

# **Financial Results for the Nine Months Ended December 31, 2023**

## **Supplementary Briefing Materials**

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Jan 30, 2024, 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.

# Executive Summary

## **Guarantee liabilities increased by 19.5% reaching 769.9 billion yen**

The increase is due to the growing needs in the face of an increasing number of corporate bankruptcies, the effect of expanding sales resources and the accumulation of large, low-risk special contracts (approximately JPY 15 billion).\*YoY increase excluding special contracts is 17.1%.

## **Net Sales increased by 8.3% compared to the same period last year**

New contracts remained strong. Existing contracts saw an increase in the contract renewal rate due to growing client needs resulting from an increase in the number of corporate bankruptcies, while the company continued to review its risk portfolio for high-risk industries.

## **Ordinary profit increased by 12.9% compared to the same period last year**

Ordinary profit margin was 53.5% due to a decrease in the cost of sales ratio and SG&A expense ratio.

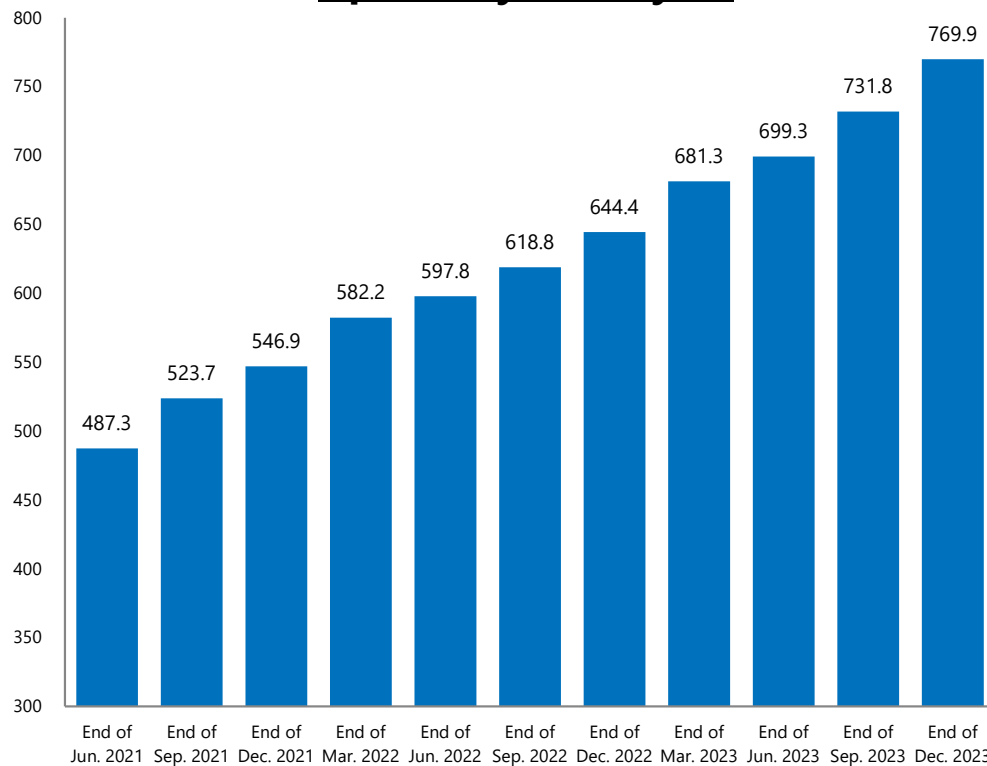
# 1-1 Balance of Guarantee

Guarantee liabilities increased by 19.5% y-o-y to 769.9 billion yen as a result of an increase in the number of inquiries for guarantee contracts due to an increase in the number of corporate bankruptcies, an expansion of sales resources due to an increase in sales personnel, and a steady increase due to the accumulation of large low-risk special contracts (approximately 15 billion yen). Guarantee obligations increased by 34.1% y-o-y to 1349.9 billion yen.

