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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

Company name: eGuarantee, Inc.

Stock exchange listing: Tokyo

Code number: 8771

URL: <https://www.eguarantee.co.jp/>

Representative: Masanori Eto

President and Chief Executive Officer

Contact: Nozomu Murai

Director, General Manager of Corporate Administration Dept.

Phone: 03-6327-3609

Scheduled date of ordinary general meeting of shareholders: June 28, 2022

Scheduled date of commencing dividend payments: June 29, 2022

Scheduled date of submitting annual securities report: June 29, 2022

Availability of supplementary briefing material on financial results: Yes

Schedule of financial results briefing session: Yes (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	7,894	9.7	3,732	20.8	3,760	21.0	2,463	22.9
March 31, 2021	7,194	20.8	3,088	13.6	3,108	13.0	2,004	(12.9)

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥ 2,613 million [20.9%]

Fiscal year ended March 31, 2021: ¥ 2,161 million [(11.2)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Profit on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
March 31, 2022	52.92	51.32	14.5	15.7	47.3
March 31, 2021	45.12	42.51	14.6	15.9	42.9

(Reference) Equity in earnings of associates: Fiscal year ended March 31, 2022: ¥ 14 million

Fiscal year ended March 31, 2021: ¥ (0) million

(2) Consolidated financial position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	25,256	19,716	71.9	387.62
March 31, 2021	22,570	17,186	70.3	347.19

(Reference) Equity: As of March 31, 2022: ¥ 18,157 million

As of March 31, 2021: ¥ 15,876 million

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
March 31, 2022	2,662	(1,824)	(87)	12,395
March 31, 2021	4,694	(80)	2,209	11,644

2. Dividends

	Annual dividends					Total dividends	Consolidated payout ratio	Consolidated dividend on net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	—	0.00	—	22.00	22.00	1,006	48.8	7.1
Fiscal year ended March 31, 2022	—	0.00	—	26.00	26.00	1,217	49.1	7.1
Fiscal year ending March 31, 2023 (Forecast)	—	0.00	—	26.00	26.00		44.3	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,100	6.6	1,980	9.7	2,000	10.5	1,300	10.2	27.75
Full year	8,800	11.5	4,150	11.2	4,200	11.7	2,750	11.6	58.70

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2022
(changes in specified subsidiaries resulting in change in scope of consolidation): Yes
New: 1 company (Company name: Credit Guarantee VI)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022:	46,845,400 shares
March 31, 2021:	45,729,800 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2022:	1,434 shares
March 31, 2021:	1,414 shares
 - 3) Average number of shares during the period:

Fiscal year ended March 31, 2022:	46,543,029 shares
Fiscal year ended March 31, 2021:	44,415,315 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	8,171	5.1	3,257	21.1	3,580	21.7	2,461	22.6
March 31, 2021	7,776	27.5	2,689	14.4	2,941	12.9	2,008	(12.7)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	52.89	51.28
March 31, 2021	45.22	42.60

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of:	Million yen	Million yen	%	Yen
March 31, 2022	23,852	18,328	76.2	387.95
March 31, 2021	21,517	16,041	73.9	347.56

(Reference) Equity: As of March 31, 2022: ¥ 18,173 million

As of March 31, 2021: ¥ 15,893 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,300	7.9	2,000	17.3	1,300	10.9	27.75
Full year	9,100	11.4	4,150	15.9	2,750	11.7	58.70

*These financial results are outside the scope of audits by certified public accountants or audit firms.

*Guidance on the appropriate use of financial results forecasts and other special notes

Notes on forward-looking statements

Financial results forecasts and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not guarantee their achievement. Actual performance and other results may be significantly different from the forecasts due to various factors. For details on the assumptions for financial results forecasts and notes on the use of financial results forecasts, etc., refer to “1. Overview of Operating Results, (4) Future Outlook” on page 3 of the attachment.

Disclosure of supplementary briefing material on financial results

Supplementary briefing material on financial results will be posted on the Company’s website. The Company also plans to hold a briefing session for institutional investors and securities analysts on Friday, May 13, 2022.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

The Japanese economy in the fiscal year under review has shown signs of recovery amidst the gradual easing of the tough situation due to the COVID-19 infection. The recovery trend is expected to continue, supported by the effects of various policies and improvement in overseas economies while all possible measures are being taken against infectious diseases and economic and social activities move toward normalization. However, the future remains uncertain due mainly to the situation in Ukraine, rising prices of raw materials, and supply side constraints.

