


# **Financial Results for the Six Months Ended September 30, 2022**

## **Supplementary Briefing Materials**

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Oct 28, 2022 eGuarantee, Inc. (TSE Prime 8771)

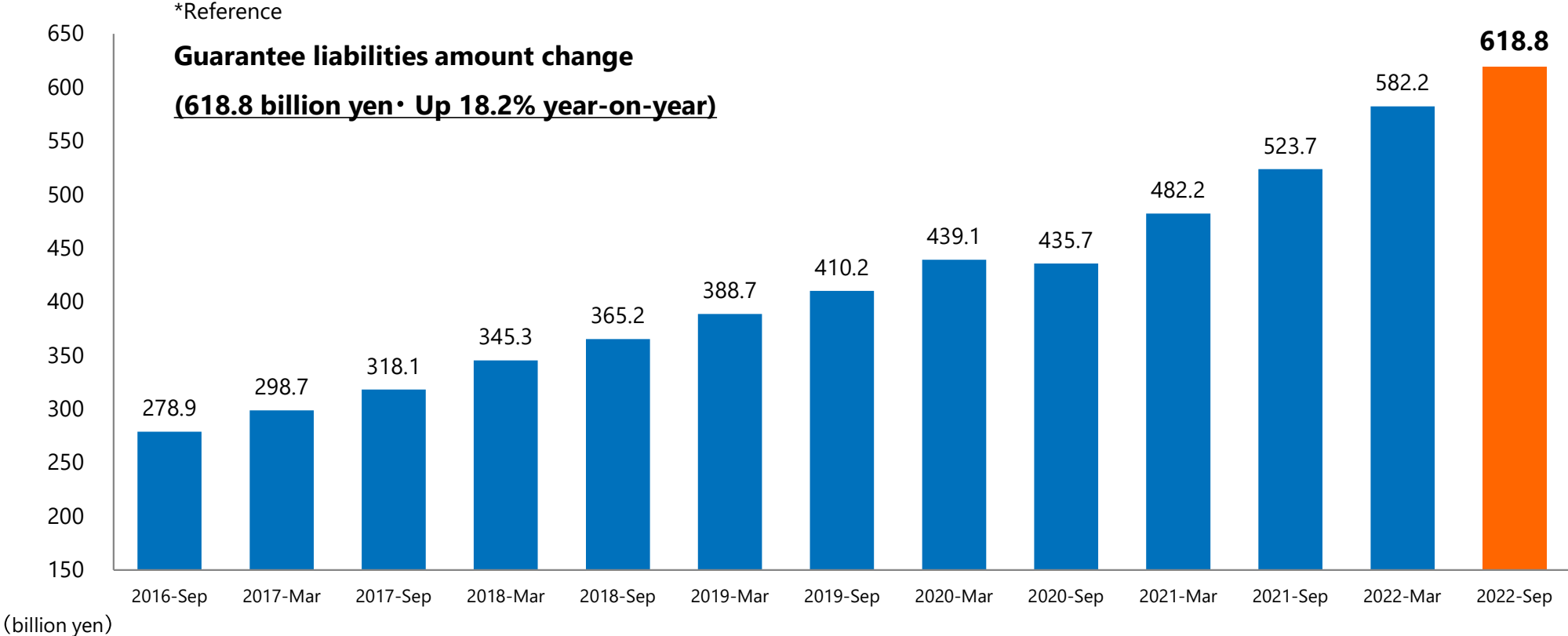
This presentation includes forward looking statements that reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this presentation are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strives to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation and expressly disclaims any such obligation to update or alter its forward looking statements.

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1. Summary of Financial Results for the Six Months Ended September 30, 2022
  2. Key Measures for the Fiscal Year Ending March 31, 2023

# 1-1 Balance of Guarantee

## **Guarantee obligations amounted to 965.4 billion yen (up39.7%year on year)**

Due to the uncertain outlook caused by the situation in Ukraine and the increase in the amount of receivables due to rising prices, the Company strengthened its sales structure, including increasing the number of sales personnel, to meet the growing need for receivables protection. In addition, new regional offices were opened, and the number of staff assigned to each office was increased, to focus on gaining regional customers that had not been adequately reached in the past. As a result ,guarantee obligations amounted to 965.4 billion yen (up 39.7% year on year), guarantee liabilities were 618.8 billion yen (up 18.2% year on year) \* The guarantee obligations describes the total of the guarantee limits set for each covered company of the guarantee (if balance of receivables cannot be specified, the guarantee limits set for each contractee).



## 1-2 Summary of Financial Results for the Six Months Ended September 30, 2022

(million yen)	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022	Year-over-year Rate of increase or decrease
Net sales	<b>3,847</b>	<b>4,150</b>	+ 7.9%
Gross profit	<b>2,982</b>	<b>3,324</b>	+ 11.5%
Operating profit	<b>1,805</b>	<b>2,017</b>	+ 11.8%
Ordinary profit	<b>1,809</b>	<b>2,054</b>	+ 13.6%
Profit attributable to owners of parent	<b>1,179</b>	<b>1,402</b>	+ 18.9%

As a result of a steady increase in the balance of guarantees due to an increase in the number of contracts, the company achieved its budgeted sales ratio of 101.2%.

In addition, gross profit margin and SG&A expenses ratio were almost in line with initial forecasts, and each Operating income, Ordinary profit, and Profit attributable to owners of parent exceeded initial forecasts slightly.

