

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 [Japanese GAAP]



May 14, 2021

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.

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Scheduled date of ordinary general meeting of shareholders: June 28, 2021

Scheduled date of commencing dividend payments: June 29, 2021

Scheduled date of submitting annual securities report: June 29, 2021

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, 2021 (April 1, 2020 to March 31, 2021)

(1) Consolidated operating results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	7,194	20.8	3,088	13.6	3,108	13.0	2,004	(12.9)
March 31, 2020	5,956	6.9	2,718	8.2	2,751	7.8	2,301	39.3

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥ 2,161 million [(11.2) %]

Fiscal year ended March 31, 2020: ¥ 2,433 million [38.1 %]

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, 2021	45.12	42.51	14.6	15.9	42.9
March 31, 2020	54.14	51.27	21.5	16.7	45.6

(Reference) Equity in earnings of associates: Fiscal year ended March 31, 2021: ¥ (0) million

Fiscal year ended March 31, 2020: ¥ 5 million

(2) Consolidated financial position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2021	22,570	17,186	70.3	347.19
March 31, 2020	16,444	12,798	70.3	271.94

(Reference) Equity: As of March 31, 2021: ¥ 15,876 million

As of March 31, 2020: ¥ 11,558 million

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
March 31, 2021	4,694	(80)	2,209	11,644
March 31, 2020	1,036	(1,661)	(613)	4,820

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, 2020	—	0.00	—	14.00	14.00	595	25.9	5.6
Fiscal year ended March 31, 2021	—	0.00	—	22.00	22.00	1,006	48.8	7.1
Fiscal year ending March 31, 2022 (Forecast)	—	0.00	—	22.00	22.00		41.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,000	15.9	1,780	18.4	1,800	19.1	1,150	18.5	25.15
Full year	8,500	18.1	3,720	20.4	3,750	20.6	2,400	19.8	52.48

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2021
(change in specified subsidiaries resulting in change in scope of consolidation): No
- (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, 2021:	45,729,800 shares
March 31, 2020:	42,506,400 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2021:	1,414 shares
March 31, 2020:	1,385 shares
 - 3) Average number of shares during the period:

Fiscal year ended March 31, 2021:	44,415,315 shares
Fiscal year ended March 31, 2020:	42,505,035 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2021	7,776	27.5	2,689	14.4	2,941	12.9	2,008	(12.7)
March 31, 2020	6,100	3.1	2,351	6.2	2,605	6.9	2,301	39.1

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2021	45.22	42.60
March 31, 2020	54.15	51.28

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of:	Million yen	Million yen	%	Yen
March 31, 2021	21,517	16,041	73.9	347.56
March 31, 2020	15,503	11,706	74.6	272.23

(Reference) Equity: As of March 31, 2021: ¥ 15,893 million
As of March 31, 2020: ¥ 11,571 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,150	8.5	1,700	14.8	1,150	13.0	25.15
Full year	8,800	13.2	3,550	20.7	2,400	19.5	52.48

*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 Monday, May 17, 2021.

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1. Overview of Operating Results

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

Although the Japanese economy in the fiscal year under review was in a tough situation due to the COVID-19 infection, there are signs of recovery at present. However, the future remains uncertain as the fourth wave of the spread of the COVID-19 infection is said to have arrived.

As for the environment surrounding eGuarantee, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), the number of corporate bankruptcies decreased by 13.8% year on year to 7,314 cases in the fiscal year under review (source: TEIKOKU DATABANK, Ltd.), and it is believed that various benefits and institutional loans that are substantially interest-free and unsecured were successful in curbing the number of corporate bankruptcies. However, a lack of prospects for business improvement due to the prolonged stagnation of economic activities is expected to increase the number of companies going bankrupt, and the close monitoring of the trend of bankruptcies is needed to be continued accordingly.

Amid such an environment, credit risk guarantee services continued to show robust results. The number of new contracts increased by developing new products and offering them promptly to meet customers’ growing needs due to the impact of the COVID-19 infection and other factors. Also, inquiries from customers who had not considered the use of the guarantee service increased. The customer base that uses the guarantee service was expanded by the Group’s efforts to improve the service’s recognition by advertising and actively responding to requests for interviews from the media. For existing policies, the Group has reviewed their conditions and limited underwriting of large-scale risks to diversify risks and restructure the portfolio, in light of the possibility of an increase in the number of bankruptcies in the future due to the impact of the COVID-19 infection.