As for the environment surrounding eGuarantee, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), the number of corporate bankruptcies decreased by 19.1% year on year to 5,916 cases in the fiscal year under review (source: TEIKOKU DATABANK, Ltd.), and it is believed that various benefits and institutional loans that are substantially interest-free and unsecured were successful in curbing the number of corporate bankruptcies. However, a lack of prospects for business improvement due to the prolonged stagnation of economic activities is expected to increase the number of companies going bankrupt, and the close monitoring of the trend of bankruptcies is needed to be continued accordingly.

Amid such an environment, credit risk guarantee services continued to show robust results. The number of new contracts increased by developing new products and offering them promptly to meet customers’ growing needs due to the impact of the COVID-19 infection and other factors in the midst of restricted sales activities caused by the repeated declaration of a state of emergency. Also, in corporate transactions, the Company began offering “eG Pay” and “eG Collect” digital transformation-focused buy-now-pay-later (BNPL) services in which deferred settlement and invoicing, payment management, collections, and other clerical operations can be outsourced to the Group. The Group will continue to enhance its digital transformation-focused services and settlement services by using its strength of being able to make credit decisions in real time based on big data regarding business-to-business transactions.

As a result, at the end of the fiscal year under review, due to increased underwriting of large balance deals with low risk, guarantee obligations amounted to 831.5 billion yen (up 30.5% year on year), guarantee liabilities were 582.2 billion yen (up 20.7% year on year), and net sales were 7,894,566 thousand yen (up 9.7% year on year), while operating profit was 3,732,175 thousand yen (up 20.8% year on year), ordinary profit was 3,760,382 thousand yen (up 21.0% year on year), and profit attributable to owners of parent was 2,463,201 thousand yen (up 22.9% year on year).

Financial results by service are as follows:

- Guarantee services for commercial companies

Net sales for these services amounted to 7,711,250 thousand yen (up 10.4% year on year).

Note that this amount includes other revenues.

- Guarantee services for financial institutions

Net sales for these services amounted to 183,316 thousand yen (down 11.7% year on year).

(2) Overview of Financial Position for the Fiscal Year under Review

Assets

Total assets at the end of the fiscal year under review increased by 11.9% from the end of the previous fiscal year to 25,256,073 thousand yen.

Current assets increased by 15.3% from the end of the previous fiscal year to 19,695,557 thousand yen. This is mainly due to an increase in cash and deposits of 1,238,763 thousand yen.

Non-current assets increased by 1.4% from the end of the previous fiscal year to 5,560,516 thousand yen. This is mainly due to an increase in investments in other securities of subsidiaries and associates of 14,422 thousand yen.

Liabilities

Total liabilities increased by 2.9% from the end of the previous fiscal year to 5,539,115 thousand yen.

Current liabilities increased by 2.9% from the end of the previous fiscal year to 5,423,832 thousand yen. This is mainly due to an increase in advances received of 212,299 thousand yen.

Non-current liabilities was 115,282 thousand yen, the same amount as at the end of the previous fiscal year.

Net assets

Total net assets increased by 14.7% from the end of the previous fiscal year to 19,716,958 thousand yen. This is mainly due to an increase in share capital and capital surplus of 412,057 thousand yen, respectively.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (“funds”) at the end of the fiscal year under review increased by 750,619 thousand yen from the end of the previous fiscal year to 12,395,011 thousand yen.

The status of cash flows in the fiscal year under review and the factors responsible for those results are as follows:

Cash flows from operating activities

Funds provided by operating activities amounted to 2,662,585 thousand yen (4,694,093 thousand yen provided in the previous fiscal year). The major cause of this increase is the recording of profit before income taxes of 3,749,958 thousand yen.

Cash flows from investing activities

Funds used in investing activities amounted to 1,824,431 thousand yen (80,167 thousand yen used in the previous fiscal year). The major cause of this decrease is purchase of investment securities of 1,200,000 thousand yen.

Cash flows from financing activities

Funds used in financing activities amounted to 87,535 thousand yen (2,209,591 thousand yen provided in the previous fiscal year). The major cause of this decrease is dividends paid of 1,005,961 thousand yen.

