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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]



May 15, 2024

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: +81-3-6327-3609

Scheduled date of ordinary general meeting of shareholders: June 28, 2024

Scheduled date of commencing dividend payments: July 1, 2024

Scheduled date of submitting annual securities report: June 27, 2024

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, 2024 (April 1, 2023 to March 31, 2024)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	9,165	7.9	4,850	16.8	4,902	15.9	3,262	13.9
March 31, 2023	8,494	7.6	4,150	11.2	4,231	12.5	2,864	16.3

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥ 3,402 million [16.3%]

Fiscal year ended March 31, 2023: ¥ 2,924 million [11.9%]

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, 2024	68.60	67.36	15.3	16.9	52.9
March 31, 2023	60.68	58.95	14.9	15.9	48.9

(Reference) Equity in earnings of associates: Fiscal year ended March 31, 2024: ¥ (4) million

Fiscal year ended March 31, 2023: ¥ 53 million

(2) Consolidated financial position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	30,109	24,126	73.7	465.10
March 31, 2023	27,997	21,998	72.7	428.68

(Reference) Equity: As of March 31, 2024: ¥ 22,179 million

As of March 31, 2023: ¥ 20,347 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	3,132	(4,284)	(1,330)	8,243
March 31, 2023	3,238	(4,192)	(713)	10,727

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, 2023	-	0.00	-	34.00	34.00	1,613	56.0	8.3
Fiscal year ended March 31, 2024	-	0.00	-	35.00	35.00	1,669	51.0	7.8
Fiscal year ending March 31, 2025 (Forecast)	-	0.00	-	37.00	37.00		51.1	

(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, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	4,800	6.6	2,380	1.3	2,400	1.7	1,600	2.9	33.55
Full year	10,100	10.2	5,100	5.2	5,200	6.1	3,450	5.7	72.34

* Notes:

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2024

(changes in specified subsidiaries resulting in change in scope of consolidation): Yes

New 1 (Company name: Credit Guarantee VII)

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, 2024: 47,690,100 shares

March 31, 2023: 47,467,700 shares

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

March 31, 2024: 1,870 shares

March 31, 2023: 1,570 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2024: 47,559,989 shares

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

(Reference) Overview of Non-consolidated Financial Results

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

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	9,552	10.0	4,483	19.4	4,743	16.5	3,264	14.6
March 31, 2023	8,682	6.3	3,754	15.2	4,070	13.7	2,848	15.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	68.64	67.40
March 31, 2023	60.33	58.61

(2) Non-consolidated financial position

As of:	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	28,410	22,339	78.1	465.10
March 31, 2023	26,520	20,509	76.7	428.65

(Reference) Equity: As of March 31, 2024: ¥ 22,179 million

As of March 31, 2023: ¥ 20,346 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	5,000	6.8	2,300	2.0	1,600	3.2	33.55
Full year	10,500	9.9	5,000	5.4	3,450	5.7	72.34

*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 Wednesday, May 15, 2024.

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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 been recovering at a moderate pace, although it recently appears to be pausing. The moderate-pace recovery trend is expected to continue with the improving employment and income situation, supported by the effects of various policies. However, slowing down of overseas economies is a downside risk for the Japanese economy, including the effects of global monetary tightening and the concern about the prospect of the Chinese economy. Also, full attention should be given to price increases, the situation in the Middle East and fluctuations in the financial and capital markets.

As for the environment surrounding eGuarantee, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), the number of corporate bankruptcies increased by 30.6% year on year to 8,881 cases in the fiscal year under review (source: TEIKOKU DATABANK, Ltd.), the largest increase in the last thirty years. Exceeding the previous year’s results for two consecutive fiscal years, this marked the highest level in nine years, close to the 9,044 cases in fiscal 2014. 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 twenty-three consecutive months since May 2022 due to the start of repayments by the companies using the system, and the close monitoring of the trend of bankruptcies needs to be continued accordingly.

Amid such an environment, credit risk guarantee services continued to show robust results. In order to strengthen our market competitiveness, the Company has streamlined its sales activities including increasing the number of sales personnel, strengthening and leveraging its sales offices, 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 1,413.2 billion yen (up 31.3% year on year), guarantee liabilities were 751.8 billion yen (up 10.4% year on year), and net sales were 9,165,092 thousand yen (up 7.9% year on year), while operating profit was 4,850,029 thousand yen (up 16.8% year on year), ordinary profit was 4,902,670 thousand yen (up 15.9% year on year), and profit attributable to owners of parent was 3,262,825 thousand yen (up 13.9% 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 7.5% from the end of the previous fiscal year to 30,109,022 thousand yen.