As a result, at the end of the fiscal year under review, guarantee obligations amounted to 637.1 billion yen (from the end of the fiscal year under review, total amount of the maximum amount guaranteed set for each guaranteed party (if the guaranteed party is not identifiable, the maximum amount guaranteed set for each contractor of the guarantee agreement) is stated as guarantee obligations), and net sales were 7,194,885 thousand yen (up 20.8% year on year), while operating profit was 3,088,846 thousand yen (up 13.6% year on year), ordinary profit was 3,108,793 thousand yen (up 13.0% year on year), and profit attributable to owners of parent was 2,004,095 thousand yen (down 12.9% year on year). Of this, profit attributable to owners of parent was significantly increased in the previous fiscal year as a result of a temporary special factor, which was a significant reduction in the rate of income taxes after the application of tax effect accounting due to the tax-deductibility of ESOP trust distributions. In the fiscal year under review, it has decreased compared to the previous fiscal year due to the absence of such temporary special factors.

Financial results by service are as follows:

- Guarantee services for commercial companies

Net sales for these services amounted to 7,013,910 thousand yen (up 21.2% year on year).

- Guarantee services for financial institutions

Net sales for these services amounted to 180,974 thousand yen (up 6.4% 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 37.3% from the end of the previous fiscal year to 22,570,471 thousand yen.

Current assets increased by 25.2% from the end of the previous fiscal year to 17,085,816 thousand yen. This is mainly due to an increase in cash and deposits of 6,823,517 thousand yen.

Non-current assets increased by 95.9% from the end of the previous fiscal year to 5,484,655 thousand yen. This is mainly due to an increase in investment securities of 2,571,487 thousand yen.

Liabilities

Total liabilities increased by 47.7% from the end of the previous fiscal year to 5,384,392 thousand yen.

Current liabilities increased by 49.2 % from the end of the previous fiscal year to 5,269,109 thousand yen. This is mainly due to an increase in income taxes payable of 932,056 thousand yen.

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

Net assets

Total net assets increased by 34.3% from the end of the previous fiscal year to 17,186,079 thousand yen. This is mainly due to an increase in share capital and capital surplus of 1,454,517 thousand yen, respectively.

(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 increased by 6,823,517 thousand yen from the end of the previous fiscal year to 11,644,392 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 4,694,093 thousand yen (1,036,317 thousand yen provided in the previous fiscal year). The major cause of this increase is the recording of profit before income taxes of 3,079,971 thousand yen.

Cash flows from investing activities

Funds used in investing activities amounted to 80,167 thousand yen (1,661,700 thousand yen used in the previous fiscal year). The major cause of this decrease is the purchase of investment securities of 2,600,000 thousand yen.

Cash flows from financing activities

Funds provided by financing activities amounted to 2,209,591 thousand yen (613,726 thousand yen used in the previous fiscal year). The major cause of this increase is proceeds from exercise of employee share options of 2,905,182 thousand yen.

(Reference) Trends in cash flow indicators

As of	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Capital adequacy ratio (%)	60.4	58.0	59.7	70.3	70.3
Capital adequacy ratio at fair value (%)	219.6	317.7	285.9	408.7	422.8
Interest-bearing debt to cash flow ratio (%)	0.4	—	—	—	—
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 April states that “the Japanese economy shows weakness in some components although it remains in picking up in a severe situation due to the Novel Coronavirus.” Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while taking measures to prevent the spread of the infectious diseases. However, the economic environment continues to be uncertain, with the risk of the disease sending domestic and overseas economies into 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 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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	9,232,731	16,056,248
Accounts receivable - trade	58,440	65,437
Securities	2,602,474	—
Prepaid expenses	*1 1,152,221	*1 793,539
Accounts receivable - other	358,833	63,981
Income taxes receivable	139,527	—
Other	100,895	106,609
Total current assets	13,645,123	17,085,816
Non-current assets		
Property, plant and equipment		
Buildings and structures	879,812	881,721
Accumulated depreciation	(117,019)	(139,674)
Buildings and structures, net	762,792	742,046
Machinery, equipment and vehicles	1,247	1,247
Accumulated depreciation	(909)	(1,078)
Machinery, equipment and vehicles, net	337	168
Tools, furniture and fixtures	153,518	183,469
Accumulated depreciation	(116,488)	(131,684)
Tools, furniture and fixtures, net	37,030	51,784
Land	591,944	591,944
Total property, plant and equipment	1,392,105	1,385,945
Intangible assets		
Software	77,068	110,985
Other	—	193
Total intangible assets	77,068	111,178
Investments and other assets		
Investment securities	855,250	3,426,737
Investments in other securities of subsidiaries and associates	*2 116,220	*2 115,649
Long-term prepaid expenses	197	117
Leasehold and guarantee deposits	207,490	211,197
Deferred tax assets	151,287	233,829
Total investments and other assets	1,330,445	3,987,531
Total non-current assets	2,799,619	5,484,655
Total assets	16,444,743	22,570,471