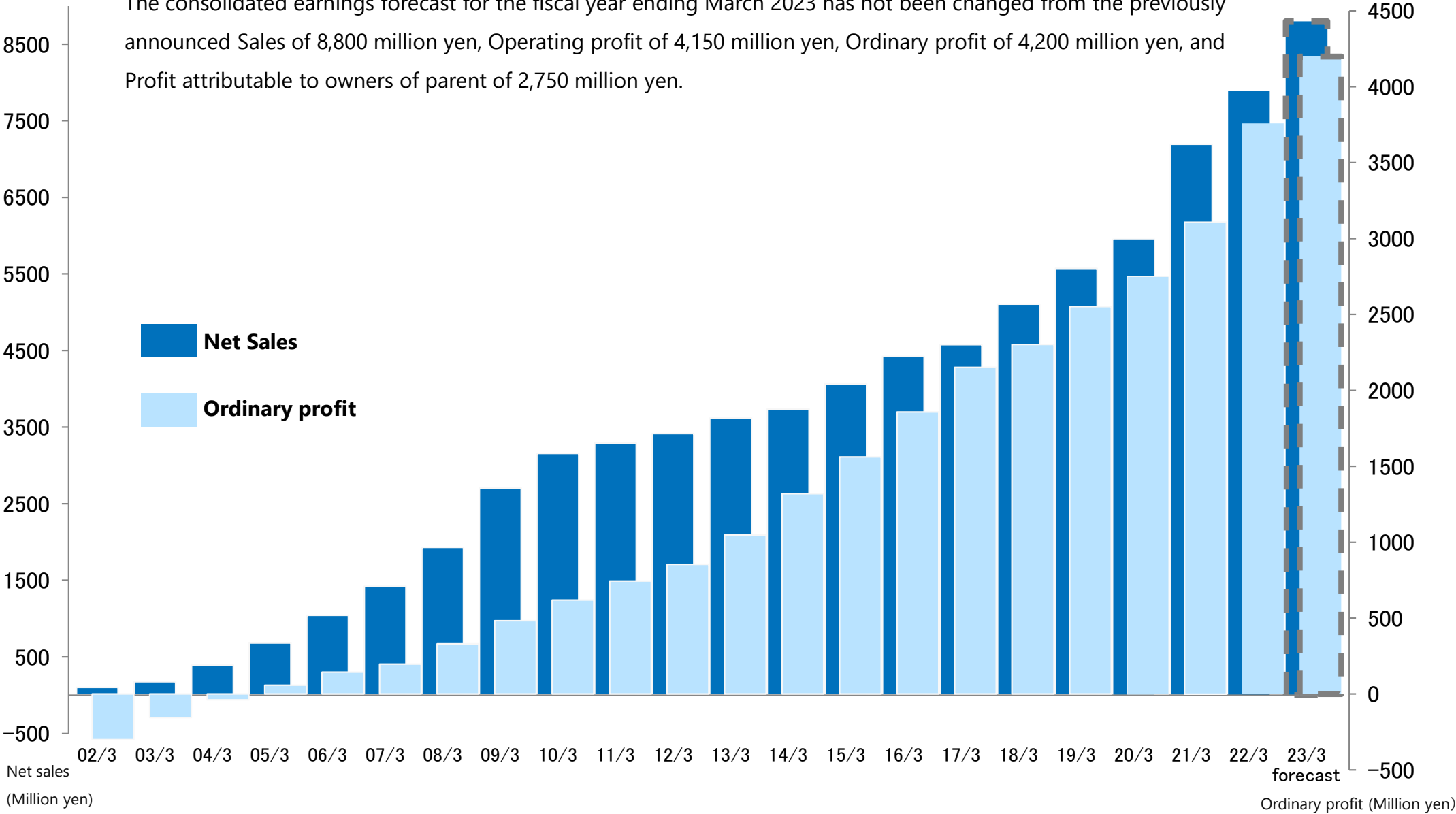
### ■ Consolidated earnings forecast for FY3 / 23

	FY3 / 23 Earnings Forecasts (six months ended)	Achievement rate
Net sales	4,100 million yen	<b>101.2%</b>
Operating profit	1,980 million yen	<b>101.9%</b>
Ordinary profit	2,000 million yen	<b>102.7%</b>
Profit attributable to owners of parent	1,300 million yen	<b>107.8%</b>

# 1-3 Performance Trends

## Sales and profits are expected to increase for the 21st consecutive year in the FY3 / 23

The consolidated earnings forecast for the fiscal year ending March 2023 has not been changed from the previously announced Sales of 8,800 million yen, Operating profit of 4,150 million yen, Ordinary profit of 4,200 million yen, and Profit attributable to owners of parent of 2,750 million yen.



# 1-4 Consolidated balance sheet

Asset	As of March 31,2022	As of September 30,2022
<b>Current assets</b>	<b>19,695</b>	<b>17,760</b>
Cash and deposits	17,295	15,699
Prepaid expenses	974	1,673
Securities	1,200	-
Other	226	388
<b>Non-current assets</b>	<b>5,560</b>	<b>7,987</b>
Property, plant and equipment	1,381	1,772
Intangible assets	125	144
Investment securities	3,426	5,434
Other	628	637
<b>Total assets</b>	<b>25,256</b>	<b>25,748</b>

(Million yen)

Current assets decreased by 9.8% compared to the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits of 1,595 Million yen.

Non-current assets increased by 43.7% compared to the end of the previous fiscal year . This is mainly due to an increase in Investment securities of 2,007 million yen.

Current liabilities decreased by 1.4% compared to the end of the previous fiscal year. This is mainly due to an increase in Income taxes payable of 77 million yen.

Total net assets increased by 2.9% compared to the end of the previous fiscal year. This is mainly due to an increase in Retained earnings of 184 million yen.

Liabilities	As of March 31,2022	As of September 30,2022
<b>Current liabilities</b>	<b>5,423</b>	<b>5,349</b>
Provision for settlement	433	461
Advances received	3,877	3,863
Income taxes payable	699	622
Other	414	403
<b>Non-current liabilities</b>	<b>115</b>	<b>115</b>
Long-term accounts payable	115	115
<b>Total liabilities</b>	<b>5,539</b>	<b>5,464</b>