## Guarantee liabilities

**769.9** billion yen

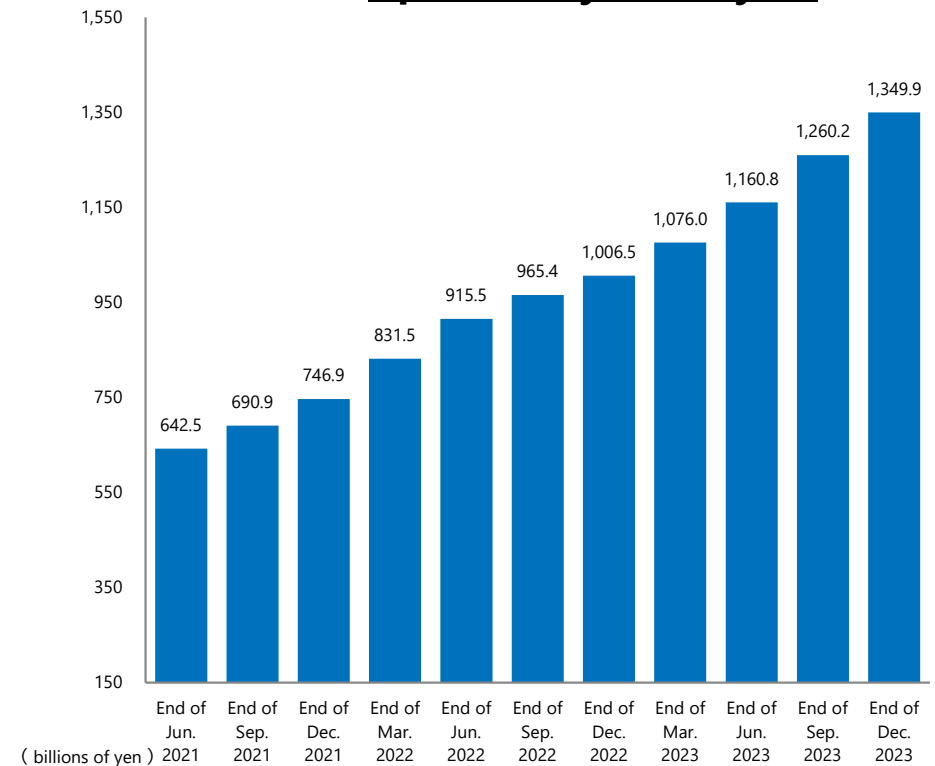
**Up 19.5% year on year**



## Guarantee obligations

**1349.9** billion yen

**Up 34.1% year on year**



(billions of yen)

\* Guarantee obligations : The total of the guarantee limits set for each covered company of the guarantee.

\* Guarantee liabilities amount : The total of ① for contracts for which the balance of receivables has been notified, the balance of receivables per each covered company of the guarantee. ② for contracts for which the balance of receivables has not been notified , the guarantee limits set for each covered company of the guarantee.

## 1-2 Summary of Financial Results for the Nine Months Ended December 31, 2023

| (million yen)                           | Nine Months Ended December 31, 2022 | Nine Months Ended December 31, 2023 | Year-over-year Rate of increase or decrease |
|---|-------------------------------------|-------------------------------------|---|
| Net sales                               | <b>6,298</b>                        | <b>6,821</b>                        | +8.3%                                       |
| Gross profit                            | <b>5,064</b>                        | <b>5,601</b>                        | +10.6%                                      |
| Operating profit                        | <b>3,172</b>                        | <b>3,631</b>                        | +14.5%                                      |
| Ordinary profit                         | <b>3,235</b>                        | <b>3,652</b>                        | +12.9%                                      |
| Profit attributable to owners of parent | <b>2,211</b>                        | <b>2,408</b>                        | +8.9%                                       |