(Thousand yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	7,889	9,932
Income taxes payable	2,693	934,750
Advances received	*3 3,059,366	*3 3,664,750
Provision for settlement	216,981	342,711
Provision for bonuses	124,148	150,000
Deposits received	24,541	31,943
Other	95,682	135,021
Total current liabilities	3,531,305	5,269,109
Non-current liabilities		
Long-term accounts payable - other	115,282	115,282
Total non-current liabilities	115,282	115,282
Total liabilities	3,646,588	5,384,392
Net assets		
Shareholders' equity		
Share capital	1,643,135	3,097,652
Capital surplus	1,053,135	2,507,652
Retained earnings	8,863,119	10,272,144
Treasury shares	(774)	(824)
Total shareholders' equity	11,558,616	15,876,626
Share acquisition rights	135,065	147,996
Non-controlling interests	1,104,472	1,161,456
Total net assets	12,798,155	17,186,079
Total liabilities and net assets	16,444,743	22,570,471

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

(Thousand yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Net sales	5,956,734	7,194,885
Cost of sales	1,208,325	1,816,178
Gross profit	4,748,408	5,378,706
Selling, general and administrative expenses	* 2,029,605	* 2,289,859
Operating profit	2,718,802	3,088,846
Non-operating income		
Interest income	25,413	17,648
Share of profit of entities accounted for using equity method	5,312	—
Other	2,021	2,875
Total non-operating income	32,747	20,524
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	571
Miscellaneous losses	546	6
Total non-operating expenses	546	577
Ordinary profit	2,751,004	3,108,793
Extraordinary losses		
Loss on retirement of non-current assets	109,970	308
Loss on sale of investment securities	23,547	—
Loss on valuation of investment securities	—	28,512
Total extraordinary losses	133,517	28,821
Profit before income taxes	2,617,487	3,079,971
Income taxes - current	228,325	1,000,596
Income taxes - deferred	(44,371)	(82,542)
Total income taxes	183,954	918,054
Profit	2,433,533	2,161,917
Profit attributable to non-controlling interests	132,334	157,822
Profit attributable to owners of parent	2,301,198	2,004,095

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Profit	2,433,533	2,161,917
Comprehensive income	2,433,533	2,161,917
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,301,198	2,004,095
Comprehensive income attributable to non-controlling interests	132,334	157,822

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,643,135	1,053,135	7,114,487	(677)	9,810,081
Changes during period					
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)
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			
Dividends of surplus			(552,566)
Profit attributable to owners of parent			2,301,198
Purchase of treasury shares			(97)
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

For the fiscal year ended March 31, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,643,135	1,053,135	8,863,119	(774)	11,558,616
Changes during period					
Issuance of new shares - exercise of share acquisition rights	1,454,517	1,454,517			2,909,034
Dividends of surplus			(595,070)		(595,070)
Profit attributable to owners of parent			2,004,095		2,004,095
Purchase of treasury shares				(49)	(49)
Net changes in items other than shareholders' equity					
Total changes during period	1,454,517	1,454,517	1,409,024	(49)	4,318,009
Balance at end of period	3,097,652	2,507,652	10,272,144	(824)	15,876,626

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	135,065	1,104,472	12,798,155
Changes during period			
Issuance of new shares - exercise of share acquisition rights	(3,851)		2,905,182
Dividends of surplus			(595,070)
Profit attributable to owners of parent			2,004,095
Purchase of treasury shares			(49)
Net changes in items other than shareholders' equity	16,782	56,983	73,766
Total changes during period	12,930	56,983	4,387,924
Balance at end of period	147,996	1,161,456	17,186,079

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,617,487	3,079,971
Depreciation	78,273	63,692
Increase (decrease) in provision for settlement	40,717	125,729
Increase (decrease) in provision for bonuses	64,148	25,851
Interest income	(25,413)	(17,648)
Share of loss (profit) of entities accounted for using equity method	(5,312)	571
Share-based payment expenses	18,946	17,142
Loss on retirement of non-current assets	109,970	308
Loss (gain) on sale of investment securities	23,547	—
Loss (gain) on valuation of investment securities	—	28,512
Decrease (increase) in trade receivables	(12,218)	(6,997)
Increase (decrease) in trade payables	692	2,042
Decrease (increase) in prepaid expenses	383,202	358,682
Decrease (increase) in accounts receivable - other	5,507	294,852
Increase (decrease) in advances received	411,798	605,383
Increase (decrease) in deposits received	(1,890,478)	7,402
Other, net	15,663	55,620
Subtotal	1,836,533	4,641,117
Interest received	26,466	23,678
Income taxes refund (paid)	(826,682)	29,297
Net cash provided by (used in) operating activities	1,036,317	4,694,093
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,000,000)	—
Purchase of property, plant and equipment	(13,131)	(21,148)
Purchase of intangible assets	(70,719)	(53,498)
Proceeds from redemption of investment securities	800,000	2,600,000
Purchase of investment securities	(1,364,743)	(2,600,000)
Payments of leasehold deposits	(13,326)	(6,659)
Proceeds from refund of leasehold deposits	220	1,139
Net cash provided by (used in) investing activities	(1,661,700)	(80,167)
Cash flows from financing activities		
Proceeds from exercise of employee share options	—	2,905,182
Purchase of treasury shares	(97)	(49)
Dividends paid	(552,245)	(594,703)
Dividends paid to non-controlling interests	(81,383)	(100,838)
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	(613,726)	2,209,591
Net increase (decrease) in cash and cash equivalents	(1,239,109)	6,823,517
Cash and cash equivalents at beginning of period	6,059,984	4,820,874
Cash and cash equivalents at end of period	4,820,874	11,644,392