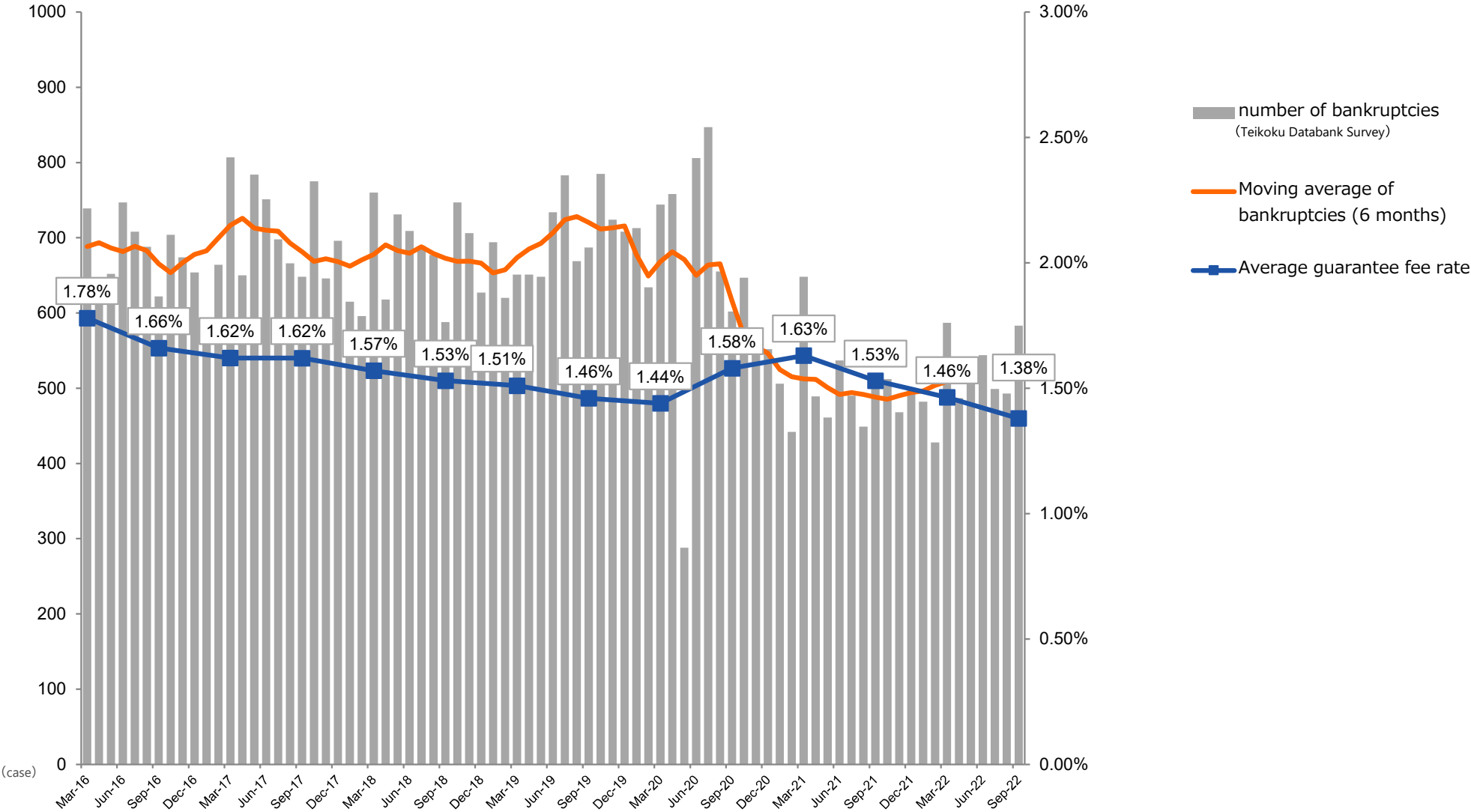
(Million yen)

Net assets	As of March 31,2022	As of September 30,2022
<b>Shareholder's equity</b>	<b>18,157</b>	<b>18,741</b>
Share capital	3,509	3,709
Capital surplus	2,919	3,119
Retained earnings	11,729	11,914
Treasury stock	0	0
<b>Share acquisition rights</b>	<b>155</b>	<b>152</b>
<b>Non-controlling interests</b>	<b>1,403</b>	<b>1,389</b>
<b>Net assets</b>	<b>19,716</b>	<b>20,283</b>
<b>Total liabilities and net assets</b>	<b>25,256</b>	<b>25,748</b>

(Million yen)