Current assets decreased by 6.1% from the end of the previous fiscal year to 17,871,578 thousand yen. This is mainly due to a decrease in cash and deposits of 2,483,514 thousand yen.

Non-current assets increased by 36.6% from the end of the previous fiscal year to 12,237,443 thousand yen. This is mainly due to an increase in investment securities of 3,198,866 thousand yen.

Liabilities

Total liabilities decreased by 0.3% from the end of the previous fiscal year to 5,982,134 thousand yen.

Current liabilities decreased by 0.3% from the end of the previous fiscal year to 5,866,851 thousand yen. This is mainly due to a decrease in provision for bonuses of 163,000 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 9.7% from the end of the previous fiscal year to 24,126,887 thousand yen. This is mainly due to an increase in retained earnings of 1,648,976 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 2,483,514 thousand yen from the end of the previous fiscal year to 8,243,874 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 3,132,049 thousand yen (3,238,278 thousand yen provided in the previous fiscal year). The major cause of this increase is the recording of profit before income taxes of

4,896,377 thousand yen.

Cash flows from investing activities

Funds used in investing activities amounted to 4,284,768 thousand yen (4,192,800 thousand yen used in the previous fiscal year). The major cause of this decrease is purchase of investment securities of 4,000,000 thousand yen.

Cash flows from financing activities

Funds used in financing activities amounted to 1,330,795 thousand yen (713,101 thousand yen used in the previous fiscal year). The major cause of this decrease is dividends paid of 1,612,612 thousand yen.

(Reference) Trends in cash flow indicators

As of	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Capital adequacy ratio (%)	70.3	70.3	71.9	72.7	73.7
Capital adequacy ratio at fair value (%)	408.7	422.8	380.4	368.7	283.8
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 recovering at a moderate pace, although it recently appears to be pausing.” 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 the 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, leveraging 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	17,527,388	15,043,874
Accounts receivable - trade	81,606	81,200
Securities	-	800,000
Prepaid expenses	1,189,873	1,455,164
Accounts receivable - other	61,592	233,036
Other	176,860	258,301
Total current assets	19,037,321	17,871,578
Non-current assets		
Property, plant and equipment		
Buildings and structures	898,288	942,191
Accumulated depreciation	(183,479)	(203,624)
Buildings and structures, net	714,809	738,567
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	244,057	278,353
Accumulated depreciation	(173,739)	(191,480)
Tools, furniture and fixtures, net	70,317	86,872
Land	992,361	992,361
Construction in progress	-	64,049
Total property, plant and equipment	1,777,488	1,881,851
Intangible assets		
Software	134,421	148,687
Other	153	133
Total intangible assets	134,574	148,820
Investments and other assets		
Investment securities	6,412,113	9,610,979
Investments in other securities of subsidiaries and associates	169,499	174,225
Long-term prepaid expenses	35	1,625
Leasehold and guarantee deposits	236,895	235,064
Deferred tax assets	206,318	139,627
Other	23,650	45,249
Total investments and other assets	7,048,512	10,206,771
Total non-current assets	8,960,575	12,237,443
Total assets	27,997,897	30,109,022

(Thousand yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	25,104	30,624
Income taxes payable	738,568	820,082
Advances received	4,301,368	4,481,814
Provision for settlement	436,519	344,229
Provision for bonuses	173,000	10,000
Deposits received	35,123	54,189
Other	174,282	125,910
Total current liabilities	5,883,967	5,866,851
Non-current liabilities		
Long-term accounts payable - other	115,282	115,282
Total non-current liabilities	115,282	115,282
Total liabilities	5,999,249	5,982,134
Net assets		
Shareholders' equity		
Share capital	3,781,341	3,872,849
Capital surplus	3,191,341	3,282,849
Retained earnings	13,375,959	15,024,936
Treasury shares	(964)	(964)
Total shareholders' equity	20,347,678	22,179,669
Share acquisition rights	162,771	159,885
Non-controlling interests	1,488,198	1,787,333
Total net assets	21,998,648	24,126,887
Total liabilities and net assets	27,997,897	30,109,022

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

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	8,494,895	9,165,092
Cost of sales	1,704,650	1,796,965
Gross profit	6,790,244	7,368,127
Selling, general and administrative expenses	2,639,592	2,518,098
Operating profit	4,150,652	4,850,029
Non-operating income		
Interest income	25,188	53,388
Share of profit of entities accounted for using equity method	53,186	-
Other	2,374	4,165
Total non-operating income	80,749	57,553
Non-operating expenses		
Miscellaneous losses	250	533
Share of loss of entities accounted for using equity method	-	4,378
Total non-operating expenses	250	4,912
Ordinary profit	4,231,150	4,902,670
Extraordinary income		
Gain on sale of investment securities	26,012	-
Total extraordinary income	26,012	-
Extraordinary losses		
Loss on retirement of non-current assets	29,936	6,293
Total extraordinary losses	29,936	6,293
Profit before income taxes	4,227,226	4,896,377
Income taxes - current	1,251,100	1,426,985
Income taxes - deferred	51,215	66,690
Total income taxes	1,302,315	1,493,676
Profit	2,924,911	3,402,701
Profit attributable to non-controlling interests	60,330	139,876
Profit attributable to owners of parent	2,864,580	3,262,825

