



# Zenkoku Hoshō

TSE Prime

7164

Industry: Other financials

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## Capital and business alliance with Shisoushin

### Acquires stakes in a guarantor affiliated with second-tier regional banks in Shikoku

On June 13, Zenkoku Hoshō (7164, the company) announced that it would enter into a capital and business alliance with Shikoku Sougou Shinyou (Shisoushin). Shisoushin is a guarantee company established as a joint venture of the second-tier regional banks in Shikoku, and is engaged in the business of guaranteeing mortgages and consumer loans. The company now plans to acquire a 19.5% stake in Shisoushin. In addition, the two companies will exchange personnel, share information, and mutually use each other's information systems. As of March 2020, Shisoushin's guarantee exposure was 526.2bn yen.

We believe that Zenkoku Hoshō's strategy of approaching regional financial institutions has the potential to lead to market share gains in the future.

Please refer to the report dated November 30, 2021 for the rationale of the rating and target price.

## Update

Rating

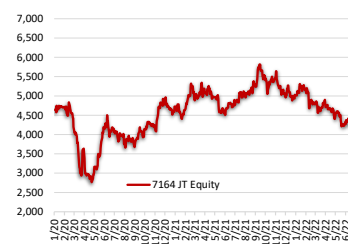
**Buy**

Target price (JPY)	6,500
Stock price (JPY) (Jun 13)	4,245
Market cap (JPYbn)	292.4

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

## Earnings

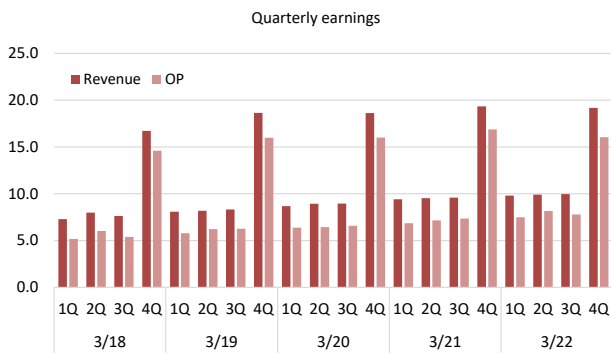
		3/20	3/21	3/22	3/23E	3/24E
Revenue	JPYbn	45.2	47.8	48.8	53.7	56.9
OP	JPYbn	35.4	38.2	39.5	43.1	44.6
RP	JPYbn	35.8	39.0	40.6	44.2	45.8
NP	JPYbn	24.4	27.0	27.8	30.6	31.7
EPS	JPY	355.2	392.5	405.1	445.7	461.7
BPS	JPY	2,109	2,411	2,690	2,982	3,268
DPS	JPY	95.0	117.0	133.0	156.0	175.0
PER	x	9.6	12.9	10.5	9.5	9.2
PBR	x	1.6	2.1	1.6	1.4	1.3
Div. yield	%	2.8	2.3	3.1	3.7	4.1
ROA	%	7.0	7.0	6.9	6.9	6.6
ROE	%	18.0	17.4	15.9	15.7	14.8

Source: Company data, Mita Securities

## Company profile

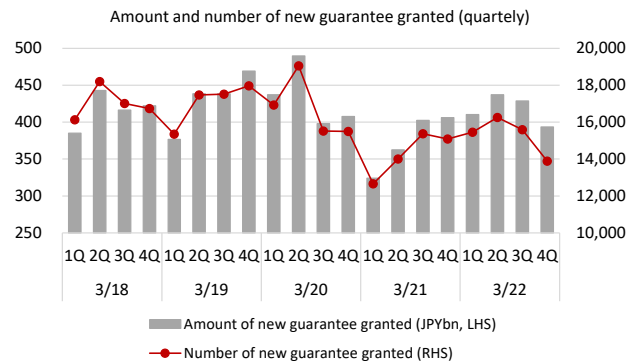
Zenkoku Hoshō is an independent mortgage guarantee company with guarantee exposure of 15.4trn yen (end-FY3/22). It has partnerships with 733 financial institutions nationwide. Stock revenue has been growing due to the increase in the guarantee exposure, whereas credit costs have remained at a low level. The company has made it clear that it aims to grow through M&A.