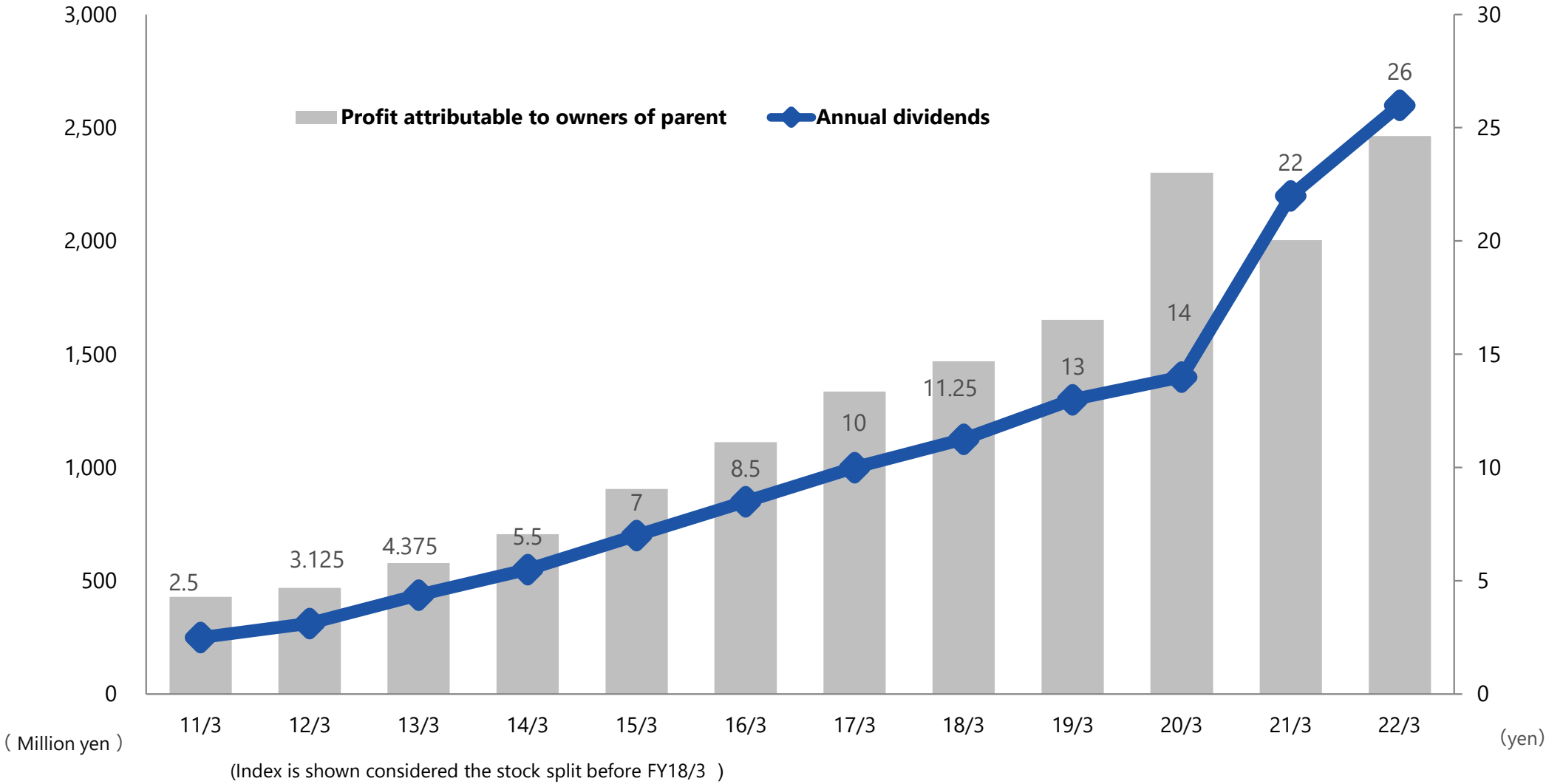
# 1-5 Average Guarantee Fee Rate Trends

The average guarantee fee rate for the first half of FY2023/3 was 1.38%, due to the impact of the decrease in the number of bankruptcies in the second half of FY2022 (October 2021-March 2022) and the positive underwriting of risks with low bankruptcy probability in expectation of an increasing trend in the number of bankruptcies in the future.



# 1-6 Dividend Policy

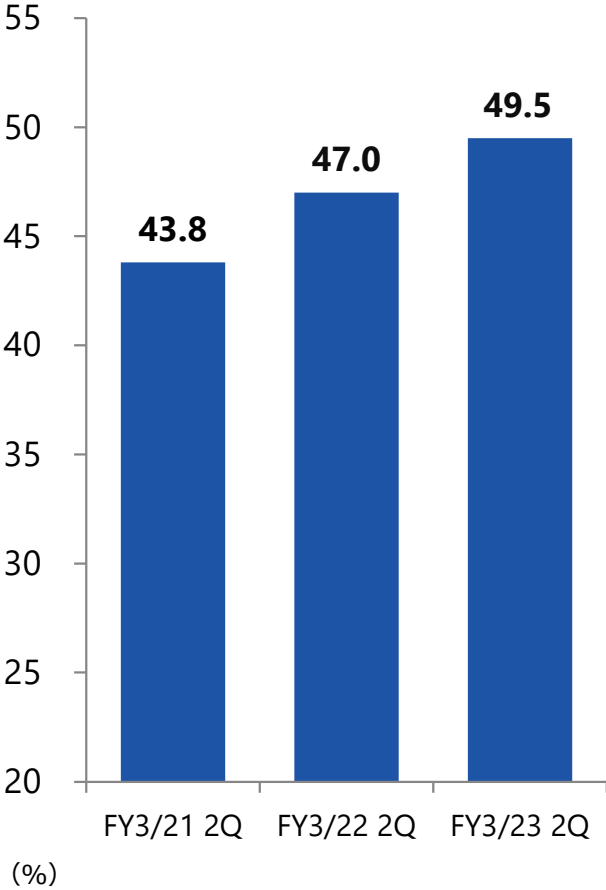
Recognizing the return of profits to shareholders as one of its most important management issues, the Company's basic policy is to conduct a dividend policy in line with corporate performance, taking into consideration the need to strengthen the Company's financial position and to increase internal reserves necessary for aggressive business development. Based on this policy, the annual dividend forecast for the fiscal year ending March 31, 2023 is currently ¥26.