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	2,924,911	3,402,701
Comprehensive income	2,924,911	3,402,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,864,580	3,262,825
Comprehensive income attributable to non-controlling interests	60,330	139,876

(3) Consolidated Statements of Changes in Equity

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

For the fiscal year ended March 31, 2024

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,781,341	3,191,341	13,375,959	(964)	20,347,678
Changes during period					
Issuance of new shares	91,507	91,507			183,014
Dividends of surplus			(1,613,848)		(1,613,848)
Profit attributable to owners of parent			3,262,825		3,262,825
Purchase of treasury shares				-	-
Net changes in items other than shareholders' equity					
Total changes during period	91,507	91,507	1,648,976	-	1,831,991
Balance at end of period	3,872,849	3,282,849	15,024,936	(964)	22,179,669

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	162,771	1,488,198	21,998,648
Changes during period			
Issuance of new shares	(2,886)		180,128
Dividends of surplus			(1,613,848)
Profit attributable to owners of parent			3,262,825
Purchase of treasury shares			-
Net changes in items other than shareholders' equity	-	299,134	299,134
Total changes during period	(2,886)	299,134	2,128,239
Balance at end of period	159,885	1,787,333	24,126,887

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,227,226	4,896,377
Depreciation	88,101	86,977
Increase (decrease) in provision for settlement	2,663	(92,290)
Increase (decrease) in provision for bonuses	(27,000)	(163,000)
Interest income	(25,188)	(53,388)
Share of loss (profit) of entities accounted for using equity method	(53,186)	4,378
Loss (gain) on investments in silent partnerships	-	(1,599)
Share-based payment expenses	2,994	6,682
Loss (gain) on sale of investment securities	(26,012)	-
Loss on retirement of non-current assets	29,936	6,293
Decrease (increase) in trade receivables	(6,339)	405
Increase (decrease) in trade payables	13,851	5,520
Decrease (increase) in prepaid expenses	(147,312)	(214,402)
Decrease (increase) in accounts receivable - other	(29,911)	(171,443)
Increase (decrease) in deposits received	2,536	19,065
Increase (decrease) in advances received	424,318	180,446
Other, net	(48,748)	(112,147)
Subtotal	4,427,928	4,397,874
Interest received	33,292	86,045
Income taxes refund (paid)	(1,222,942)	(1,351,870)
Net cash provided by (used in) operating activities	3,238,278	3,132,049
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,900,000)	-
Purchase of property, plant and equipment	(436,690)	(160,577)
Purchase of intangible assets	(73,345)	(53,074)
Proceeds from redemption of investment securities	1,200,000	-
Purchase of investment securities	(3,007,610)	(4,000,000)
Proceeds from sale of investment securities	47,500	-
Purchase of shares of other subsidiaries and associates	-	(50,880)
Purchase of available-for-sale securities	-	(20,000)
Purchase of golf club membership	(3,000)	-
Payments of leasehold deposits	(27,755)	(4,668)
Proceeds from refund of leasehold deposits	8,100	4,431
Net cash provided by (used in) investing activities	(4,192,800)	(4,284,768)
Cash flows from financing activities		
Proceeds from exercise of share options	466,665	122,558
Purchase of treasury shares	(87)	-
Proceeds from issuance of share acquisition rights	12,600	-
Dividends paid	(1,216,315)	(1,612,612)
Dividends paid to non-controlling interests	(153,963)	(183,741)
Proceeds from share issuance to non-controlling shareholders	178,000	343,000
Net cash provided by (used in) financing activities	(713,101)	(1,330,795)
Net increase (decrease) in cash and cash equivalents	(1,667,623)	(2,483,514)
Cash and cash equivalents at beginning of period	12,395,011	10,727,388
Cash and cash equivalents at end of period	* 10,727,388	* 8,243,874

(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: 13

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

Credit Guarantee VII

Credit Guarantee VIII

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

Not applicable.