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

Figure: Amount and number of new guarantees executed (Q)



Source: Company data, Mita Securities

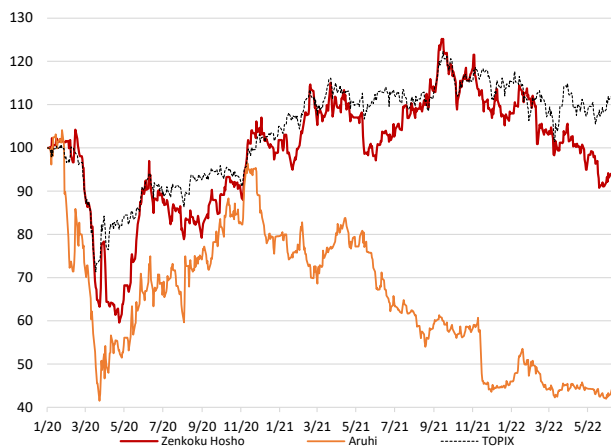
Figure: Comparison of valuations

Company	Ticker	Currency	Share price 13-Jun	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Dividend yield Current E	1M Change	3M Change	1YR Change
ZENKOKU HOSHU CO LTD	7164	JPY	4,245	292.4	10.5	10.5	NA	NA	1.6	NA	NA	15.9	2.7	82.1	NA	-5.7	-7.9	-11.7
MORTGAGE SERVICE JAPAN LTD	7192	JPY	956	14.1	12.4	12.4	NA	NA	2.1	NA	NA	17.7	7.9	23.6	NA	0.3	0.1	-5.3
ARUHI CORP	7198	JPY	987	35.6	8.2	8.2	7.4	6.6	1.1	8.3	2.7	13.7	-6.7	45.3	6.1	-1.1	0.6	-35.1
PREMIUM GROUP CO LTD	7199	JPY	3,825	51.2	16.7	16.7	13.8	13.0	5.1	NA	2.3	34.8	16.7	25.0	1.6	5.1	2.8	3.9
CREDIT SAISON CO LTD	8253	JPY	1,508	279.7	6.7	6.7	6.2	5.9	0.4	39.2	8.5	6.5	5.8	35.5	3.4	-2.0	13.6	7.1
AIFUL CORP	8515	JPY	342	165.7	13.4	13.4	6.4	5.9	1.1	NA	4.1	8.2	4.3	16.6	0.6	-2.3	6.5	-8.8
AEON FINANCIAL SERVICE CO LT	8570	JPY	1,197	258.6	8.6	8.6	8.7	7.4	0.6	NA	NA	7.3	0.8	NA	4.2	0.1	5.6	-7.8
ACOM CO LTD	8572	JPY	310	485.7	8.7	8.7	7.3	7.8	0.9	NA	3.8	10.9	-1.5	16.8	2.6	-4.9	7.6	-38.4
JACCS CO LTD	8584	JPY	3,300	115.8	6.2	6.2	6.7	6.5	0.6	NA	14.6	10.3	2.1	31.6	4.7	-0.9	6.3	26.6
ORIENT CORP	8585	JPY	123	211.4	11.7	11.7	11.7	9.9	1.0	NA	7.7	8.0	-1.1	28.4	2.4	-2.4	0.8	-21.2
EGUARANTEE INC	8771	JPY	1,926	90.2	36.4	36.4	32.2	28.0	4.9	15.0	7.3	14.3	16.2	61.4	1.3	-3.6	5.5	-14.8
<b>Average</b>					<b>12.7</b>	<b>12.7</b>	<b>11.2</b>	<b>10.1</b>	<b>1.8</b>	<b>20.8</b>	<b>6.4</b>	<b>13.4</b>	<b>4.3</b>	<b>36.6</b>	<b>3.0</b>	<b>-1.6</b>	<b>3.8</b>	<b>-9.6</b>
MGIC INVESTMENT CORP	MTG	USD	12.36	3.8	6.5	6.2	5.8	5.7	0.8	NA	3.5	14.1	-0.7	NA	2.6	-5.3	-10.8	-14.7
ESSENT GROUP LTD	ESNT	USD	38.84	4.2	6.3	5.2	5.4	5.9	1.0	NA	4.1	20.2	8.0	NA	2.2	-4.5	-4.9	-18.4
GENWORTH MORTGAGE INSURANCE	GMA AU	AUD	2.60	1.0	5.6	5.6	5.3	6.2	0.7	NA	2.8	13.1	-10.5	NA	11.5	-13.0	-10.0	-4.8
<b>Average</b>					<b>6.1</b>	<b>5.7</b>	<b>5.5</b>	<b>5.9</b>	<b>0.8</b>	<b>NA</b>	<b>3.5</b>	<b>15.8</b>	<b>-1.1</b>	<b>NA</b>	<b>5.4</b>	<b>-7.6</b>	<b>-8.6</b>	<b>-12.6</b>

