
|---|-----------|---------------|--------|-----------|-----------|--|
| FY06/2021CoE | 14-Aug-20 | Q4 Results | 2,318 | 228 | 301 | 197 |
| FY06/2021CoE | 11-Nov-20 | Q1 Results | 2,400 | 310 | 430 | 268 |
| | | Amount of Gap | 82 | 82 | 129 | 71 |
| | | Rate of Gap | 3.5% | 36.0% | 42.9% | 36.3% |
| FY06/2021CoE | 10-Feb-21 | Q2 Results | 2,400 | 310 | 430 | 268 |
| FY06/2021CoE | 10-May-21 | Q3 Results | 2,700 | 550 | 650 | 437 |
| | | Amount of Gap | 300 | 240 | 220 | 169 |
| | | Rate of Gap | 12.5% | 77.4% | 51.2% | 63.1% |
| FY06/2021Act | 11-Aug-21 | Q4 Results | 2,801 | 554 | 630 | 362 |
| | | Amount of Gap | 101 | 4 | (20) | (75) |
| | | Rate of Gap | 3.7% | 0.7% | (3.1%) | (17.2%) |
| FY06/2021CoE | 14-Aug-20 | Q4 Results | 2,318 | 228 | 301 | 197 |
| FY06/2021Act | 11-Aug-21 | Q4 Results | 2,801 | 554 | 630 | 362 |
| | | Amount of Gap | 483 | 326 | 329 | 165 |
| | | Rate of Gap | 20.8% | 143.0% | 109.3% | 83.8% |
| Consolidated Half Year (Million Yen) | Date | Event | Sales | Operating | Recurring | Profit Attributable to Owners of Parent |
| Q1 to Q2 FY06/2021CoE | 14-Aug-20 | Q4 Results | 1,055 | 81 | 116 | 77 |
| Q1 to Q2 FY06/2021CoE | 11-Nov-20 | Q1 Results | 1,184 | 157 | 247 | 158 |
| | | Amount of Gap | 129 | 76 | 131 | 81 |
| | | Rate of Gap | 12.2% | 94.4% | 113.3% | 106.0% |
| Q1 to Q2 FY06/2021Act | 10-Feb-21 | Q2 Results | 1,214 | 176 | 255 | 167 |
| | | Amount of Gap | 30 | 19 | 8 | 9 |
| | | Rate of Gap | 2.5% | 12.1% | 3.2% | 5.7% |
| Q1 to Q2 FY06/2021CoE | 14-Aug-20 | Q4 Results | 1,055 | 81 | 116 | 77 |
| Q1 to Q2 FY06/2021Act | 10-Feb-21 | Q2 Results | 1,214 | 176 | 255 | 167 |
| | | Amount of Gap | 159 | 95 | 139 | 90 |
| | | Rate of Gap | 15.1% | 117.3% | 119.8% | 116.9% |
| Consolidated Half Year (Million Yen) | Date | Event | Sales | Operating | Recurring | Profit Attributable to Owners of Parent |
| Q3 to Q4 FY06/2021CoE | 14-Aug-20 | Q4 Results | 1,263 | 147 | 185 | 120 |
| Q3 to Q4 FY06/2021CoE | 11-Nov-20 | Q1 Results | 1,216 | 153 | 183 | 110 |
| | | Amount of Gap | (47) | 6 | (2) | (10) |
| | | Rate of Gap | (3.7%) | 4.1% | (1.1%) | (8.3%) |
| Q3 to Q4 FY06/2021CoE | 10-Feb-21 | Q2 Results | 1,186 | 134 | 175 | 101 |
| | | Amount of Gap | (30) | (19) | (8) | (9) |
| | | Rate of Gap | (2.5%) | (12.4%) | (4.4%) | (8.2%) |
| Q3 to Q4 FY06/2021CoE | 10-May-21 | Q3 Results | 1,486 | 374 | 395 | 270 |
| | | Amount of Gap | 300 | 240 | 220 | 169 |
| | | Rate of Gap | 25.3% | 179.1% | 125.7% | 167.3% |
| Q3 to Q4 FY06/2021Act | 11-Aug-21 | Q4 Results | 1,587 | 378 | 375 | 195 |
| | | Amount of Gap | 101 | 4 | (20) | (75) |
| | | Rate of Gap | 6.8% | 1.1% | (5.1%) | (27.8%) |
| Q3 to Q4 FY06/2021CoE | 14-Aug-20 | Q4 Results | 1,263 | 147 | 185 | 120 |
| Q3 to Q4 FY06/2021Act | 11-Aug-21 | Q4 Results | 1,587 | 378 | 375 | 195 |
| | | Amount of Gap | 324 | 231 | 190 | 75 |
| | | Rate of Gap | 25.7% | 157.1% | 102.7% | 62.5% |