(Reference) Trends in cash flow indicators

As of	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Capital adequacy ratio (%)	58.0	59.7	70.3	70.3	71.9
Capital adequacy ratio at fair value (%)	317.7	285.9	408.7	422.8	380.4
Interest-bearing debt to cash flow ratio (%)	—	—	—	—	—
Interest coverage ratio (%)	—	—	—	—	—

Capital adequacy ratio: Equity/Total assets

Capital adequacy ratio at fair value: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/Interest paid

Note: 1. Calculated on a consolidated basis.

2. Cash flows refer to operating cash flows.

3. Interest-bearing debt covers all liabilities on the consolidated balance sheets for which interest is paid.

(4) Future Outlook

The Monthly Economic Report of the Cabinet Office announced in March states that “the Japanese economy continues to show movements of picking up, although some weaknesses are seen as a severe situation due to the Novel Coronavirus remains.” Amidst a sense of unpredictability due in part to the situation in Ukraine, however, the economic environment continues to be uncertain, with the risk of rising raw materials prices, supply side constraints, and other factors sending domestic and overseas economies into decline.

Upon a firm understanding of such circumstances, the Company will develop risk management that continues to make prudent risk judgments while paying close attention to bankruptcy trends and changes in the economic environment. The Company aims to promote the use of guarantee services in corporate activities by providing services that meet customers’ growing needs at a reasonable price and in a timely manner.

(5) Significant Events Concerning Going Concern Assumption

Not applicable.

2. Basic Policy on Selecting Accounting Standards

The Group will prepare its consolidated financial statements in accordance with Japanese standards for the time being, taking into account the comparability of the consolidated financial statements with other periods and the fact that the Company has little need for funding from overseas markets.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	16,056,248	17,295,011
Accounts receivable - trade	65,437	75,267
Securities	—	1,200,000
Prepaid expenses	*1 793,539	*1 974,048
Accounts receivable - other	63,981	31,680
Other	106,609	119,548
Total current assets	17,085,816	19,695,557
Non-current assets		
Property, plant and equipment		
Buildings and structures	881,721	884,111
Accumulated depreciation	(139,674)	(161,583)
Buildings and structures, net	742,046	722,527
Machinery, equipment and vehicles	1,247	1,247
Accumulated depreciation	(1,078)	(1,247)
Machinery, equipment and vehicles, net	168	0
Tools, furniture and fixtures	183,469	214,960
Accumulated depreciation	(131,684)	(148,045)
Tools, furniture and fixtures, net	51,784	66,915
Land	591,944	591,944
Total property, plant and equipment	1,385,945	1,381,386
Intangible assets		
Software	110,985	124,853
Other	193	173
Total intangible assets	111,178	125,027
Investments and other assets		
Investment securities	3,426,737	3,426,737
Investments in other securities of subsidiaries and associates	*2 115,649	*2 130,071
Long-term prepaid expenses	117	59
Leasehold and guarantee deposits	211,197	219,050
Deferred tax assets	233,829	257,533
Other	—	20,650
Total investments and other assets	3,987,531	4,054,102
Total non-current assets	5,484,655	5,560,516
Total assets	22,570,471	25,256,073

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	9,932	11,253
Income taxes payable	934,750	699,475
Advances received	*3 3,664,750	*3 3,877,049
Provision for settlement	342,711	433,856
Provision for bonuses	150,000	200,000
Deposits received	31,943	32,587
Other	135,021	169,610
Total current liabilities	5,269,109	5,423,832
Non-current liabilities		
Long-term accounts payable - other	115,282	115,282
Total non-current liabilities	115,282	115,282
Total liabilities	5,384,392	5,539,115
Net assets		
Shareholders' equity		
Share capital	3,097,652	3,509,710
Capital surplus	2,507,652	2,919,710
Retained earnings	10,272,144	11,729,322
Treasury shares	(824)	(877)
Total shareholders' equity	15,876,626	18,157,864
Share acquisition rights	147,996	155,261
Non-controlling interests	1,161,456	1,403,831
Total net assets	17,186,079	19,716,958
Total liabilities and net assets	22,570,471	25,256,073