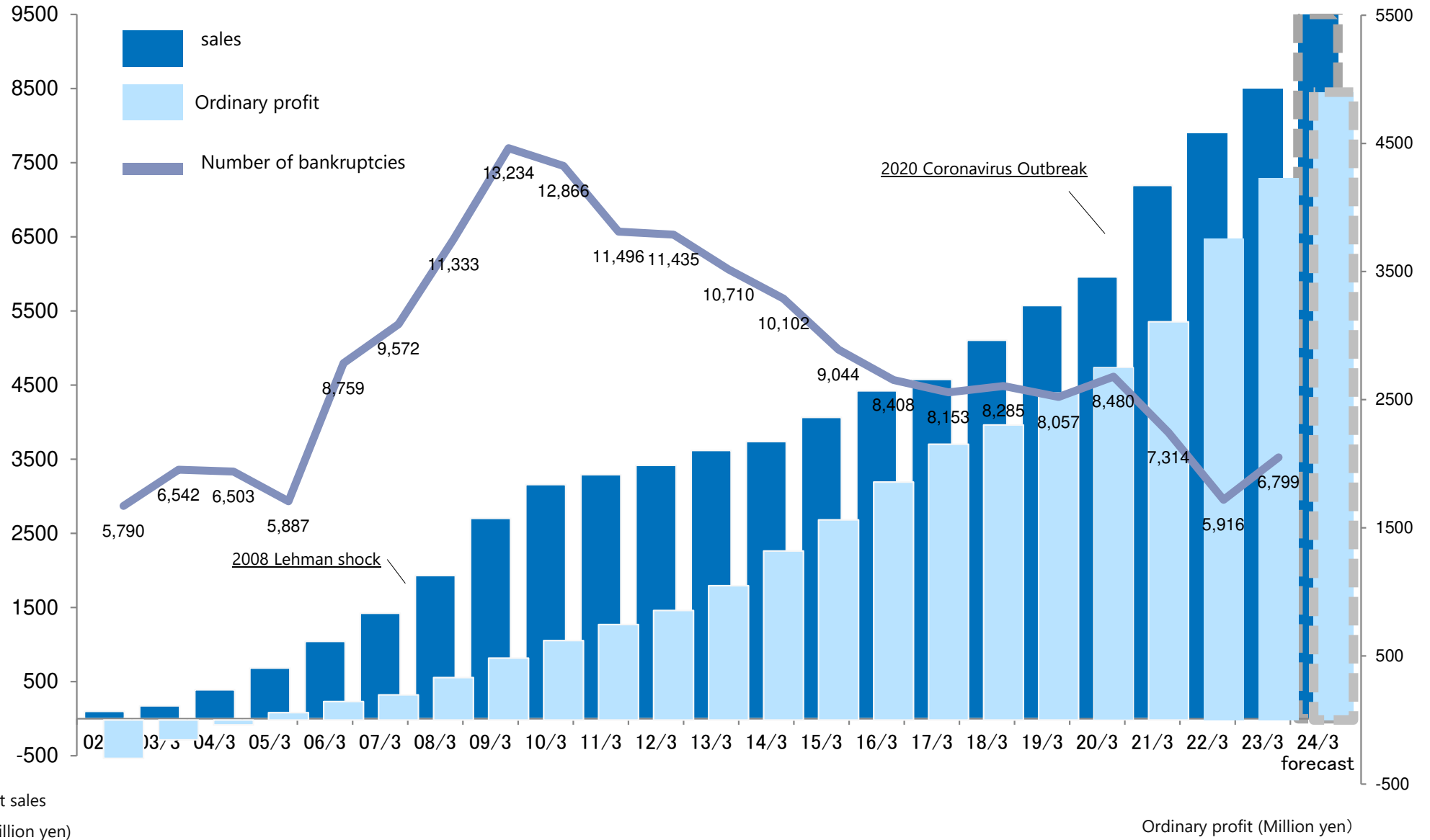
### Progress against consolidated earnings forecast for the fiscal year ending March 31, 2024

|                 |   |
|-----------------|---|
| Ordinary profit | Profit attributable to owners of parent |
| <b>74.5%</b>    | <b>75.3%</b>                            |

To improve its market competitiveness, the Company increased its sales force, strengthened its sales offices, and increased the efficiency of its sales activities using sales offices, thereby expanding its sales resources and acquiring new customers. As a result, Net sales increased by 8.3% y-o-y, Operating profit increased by 14.5% y-o-y, Ordinary profit increased by 12.9% y-o-y. Profit attributable to owners of parent increased by 8.9% y-o-y, mainly due to the effect of gains on sales of securities in the same period of the previous year and an increase in Profit attributable to non-controlling interests in the current period.

