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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 12, 2023

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, 2023

Scheduled date of commencing dividend payments: June 29, 2023

Scheduled date of submitting annual securities report: June 29, 2023

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, 2023 (April 1, 2022 to March 31, 2023)

(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, 2023	8,494	7.6	4,150	11.2	4,231	12.5	2,864	16.3
March 31, 2022	7,894	9.7	3,732	20.8	3,760	21.0	2,463	22.9

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 2,924 million [11.9%]

Fiscal year ended March 31, 2022: ¥ 2,613 million [20.9%]

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, 2023	60.68	58.95	14.9	15.9	48.9
March 31, 2022	52.92	51.32	14.5	15.7	47.3

(Reference) Equity in earnings of associates: Fiscal year ended March 31, 2023: ¥ 53 million

Fiscal year ended March 31, 2022: ¥ 14 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, 2023	27,997	21,998	72.7	428.68
March 31, 2022	25,256	19,716	71.9	387.62

(Reference) Equity: As of March 31, 2023: ¥ 20,347 million

As of March 31, 2022: ¥ 18,157 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, 2023	3,238	(4,192)	(713)	10,727
March 31, 2022	2,662	(1,824)	(87)	12,395

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, 2022	—	0.00	—	26.00	26.00	1,217	49.1	7.1
Fiscal year ended March 31, 2023	—	0.00	—	34.00	34.00	1,613	56.0	8.3
Fiscal year ending March 31, 2024 (Forecast)	—	0.00	—	35.00	35.00		51.9	

(Note) Break down of the year-end dividend for the fiscal year ended March 31, 2023:

Ordinary dividend: 30.00 yen

Commemorative dividend: 4.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	4,600	10.8	2,300	14.0	2,350	14.4	1,550	10.5	32.65
Full year	9,500	11.8	4,800	15.6	4,900	15.8	3,200	11.7	67.41

* Notes:

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2023

(changes in specified subsidiaries resulting in change in scope of consolidation): No

New: - (Company name:)

Exclusion: - (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

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, 2023: 47,467,700 shares

March 31, 2022: 46,845,400 shares

2) Total number of treasury shares at the end of the period:

March 31, 2023: 1,570 shares

March 31, 2022: 1,434 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2023: 47,204,728 shares

Fiscal year ended March 31, 2022: 46,543,029 shares

(Reference) Overview of Non-consolidated Financial Results

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

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	8,682	6.3	3,754	15.2	4,070	13.7	2,848	15.7
March 31, 2022	8,171	5.1	3,257	21.1	3,580	21.7	2,461	22.6

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	60.33	58.61
March 31, 2022	52.89	51.28

(2) Non-consolidated financial position

As of:	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	26,520	20,509	76.7	428.65
March 31, 2022	23,852	18,328	76.2	387.95

(Reference) Equity: As of March 31, 2023: ¥ 20,346 million
As of March 31, 2022: ¥ 18,173 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	4,600	7.9	2,250	13.3	1,550	10.2	32.65
Full year	9,500	9.4	4,700	15.5	3,200	12.4	67.41

*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 12, 2023.

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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 under the circumstances of “with COVID-19”. However, the future remains uncertain due mainly to rising prices of raw materials and supply side constraints while monetary tightening continues globally.

As for the environment surrounding eGuarantee, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), the number of corporate bankruptcies increased by 14.9% year on year to 6,799 cases in the fiscal year under review (source: TEIKOKU DATABANK, Ltd.). Various benefits and institutional loans that are substantially interest-free and unsecured were successful in curbing the number of corporate bankruptcies. However, the number of corporate bankruptcies has increased year on year for eleven consecutive months since May 2022 due to the start of repayments by some of the companies using the system, 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. In order to meet the increasing needs for guaranteeing receivables against the uncertain outlook due to the situation in Ukraine and the increase in the amount of receivables due to rising prices, the Company has strengthened its sales structure including increasing the number of sales personnel. In addition, developing new locations and increasing the number of personnel assigned to each location enabled more efficient sales activities, and the expansion of sales resources has strengthened our efforts to attract new customers.

As a result, at the end of the fiscal year under review, guarantee obligations amounted to 1,076.0 billion yen (up 29.4% year on year), guarantee liabilities were 681.3 billion yen (up 17.0% year on year), and net sales were 8,494,895 thousand yen (up 7.6% year on year), while operating profit was 4,150,652 thousand yen (up 11.2% year on year), ordinary profit was 4,231,150 thousand yen (up 12.5% year on year), and profit attributable to owners of parent was 2,864,580 thousand yen (up 16.3% year on year).