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	7,194,885	7,894,566
Cost of sales	1,816,178	1,670,286
Gross profit	5,378,706	6,224,280
Selling, general and administrative expenses	* 2,289,859	* 2,492,104
Operating profit	3,088,846	3,732,175
Non-operating income		
Interest income	17,648	13,452
Share of profit of entities accounted for using equity method	—	14,422
Other	2,875	1,371
Total non-operating income	20,524	29,246
Non-operating expenses		
Share of loss of entities accounted for using equity method	571	—
Miscellaneous losses	6	1,039
Total non-operating expenses	577	1,039
Ordinary profit	3,108,793	3,760,382
Extraordinary losses		
Loss on retirement of non-current assets	308	10,424
Loss on valuation of investment securities	28,512	—
Total extraordinary losses	28,821	10,424
Profit before income taxes	3,079,971	3,749,958
Income taxes - current	1,000,596	1,160,352
Income taxes - deferred	(82,542)	(23,703)
Total income taxes	918,054	1,136,648
Profit	2,161,917	2,613,309
Profit attributable to non-controlling interests	157,822	150,107
Profit attributable to owners of parent	2,004,095	2,463,201

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	2,161,917	2,613,309
Comprehensive income	2,161,917	2,613,309
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,004,095	2,463,201
Comprehensive income attributable to non-controlling interests	157,822	150,107

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,643,135	1,053,135	8,863,119	(774)	11,558,616
Changes during period					
Issuance of new shares	1,454,517	1,454,517			2,909,034
Dividends of surplus			(595,070)		(595,070)
Profit attributable to owners of parent			2,004,095		2,004,095
Purchase of treasury shares				(49)	(49)
Net changes in items other than shareholders' equity					
Total changes during period	1,454,517	1,454,517	1,409,024	(49)	4,318,009
Balance at end of period	3,097,652	2,507,652	10,272,144	(824)	15,876,626

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	135,065	1,104,472	12,798,155
Changes during period			
Issuance of new shares	(3,851)		2,905,182
Dividends of surplus			(595,070)
Profit attributable to owners of parent			2,004,095
Purchase of treasury shares			(49)
Net changes in items other than shareholders' equity	16,782	56,983	73,766
Total changes during period	12,930	56,983	4,387,924
Balance at end of period	147,996	1,161,456	17,186,079

For the fiscal year ended March 31, 2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,097,652	2,507,652	10,272,144	(824)	15,876,626
Changes during period					
Issuance of new shares	412,057	412,057			824,114
Dividends of surplus			(1,006,024)		(1,006,024)
Profit attributable to owners of parent			2,463,201		2,463,201
Purchase of treasury shares				(53)	(53)
Net changes in items other than shareholders' equity					
Total changes during period	412,057	412,057	1,457,177	(53)	2,281,238
Balance at end of period	3,509,710	2,919,710	11,729,322	(877)	18,157,864

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	147,996	1,161,456	17,186,079
Changes during period			
Issuance of new shares	(13,161)		810,953
Dividends of surplus			(1,006,024)
Profit attributable to owners of parent			2,463,201
Purchase of treasury shares			(53)
Net changes in items other than shareholders' equity	20,425	242,375	262,801
Total changes during period	7,264	242,375	2,530,878
Balance at end of period	155,261	1,403,831	19,716,958

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,079,971	3,749,958
Depreciation	63,692	81,664
Increase (decrease) in provision for settlement	125,729	91,145
Increase (decrease) in provision for bonuses	25,851	50,000
Interest income	(17,648)	(13,452)
Share of loss (profit) of entities accounted for using equity method	571	(14,422)
Share-based payment expenses	17,142	4,317
Loss on retirement of non-current assets	308	10,424
Loss (gain) on valuation of investment securities	28,512	—
Decrease (increase) in trade receivables	(6,997)	(9,830)
Increase (decrease) in trade payables	2,042	1,320
Decrease (increase) in prepaid expenses	358,682	(179,598)
Decrease (increase) in accounts receivable - other	294,852	32,300
Increase (decrease) in deposits received	7,402	643
Increase (decrease) in advances received	605,383	212,299
Other, net	55,620	34,729
Subtotal	4,641,117	4,051,497
Interest received	23,678	11,916
Income taxes refund (paid)	29,297	(1,400,828)
Net cash provided by (used in) operating activities	4,694,093	2,662,585
Cash flows from investing activities		
Net decrease (increase) in time deposits	—	(488,143)
Purchase of property, plant and equipment	(21,148)	(47,449)
Purchase of intangible assets	(53,498)	(58,514)
Proceeds from redemption of investment securities	2,600,000	—
Purchase of investment securities	(2,600,000)	(1,200,000)
Purchase of golf club membership	—	(20,650)
Payments of leasehold deposits	(6,659)	(9,698)
Proceeds from refund of leasehold deposits	1,139	25
Net cash provided by (used in) investing activities	(80,167)	(1,824,431)
Cash flows from financing activities		
Proceeds from exercise of employee share options	2,905,182	810,012
Purchase of treasury shares	(49)	(53)
Proceeds from issuance of share acquisition rights	—	16,200
Dividends paid	(594,703)	(1,005,961)
Dividends paid to non-controlling interests	(100,838)	(152,732)
Proceeds from share issuance to non-controlling shareholders	—	245,000
Net cash provided by (used in) financing activities	2,209,591	(87,535)
Net increase (decrease) in cash and cash equivalents	6,823,517	750,619
Cash and cash equivalents at beginning of period	4,820,874	11,644,392
Cash and cash equivalents at end of period	* 11,644,392	* 12,395,011