(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:

Not applicable.

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, 2020	As of March 31, 2021
Investments in other securities of subsidiaries and associates	116,220 thousand yen	115,649 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, 2020		As of March 31, 2021	
Guarantee liabilities for guarantee services against sales credit	438,720,295	Guarantee liabilities for guarantee services against sales credit	482,232,406
Guarantee liabilities for guarantee services against factored credit	465,426	Guarantee liabilities for guarantee services against factored credit	—

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.

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.

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, 408,929,703 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:

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Salaries and allowances	686,077	746,231
Provision for bonuses	124,148	150,000
Rent expenses on land and buildings	226,014	230,320
Taxes and dues	172,588	237,843

(Notes on Consolidated Statements of Comprehensive Income)

Not applicable.

(Notes on Consolidated Statements of Changes in Equity)

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

(Note) The increase in common shares 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 shares	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	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 shares	Retained earnings	595,070	14.00	March 31, 2020	June 29, 2020

For the fiscal year ended March 31, 2021

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)	42,506,400	3,223,400	—	45,729,800
Total	42,506,400	3,223,400	—	45,729,800
Treasury shares				
Common shares (Note 2)	1,385	29	—	1,414
Total	1,385	29	—	1,414

(Notes) 1. The increase in shares issued and outstanding of 3,223,400 shares is due to exercise of stock options.

2. The increase in common shares under treasury shares of 29 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	—	—	—	—	—	147,996
Total		—	—	—	—	—	147,996

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, 2020	Common shares	595,070	14.00	March 31, 2020	June 29, 2020

(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 28, 2021	Common shares	Retained earnings	1,006,024	22.00	March 31, 2021	June 29, 2021

(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, 2020	For the fiscal year ended March 31, 2021
Cash and deposits	9,232,731	16,056,248
Time deposits deposited for over three months	(4,411,856)	(4,411,856)
Cash and cash equivalents	4,820,874	11,644,392

(Segment Information)

(Segment information)

1. Overview of reportable segments

I For the fiscal year ended March 31, 2020

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, 2021

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, 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.

For the fiscal year ended March 31, 2021

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, 2020

Not applicable.

For the fiscal year ended March 31, 2021

Not applicable.

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

For the fiscal year ended March 31, 2020

Not applicable.

For the fiscal year ended March 31, 2021

Not applicable.

[Gain on bargain purchase per reportable segment]

For the fiscal year ended March 31, 2020

Not applicable.

For the fiscal year ended March 31, 2021

Not applicable.

(Per Share Information)

(Yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Net assets per share	271.94	347.19
Basic earnings per share	54.14	45.12
Diluted earnings per share	51.27	42.51

(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, 2020	For the fiscal year ended March 31, 2021
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	2,301,198	2,004,095
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent related to common shares (Thousand yen)	2,301,198	2,004,095
Average number of shares of common shares during the period (Shares)	42,505,035	44,415,315
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	—	—
Increase in common shares (Shares)	2,382,202	2,729,595
[Of which, share acquisition rights (Shares)]	[2,382,202]	[2,729,595]
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect		—

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

	As of March 31, 2020	As of March 31, 2021
Total net assets on the consolidated balance sheets (Thousand yen)	12,798,155	17,186,079
Amount deducted from total net assets (Thousand yen)	1,239,538	1,309,453
[Of which, share acquisition rights (Thousand yen)]	[135,065]	[147,996]
[Of which, non-controlling interests (Thousand yen)]	[1,104,472]	[1,161,456]
Net assets at the end of the period related to common shares (Thousand yen)	11,558,616	15,876,626
Number of shares of common shares issued and outstanding (Shares)	42,506,400	45,729,800
Number of treasury shares in common shares (Shares)	1,385	1,414
Number of shares of common shares used in calculating net assets per share (Shares)	42,505,015	45,728,386

(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.