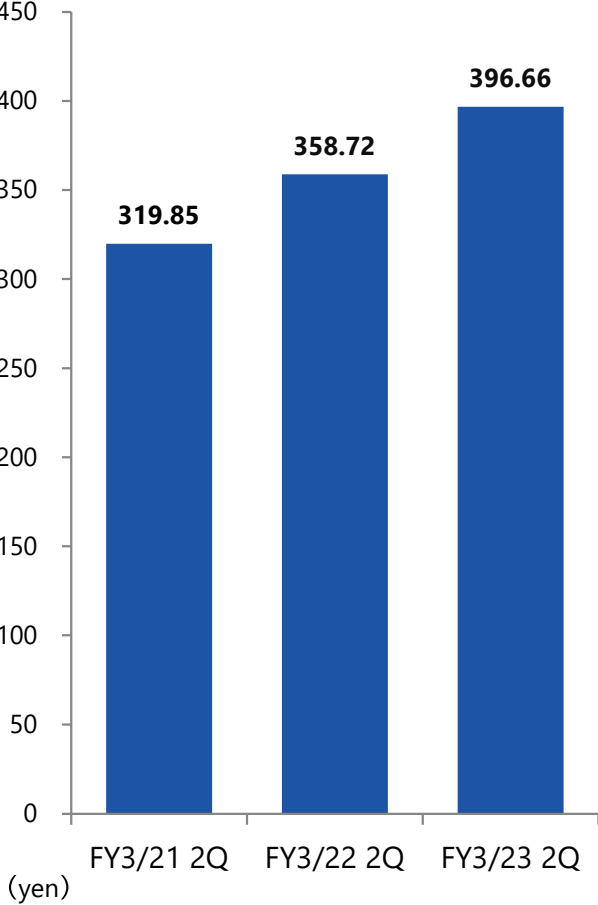


# 1-7 Main management index

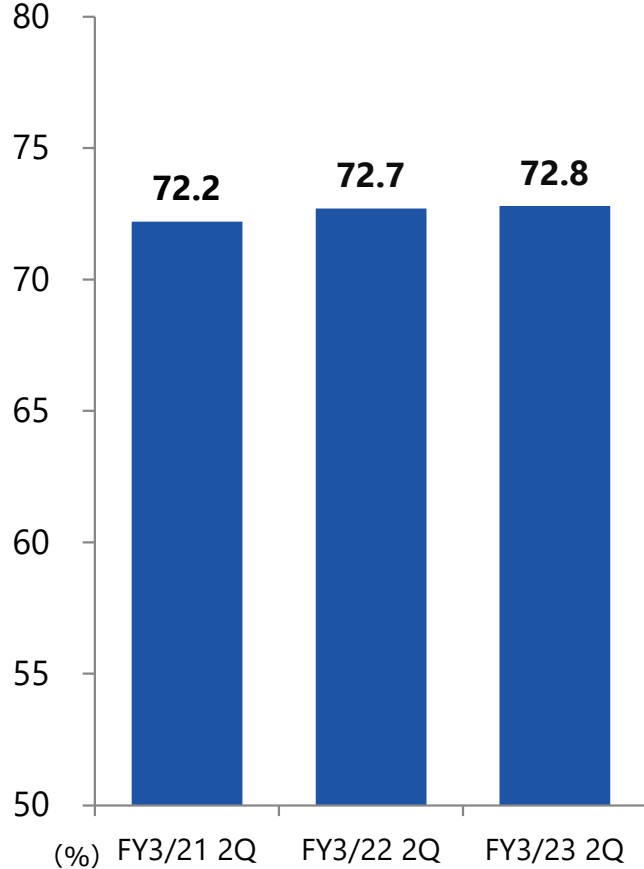
■ Sales ordinary income ratio



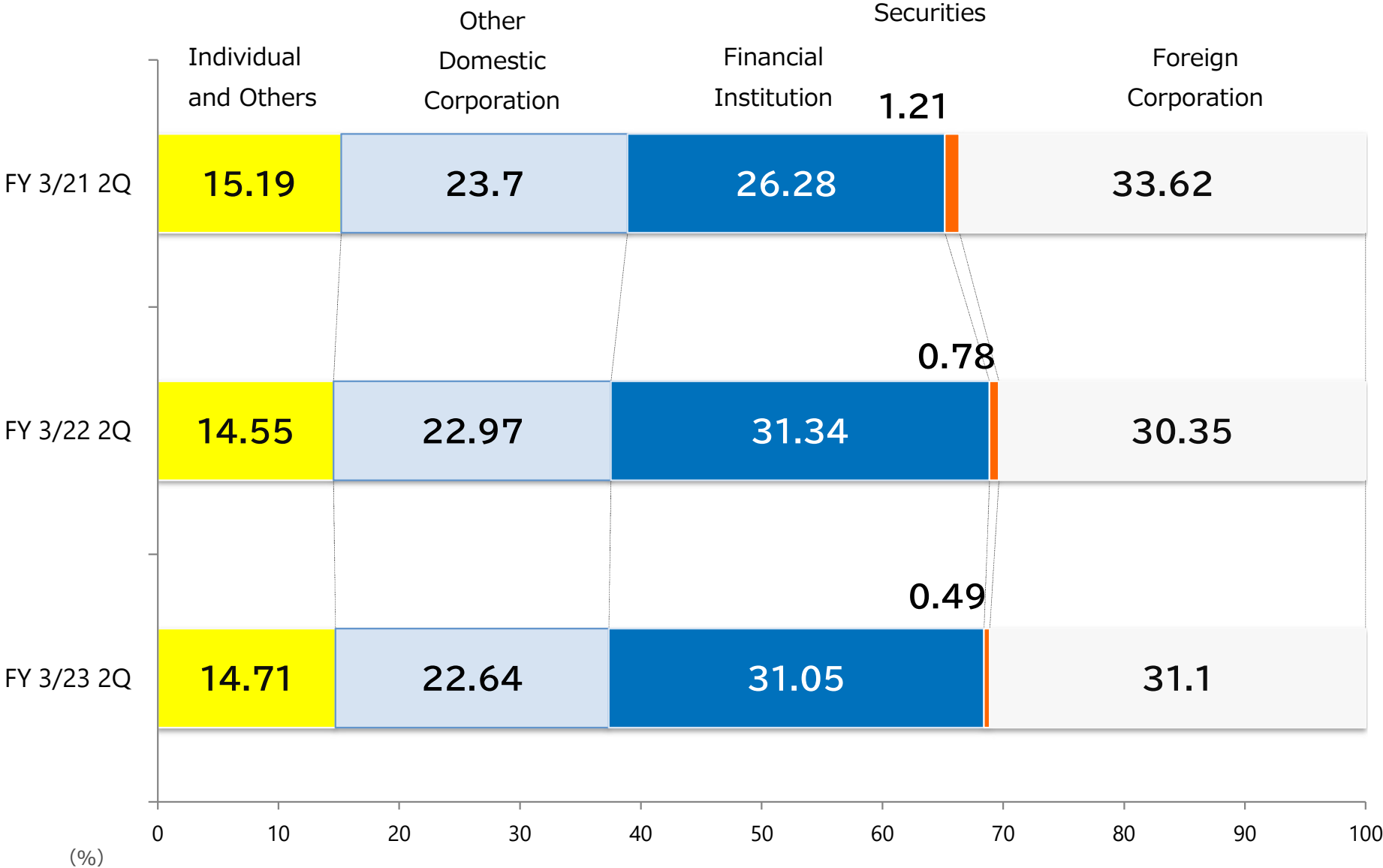
■ Net assets per share



■ Capital adequacy ratio



# 1-8 Distribution of share ownership

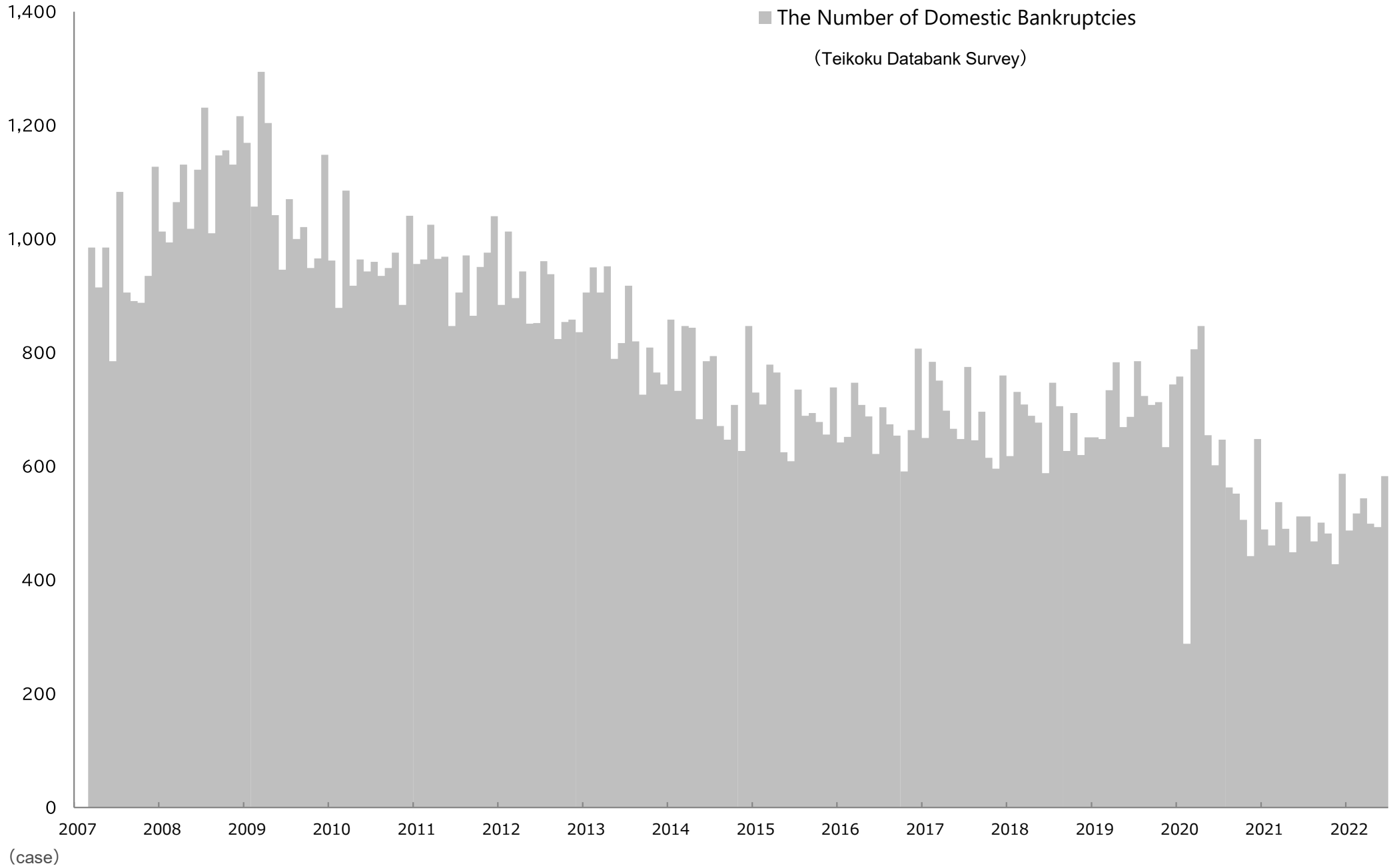


## 1-9 Major Shareholders

Shareholder name	Number of shares held	Percentage of shares held
The Master Trust Bank of Japan ,Ltd (TRUST ACCOUNT)	8,908,200	18.85%
ITOCHU Corporation	6,336,800	13.41%
Custody Bank of Japan, Ltd.(TRUST ACCOUNT)	4,257,300	9.01%
Masanori Eto	3,084,400	6.52%
Teikoku Databank, Ltd.	2,870,400	6.07%
SSBTC CLIENT OMNIBUS ACCOUNT	1,889,623	3.99%
NTT DATA Corporation	1,440,000	3.04%
BBH FOR MATTHEWS JAPAN FUND	904,600	1.91%
THE BANK OF NEW YORK MELLON 140051	802,700	1.69%
THE BANK OF NEW YORK 133652	785,100	1.66%

## 2.Key Measures for the Fiscal Year Ending March 31, 2023

# Changes in the Number of Domestic Bankruptcies (Monthly)



### External environment

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.

### Basic Policy

- Continue to make prudent risk judgments on certain industries based on the assumption that the number of bankruptcies will increase in the future . In addition, the Company will strengthen its sales system, including increasing the number of sales staff, in order to respond to the growing need for credit protection against the background of the uncertain outlook due to the situation in Ukraine and the increase in the amount of receivables due to the rise in raw material prices.
- Strengthen data collection on intercompany trading, improve the accuracy of risk judgment, and promote faster screening decisions.
- Strengthen the sales system to increase the number of customers and promote the penetration of services related to credit risk in corporate activities.

# 1. Strengthened sales system ① Increase in sales force

The Company expect the demand for guarantee services to increase due to the current economic changes and the expected increase in the number of bankruptcies in the current and next fiscal years. In order to respond to these changes, the Company will increase the number of sales personnel by more than 30% compared to the end of the previous fiscal year. In addition, the Company will promote the introduction of a uniform sales method and focus on the early development of human resources.

