

Consolidated Financial Results for the Year Ended March 31, 2020 [J-GAAP]



May 14, 2020

Company name: eGuarantee, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 8771 URL: <https://www.eguarantee.co.jp/english/index.html>
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 Date of ordinary general meeting of shareholders: June 26, 2020
 Date of commencing dividend payments: June 29, 2020
 Date of submitting annual securities report: June 29, 2020
 Availability of supplementary financial results briefing materials: Yes
 Schedule of financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated performance for FY2019 (April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2019	5,956	6.9	2,718	8.2	2,751	7.8	2,301	39.3
FY2018	5,573	9.2	2,512	10.4	2,552	10.8	1,651	12.5

Note: Comprehensive income: FY2019: 2,433 million yen (38.1%) FY2018: 1,762 million yen (10.6%)

	Earnings per share	Diluted earnings per share	Profit on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
FY2019	54.14	51.27	21.5	16.7	45.6
FY2018	39.11	37.65	18.2	16.6	45.1

Reference: Equity in earnings of associates FY2019: 5 million yen FY2018: 15 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of:				
March 31, 2020	16,444	12,798	70.3	271.94
March 31, 2019	16,427	10,960	59.7	230.80

Reference: Equity As of March 31, 2020: 11,558 million yen As of March 31, 2019: 9,810 million yen

(3) Consolidated cash flows

	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
FY2019	1,036	(1,661)	(613)	4,820
FY2018	1,881	(2,194)	332	6,059

2. Dividends

	Annual dividends					Total dividends	Consolidated payout ratio	Consolidated dividend on net assets
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2018	—	0.00	—	13.00	13.00	552	33.2	6.1
FY2019	—	0.00	—	14.00	14.00	595	25.9	5.6
FY2020 (forecast)	—	0.00	—	14.00	14.00		30.5	

3. Consolidated performance forecast for FY2020 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,500	20.4	1,440	11.4	1,450	11.1	950	(18.6)	22.35
Full year	7,700	29.3	2,980	9.6	3,000	9.1	1,950	(15.3)	45.88

* Notes:

(1) Changes in significant subsidiaries during the period (Change in specified subsidiaries resulting in change in scope of consolidation): Yes

New subsidiary: 1 Name of subsidiary: Credit Guarantee V

(2) Changes in accounting policies, accounting estimates or retrospective restatement

1) Changes in accounting policies pursuant to changes in accounting standards, etc.: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of March 31, 2020	42,506,400	As of March 31, 2019	42,506,400
As of March 31, 2020	1,385	As of March 31, 2019	1,306
FY2019	42,505,035	FY2018	42,236,748

2) Number of treasury shares at the end of the period

3) Average number of shares during the period

Reference: Overview of non-consolidated performance

1. Non-consolidated performance for FY2019 (April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

(Percentages indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2019	6,100	3.1	2,351	6.2	2,605	6.9	2,301	39.1
FY2018	5,917	9.0	2,213	14.6	2,436	12.8	1,654	12.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2019	54.15		51.28	
FY2018	39.16		37.70	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of:	March 31, 2020		March 31, 2020		74.6		272.23	
As of:	March 31, 2019		March 31, 2019		63.3		231.08	

Reference: Equity As of March 31, 2020: 11,571 million yen

As of March 31, 2019: 9,822 million yen

2. Non-consolidated performance forecast for FY2020 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year change)

	Net sales		Ordinary profit		Profit		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,700	22.7	1,400	9.6	950	(18.2)	22.35
Full year	8,000	31.1	2,900	11.3	1,950	(15.3)	45.88

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

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

Notes on forward-looking statements

Performance 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 performance forecasts and notes on the use of performance forecasts, etc., refer to “1. Overview of Operating Results, (4) Future Outlook” on page 3 of the attachment.

Disclosure of supplementary financial results briefing materials

Supplementary financial results briefing materials will be posted on the Company’s website. The Company also plans to hold a briefing for institutional investors and securities analysts on Thursday, May 14, 2020.