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Important Matters Forming the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) All subsidiaries are consolidated.

Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries:

eGuarantee Solution, Inc.

RG Guarantee, Inc.

eG Payment, Inc.

eGuarantee Investment, Inc.

Credit Link Fund I

Credit Investment I

Credit Guarantee I

Credit Guarantee II

Credit Guarantee IV

Credit Guarantee V

Credit Guarantee VI

(2) Names, etc. of non-consolidated subsidiaries:

Not applicable.

(3) Changes in scope of consolidation:

Credit Guarantee VI was included in the scope of consolidation from the fiscal year under review. This is because Credit Guarantee VI was newly established in the fiscal year under review.

2. Scope of equity method

(1) Number of associates that have been accounted for using equity method: 1

Name of associate:

Credit Guarantee III

(2) Names, etc. of non-consolidated subsidiaries and associates that are not accounted for using equity method:

Not applicable.

(3) Changes in scope of equity method:

Not applicable.

3. Fiscal year-ends of consolidated subsidiaries

Fiscal year-ends of consolidated subsidiaries Credit Link Fund I, Credit Investment I, Credit Guarantee V, eGuarantee Solution, Inc., RG Guarantee, Inc., eG Payment, Inc., and eGuarantee Investment, Inc. are the same as the consolidated fiscal year-end.

Fiscal year-ends of consolidated subsidiaries Credit Guarantee I, Credit Guarantee II, Credit Guarantee IV, and Credit Guarantee VI are the end of September, the end of February, the end of January, and the end of December respectively. Consolidated financial statements are prepared using provisional financial results as of the consolidated fiscal year-end.

4. Accounting policies

(1) Valuation standards and methods for important assets

(a) Securities

Bonds held to maturity

Measured by the amortized cost method (straight-line method).

(b) Investments in other securities of subsidiaries and associates

Investments in silent partnerships

The amount of profit or loss of silent partnerships corresponding to equity interest is recorded as non-operating income or expenses and the same amount is adjusted in investments in silent partnerships.

(c) Derivatives

Credit default swaps

Without market prices:

Processed in a similar method as loan guarantees.

(2) Depreciation method of important depreciable assets

1) Property, plant and equipment

Measured using the straight-line method or the declining-balance method.

Useful lives are as follows:

Buildings	8 to 47 years
Vehicles	4 years
Tools, furniture and fixtures	3 to 17 years

2) Intangible assets

Measured by the straight-line method.

Software for internal use is measured based on its internal useful life (5 years).

(3) Recording standards for important provisions

1) Provision for settlement

Recorded at the expected amount of payments required for the performance of guarantee liabilities that are not covered by insurance or guarantee by financial institutions, etc. to prepare for the performance of guarantee liabilities.

2) Provision for bonuses

Recorded at the expected amount to be paid in the fiscal year under review to prepare for bonus payments to employees.

(4) Standards for recognition of revenues and expenses;

The Group's business consists of a single segment of the "credit guarantee business" only. The main content of the performance obligations in the credit guarantee business is the act of guaranteeing receivables over the guarantee contract period, and since the performance obligations are satisfied during the guarantee contract period, revenue is recognized evenly in the contract period.

(5) Scope of cash in the consolidated statements of cash flows

Comprises cash on hand, demand deposits and short-term investments maturing within three months from the date of acquisition that are easily cashed with minimal risk of fluctuation in value.

(6) Other important matters forming the basis for preparing consolidated financial statements

Accounting treatment for asset-related non-deductible consumption taxes, etc.