# 1-3 Performance Trends

The consolidated earnings forecast for the full year 24/3 is net sales of 9,500 million yen, Operating profit of 4,800 million yen, Ordinary profit of 4,900 million yen, and Profit attributable to owners of parent of 3,200 million yen. Sales and profits are expected to increase for the 22nd consecutive year in the FY3 / 24.



# 1-4 Consolidated balance sheet

| Asset                     | As of March 31,2023 | As of December 31,2023 |
|---------------------------|---------------------|------------------------|
| <b>current assets</b>     | <b>19,037</b>       | <b>16,374</b>          |
| Cash and cash equivalents | 17,527              | 13,407                 |
| Prepaid expenses          | 1,189               | 1,620                  |
| Securities                | -                   | 800                    |
| Other                     | 321                 | 547                    |
| <b>Fixed assets</b>       | <b>8,960</b>        | <b>12,290</b>          |
| Tangible fixed assets     | 1,777               | 1,881                  |
| Intangible fixed assets   | 134                 | 147                    |
| Investment securities     | 6,412               | 9,611                  |
| Other                     | 637                 | 651                    |
| <b>Total assets</b>       | <b>27,997</b>       | <b>28,664</b>          |

(Million yen)

Current assets decreased by 14.0%(YoY) .This is mainly due to a decrease in Cash and cash equivalents of 4,119 million yen.

Fixed assets increased by 37.2%(YoY) .This is mainly due to an increase in Investment securities of 3,199 million yen.

Current liabilities decreased by 10.3% (YoY) .This is mainly due to a decrease in Income taxes payable of 273 million yen.

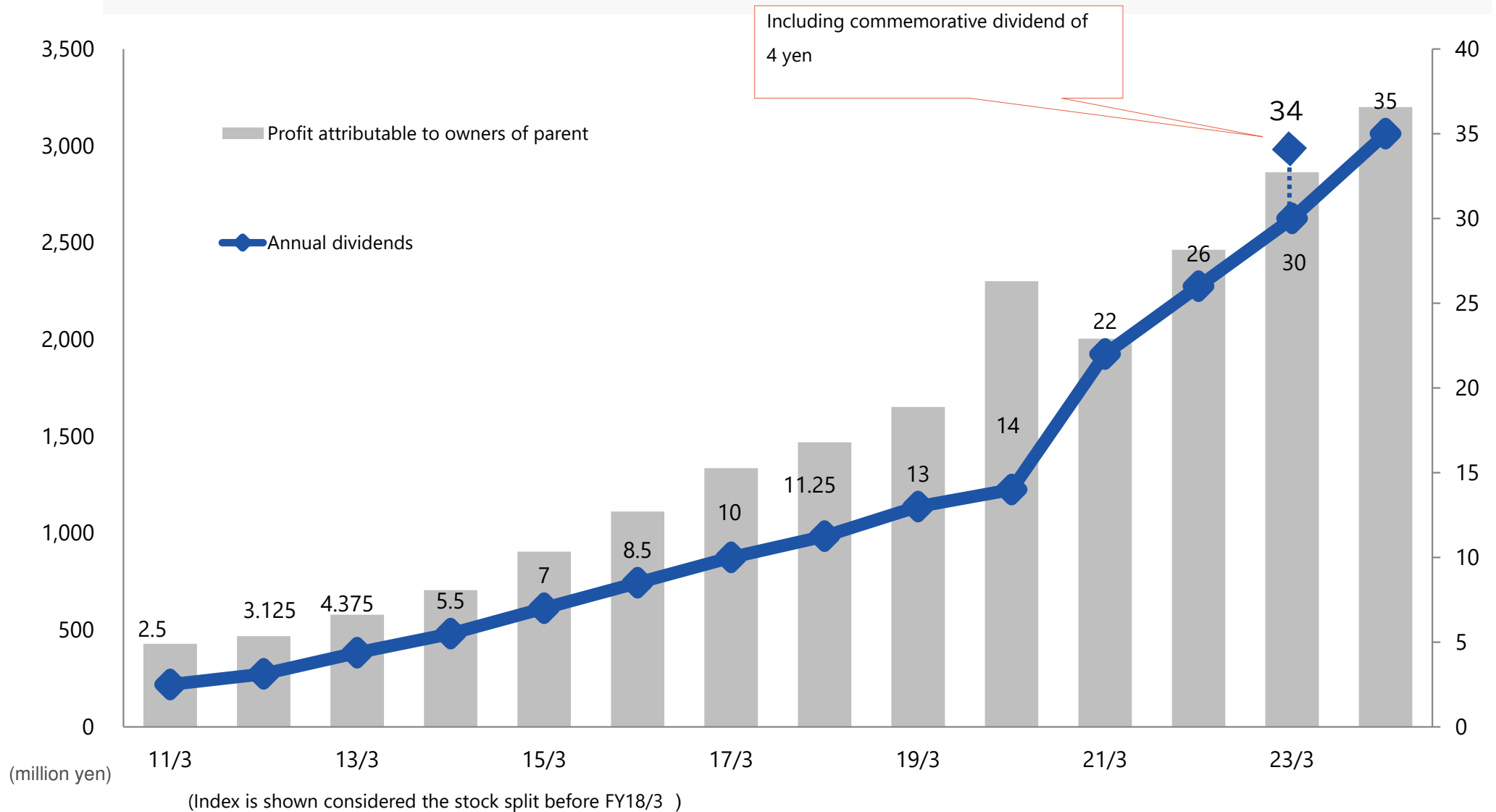
Net assets increased by 5.8%(YoY) This is mainly due to an increase in Retained earnings of 794 million yen.