Source: Company Data, WRJ Calculation

Income Statement (Cumulative / Quarterly)

| Income Statement (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 | | |
| 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 (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 | | | |
| 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 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|--------------|
| | 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 | 06/2021 | Net Chg. |
| 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 |
|--|--------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|----------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| | 06/2020 | 06/2020 | 06/2020 | 06/2020 | 06/2021 | 06/2021 | 06/2021 | 06/2021 | 06/2021 | Net Chg. |
| 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 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| | 06/2020 | 06/2020 | 06/2020 | 06/2020 | 06/2021 | 06/2021 | 06/2021 | 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 | |
| Prepaid Expenses | 221 | 234 | 251 | 265 | 291 | 293 | 313 | 339 | +73 | |
| Other | 1,028 | 800 | 980 | 925 | 1,253 | 1,438 | 1,220 | 1,363 | +438 | |
| 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 | +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

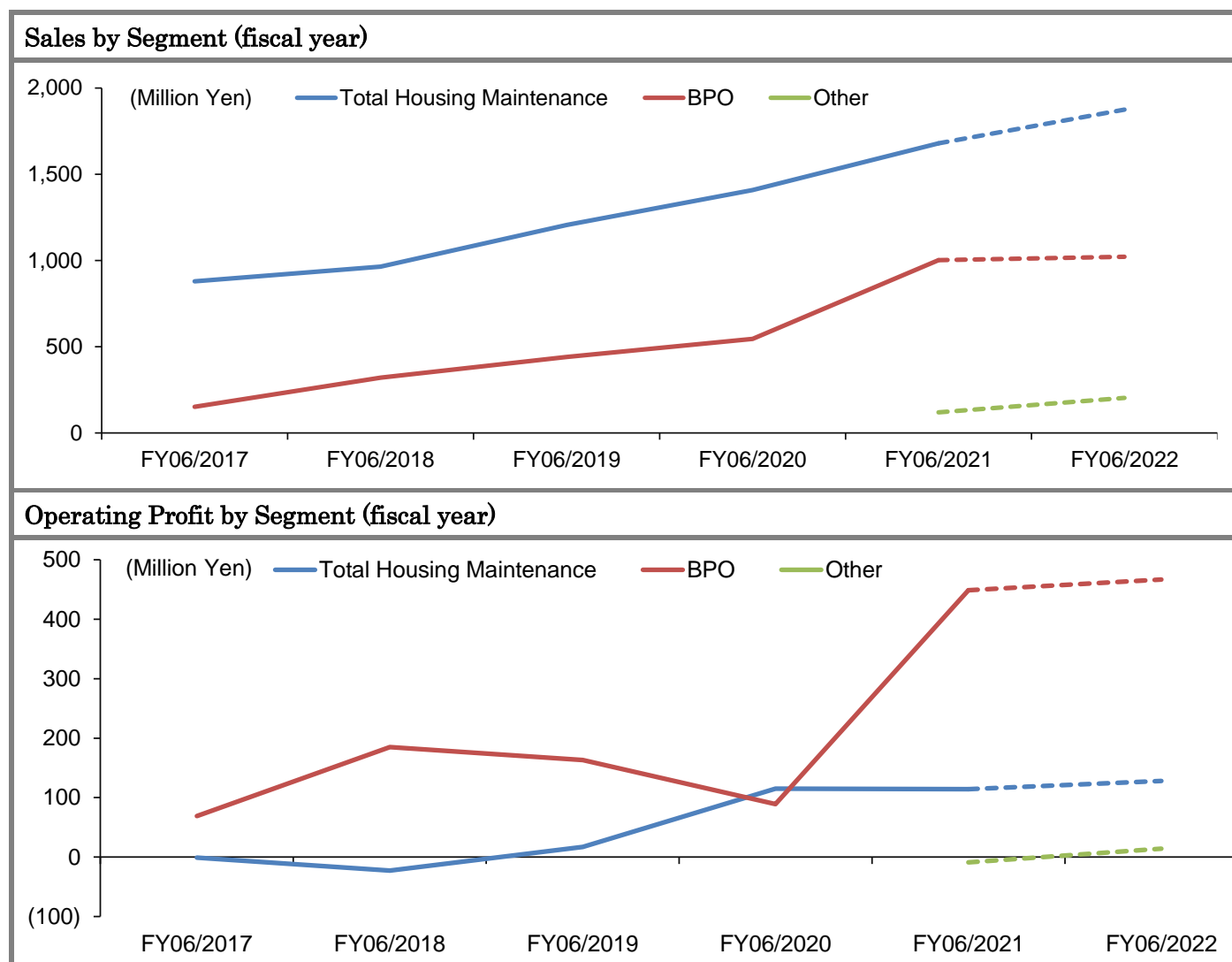
Cash Flow Statement (Cumulative)