Asset-related non-deductible consumption taxes and local consumption taxes are recorded as expenses in the fiscal year under review.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance.

This change does not affect the profit or loss for the fiscal year under review or the balance of retained earnings at the beginning of the period.

(Application of the Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Notes on Consolidated Balance Sheets)

*1 Prepaid expenses

These are the amounts prepaid by the Company mainly pertaining to guarantee fees (guarantee commissions) paid to risk transferees and referral fees (commission expenses) paid to agents.

*2 Investments in associates are as follows:

	As of March 31, 2021	As of March 31, 2022
Investments in other securities of subsidiaries and associates	115,649 thousand yen	130,071 thousand yen

*3 Advances received

These are amounts equivalent to advance payments pertaining to guarantee fees received by the Company from the contractors of the guarantee agreement.

4. Contingent liabilities

(Thousand yen)

As of March 31, 2021		As of March 31, 2022	
Guarantee liabilities for guarantee services against sales credit	482,232,406	Guarantee liabilities for guarantee services against sales credit	582,259,140
The Company underwrites sales credit guarantees for contractors of the guarantee agreement as part of its sales activities. Guarantee liabilities for the abovementioned guarantee services are stated at the maximum amount guaranteed by the Company.		The Company underwrites sales credit guarantees for contractors of the guarantee agreement as part of its sales activities. Guarantee liabilities for the abovementioned guarantee services are stated at the maximum amount guaranteed by the Company.	
Of these guarantee liabilities, 408,929,703 thousand yen is covered by insurance or guarantees provided by financial institutions, etc.		Of these guarantee liabilities, 485,317,981 thousand yen is covered by insurance or guarantees provided by financial institutions, etc.	

(Notes on Consolidated Statements of Income)

* Major items and amounts of selling, general and administrative expenses are as follows:

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Salaries and allowances	746,231	773,485
Provision for bonuses	150,000	200,000
Rent expenses on land and buildings	230,320	235,029
Taxes and dues	237,843	260,373

(Notes on Consolidated Statements of Comprehensive Income)

Not applicable.

(Notes on Consolidated Statements of Changes in Equity)

For the fiscal year ended March 31, 2021

1. Shares issued and outstanding and treasury shares

(Shares)

Class of shares	Beginning of period	Increase	Decrease	End of period
Shares issued and outstanding				
Common shares (Note 1)	42,506,400	3,223,400	—	45,729,800
Total	42,506,400	3,223,400	—	45,729,800
Treasury shares				
Common shares (Note 2)	1,385	29	—	1,414
Total	1,385	29	—	1,414

(Note) 1. The increase in shares issued and outstanding of 3,223,400 shares is due to the exercise of stock options.

2. The increase in common shares under treasury shares of 29 shares is due to purchase of odd-lot shares.

2. Share acquisition rights

Company name	Breakdown of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Shares)				Balance at end of period (Thousand yen)
			Beginning of period	Increase	Decrease	End of period	
The Company	Share acquisition rights as stock options	—	—	—	—	147,996	
Total		—	—	—	—	147,996	

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total dividend amount (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common shares	595,070	14.00	March 31, 2020	June 29, 2020

(2) Dividends with the record date falling in the fiscal year but the effective date falling in the following fiscal year

Resolution	Class of shares	Dividend source	Total dividend amount (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2021	Common shares	Retained earnings	1,006,024	22.00	March 31, 2021	June 29, 2021

For the fiscal year ended March 31, 2022

1. Shares issued and outstanding and treasury shares

(Shares)

Class of shares	Beginning of period	Increase	Decrease	End of period
Shares issued and outstanding				
Common shares (Note 1)	45,729,800	1,115,600	—	46,845,400
Total	45,729,800	1,115,600	—	46,845,400
Treasury shares				
Common shares (Note 2)	1,414	20	—	1,434
Total	1,414	20	—	1,434

(Notes) 1. The increase in shares issued and outstanding of 1,115,600 shares is due to the exercise of 1,115,200 shares of stock options and the issuance of 400 shares of new stock as restricted share-based payment.