| Liabilities                    | As of March 31,2023 | As of December 31,2023 |
|--------------------------------|---------------------|------------------------|
| <b>Current liabilities</b>     | <b>5,883</b>        | <b>5,275</b>           |
| Provision for settlement       | 436                 | 309                    |
| Advances received              | 4,301               | 4,156                  |
| Income taxes payable           | 738                 | 464                    |
| Other                          | 408                 | 346                    |
| <b>Non-current liabilities</b> | <b>115</b>          | <b>115</b>             |
| Long-term accounts payable     | 115                 | 115                    |
| <b>Total liabilities</b>       | <b>5,999</b>        | <b>5,390</b>           |

| Net assets                              | As of March 31,2023 | As of December 31,2023 |
|---|---------------------|------------------------|
| <b>Shareholder's equity</b>             | <b>20,347</b>       | <b>21,246</b>          |
| Share capital                           | 3,781               | 3,833                  |
| Capital surplus                         | 3,191               | 3,243                  |
| Retained earnings                       | 13,375              | 14,170                 |
| Treasury stock                          | 0                   | 0                      |
| <b>Share acquisition rights</b>         | <b>162</b>          | <b>161</b>             |
| <b>Non-controlling interests</b>        | <b>1,488</b>        | <b>1,865</b>           |
| <b>Net assets</b>                       | <b>21,998</b>       | <b>23,273</b>          |
| <b>Total liabilities and net assets</b> | <b>27,997</b>       | <b>28,664</b>          |