| 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 | 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 | |
| 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

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). As in FY06/2021, the Company suggests that it will aggressively implement growth-oriented investment, while going for increased earnings at the same time. Elsewhere, Company forecasts are going for prospective annual dividend of ¥10.00 per share, implying payout ratio of 10.8%.



Source: Company Data, WRJ Calculation

Company forecasts assume prospective sales of ¥1,875m (up 11.7%), operating profit of ¥128m (up 11.3%) and operating profit margin of 6.8% (down 0.0% point) on the Total Housing Maintenance side, while sales of ¥1,022m (up 2.0%), operating profit of ¥467m (up 3.9%) and operating profit margin of 45.7% (up 0.9%) on the BPO side. With respect to Other, Company forecasts assume sales of ¥203m (up 68.8%), operating profit of ¥14m (versus minus ¥9m in the previous year) and operating profit margin of 6.9% (up 15.1% points).

With respect to the Total Housing Maintenance side, sales of extended warranty for housing equipment are expected to continue increasing favorably. For long-term warranty for homes, sales are expected to reach several times the actual results of FY06/2021, but it appears being rather limited as an absolute amount at this stage. Meanwhile, the Company cites a reason why sales of this segment are expected to increase by no more than 11.7% that it strategically reduces sales resources on so-called tangible services (booking one-time sales in a lump sum), represented by checkback and inspection, while concentrating sales resources on long-term warranty for homes to see a high growth from a long-term perspective. For tangible services, demand has remained firm, but it has been decided that the first priority is to raise profitability, making progress in review of the system and digital transformation for FY06/2022.

With respect to the BPO side, the Company is going for developments associated with storage battery whose demand is picking up sharply as well as for those of tablets at the same time. For tablets whose demand has surged due to the progress of GIGA School vision, the impacts stemming from here for the Company are not to reappear for Q2 (October to December) and thereafter, as mentioned earlier. Nevertheless, the Company spots that the bulk of tablets introduced to primary and secondly schools have not been covered by extended warranty and is going for sales promotions of repair and maintenance scheme to provide service equivalent to extended warranty. Roughly speaking, 1.5m units have been covered by extended warranty, while 6.0m units have not, out of 7.5m units to have been introduced, according to the Company.

Long-Term Prospects

For FY06/2021, the Company saw substantial increases in sales and earnings, having renewed record high performance, while planning to see a high growth for the future with its Growth Strategy / the Five Pillars. That is to say, the Company says that it will make a changeover to the next growth stage by means of aggressively investing in developments and sales promotions of new services and new schemes. For FY06/2022, Company forecasts have been released and assumptions are as mentioned earlier.

| Growth Strategy / The Five Pillars | | |
|------------------------------------|---------------------------|---|
| 1 | Total Housing Maintenance | (by launching asset value warranty program) Accelerating Sales of Long-term Warranty for Homes |
| 2 | Total Housing Maintenance | (to support recurring revenue model for housing business operators) Launching Mobile App on an OEM basis |
| 3 | BPO | (by strengthening tie-up with non-life insurance company) Cultivating Regen. Energy and GIGA School Market |
| 4 | New Business | (by utilizing own knowhow on settlement and Financing) Development of Settlement Platform |
| 5 | Other | (for services provided, internal operations and personnel resources) Thoroughly Propelling Digital Transformation |