2. The increase in common shares under treasury shares of 20 shares is due to purchase of odd-lot shares.

2. Share acquisition rights

Company name	Breakdown of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Shares)				Balance at end of period (Thousand yen)
			Beginning of period	Increase	Decrease	End of period	
The Company	Share acquisition rights as stock options	—	—	—	—	—	155,261
Total		—	—	—	—	—	155,261

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total dividend amount (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2021	Common shares	1,006,024	22.00	March 31, 2021	June 29, 2021

(2) Dividends with the record date falling in the fiscal year but the effective date falling in the following fiscal year

Resolution	Class of shares	Dividend source	Total dividend amount (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common shares	Retained earnings	1,217,943	26.00	March 31, 2022	June 29, 2022

(Notes on Consolidated Statements of Cash Flows)

* Relation between balance of cash and cash equivalents at the end of the period and account items on the consolidated balance sheets

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash and deposits	16,056,248	17,295,011
Time deposits deposited for over three months	(4,411,856)	(4,900,000)
Cash and cash equivalents	11,644,392	12,395,011

(Segment Information, Etc.)

(Segment information)

1. Overview of reportable segments

I For the fiscal year ended March 31, 2021

This information is omitted as the Group has only one reportable segment of the credit guarantee business.

II For the fiscal year ended March 31, 2022

This information is omitted as the Group has only one reportable segment of the credit guarantee business.

2. Calculation method of net sales, profit or loss, assets, liabilities and other account items

For the fiscal year ended March 31, 2021

1. Information per product and service

This information is omitted as net sales to external customers under a single product/service category accounts for over 90% of net sales on the consolidated statements of income.

2. Information per geographic area

(1) Net sales

Not applicable, as there are no sales to external customers outside Japan.

(2) Property, plant and equipment

Not applicable, as there are no property, plant and equipment located outside Japan.

3. Information per major customer

This information is omitted as there are no sales to specific customers accounting for 10% or more of net sales on the consolidated statements of income among sales to external customers.

For the fiscal year ended March 31, 2022

1. Information per product and service

This information is omitted as net sales to external customers under a single product/service category accounts for over 90% of net sales on the consolidated statements of income.

2. Information per geographic area

(1) Net sales

Not applicable, as there are no sales to external customers outside Japan.

(2) Property, plant and equipment

Not applicable, as there are no property, plant and equipment located outside Japan.

3. Information per major customer

This information is omitted as there are no sales to specific customers accounting for 10% or more of net sales on the consolidated statements of income among sales to external customers.

3. Amount of net sales, profit or loss, assets, liabilities and other account items per reportable segment

[Impairment losses on non-current assets per reportable segment]

For the fiscal year ended March 31, 2021

Not applicable.

For the fiscal year ended March 31, 2022

Not applicable.

[Amount of amortization of goodwill and unamortized balance per reportable segment]

For the fiscal year ended March 31, 2021

Not applicable.

For the fiscal year ended March 31, 2022

Not applicable.

[Gain on bargain purchase per reportable segment]

For the fiscal year ended March 31, 2021

Not applicable.

For the fiscal year ended March 31, 2022

Not applicable.

(Per Share Information)

(Yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share	347.19	387.62
Basic earnings per share	45.12	52.92
Diluted earnings per share	42.51	51.32

(Note) 1. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	2,004,095	2,463,201
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent related to common shares (Thousand yen)	2,004,095	2,463,201
Average number of common shares during the period (Shares)	44,415,315	46,543,029
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	—	—
Increase in common shares (Shares)	2,729,595	1,458,041
[Of which, share acquisition rights (Shares)]	[2,729,595]	[1,458,041]
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

2. The bases for calculating net assets per share are as follows:

	As of March 31, 2021	As of March 31, 2022
Total net assets on the consolidated balance sheets (Thousand yen)	17,186,079	19,716,958
Amount deducted from total net assets (Thousand yen)	1,309,453	1,559,093
[Of which, share acquisition rights (Thousand yen)]	[147,996]	[155,261]
[Of which, non-controlling interests (Thousand yen)]	[1,161,456]	[1,403,831]
Net assets at the end of the period related to common shares (Thousand yen)	15,876,626	18,157,864
Number of common shares issued and outstanding (Shares)	45,729,800	46,845,400
Number of treasury shares in common shares (Shares)	1,414	1,434
Number of common shares used in calculating net assets per share (Shares)	45,728,386	46,843,966

(Significant Subsequent Events)

Not applicable.

NOTICE: For the convenience of capital market participants, the Company makes efforts to provide English translations of the information disclosed in Japanese, provided that the Japanese original prevails over its English translation in the case of any discrepancy found between documentation.