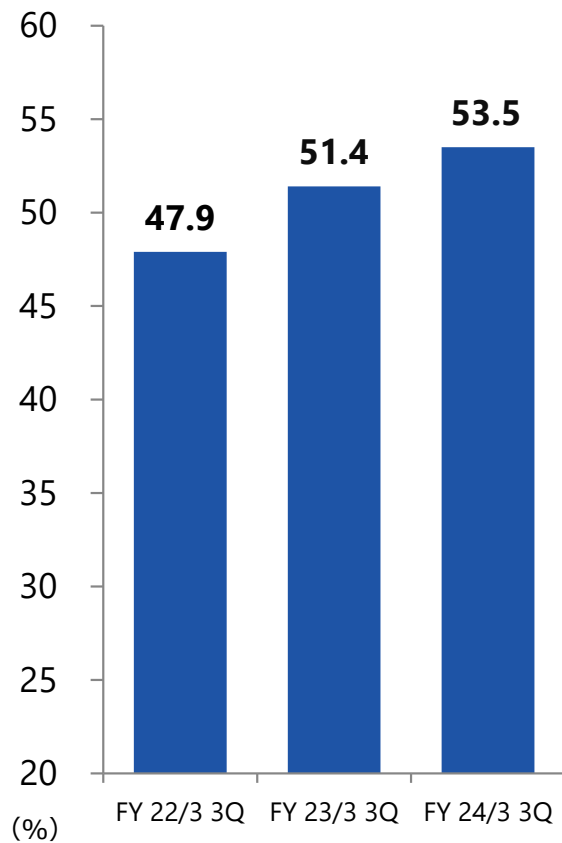
# 1-5 Dividend Policy

The Company considers the return of profits to shareholders to be one of its most important management tasks, and while comprehensively taking into account factors such as business performance trends, financial conditions, and future business development, the Company will pay dividends with a target payout ratio of 50% or more, and will continuously increase the total amount of dividends in proportion to the increase in corporate value. Based on this policy, and in consideration of recent performance trends, the annual dividend for the fiscal year ended March 31, 2023 was 34 yen (of which 4 yen was a commemorative dividend of 1 trillion yen for the balance of guarantees). At present, the company expects to pay a dividend of 35 yen for FY2024 in accordance with the above dividend policy.