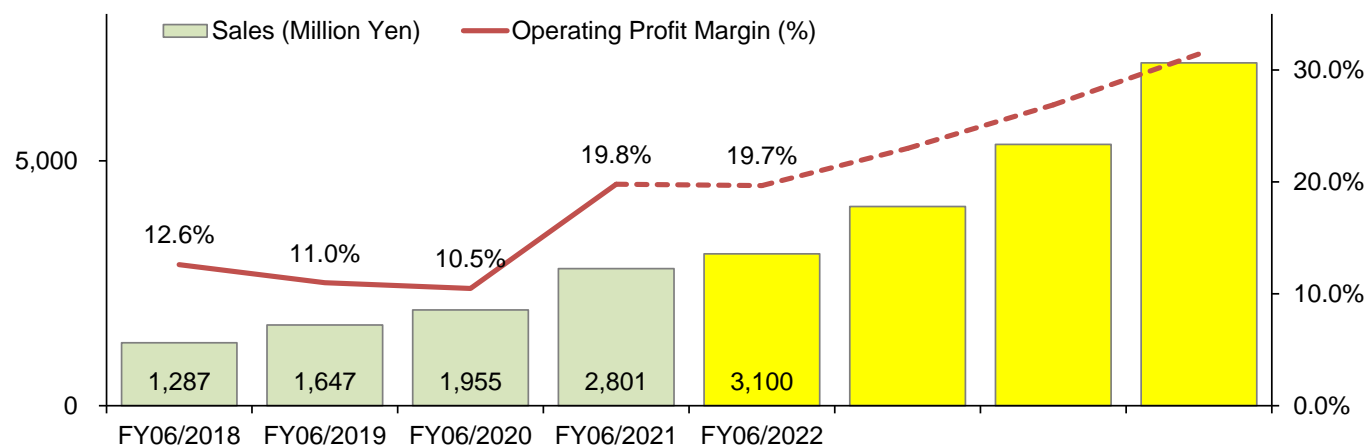
Source: Company Data

For FY06/2023 and thereafter, meanwhile, the Company is going for further increases in sales for both of the Total Housing Maintenance side and the BPO side, while the former is suggested to exceed the latter in terms of growth rate. Meanwhile, the first pillar of Growth Strategy / the Five Pillars is expected to drive prospective sales on the Total Housing Maintenance side in particular, i.e., (by launching asset value warranty program) accelerating sales of long-term warranty for homes.

The Company assumes that the number of wooden detached housing completed in Japan will vary from 400,000 to 500,000 (median: 450,000) per year, while amount of warranty fee paid (per unit) for long-term warranty for homes will vary from ¥150,000 to ¥250,000 (median: ¥200,000). The latter varies to such an extent for each project, depending on the details of warranty, according to the Company. Meanwhile, it is suggested that amount of warranty fee paid comprises a) commission income to be gained by the Company (sales), b) advances received for 10th-year checkback and c) premium for major non-life insurance company tying up with the Company, for each to account for roughly one third respectively. For a) commission income to be gained by the Company (sales), the details are as mentioned. For b) advances received for 10th-year checkback, the Company books them on balance sheet when the warranty fee is credited, which is followed by booking of sales to bring about some gross profit at the implementation of 10th-year checkback. Finally, for c) premium for major non-life insurance company tying up with the Company, the Company's operations have a strong aspect of simply being in charge of transfer of funds or a deskwork for enrollment, seeing almost no contribution to earnings.

The Company says that it is dedicated to operation action with a target of acquiring 10% market share for long-term warranty for homes withing the next three years. For example, the Company saw the number of agreement newly acquired of 46,100 for extended warranty for housing equipment in FY06/2021, implying an achievement of 10% ($\cong 46,100 \div 450,000$) market share. In light of this, the Company is convinced that the same sort of prospective penetration is just likely to be achieved also for long-term warranty for home.