(3) Changes in scope of consolidation:

Credit Guarantee VII and Credit Guarantee VIII were included in the scope of consolidation from the fiscal year under review. This is due to their new establishment 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, Credit Guarantee VI, Credit Guarantee VII, and Credit Guarantee VIII are the end of September, the end of February, the end of January, the end of December, the end of December, and the end of August 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, 2023	As of March 31, 2024
Investments in other securities of subsidiaries and associates	169,499 thousand yen	174,225 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, 2023		As of March 31, 2024	
Guarantee liabilities for guarantee services against sales credit	681,320,563	Guarantee liabilities for guarantee services against sales credit	751,842,150
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, 575,206,845 thousand yen is covered by insurance or guarantees provided by financial institutions, etc.		Of these guarantee liabilities, 635,312,854 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, 2023	For the fiscal year ended March 31, 2024
Salaries and allowances	864,878	960,313
Provision for bonuses	173,000	10,000
Rent expenses on land and buildings	226,940	240,338
Taxes and dues	281,868	282,491

(Notes on Consolidated Statements of Comprehensive Income)

Not applicable.

(Notes on Consolidated Statements of Changes in Equity)

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

For the fiscal year ended March 31, 2024

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)	47,467,700	222,400	-	47,690,100
Total	47,467,700	222,400	-	47,690,100
Treasury shares				
Common shares (Note 2)	1,570	300	-	1,870
Total	1,570	300	-	1,870

- (Notes) 1. The increase in shares issued and outstanding of 222,400 shares is due to the exercise of 192,400 shares of stock options and the issuance of 30,000 shares of new stock as restricted share-based payment.
2. The increase in common shares under treasury shares of 300 shares is due to the acquisition of stock as restricted shares without contribution.

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	-	-	-	-	-	159,885
Total		-	-	-	-	-	159,885

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

(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, 2024	Common shares	Retained earnings	1,669,088	35.00	March 31, 2024	June 29, 2024

(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, 2023	For the fiscal year ended March 31, 2024
Cash and deposits	17,527,388	15,043,874
Time deposits deposited for over three months	(6,800,000)	(6,800,000)
Cash and cash equivalents	10,727,388	8,243,874

(Segment Information, Etc.)

(Segment information)

1. Overview of reportable segments

I 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.

II For the fiscal year ended March 31, 2024

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, 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.

For the fiscal year ended March 31, 2024

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, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

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

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

[Gain on bargain purchase per reportable segment]

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

(Per Share Information)

(Yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net assets per share	428.68	465.10
Basic earnings per share	60.68	68.60
Diluted earnings per share	58.95	67.36

(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, 2023	For the fiscal year ended March 31, 2024
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	2,864,580	3,262,825
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent related to common shares (Thousand yen)	2,864,580	3,262,825
Average number of common shares during the period (Shares)	47,204,728	47,559,989
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	-	-
Increase in common shares (Shares)	1,386,235	875,534
[Of which, share acquisition rights (Shares)]	[1,386,235]	[875,534]
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	Share acquisition rights by resolution of the Board of Directors meeting held on February 28, 2023	

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

	As of March 31, 2023	As of March 31, 2024
Total net assets on the consolidated balance sheets (Thousand yen)	21,998,648	24,126,887
Amount deducted from total net assets (Thousand yen)	1,650,969	1,947,218
[Of which, share acquisition rights (Thousand yen)]	[162,771]	[159,885]
[Of which, non-controlling interests (Thousand yen)]	[1,488,198]	[1,787,333]
Net assets at the end of the period related to common shares (Thousand yen)	20,347,678	22,179,669
Number of common shares issued and outstanding (Shares)	47,467,700	47,690,100
Number of treasury shares in common shares (Shares)	1,570	1,870
Number of common shares used in calculating net assets per share (Shares)	47,466,130	47,688,230

(Significant Subsequent Events)

Investment in silent partnership

The Company resolved at the Board of Directors meeting held on April 30, 2024 to invest in Credit Guarantee X operated by Credit Guarantee X Godo Kaisha, and invested 102,000 thousand yen as of May 9, 2024. Credit Guarantee X is the Company's consolidated subsidiary.

1. Purpose of investment in silent partnerships

The Company invests in silent partnerships to diversify risk transfer methods by securing a wide range of transferees, thereby to enable risk underwriting of relatively large amounts at low cost.

2. Overview of silent partnership

- (1) Operator: Credit Guarantee X Godo Kaisha
- (2) Date of composition: May 9, 2024
- (3) Business details: Credit guarantee business (investment in credit risks underwritten by the Company)
- (4) Total amount of investments in silent partnership: 200,000 thousand yen

3. Overview of investment in silent partnership

- (1) Amount of the Company's investment: 102,000 thousand yen
- (2) Investment ratio of the Company: 51%
- (3) Date of investment: May 9, 2024

4. Financing

The Company uses cash on hand.

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.