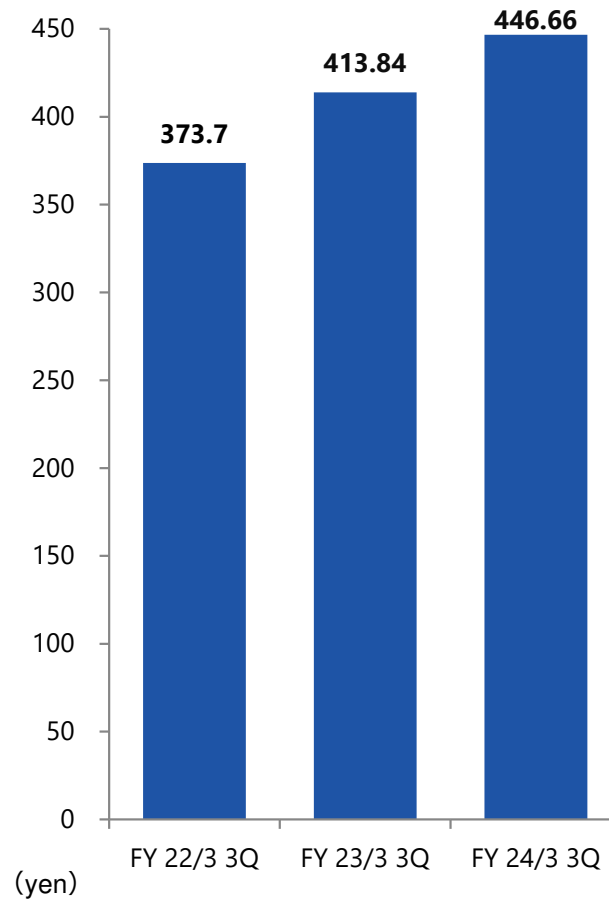


# 1-6 Main management index

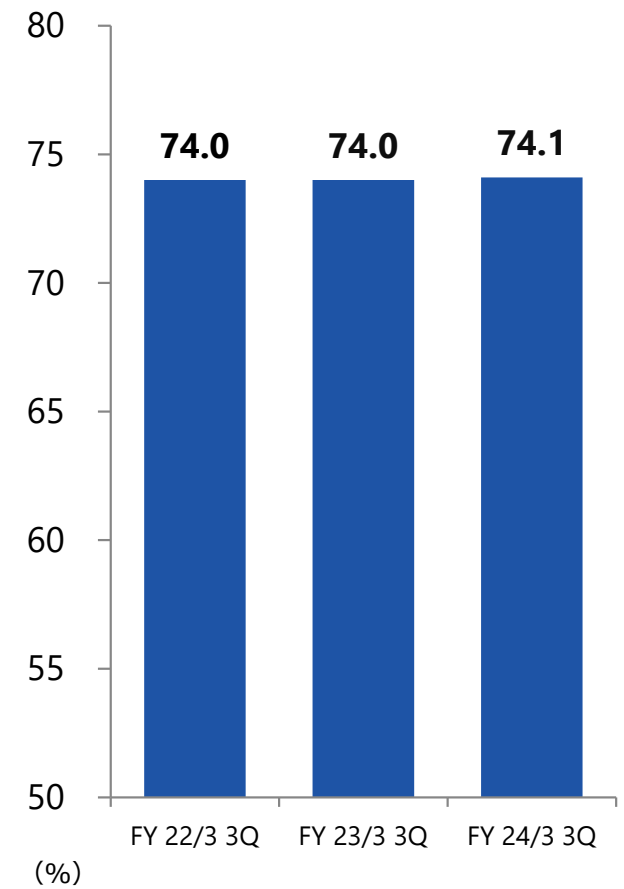
■ Sales ordinary income ratio



■ Net assets per share



■ Capital adequacy ratio



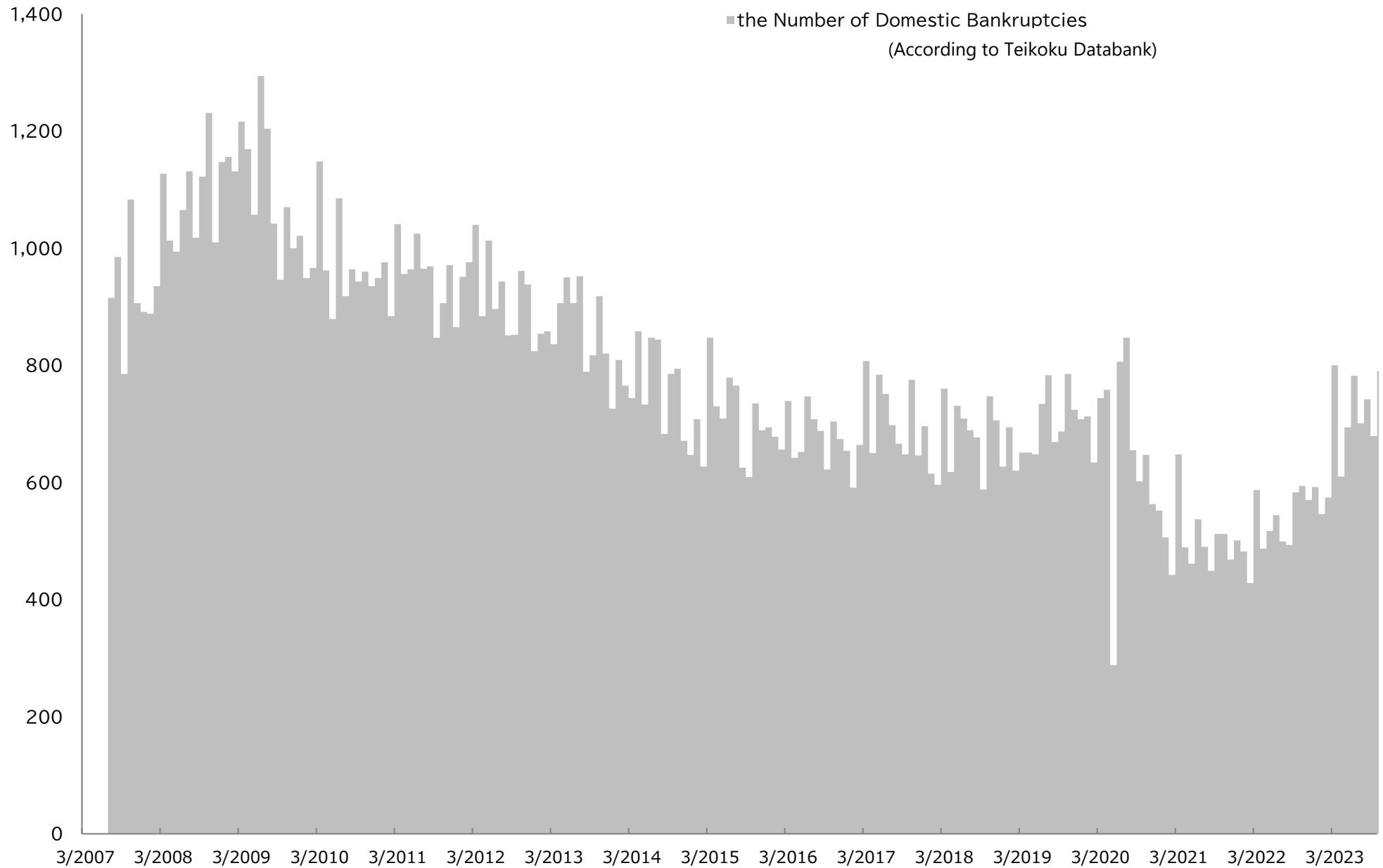




## References

- **Changes in the Number of Domestic Bankruptcies**
- **Capital Allocation Policy**
- **The society that eGuarantee aims for**
- **Sustainability Initiatives**

# Changes in the Number of Domestic Bankruptcies (Monthly)



# Capital Allocation Policy

Achieve high growth by distributing generated cash in a well-balanced manner between growth investments and shareholder returns.

ROE 20%

ROIC 20%

Dividend payout ratio 50%

## Cash Generation

### Profit growth

- Steady accumulation of guarantee liabilities
- Strengthening sales structures and offices
- Average operating cash flow of three billion yen or more over the past three years, etc.



PER

Stock Prices

## Effective use of capital

### Growth investing

- The current reach of the potential market for credit risk management for business-to-business transactions is about 5%. Invest thoroughly to develop the remaining 95% of the market.
- Investment in human resources (increase in operating resources)
- IT/DX Investment (Expansion of Examination Database)
- Investment for branding
- Expanding the range of receivables covered by the guarantee

# eGuarantee's goal for society

## VISION

**Our goal is to provide solutions for issues faced by society, and to create a society where new business is constantly created**

## Our MISSION

We want to extend credit to more companies in reflection of their fundamental nature

The main way that SMEs and the many other companies in Japan obtain funding is through indirect financing in the form of loans from banks and other such institutions. In indirect financing, the main method of evaluation is a quantitative and static assessment of companies based on the principle of collateral, where funding can only be received if collateral (especially real estate) or a guarantor is provided. As such, this makes it difficult for companies to obtain funding if they do not possess much land or cash, even if they possess excellent technology or services. And this means there are cases where they are unable to undertake their desired transactions. eGuarantee performs qualitative and dynamic company assessments using big data that includes the status of business-to-business payments, and by doing so, aims to expand the base of companies for which credit guarantees can be provided in order to support as many companies as possible in their endeavors.