Financial results by service are as follows:

- Guarantee services for commercial companies

Net sales for these services amounted to 8,280,505 thousand yen (up 7.4% year on year).

Note that this amount includes other revenues.

- Guarantee services for financial institutions

Net sales for these services amounted to 214,389 thousand yen (up 17.0% 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 10.9% from the end of the previous fiscal year to 27,997,897 thousand yen.

Current assets decreased by 3.3% from the end of the previous fiscal year to 19,037,321 thousand yen. This is mainly due to a decrease in securities of 1,200,000 thousand yen.

Non-current assets increased by 61.1% from the end of the previous fiscal year to 8,960,575 thousand yen. This is mainly due to an increase in investment securities of 2,985,376 thousand yen.

Liabilities

Total liabilities increased by 8.3% from the end of the previous fiscal year to 5,999,249 thousand yen.

Current liabilities increased by 8.5% from the end of the previous fiscal year to 5,883,967 thousand yen. This is mainly due to an increase in advances received of 424,318 thousand yen.

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

Net assets

Total net assets increased by 11.6% from the end of the previous fiscal year to 21,998,648 thousand yen. This is mainly due to an increase in retained earnings of 1,646,637 thousand yen.

(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 decreased by 1,667,623 thousand

yen from the end of the previous fiscal year to 10,727,388 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 3,238,278 thousand yen (2,662,585 thousand yen provided in the previous fiscal year). The major cause of this increase is the recording of profit before income taxes of 4,227,226 thousand yen.

Cash flows from investing activities

Funds used in investing activities amounted to 4,192,800 thousand yen (1,824,431 thousand yen used in the previous fiscal year). The major cause of this decrease is purchase of investment securities of 3,007,610 thousand yen.

Cash flows from financing activities

Funds used in financing activities amounted to 713,101 thousand yen (87,535 thousand yen used in the previous fiscal year). The major cause of this decrease is dividends paid of 1,216,315 thousand yen.

(Reference) Trends in cash flow indicators

As of	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Capital adequacy ratio (%)	59.7	70.3	70.3	71.9	72.7
Capital adequacy ratio at fair value (%)	285.9	408.7	422.8	380.4	368.7
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 is picking up moderately, although some weaknesses are seen.” Amidst ongoing global monetary tightening, the economic environment continues to be uncertain, with the risk of a downturn in overseas economies putting downward pressure on domestic economy.

Upon a firm understanding of such circumstances, the Company will develop risk management that continues to make prudent risk judgments while paying even closer attention to bankruptcy trends and changes in the economic environment. At the same time, the Company will increase the number of smaller contracts to diversify its risk underwriting portfolio by attracting more new customers that it has not been able to attract in the past, backed by improved operating efficiency. And the Company aims to promote the use of guarantee services in corporate activities by strengthening its sales structure to meet the increase in demand for guarantee services against the backdrop of the expected increase in the number of bankruptcies.

(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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	17,295,011	17,527,388
Accounts receivable - trade	75,267	81,606
Securities	1,200,000	—
Prepaid expenses	*1 974,048	*1 1,189,873
Accounts receivable - other	31,680	61,592
Other	119,548	176,860
Total current assets	19,695,557	19,037,321
Non-current assets		
Property, plant and equipment		
Buildings and structures	884,111	898,288
Accumulated depreciation	(161,583)	(183,479)
Buildings and structures, net	722,527	714,809
Machinery, equipment and vehicles	1,247	1,247
Accumulated depreciation	(1,247)	(1,247)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	214,960	244,057
Accumulated depreciation	(148,045)	(173,739)
Tools, furniture and fixtures, net	66,915	70,317
Land	591,944	992,361
Total property, plant and equipment	1,381,386	1,777,488
Intangible assets		
Software	124,853	134,421
Other	173	153
Total intangible assets	125,027	134,574
Investments and other assets		
Investment securities	3,426,737	6,412,113
Investments in other securities of subsidiaries and associates	*2 130,071	*2 169,499
Long-term prepaid expenses	59	35
Leasehold and guarantee deposits	219,050	236,895
Deferred tax assets	257,533	206,318
Other	20,650	23,650
Total investments and other assets	4,054,102	7,048,512
Total non-current assets	5,560,516	8,960,575
Total assets	25,256,073	27,997,897

(Thousand yen)