Long-Term Prospects



Sales of Long-term Warranty for Homes

| | Lower End | Upper End | Median | FY06/2021 |
|---|-----------|-----------|--------------|-----------|
| Wooden Detached Housing (no. of completions per year) | 400,000 | 500,000 | 450,000 | 450,000 |
| Amount of Warranty Fee Paid (per unit) | 150,000 | 250,000 | 200,000 | 200,000 |
| Target Market Share (%) | - | - | 10% | 0.16% |
| Long-term Warranty for Homes (no. of adoptions per year) | - | - | 45,000 | 710 |
| Commission Income Composition Ratio (%) | - | - | 33% | 33% |
| Amount of Commission Income or Sales (per unit / Yen) | - | - | 66,000 | 66,000 |
| Amount of Commission Income or Sales (Million Yen) | - | - | 2,970 | 47 |
| Amount of Warranty Fee Paid (Million Yen) | - | - | 9,000 | 142 |

Source: Company Data, WRJ Calculation

Based on the Company's ideas above-mentioned, we estimate that sales of long-term warranty for homes will reach some ¥2,970m per year by FY06/2025. In other words, acceleration of sales for long-term warranty for homes will progress rapidly, for this alone to exceed sales as a whole for the Company in FY06/2021.

4.0 Business Model

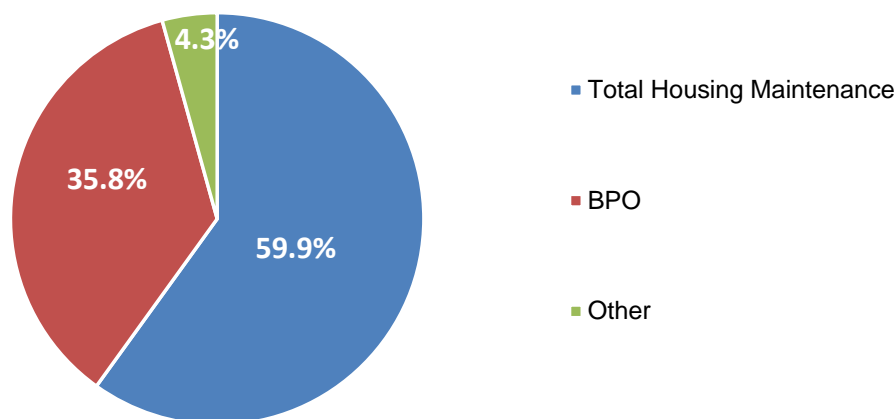
Putting 100-year Value into all Homes

The Company sets "putting 100-year value into all homes" as philosophical construct, realizing society for housing properly maintained to be adequately evaluated as assets. In other words, the Company will strive to create a sustainable framework by means of crossing Housing, Finance and Technology. Japanese newly-built wooden detached housing is generally stated to have no asset value in 22 years, which is the statutory useful life. However, with the Company's measures above-mentioned, it is said that one can continue to live safely and at ease even after such useful life. Meanwhile, the Total Home Maintenance side (59.9% of sales) is in charge of this, by segment.

The Company's After-Sales Servicing

| SERVICE 1 | SERVICE 2 | SERVICE 3 | SERVICE 4 | SERVICE 5 | SERVICE 6 |
|---------------------------------------|---|--|--|---------------------------------------|------------------------|
| Warranty | Acting Over After-purchase Servicing | CRM Support | Third-party Inspection | Settlement | AI |
| For Equipment, Homes and Construction | Call Center Periodic Check Maintenance Work | E-money Reserve Points Issuance Mobile App | Inspection of Housing to Discover Needs for Renovation | Digital Settlement Sales Order System | AI-OCR Chatbot Scoring |

Sales Breakdown (FY06/2021)