○ Contents of the Attachment

1. Overview of Operating Results	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	2
(3) Overview of Cash Flows for the Fiscal Year under Review	3
(4) Future Outlook	3
(5) Significant Events Concerning Going Concern Assumption	3
2. Basic Policy on Selecting Accounting Standards	3
3. Consolidated Financial Statements and Primary Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Comprehensive Income	6
(3) Consolidated Statements of Changes in Equity	8
(4) Consolidated Statements of Cash Flows	10
(5) Notes to Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Important Matters Forming the Basis for Preparing Consolidated Financial Statements)	11
(Notes on Consolidated Balance Sheets)	13
(Notes on Consolidated Statements of Income)	13
(Notes on Consolidated Statements of Comprehensive Income)	13
(Notes on Consolidated Statements of Changes in Equity)	14
(Notes on Consolidated Statements of Cash Flows)	15
(Segment Information)	16
(Per Share Information)	18
(Significant Subsequent Events)	19

1. Overview of Operating Results

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

The Japanese economy in the year ended March 31, 2020 continued on a moderate recovery trend as the employment and income environment improved, in addition to the effects of various political measures. However, due to the impact of COVID-19 that has continued to materialize since February 2020, there has been a significant downturn in the current situation, and the outlook for the future is expected to remain severe.

As for the environment surrounding eGuarantee, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), corporate bankruptcies increased by 5.3% year on year to 8,480 cases in the fiscal year under review (source: TEIKOKU DATABANK, Ltd.), with bankruptcy trends having changed.

Amid such an environment, credit risk guarantee services continued to show robust results. Besides strengthening efforts with sales channels to increase new customers, the Company also promoted consulting sales, making proposals for using the Company’s services to streamline credit management and debt collection operations that companies perform. In addition, promoting the use of web services for existing customers resulted in increases in requests for additional guaranteed counterparties and requests for an increase of the maximum amount guaranteed by the Company.

As a result, in the fiscal year under review, guarantee obligations amounted to 439.1 billion yen (up 13.0% year on year), and net sales were 5,956,734 thousand yen (up 6.9%), while operating profit was 2,718,802 thousand yen (up 8.2%), ordinary profit was 2,751,004 thousand yen (up 7.8%), and profit attributable to owners of parent was 2,301,198 thousand yen (up 39.3%).

Performance by service is as follows:

- Guarantee services for commercial companies

Net sales for these services amounted to 5,786,589 thousand yen (up 6.9% year on year).

- Guarantee services for financial institutions

Net sales for these services amounted to 170,145 thousand yen (up 6.9% 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 0.1% from the end of the previous fiscal year to 16,444,743 thousand yen.

Current assets increased by 13.4% from the end of the previous fiscal year to 13,645,123 thousand yen. This is mainly due to an increase in securities of 1,802,474 thousand yen.

Non-current assets decreased by 36.2% from the end of the previous fiscal year to 2,799,619 thousand yen. This is mainly due to a decrease in investment securities of 1,548,440 thousand yen.

Liabilities

Total liabilities decreased by 33.3% from the end of the previous fiscal year to 3,646,588 thousand yen.

Current liabilities decreased by 34.0 % from the end of the previous fiscal year to 3,531,305 thousand yen. This is mainly due to a decrease in deposits received of 1,890,478 thousand yen.

Non-current liabilities remained at the same amount as at the end of the previous fiscal year.

Net assets

Total net assets increased by 16.8% from the end of the previous fiscal year to 12,798,155 thousand yen. This is mainly due to an increase in retained earnings of 1,748,632 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 1,239,109 thousand yen from the end of the previous fiscal year to 4,820,874 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 1,036,317 thousand yen (1,881,530 thousand yen provided in the previous fiscal year). The major cause of this increase is the recording of profit before income taxes of 2,617,487 thousand yen.

Cash flows from investing activities

Funds used in investing activities amounted to 1,661,700 thousand yen (2,194,885 thousand yen used in the previous fiscal year). The major cause of this decrease is the purchase of investment securities of 1,364,743 thousand yen.

Cash flows from financing activities

Funds used in financing activities amounted to 613,726 thousand yen (332,123 thousand yen provided in the previous fiscal year). The major cause of this decrease is dividends paid of 552,245 thousand yen.

