



Zenkoku Hoshu

TSE 1st Section 7164 Industry: Other financials

Benefiting from the restructuring of regional banks

Reorganization of regional banks may promote inorganic growth for Zenkoku Hoshu

The Nikkei dated May 14 reported that SBI Holdings (8473) and Tsukuba Bank (8338) will form a capital and business alliance. It also discusses in detail the ongoing restructuring of regional banks and second-tier regional banks. We have not confirmed the accuracy of the report.

When regional banks and second-tier regional banks are restructured, there will be a possibility that group companies will be discarded. We believe that Zenkoku Hoshu (7164) will increasingly be considered as a counterparty when the credit guarantee companies within the group or their guarantee exposure are sold to outside parties.

In fact, two of the eight banks listed by Nikkei as SBI Holdings' partners (Towa Bank (8558) and Tsukuba Bank) have already sold their guarantee subsidiaries to Zenkoku Hoshu. Towa Bank sold Towa Shinyo Hoshu (now Minoru Guarantee) to Zenkoku Hoshu in February 2020, and Tsukuba Bank sold Tsukuba Shinyo Hoshu to Zenkoku Hoshu in March 2021.

We are focusing on Zenkoku Hoshu as a stock that will benefit from the restructuring of regional banks.

Please refer to the report dated April 8, 2021 for the rationale of the rating and target price.

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Update

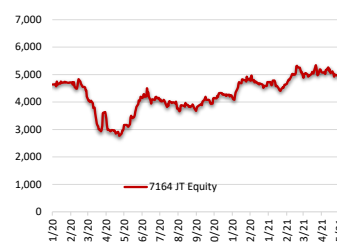
Rating
Buy

Target price (JPY)	6,400
Stock price (JPY) (May 13)	4,575
Market cap (JPYbn)	315.1

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/19	3/20	3/21	3/22E	3/23E
Revenue	JPYbn	43.2	45.2	47.8	50.3	53.9
OP	JPYbn	34.2	35.4	38.2	39.7	42.4
RP	JPYbn	35.2	35.8	39.0	40.6	43.4
NP	JPYbn	24.1	24.4	27.0	28.1	30.1
EPS	JPY	350.9	355.2	392.5	408.9	437.1
BPS	JPY	1,846	2,109	2,408	2,686	2,970
DPS	JPY	87.0	95.0	117.0	135.0	153.0
PER	x	11.0	9.6	12.9	11.2	10.5
PBR	x	2.1	1.6	2.1	1.7	1.5
Div. yield	%	2.2	2.8	2.3	3.0	3.3
ROA	%	7.8	7.0	7.0	6.8	6.7
ROE	%	20.5	18.0	17.4	16.1	15.5

Source: Company data, Mita Securities

Company profile

Zenkoku Hoshu is an independent mortgage guarantee company with guarantee exposure of 14.6trn yen (end-FY3/21). It has partnerships with 744 financial institutions nationwide. Stock revenue has been growing due to the increase in the guarantee exposure, whereas credit costs have remained at a low level. The company has made it clear that it aims to grow through M&A.

APPENDIX

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The target price and ratings are based on our views for the next 12 months or so.

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