As of March 31, 2022

As of March 31, 2023

Liabilities		
Current liabilities		
Accounts payable - trade	11,253	25,104
Income taxes payable	699,475	738,568
Advances received	*3 3,877,049	*3 4,301,368
Provision for settlement	433,856	436,519
Provision for bonuses	200,000	173,000
Deposits received	32,587	35,123
Other	169,610	174,282
Total current liabilities	5,423,832	5,883,967
Non-current liabilities		
Long-term accounts payable - other	115,282	115,282
Total non-current liabilities	115,282	115,282
Total liabilities	5,539,115	5,999,249
Net assets		
Shareholders' equity		
Share capital	3,509,710	3,781,341
Capital surplus	2,919,710	3,191,341
Retained earnings	11,729,322	13,375,959
Treasury shares	(877)	(964)
Total shareholders' equity	18,157,864	20,347,678
Share acquisition rights	155,261	162,771
Non-controlling interests	1,403,831	1,488,198
Total net assets	19,716,958	21,998,648
Total liabilities and net assets	25,256,073	27,997,897

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

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	7,894,566	8,494,895
Cost of sales	1,670,286	1,704,650
Gross profit	6,224,280	6,790,244
Selling, general and administrative expenses	* 2,492,104	* 2,639,592
Operating profit	3,732,175	4,150,652
Non-operating income		
Interest income	13,452	25,188
Share of profit of entities accounted for using equity method	14,422	53,186
Other	1,371	2,374
Total non-operating income	29,246	80,749
Non-operating expenses		
Miscellaneous losses	1,039	250
Total non-operating expenses	1,039	250
Ordinary profit	3,760,382	4,231,150
Extraordinary income		
Gain on sale of investment securities	—	26,012
Total extraordinary income	—	26,012
Extraordinary losses		
Loss on retirement of non-current assets	10,424	29,936
Total extraordinary losses	10,424	29,936
Profit before income taxes	3,749,958	4,227,226
Income taxes - current	1,160,352	1,251,100
Income taxes - deferred	(23,703)	51,215
Total income taxes	1,136,648	1,302,315
Profit	2,613,309	2,924,911
Profit attributable to non-controlling interests	150,107	60,330
Profit attributable to owners of parent	2,463,201	2,864,580

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	2,613,309	2,924,911
Comprehensive income	2,613,309	2,924,911
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,463,201	2,864,580
Comprehensive income attributable to non-controlling interests	150,107	60,330

(3) Consolidated Statements of Changes in Equity

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

For the fiscal year ended March 31, 2023

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,509,710	2,919,710	11,729,322	(877)	18,157,864
Changes during period					
Issuance of new shares	271,631	271,631			543,263
Dividends of surplus			(1,217,943)		(1,217,943)
Profit attributable to owners of parent			2,864,580		2,864,580
Purchase of treasury shares				(87)	(87)
Net changes in items other than shareholders' equity					
Total changes during period	271,631	271,631	1,646,637	(87)	2,189,813
Balance at end of period	3,781,341	3,191,341	13,375,959	(964)	20,347,678

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	155,261	1,403,831	19,716,958
Changes during period			
Issuance of new shares	(5,090)		538,173
Dividends of surplus			(1,217,943)
Profit attributable to owners of parent			2,864,580
Purchase of treasury shares			(87)
Net changes in items other than shareholders' equity	12,600	84,366	96,966
Total changes during period	7,509	84,366	2,281,689
Balance at end of period	162,771	1,488,198	21,998,648

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,749,958	4,227,226
Depreciation	81,664	88,101
Increase (decrease) in provision for settlement	91,145	2,663
Increase (decrease) in provision for bonuses	50,000	(27,000)
Interest income	(13,452)	(25,188)
Share of loss (profit) of entities accounted for using equity method	(14,422)	(53,186)
Share-based payment expenses	4,317	2,994
Loss (gain) on sale of investment securities	—	(26,012)
Loss on retirement of non-current assets	10,424	29,936
Decrease (increase) in trade receivables	(9,830)	(6,339)
Increase (decrease) in trade payables	1,320	13,851
Decrease (increase) in prepaid expenses	(179,598)	(147,312)
Decrease (increase) in accounts receivable - other	32,300	(29,911)
Increase (decrease) in deposits received	643	2,536
Increase (decrease) in advances received	212,299	424,318
Other, net	34,729	(48,748)
Subtotal	4,051,497	4,427,928
Interest received	11,916	33,292
Income taxes refund (paid)	(1,400,828)	(1,222,942)
Net cash provided by (used in) operating activities	2,662,585	3,238,278
Cash flows from investing activities		
Net decrease (increase) in time deposits	(488,143)	(1,900,000)
Purchase of property, plant and equipment	(47,449)	(436,690)
Purchase of intangible assets	(58,514)	(73,345)
Proceeds from redemption of investment securities	—	1,200,000
Purchase of investment securities	(1,200,000)	(3,007,610)
Proceeds from sale of investment securities	—	47,500
Purchase of golf club membership	(20,650)	(3,000)
Payments of leasehold deposits	(9,698)	(27,755)
Proceeds from refund of leasehold deposits	25	8,100
Net cash provided by (used in) investing activities	(1,824,431)	(4,192,800)
Cash flows from financing activities		
Proceeds from exercise of share options	810,012	466,665
Purchase of treasury shares	(53)	(87)
Proceeds from issuance of share acquisition rights	16,200	12,600
Dividends paid	(1,005,961)	(1,216,315)
Dividends paid to non-controlling interests	(152,732)	(153,963)
Proceeds from share issuance to non-controlling shareholders	245,000	178,000
Net cash provided by (used in) financing activities	(87,535)	(713,101)
Net increase (decrease) in cash and cash equivalents	750,619	(1,667,623)
Cash and cash equivalents at beginning of period	11,644,392	12,395,011
Cash and cash equivalents at end of period	* 12,395,011	* 10,727,388