## Background of Measures

Increased demand to hedge risk	Increasing number of companies passing on higher energy, raw material, and logistics prices to selling prices ⇒ Increasing number of inquiries for guarantee services to hedge risk from companies concerned about increasing amounts of receivables from clients
Increased demand for the preservation of receivables	Increasing number of inquiries for preservation of receivables to reduce uncertainty due to unstable economic conditions such as the situation in Ukraine and the weak yen.

Number of bankruptcies/amount of liabilities in the first half of this year (Surveyed by Teikoku Databank)

	2021 Apr-Sep	2022 Apr-Sep	YoY
Number of bankruptcies	2,938	3,123	+ 6.3%
amount of liabilities	578.47 billion yen	1,765.795 billion yen	+205.3%

The number of bankruptcies has turned to a year-on-year increase for the first time in three years after the downward trend of the corona disaster.

## Increased the number of sales personnel by approximately 30%.

With the trend of increasing bankruptcies expected to continue, new graduates and mid-career employees were assigned as new sales force members to improve the staffing structure to meet the increasing demand in the future. In addition, back-office staffing has been maintained, while the company has concentrated on upgrading the skills of its increased sales force.



## Key measures for the second half of the fiscal year:

### The early development of human resources

# 1.Strengthened sales system ②Reinforcement of each sales office

- Newly opened Tohoku branch and Hokuriku branch.
- Increase the number of staff assigned to each regional office.
- Strengthening the reach of regional customers by leveraging our strength in partnerships with regional banks.

### Background of Measures

Increased demand to hedge risk	Since changes in economic conditions are affecting the entire country, rising risk hedging needs and conservation needs are seen regardless of region. In regions other than the Tokyo metropolitan area, where guarantee needs have been increasing but have not been adequately responded to, the Company will increase the number of sales staff and strengthen the allocation of staff to offices.
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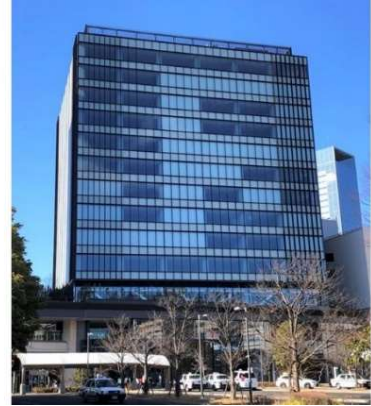
### Opening of offices and increase in number of employees at offices

The Tohoku Branch opened in May 2022 and the Hokuriku Branch in June 2022.