Source: Company Data, WRJ Calculation

5.0 Financial Statements

Income Statement

| Income Statement | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| (Million Yen) | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| Sales | 1,031 | 1,287 | 1,647 | 1,955 | 2,801 | 3,100 | +298 |
| Cost of Sales | 438 | 467 | 648 | 766 | 969 | - | - |
| Gross Profit | 592 | 819 | 999 | 1,188 | 1,832 | - | - |
| SG&A Expenses | 525 | 657 | 818 | 984 | 1,278 | - | - |
| Operating Profit | 67 | 162 | 180 | 204 | 554 | 610 | +55 |
| Non Operating Balance | 9 | (3) | 32 | 79 | 76 | 100 | +23 |
| Recurring Profit | 76 | 158 | 213 | 284 | 630 | 710 | +79 |
| Extraordinary Balance | (2) | (1) | (1) | (7) | (66) | - | - |
| Profit before Income Taxes | 73 | 156 | 211 | 277 | 564 | - | - |
| Total Income Taxes | (15) | 53 | 68 | 91 | 201 | - | - |
| Profit Attributable to Owners of Parent | 89 | 103 | 143 | 186 | 362 | 465 | +102 |
| Sales YoY | - | +24.8% | +28.0% | +18.7% | +43.3% | +10.6% | - |
| Operating Profit YoY | - | +140.1% | +11.4% | +13.2% | +170.7% | +10.0% | - |
| Recurring Profit YoY | - | +106.4% | +34.5% | +33.6% | +121.5% | +12.6% | - |
| Profit Attributable to Owners of Parent YoY | - | +14.9% | +38.8% | +30.4% | +94.5% | +28.1% | - |
| Gross Profit Margin | 57.5% | 63.7% | 60.7% | 60.8% | 65.4% | - | - |
| Sales to SG&A Expenses Ratio | 50.9% | 51.1% | 49.7% | 50.3% | 45.6% | - | - |
| Operating Profit Margin | 6.6% | 12.6% | 11.0% | 10.5% | 19.8% | 19.7% | (0.1%) |
| Recurring Profit Margin | 7.4% | 12.3% | 12.9% | 14.6% | 22.5% | 22.9% | +0.4% |
| Profit Attributable to Owners of Parent Margin | 8.7% | 8.0% | 8.7% | 9.5% | 13.0% | 15.0% | +2.0% |
| Total Income Taxes / Profit before Income Taxes | - | 34.2% | 32.5% | 32.8% | 35.7% | - | - |

Source: Company Data, WRJ Calculation

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Segmented Information

| Segmented Information | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| (Million Yen) | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| Total Housing Maintenance | 879 | 965 | 1,206 | 1,408 | 1,679 | 1,875 | +195 |
| BPO | 152 | 321 | 441 | 546 | 1,002 | 1,022 | +19 |
| Other | - | - | - | - | 120 | 203 | +82 |
| Sales | 1,031 | 1,287 | 1,647 | 1,955 | 2,801 | 3,100 | +298 |
| Total Housing Maintenance | (1) | (23) | 17 | 115 | 114 | 128 | +13 |
| BPO | 69 | 185 | 163 | 89 | 449 | 467 | +17 |
| Other | - | - | - | - | (9) | 14 | +23 |
| Operating Profit | 67 | 162 | 180 | 204 | 554 | 610 | +55 |
| Total Housing Maintenance | (0.2%) | (2.4%) | 1.5% | 8.2% | 6.8% | 6.8% | (0.0%) |
| BPO | 45.7% | 57.8% | 37.0% | 16.4% | 44.8% | 45.7% | +0.9% |
| Other | - | - | - | - | (8.2%) | 6.9% | +15.1% |
| Operating Profit Margin | 6.6% | 12.6% | 11.0% | 10.5% | 19.8% | 19.7% | (0.1%) |