(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:

Not applicable.

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.

(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, 2022	As of March 31, 2023
Investments in other securities of subsidiaries and associates	130,071 thousand yen	169,499 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, 2022		As of March 31, 2023	
Guarantee liabilities for guarantee services against sales credit	582,259,140	Guarantee liabilities for guarantee services against sales credit	681,320,563
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, 485,317,981 thousand yen is covered by insurance or guarantees provided by financial institutions, etc.		Of these guarantee liabilities, 575,206,845 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, 2022	For the fiscal year ended March 31, 2023
Salaries and allowances	773,485	864,878
Provision for bonuses	200,000	173,000
Rent expenses on land and buildings	235,029	226,940
Taxes and dues	260,373	281,868

(Notes on Consolidated Statements of Comprehensive Income)

Not applicable.

(Notes on Consolidated Statements of Changes in Equity)

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

For the fiscal year ended March 31, 2023

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)	46,845,400	622,300	—	47,467,700
Total	46,845,400	622,300	—	47,467,700
Treasury shares				
Common shares (Note 2)	1,434	136	—	1,570
Total	1,434	136	—	1,570

(Notes) 1. The increase in shares issued and outstanding of 622,300 shares is due to the exercise of 589,800 shares of stock options and the issuance of 32,500 shares of new stock as restricted share-based payment.

2. The increase in common shares under treasury shares of 136 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	—	—	—	—	—	162,771
Total		—	—	—	—	—	162,771

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, 2022	Common shares	1,217,943	26.00	March 31, 2022	June 29, 2022

(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, 2023	Common shares	Retained earnings	1,613,848	34.00	March 31, 2023	June 29, 2023

(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, 2022	For the fiscal year ended March 31, 2023
Cash and deposits	17,295,011	17,527,388
Time deposits deposited for over three months	(4,900,000)	(6,800,000)
Cash and cash equivalents	12,395,011	10,727,388

(Segment Information, Etc.)

(Segment information)

1. Overview of reportable segments

I 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.

II For the fiscal year ended March 31, 2023

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, 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.

For the fiscal year ended March 31, 2023

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, 2022

Not applicable.

For the fiscal year ended March 31, 2023

Not applicable.

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

For the fiscal year ended March 31, 2022

Not applicable.

For the fiscal year ended March 31, 2023

Not applicable.

[Gain on bargain purchase per reportable segment]

For the fiscal year ended March 31, 2022

Not applicable.

For the fiscal year ended March 31, 2023

Not applicable.

(Per Share Information)

(Yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	387.62	428.68
Basic earnings per share	52.92	60.68
Diluted earnings per share	51.32	58.95

(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, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	2,463,201	2,864,580
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent related to common shares (Thousand yen)	2,463,201	2,864,580
Average number of common shares during the period (Shares)	46,543,029	47,204,728
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	—	—
Increase in common shares (Shares)	1,458,041	1,386,235
[Of which, share acquisition rights (Shares)]	[1,458,041]	[1,386,235]
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, 2022	As of March 31, 2023
Total net assets on the consolidated balance sheets (Thousand yen)	19,716,958	21,998,648
Amount deducted from total net assets (Thousand yen)	1,559,093	1,650,969
[Of which, share acquisition rights (Thousand yen)]	[155,261]	[162,771]
[Of which, non-controlling interests (Thousand yen)]	[1,403,831]	[1,488,198]
Net assets at the end of the period related to common shares (Thousand yen)	18,157,864	20,347,678
Number of common shares issued and outstanding (Shares)	46,845,400	47,467,700
Number of treasury shares in common shares (Shares)	1,434	1,570
Number of common shares used in calculating net assets per share (Shares)	46,843,966	47,466,130

(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.