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are by Bloomberg consensus

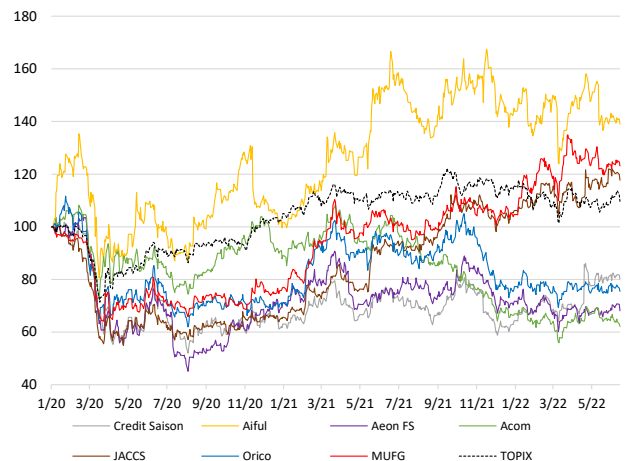
Figure: Stock price trends



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

Figure: Stock price trends

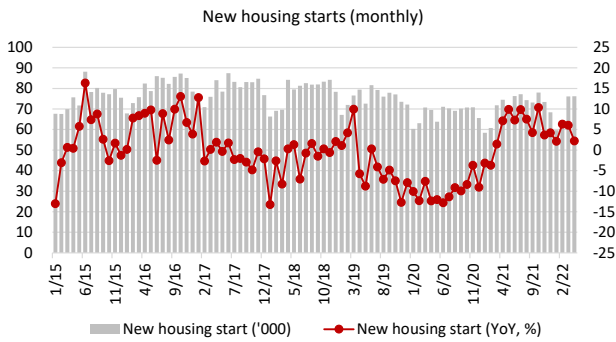


Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

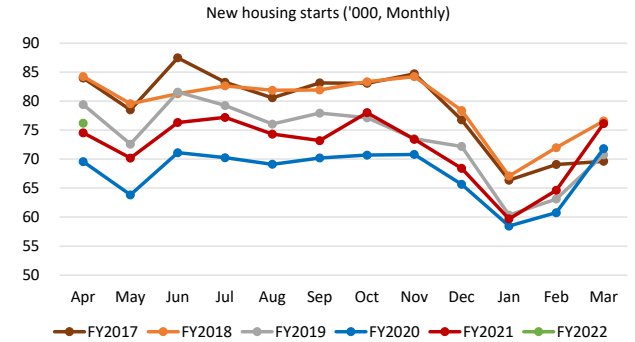
# Reference materials

Figure: New housing starts



Source: MLIT data, Mita Securities

Figure: New housing starts



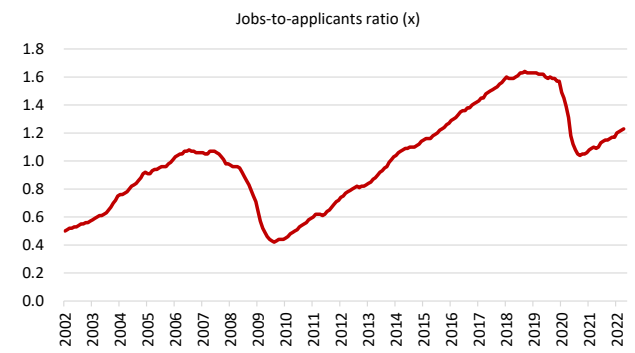
Source: MLIT data, Mita Securities

Figure: Unemployment rate



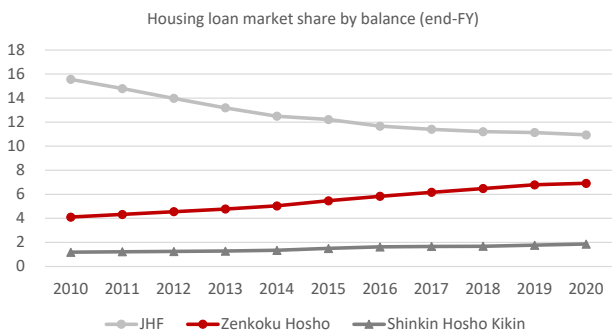
Source: MIC data, Mita Securities

Figure: Jobs-to-applicants ratio



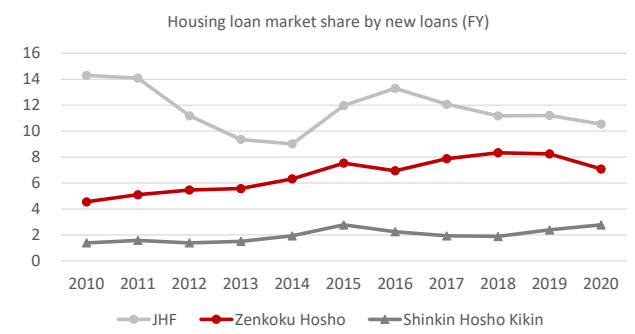
Source: MHLW data, Mita Securities

Figure: Housing loan market share by balance



Source: JHF data, Shinkin Hoshō Kikin data, company data, Mita Securities

Figure: Housing loan market share by new loans



Source: JHF data, Shinkin Hoshō Kikin data, company data, Mita Securities

## APPENDIX

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