Source: Company Data, WRJ Calculation

Balance Sheet

| Balance Sheet (Million Yen) | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.CoE | |
|---|--------------|--------------|--------------|--------------|---------------|----------|----------|
| | FY | FY | FY | FY | FY | FY | YoY |
| | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| Cash and Deposit | 1,534 | 2,350 | 1,848 | 1,203 | 5,547 | - | - |
| Accounts Receivables | 37 | 41 | 49 | 46 | 55 | - | - |
| Prepaid Expenses | 99 | 163 | 205 | 265 | 339 | - | - |
| Other | 296 | 576 | 964 | 925 | 1,363 | - | - |
| Current Assets | 1,968 | 3,132 | 3,068 | 2,440 | 7,305 | - | - |
| Tangible Assets | 16 | 22 | 39 | 76 | 310 | - | - |
| Intangible Assets | 22 | 26 | 58 | 91 | 139 | - | - |
| Deposit | 280 | 501 | 785 | 1,318 | 1,165 | - | - |
| Long-term Prepaid Expenses | 688 | 988 | 1,242 | 2,056 | 2,090 | - | - |
| Investment Real Estate (Net Amount) | - | - | 673 | 878 | 1,900 | - | - |
| Other | 480 | 471 | 823 | 1,425 | 1,461 | - | - |
| Investments and Other Assets | 1,449 | 1,960 | 3,524 | 5,679 | 6,618 | - | - |
| Fixed Assets | 1,487 | 2,009 | 3,622 | 5,848 | 7,068 | - | - |
| Deferred Assets | - | - | - | - | 0 | - | - |
| Total Assets | 3,455 | 5,142 | 6,691 | 8,288 | 14,375 | - | - |
| Accounts Payables | 35 | 47 | 71 | 67 | 74 | - | - |
| Short Term Debt | - | - | - | 5 | 33 | - | - |
| Deferred Income | 464 | 600 | 775 | 953 | 1,135 | - | - |
| Deposit | - | - | - | 207 | 1,508 | - | - |
| Other | 116 | 253 | 377 | 245 | 647 | - | - |
| Current Liabilities | 615 | 901 | 1,224 | 1,479 | 3,399 | - | - |
| Long Term Debt | - | - | - | 91 | 619 | - | - |
| Long Term Deferred Income | 2,258 | 2,966 | 3,663 | 4,461 | 5,507 | - | - |
| Long Term Deposit | 661 | 942 | 1,320 | 1,610 | 3,873 | - | - |
| Other | 8 | 9 | 8 | 14 | 46 | - | - |
| Fixed Liabilities | 2,928 | 3,919 | 4,992 | 6,178 | 10,047 | - | - |
| Total Liabilities | 3,544 | 4,820 | 6,216 | 7,657 | 13,446 | - | - |
| Shareholders' Equity | (78) | 333 | 481 | 645 | 873 | - | - |
| Other | (9) | (11) | (6) | (14) | 55 | - | - |
| Net Assets | (88) | 322 | 475 | 630 | 928 | - | - |
| Total Liabilities and Net Assets | 3,455 | 5,142 | 6,691 | 8,288 | 14,375 | - | - |
| Equity Capital | (88) | 322 | 475 | 630 | 928 | - | - |
| Interest-bearing Debt | - | - | - | 97 | 652 | - | - |
| Net Debt | (1,534) | (2,350) | (1,848) | (1,106) | (4,894) | - | - |
| Equity Ratio | (2.6%) | 6.3% | 7.1% | 7.6% | 6.5% | - | - |
| Net Debt Equity Ratio | - | (730.0%) | (389.1%) | (175.6%) | (527.5%) | - | - |
| ROE (12 months) | - | 88.2% | 35.9% | 33.7% | 46.6% | - | - |
| ROA (12 months) | 2.7% | 3.7% | 3.6% | 3.8% | 5.6% | - | - |
| Quick Ratio | 255% | 265% | 155% | 85% | 165% | - | - |
| Current Ratio | 320% | 348% | 251% | 165% | 215% | - | - |

Source: Company Data, WRJ Calculation

Cash Flow Statement

| Cash Flow Statement (Million Yen) | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.CoE | |
|--------------------------------------|------------|------------|--------------|--------------|--------------|----------|----------|
| | FY | FY | FY | FY | FY | FY | YoY |
| | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| Operating Cash Flow | 819 | 761 | 889 | 573 | 5,120 | - | - |
| Investing Cash Flow | (278) | (128) | (1,275) | (1,469) | (1,631) | - | - |
| Operating CF and Investing CF | 540 | 633 | (385) | (896) | 3,488 | - | - |
| Financing Cash Flow | - | 296 | 5 | 74 | 420 | - | - |