Reference: Trends in cash flow indicators

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity ratio (%)	56.7	60.4	58.0	59.7	70.3
Equity ratio at fair value (%)	241.8	219.6	317.7	285.9	408.7
Interest-bearing debt to cash flow ratio (%)	4.0	0.4	—	—	—
Interest coverage ratio (%)	—	—	—	—	—

Equity ratio: Equity/Total assets

Equity 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 April states that “the economy is rapidly deteriorating due to the impact of COVID-19 and is facing an extremely difficult situation.” The economic environment continues to be uncertain, with the risk of the disease sending domestic and overseas economies into further decline.

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

(5) Significant Events Concerning Going Concern Assumption

Not applicable.

2. Basic Policy on Selecting Accounting Standards

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

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	9,471,840	9,232,731
Accounts receivable - trade	46,221	58,440
Securities	800,000	2,602,474
Prepaid expenses	*1 1,535,424	*1 1,152,221
Accounts receivable - other	79,317	358,833
Income taxes receivable	—	139,527
Other	103,830	100,895
Total current assets	12,036,633	13,645,123
Non-current assets		
Property, plant and equipment		
Buildings and structures	877,507	879,812
Accumulated depreciation	(93,758)	(117,019)
Buildings and structures, net	783,748	762,792
Machinery, equipment and vehicles	1,247	1,247
Accumulated depreciation	(571)	(909)
Machinery, equipment and vehicles, net	675	337
Tools, furniture and fixtures	144,470	153,518
Accumulated depreciation	(103,775)	(116,488)
Tools, furniture and fixtures, net	40,695	37,030
Land	591,022	591,944
Total property, plant and equipment	1,416,142	1,392,105
Intangible assets		
Software	156,489	77,068
Total intangible assets	156,489	77,068
Investments and other assets		
Investment securities	2,403,690	855,250
Investments in other securities of subsidiaries and associates	*2 110,908	*2 116,220
Long-term prepaid expenses	247	197
Leasehold and guarantee deposits	196,196	207,490
Deferred tax assets	106,916	151,287
Total investments and other assets	2,817,959	1,330,445
Total non-current assets	4,390,591	2,799,619
Total assets	16,427,224	16,444,743

As of March 31, 2019

As of March 31, 2020

Liabilities		
Current liabilities		
Accounts payable - trade	7,196	7,889
Income taxes payable	465,773	2,693
Advances received	*3 2,647,568	*3 3,059,366
Provision for settlement	176,264	216,981
Provision for bonuses	60,000	124,148
Deposits received	1,915,019	24,541
Other	79,137	95,682
Total current liabilities	5,350,960	3,531,305
Non-current liabilities		
Long-term accounts payable - other	115,282	115,282
Total non-current liabilities	115,282	115,282
Total liabilities	5,466,242	3,646,588
Net assets		
Shareholders' equity		
Share capital	1,643,135	1,643,135
Capital surplus	1,053,135	1,053,135
Retained earnings	7,114,487	8,863,119
Treasury shares	(677)	(774)
Total shareholders' equity	9,810,081	11,558,616
Share acquisition rights	117,379	135,065
Non-controlling interests	1,033,521	1,104,472
Total net assets	10,960,981	12,798,155
Total liabilities and net assets	16,427,224	16,444,743

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

(Thousand yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net sales	5,573,474	5,956,734
Cost of sales	1,098,560	1,208,325
Gross profit	4,474,913	4,748,408
Selling, general and administrative expenses	* 1,962,666	* 2,029,605
Operating profit	2,512,246	2,718,802
Non-operating income		
Interest income	23,183	25,413
Share of profit of entities accounted for using equity method	15,409	5,312
Other	1,423	2,021
Total non-operating income	40,016	32,747
Non-operating expenses		
Miscellaneous loss	—	546
Total non-operating expenses	—	546
Ordinary profit	2,552,263	2,751,004
Extraordinary losses		
Loss on retirement of non-current assets	—	109,970
Loss on sales of investment securities	—	23,547
Total extraordinary losses	—	133,517
Profit before income taxes	2,552,263	2,617,487
Income taxes – current	803,477	228,325
Income taxes - deferred	(13,914)	(44,371)
Total income taxes	789,562	183,954
Profit	1,762,701	2,433,533
Profit attributable to non-controlling interests	110,886	132,334
Profit attributable to owners of parent	1,651,814	2,301,198