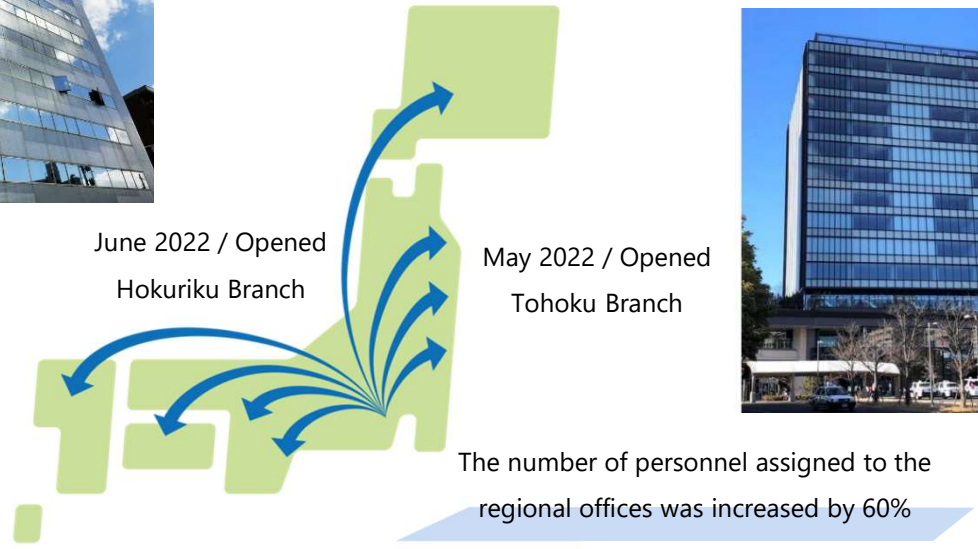
In addition, the number of personnel assigned to the regional offices, together with the existing regional offices, was increased by 60% to strengthen cooperation with regional customers and channels. The company are trying to make it easier to visit clients and regional bank branches that we used to visit on business trips.



June 2022 / Opened Hokuriku Branch



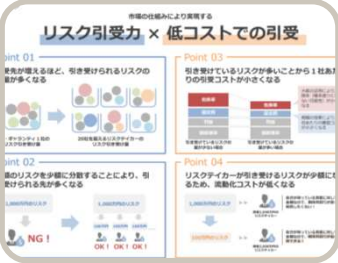
May 2022 / Opened Tohoku Branch






# 1.Strengthened sales system ③ The early development of human resources

## Key measures for the second half of the fiscal year: The early development of human resources




**Penetrate uniform sales methods**

Prepare uniform sales methods and approaches to sales channels. In addition, the Company will provide back-office support until these are established and measure the proficiency of the sales method.



**Establishment of new support department**

To enable the sales force to spend more time in contact with customers, a dedicated department for existing customer support has been established to handle inquiries and paperwork for existing customers.



**Expansion of sales network**

To expand its customer base, the Company will partner with new channels to expand its sales network and deploy its increased sales force.

## 2. Development in surrounding business line ①Development in surrounding business line using data

Continue to strengthen data collection on business-to-business transactions and develop surrounding business line based on fast corporate screening utilizing the collected data.

Ongoing:  
Developing surrounding businesses by utilizing fast corporate screening utilizing the collected data.

↓	Collecting data on business-to-business transactions	<ul style="list-style-type: none"> <li>Information about business-to-business transactions</li> <li>Credit information</li> <li>Company Presence Information</li> </ul>
	Improving screening performance	Fast and accurate corporate screening utilizing the collected data
	Development in surrounding business line	<ul style="list-style-type: none"> <li>Billing and Settlement Services</li> <li>Receivables Purchase Service</li> <li>Small Amount Receivables Guarantee Service</li> </ul>



### Data on B-to-B transactions

Number of information items collect  
More than 2.6 million items per day

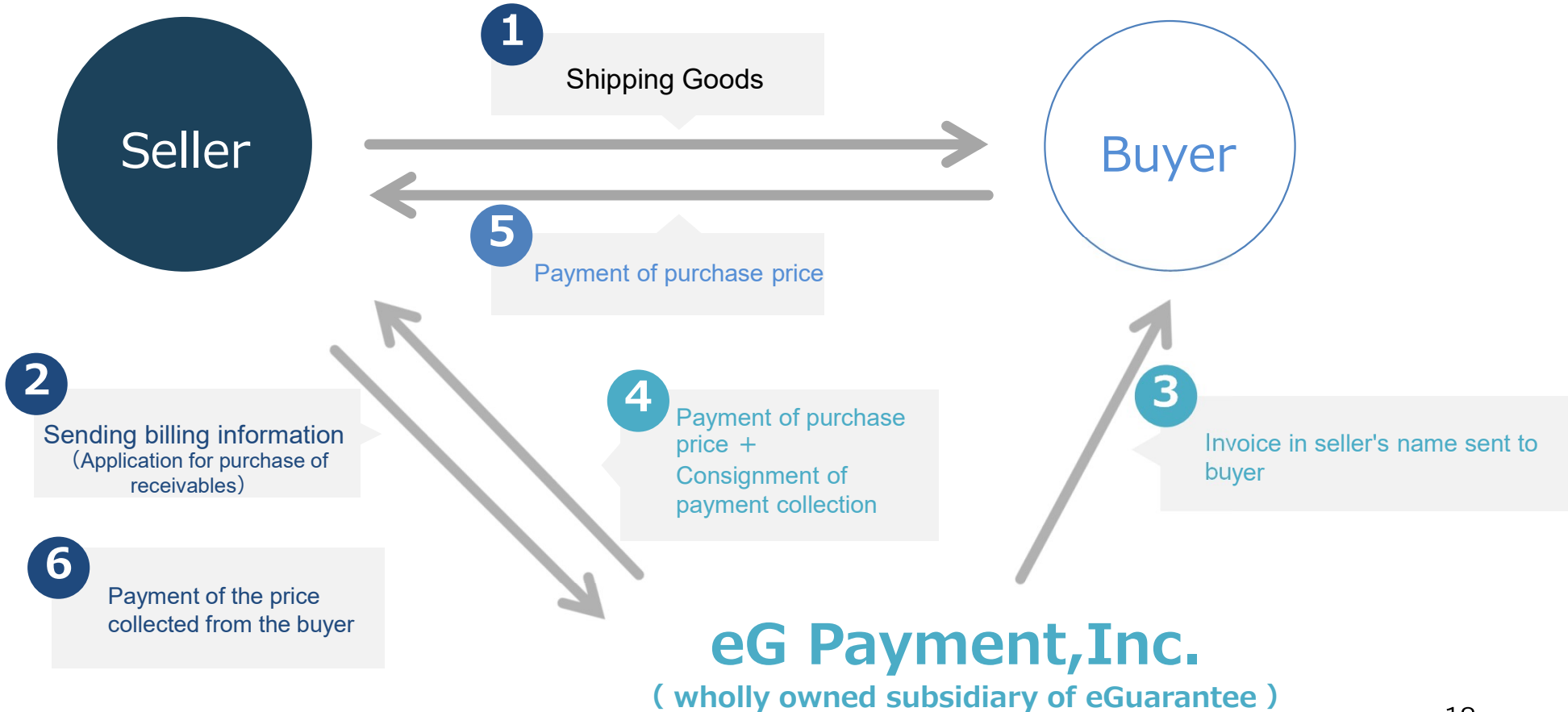
## 2.Development in surrounding business line ②Introduction Receivables Purchase Service