Source: Company Data, WRJ Calculation

Per Share Data

| Per Share Data (Before Adjustments for Split) (Yen) | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.CoE | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | FY | FY | FY | FY | FY | FY | YoY |
| | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| No. of Shares FY End (thousand shares) | 1,587 | 4,760 | 4,985 | 5,004 | 5,058 | - | - |
| Earnings (thousand shares) | 1,376 | 4,343 | 4,930 | 4,995 | 4,991 | - | - |
| Treasury Shares FY End (thousand shares) | - | - | - | 0 | 56 | - | - |
| Earnings per Share | 65.19 | 23.73 | 29.01 | 37.35 | 72.72 | 92.96 | - |
| Earnings per Share (fully diluted) | - | 21.96 | 27.91 | 36.51 | 71.22 | - | - |
| Book Value per Share | (64.29) | 67.67 | 95.30 | 126.08 | 185.69 | - | - |
| Dividend per Share | - | - | 5.00 | 5.00 | 10.00 | 10.00 | - |
| Per Share Data (After Adjustments for Split) (Yen) | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.CoE | |
| | FY | FY | FY | FY | FY | FY | YoY |
| | 06/2017 | 06/2018 | 06/2019 | 06/2020 | 06/2021 | 06/2022 | Net Chg. |
| Share Split Factor | 3 | 1 | 1 | 1 | 1 | 1 | - |
| Earnings per Share | 21.73 | 23.73 | 29.01 | 37.35 | 72.72 | 92.96 | - |
| Book Value per Share | (21.43) | 67.67 | 95.30 | 126.08 | 185.69 | - | - |
| Dividend per Share | - | - | 5.00 | 5.00 | 10.00 | 10.00 | - |
| Payout Ratio | - | - | 17.2% | 13.4% | 13.8% | 10.8% | - |

Source: Company Data, WRJ Calculation

6.0 Other Information

Capturing Social Needs

On 12 March 2009, the Company was set up as “Phoenix Consulting, Inc.”, funded by Yoshitaka Adachi, Takuya Arakawa, Shunsuke Takebayashi and Atsushi Yoshikawa, i.e., four present-day directors of the Company, having established operations in Tokyo, Osaka, Nagoya and Fukuoka locations to date with officers and employees of 152 (as of 1 August 2021) and three subsidiaries (Livingpoint Inc., Living Finance Inc. and Yokohama House Inc.). It was July 2009 that Company changed its name to “Japan Living Warranty Inc.” in response to social needs for extended warranty for housing equipment. In fact, the Company launched extended warranty for housing equipment in August 2009 for housing business operators to build and sell new homes as Jusetu Anshin Support.

Then, in June 2013, the Company started up horizontal application of knowhow on extended warranty and repair arrangement, fostered in the services for housing business operators, i.e., BPO business for manufacturers of solar photovoltaic power generator. To date, the Company’s extended warranty has been adopted in increased variety of equipment in line with successful cultivation of new markets, e.g., tablets, storage battery, etc. Meanwhile, it was March 2018 for the Company listed on Mothers of Tokyo Stock Exchange and the operations of long-term warranty for homes started up on a full-fledged basis in July 2020.

Company History

| Date | Events |
|---------------|--|
| March 2009 | Phoenix Consulting, Inc., set up |
| July 2009 | Company name, changed to Japan Living Warranty Inc. |
| August 2009 | Launched Jusetsu Anshin Support for housing business operators to build and sell new homes |
| May 2012 | Launched Baibai Anshin Support to broke trade of secondhand housing for real estate brokers |
| August 2012 | Established Livingpoint Inc. as a 100% subsidiary |
| October 2012 | General construction business license, obtained by Livingpoint Inc. |
| June 2013 | Started up BPO business for manufacturers of solar photovoltaic power generator |
| November 2013 | Launched LOOP Ouchi Support for Mitsui Fudosan Group's homebuyers |
| December 2013 | Livingpoint Inc., registered as first-class architect's office |
| June 2014 | Launched Pre-occupancy Inspection Service for rental management companies |
| May 2015 | Livingpoint Inc., registered as issuer of prepaid means of payment (third-party type) |
| November 2015 | Qualified for privacy mark |
| August 2017 | Launched Long-term Maintenance System to accept bulk order for after-sales servicing of housing business operators |
| March 2018 | Listed on Mothers of Tokyo Stock Exchange |
| July 2019 | Opened Osaka branch in Chuo-ku, Osaka |
| August 2019 | Launched Uchimo Keeping or service of total housing support for homeowners |
| March 2020 | Opened Fukuoka Service Center in Hakata-ku, Fukuoka |
| April 2020 | Opened Nagoya Service Center in Nakamura-ku, Nagoya |
| May 2020 | Head office, moved to Shinjuku-ku, Tokyo |
| July 2020 | Made Yokohama House Inc. a wholly-owned subsidiary |
| July 2020 | Started developments in earnest for 20-year warranty for homes backup service |
| February 2021 | Concluded capital and business alliance contract with Net Smile, Inc. |
| April 2021 | Established Living Finance Inc. as 100%-owned subsidiary |

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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