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit	1,762,701	2,433,533
Comprehensive income	1,762,701	2,433,533
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,651,814	2,301,198
Comprehensive income attributable to non-controlling interests	110,886	132,334

(3) Consolidated Statements of Changes in Equity

For the year ended March 31, 2019

(Thousand yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of period	1,528,064	938,064	5,936,783	(71,732)	8,331,180
Changes during period					
Issuance of new shares - exercise of share acquisition rights	115,070	115,070			230,141
Dividends of surplus			(474,110)		(474,110)
Profit attributable to owners of parent			1,651,814		1,651,814
Purchase of treasury shares				(82)	(82)
Disposal of treasury shares				71,138	71,138
Net changes in items other than shareholders' equity					
Total changes during period	115,070	115,070	1,177,704	71,055	1,478,901
Balance at end of period	1,643,135	1,053,135	7,114,487	(677)	9,810,081

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	85,577	1,023,574	9,440,332
Changes during period			
Issuance of new shares - exercise of share acquisition rights	(3,167)		226,974
Dividends of surplus			(474,110)
Profit attributable to owners of parent			1,651,814
Purchase of treasury shares			(82)
Disposal of treasury shares			71,138
Net changes in items other than shareholders' equity	34,968	9,947	44,916
Total changes during period	31,801	9,947	1,520,649
Balance at end of period	117,379	1,033,521	10,960,981

For the year ended March 31, 2020

(Thousand yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at beginning of period	1,643,135	1,053,135	7,114,487	(677)	9,810,081
Changes during period					
Issuance of new shares - exercise of share acquisition rights					—
Dividends of surplus			(552,566)		(552,566)
Profit attributable to owners of parent			2,301,198		2,301,198
Purchase of treasury shares				(97)	(97)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,748,632	(97)	1,748,535
Balance at end of period	1,643,135	1,053,135	8,863,119	(774)	11,558,616

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	117,379	1,033,521	10,960,981
Changes during period			
Issuance of new shares - exercise of share acquisition rights			—
Dividends of surplus			(552,566)
Profit attributable to owners of parent			2,301,198
Purchase of treasury shares			(97)
Disposal of treasury shares			—
Net changes in items other than shareholders' equity	17,686	70,951	88,637
Total changes during period	17,686	70,951	1,837,173
Balance at end of period	135,065	1,104,472	12,798,155

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,552,263	2,617,487
Depreciation	69,489	78,273
Increase (decrease) in provision for settlement	23,393	40,717
Increase (decrease) in provision for bonuses	28,000	64,148
Interest income	(23,183)	(25,413)
Share of loss (profit) of entities accounted for using equity method	(15,409)	(5,312)
Share-based remuneration expenses	33,918	18,946
Loss on retirement of non-current assets	—	109,970
Loss (gain) on sales of investment securities	—	23,547
Decrease (increase) in trade receivables	(9,676)	(12,218)
Increase (decrease) in trade payables	3,693	692
Decrease (increase) in prepaid expenses	(7,787)	383,202
Decrease (increase) in accounts receivable - other	3,505	5,507
Increase (decrease) in advances received	97,594	411,798
Increase (decrease) in deposits received	(48,203)	(1,890,478)
Other, net	(66,277)	15,663
Subtotal	2,641,321	1,836,533
Interest received	24,302	26,466
Income taxes paid	(784,092)	(826,682)
Net cash provided by (used in) operating activities	1,881,530	1,036,317
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,000,000)	(1,000,000)
Purchase of property, plant and equipment	(427,495)	(13,131)
Purchase of intangible assets	(64,418)	(70,719)
Proceeds from redemption of investment securities	500,000	800,000
Purchase of investment securities	(1,200,000)	(1,364,743)
Payments of leasehold deposits	(3,869)	(13,326)
Proceeds from refund of leasehold deposits	897	220
Net cash provided by (used in) investing activities	(2,194,885)	(1,661,700)
Cash flows from financing activities		
Proceeds from exercise of employee share options	226,974	—
Purchase of treasury shares	(82)	(97)
Proceeds from sales of treasury shares	679,230	—
Proceeds from issuance of share acquisition rights	1,440	—
Dividends paid	(474,498)	(552,245)
Dividends paid to non-controlling interests	(100,939)	(81,383)
Repayments to non-controlling shareholders	—	(100,000)
Proceeds from share issuance to non-controlling shareholders	—	120,000
Net cash provided by (used in) financing activities	332,123	(613,726)
Net increase (decrease) in cash and cash equivalents	18,768	(1,239,109)
Cash and cash equivalents at beginning of period	6,041,215	6,059,984
Cash and cash equivalents at end of period	* 6,059,984	* 4,820,874

(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) Number of consolidated subsidiaries: 10

Names of consolidated subsidiaries:

eGuarantee Solution, Inc.