## Our VALUE

One of the largest troves of big data on business-to-business transactions in Japan

eGuarantee, which handles more than one trillion yen in risk on an obligation basis, has a mechanism which brings in information from many companies in the course of providing guarantees. We use this data as our strength and have high screening and analytical capabilities. While eGuarantee underwrites risk from a range of companies, we subdivide this risk and securitize it for funds and financial institutions. And companies looking to underwrite risk to gain income are attracted to eGuarantee on the back of these excellent assessment and analysis capabilities, making the securitization of risk possible. Risk is subdivided and diversified in this process of securitization, which makes the underwriting of large amounts of risk possible, as well as low-cost risk underwriting. This is one of the major strengths of our services.

## 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 usage 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, 2023)



Corporate Governance Structure at a Glance (as of June 28, 2023)

|   |          |
|---|----------|
| Number of Directors (of which, number of Outside Officers)  | 8 (4)    |
| 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  | 4        |
| Existence of optional committee(s) equivalent to nomination committee or remuneration committee             | None (*) |

\* As three (4) of the Company's seven (8) 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, 2023)

| <b>Category</b>  | <b>Guarantee liabilities<br/>(Billions of yen)</b> |
|--|--|
| Guarantee liabilities related to solutions to environmental issues (E) | 172  |
| Guarantee liabilities related to solutions to social issues (S)        | 186  |
| Guarantee liabilities related to regional revitalization (S)           | 2,601  |
| Guarantee liabilities related to start-ups, etc. (S)                   | 738  |

\* 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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