### ② Introduction Receivables Purchase Service

Receivables purchase services have been introduced and are ready to meet the funding needs of new and existing clients.

Service Overview

A service that allows early funding of guaranteed receivables at any time. At the point when payment is not yet due, our subsidiary or an affiliated business purchases the receivables up to a predetermined amount at a predetermined commission rate.



## eGuarantee's Basic Policy on Sustainability



eGuarantee, Inc. (the "Company") has concentrated its management resources on the business of undertaking and transferring credit risks with the aim of creating a society of vitality and abundance, by realizing the provision of credit to individual industries and the appropriate allocation of social resources.

As a risk market maker, we believe that we will help solve social issues by continuing our business activities in the undertaking and transferring credit risks. Through this business, we will allocate appropriate levels of social resources to businesses such as renewable energy and social businesses, thus pursuing efforts toward sustainability.



## - Environment -



The Company promotes solutions to environmental issues indirectly by guaranteeing commercial transactions related to renewable energies such as solar, biomass, and wind power. For example, a company seeking to install solar panels may be unable to take on the manufacturer's credit risk themselves when purchasing the panels from the manufacturer, thereby causing such company to hold off on making the purchase. In this case, the Company will undertake the manufacturer's credit risk, making it easier for the installing company to purchase the solar panels, in turn helping to promote the solar power generation business.



The Company contributes to the sustainable use of marine resources by guaranteeing commercial transactions related to aquaculture. For example, a company selling feed may be unable to sell feed to an aquaculture business operator because it is unable to determine the credit risk of such operator when doing so. In such a case, the Company will undertake the aquaculture business operator's credit risk, enabling it to purchase the feed, thus contributing to the expansion of aquaculture.



Our GHG emissions in FY2021 were 126 tons (indirect emissions from electricity consumption). In order to reduce GHG emissions, we will strive to achieve a decarbonized society by saving energy and electricity within the company, and by utilizing renewable energy sources that do not use fossil fuels.

## - Society -



Through our guarantee services, we give start-ups the same ability to determine credit risk and risk tolerance as large companies. We also guarantee and provide credit to start-ups and sole proprietors. In such ways, we make it easier for start-ups and sole proprietors to do business smoothly with other companies, supporting the further growth of start-ups and the sustainable business activities of sole proprietors.



The Company promotes solutions to social issues, including nursing care and elderly welfare issues, by guaranteeing commercial transactions with hospitals and social welfare corporations.

Local small and medium-sized companies play a central role in the social welfare business. For example, the nursing care business is a relatively easy sector to enter, despite its high costs and low profit margins. These factors have made large companies reluctant to engage in this business, which has resulted in small and medium-sized companies becoming the central players in the sector. Small and medium-sized companies undertaking nursing care operations face financing pressures in areas such as the initial costs mainly consisting of purchasing buildings and fitting out their interiors, as well as running costs such as the personnel costs of frontline care workers. The Company assists these small and medium-sized companies by undertaking their credit risks and extending their usance for payment of supplies, etc. that they procure.



Regional companies are doing more and more business with companies in urban areas or other prefectures. Shifts in sales channels have been a major reason behind this trend. Namely, whereas in the past, large companies, such as the trading companies, functioned as intermediaries in these kinds of transactions, buying from and selling to companies in urban areas and other prefectures, the rise of the internet in recent years has given regional companies a direct connection to those urban and out-of-prefecture companies, allowing them to buy and sell directly. However, these regional companies have difficulty investigating the credit risk of these other parties outside their own prefecture, making the cost of collecting outstanding debts a major burden. The Company undertakes those credit risks in the form of guarantees, which reduces such collection costs and gives the regional companies more options for commercial transactions. In this way, we are contributing to the growth and development of regional communities.



## - Governance -

Diagram of Corporate Governance Structure (as of March 31, 2022)



Corporate Governance Structure at a Glance (as of March 31, 2022)

Corporate Governance Structure at a Glance (as of March 31, 2022)	Corporate Governance Structure at a Glance (as of March 31, 2022)
Number of Directors (of which, number of Outside Officers)	7 (3)
Number of Audit & Supervisory Board Members (of which, number of Outside Audit & Supervisory Board Members)	3 (3)
Directors' term of office	2 years
Number of Outside Directors designated as independent officers	3
Existence of optional committee(s) equivalent to nomination committee or remuneration committee	None (*)

\* As three (3) of the Company's seven (7) Directors are Independent Outside Directors, and the number of Independent Outside Officers constitutes a majority of the Board of Directors, the Company has not established an optional committee in which main members consist of Independent Outside Directors.

# Indices for Sustainability Initiatives

(As of March 31, 2022)

<b>Category</b>	<b>Guarantee liabilities (Billions of yen)</b>
Guarantee liabilities related to solutions to environmental issues (E)	15.3
Guarantee liabilities related to solutions to social issues (S)	4.4
Guarantee liabilities related to regional revitalization (S)	215.6
Guarantee liabilities related to start-ups, etc. (S)	59.7

\* Separate confirmation of whether or not individual guaranteed transactions pertain to their corresponding categories has not been performed. The above figures are the aggregation of guarantee contracts in which the name of the guaranteed product or service or the guaranteed company, etc., contains specific wording.



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