RG Guarantee, Inc.

eGuarantee Shared Services, Inc.

eGuarantee Investment, Inc.

Credit Link Fund I

Credit Investment I

Credit Guarantee I

Credit Guarantee II

Credit Guarantee IV

Credit Guarantee V

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

Not applicable.

(3) Changes in scope of consolidation:

The Company includes eGuarantee Investment, Inc., Credit Guarantee IV and Credit Guarantee V in the scope of consolidation from the fiscal year under review. This was due to the new establishment of these subsidiaries in the fiscal year under review.

2. Scope of equity method

(1) Number of associates: 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, eGuarantee Solution, Inc., RG Guarantee, Inc., eGuarantee Shared Services, Inc, eGuarantee Investment, Inc. and Credit Guarantee V are the same as the consolidated fiscal year-end.

Fiscal year-ends of consolidated subsidiaries Credit Guarantee I, Credit Guarantee II and Credit Guarantee IV are the end of September, the end of February and the end of January, 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 value:

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) 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.

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

Accounting for consumption taxes, etc.

Amounts are exclusive of consumption taxes, etc.

(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 (commissions) paid to agents.

*2 Investments in associates are as follows:

	As of March 31, 2019	As of March 31, 2020
Investments in other securities of subsidiaries and associates	110,908 thousand yen	116,220 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

As of March 31, 2019		As of March 31, 2020	
Guarantee liabilities for guarantee services against sales credit	388,258,300	Guarantee liabilities for guarantee services against sales credit	438,720,295
Guarantee liabilities for guarantee services against factored credit	521,287	Guarantee liabilities for guarantee services against factored credit	465,426
<p>The Company underwrites sales credit guarantees for contractor of the guarantee agreement as part of its sales activities. Guarantee liabilities for the abovementioned guarantee services against sales credit are stated at the maximum amount guaranteed by the Company. Guarantee liabilities for guarantee services against factored credit are stated at the actual balance of guarantee liabilities underwritten by the Company.</p> <p>Of these guarantee liabilities, 329,650,077 thousand yen of guarantee liabilities for guarantee services against sales credit are covered by insurance or guarantees provided by financial institutions, etc.</p>		<p>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 against sales credit are stated at the maximum amount guaranteed by the Company. Guarantee liabilities for guarantee services against factored credit are stated at the actual balance of guarantee liabilities underwritten by the Company.</p> <p>Of these guarantee liabilities, 379,238,970 thousand yen of guarantee liabilities for guarantee services against sales credit are covered by insurance or guarantees provided by financial institutions, etc.</p>	

(Notes on Consolidated Statements of Income)

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

	For the year ended March 31, 2019	For the year ended March 31, 2020
Salaries and allowances	716,346	686,077
Provision for bonuses	60,000	124,148
Rent expenses on land and buildings	206,551	226,014

(Notes on Consolidated Statements of Comprehensive Income)

Not applicable.

(Notes on Consolidated Statements of Changes in Equity)

For the year ended March 31, 2019

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 stock (shares) (Note 2)	21,072,200	21,434,200	—	42,506,400
Total	21,072,200	21,434,200	—	42,506,400
Treasury shares				
Common stock (shares) (Notes 3, 4)	315,618	315,688	630,000	1,306
Total	315,618	315,688	630,000	1,306

Notes: 1. The Company conducted a two-for-one stock split on August 16, 2018.

2. The increase in common stock under shares issued and outstanding of 21,434,200 shares comprises an increase of 21,072,200 shares due to the stock split and an increase of 362,000 shares due to exercise of stock options.

3. The increase in common stock under treasury shares of 315,688 shares comprises an increase of 315,618 shares due to the stock split and an increase of 70 shares due to purchase of odd-lot shares.

4. The decrease in common stock under treasury shares of 630,000 shares comprises a decrease due to sales of shares from the Trust account to the employee shareholding association.

5. Of the Company shares held by Japan Trustee Services Bank, Ltd. (trust account), those held by the Trust account upon the introduction of the ESOP Trust presented as treasury shares on the consolidated balance sheets (315,000 shares and — shares at the beginning and end of the period, respectively) are included in common stock under treasury shares above.

2. Share acquisition rights

Type	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	—	—	—	—	—	117,379
Total		—	—	—	—	—	117,379

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 27, 2018	Common stock	474,110	22.50	March 31, 2018	June 28, 2018

Notes: 1. Total dividend amount includes 7,087 thousand yen of dividends paid to the ESOP Trust account.

2. Dividend per share does not reflect the two-for-one stock splits carried out on August 16, 2018, as the record date is March 31, 2018.

(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 26, 2019	Common stock	Retained earnings	552,566	13.00	March 31, 2019	June 27, 2019

For the year ended March 31, 2020

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 stock (shares)	42,506,400	—	—	42,506,400
Total	42,506,400	—	—	42,506,400
Treasury shares				
Common stock (shares) (Note)	1,306	79	—	1,385
Total	1,306	79	—	1,385

Note: 1. The increase in common stock under treasury shares of 79 shares is due to purchase of odd-lot shares.

2. Share acquisition rights

Type	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	—	—	—	—	—	135,065
Total		—	—	—	—	—	135,065

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total dividend amount (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2019	Common stock	552,566	13.00	March 31, 2019	June 27, 2019

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

Resolution (plan)	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 26, 2020	Common stock	Retained earnings	595,070	14.00	March 31, 2020	June 29, 2020

(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 year ended March 31, 2019	For the year ended March 31, 2020
Cash and deposits	9,471,840	9,232,731
Time deposits deposited for over three months	(3,411,856)	(4,411,856)
Cash and cash equivalents	6,059,984	4,820,874

(Segment Information)

(Segment information)

1. Overview of reportable segments

I For the year ended March 31, 2019

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

II For the year ended March 31, 2020

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 year ended March 31, 2019

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 year ended March 31, 2020

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 year ended March 31, 2019

Not applicable.

For the year ended March 31, 2020

Not applicable.

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

For the year ended March 31, 2019

Not applicable.

For the year ended March 31, 2020

Not applicable.

[Gain on bargain purchase per reportable segment]

For the year ended March 31, 2019

Not applicable.

For the year ended March 31, 2020

Not applicable.

(Per Share Information)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net assets per share	230.80	271.94
Earnings per share	39.11	54.14
Diluted earnings per share	37.65	51.27

Notes: 1. Company shares held by Japan Trustee Services Bank, Ltd. (trust account) upon the introduction of the ESOP Trust, are not included in treasury shares deducted in the calculation of average number of shares during the period (previous fiscal year: 305,269 shares, fiscal year under review: — shares) in calculating earnings per share and diluted earnings per share.

2. The bases for calculating earnings per share and diluted earnings per share are as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2020
Earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,651,814	2,301,198
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent related to common stock (Thousand yen)	1,651,814	2,301,198
Average number of shares of common stock during the period (Shares)	42,236,748	42,505,035
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	—	—
Increase in common stock (Shares)	1,640,897	2,382,202
[Of which, share acquisition rights (Shares)]	[1,640,897]	[2,382,202]
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	

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

	As of March 31, 2019	As of March 31, 2020
Total net assets on the consolidated balance sheets (Thousand yen)	10,960,981	12,798,155
Amount deducted from total net assets (Thousand yen)	1,150,900	1,239,538
[Of which, share acquisition rights (Thousand yen)]	[117,379]	[135,065]
[Of which, non-controlling interests (Thousand yen)]	[1,033,521]	[1,104,472]
Net assets at the end of the period related to common stock (Thousand yen)	9,810,081	11,558,616
Number of shares of common stock issued and outstanding (Shares)	42,506,400	42,506,400
Number of treasury shares in common stock (Shares)	1,306	1,385
Number of shares of common stock used in calculating net assets per share (Shares)	42,505,094	42,505,015

(Significant Subsequent Events)

None

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.