

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 28, 2023 (Based on Japanese GAAP)

April 10, 2023

Company name: AVANTIA CO.,LTD.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 8904 URL <https://avantia-g.co.jp/>
 Representative: Representative Director Yasunari Sawada
 President
 Director and Department
 Inquiries: Manager of Administration Shoji Higuchi TEL 052-859-0034
 Scheduled date to file Quarterly Securities Report: April 10, 2023
 Scheduled date to commence dividend payments: May 19, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended February 28, 2023 (from September 1, 2022 to February 28, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------------------------|-----------------|------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended February 28, 2023 | 24,108 | 7.8 | 575 | 244.3 | 597 | 167.7 | 354 | 251.9 |
| Six months ended February 28, 2022 | 22,359 | 26.4 | 167 | (42.8) | 223 | (38.8) | 100 | (56.2) |

| | Earnings per share | | Diluted earnings per share | |
|------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended February 28, 2023 | 24.81 | | - | |
| Six months ended February 28, 2022 | 7.07 | | - | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of February 28, 2023 | 63,135 | 26,998 | 42.8 |
| As of August 31, 2022 | 60,683 | 26,887 | 44.3 |

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | | | | |
| Year ended August 31, 2022 | - | 19.00 | - | 19.00 | 38.00 |
| Year ending August 31, 2023 | - | 19.00 | - | - | - |
| Year ending August 31, 2023 (Forecast) | - | - | - | 19.00 | 38.00 |

3. Forecast of consolidated financial results for the year ending August 31, 2023 (from September 1, 2022 to August 31, 2023)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|-----|------------------|--------|-----------------|--------|---|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 62,000 | 5.5 | 1,900 | (18.3) | 1,900 | (21.5) | 1,300 | (30.5) | 90.99 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended February 28, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|-------------------------|-------------------|-----------------------|-------------------|
| As of February 28, 2023 | 14,884,300 shares | As of August 31, 2022 | 14,884,300 shares |
|-------------------------|-------------------|-----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|-----------------------|----------------|
| As of February 28, 2023 | 586,455 shares | As of August 31, 2022 | 620,455 shares |
|-------------------------|----------------|-----------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|------------------------------------|-------------------|------------------------------------|-------------------|
| Six months ended February 28, 2023 | 14,276,618 shares | Six months ended February 28, 2022 | 14,245,927 shares |
|------------------------------------|-------------------|------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of August 31, 2021 | As of August 31, 2022 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,881,771 | 13,792,559 |
| Notes receivable, accounts receivable from completed construction contracts and other | 1,313,202 | – |
| Notes receivable, accounts receivable from completed construction contracts and other, contract assets | – | 1,615,504 |
| Real estate for sale | 6,008,205 | 9,458,472 |
| Costs on development business and other | 22,974,924 | 24,242,458 |
| Costs on construction contracts in progress | 2,464,850 | 4,209,562 |
| Raw materials and supplies | 17,944 | 15,913 |
| Other | 625,381 | 610,323 |
| Allowance for doubtful accounts | (1,597) | (882) |
| Total current assets | 46,284,682 | 53,943,911 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 3,741,529 | 3,669,193 |
| Accumulated depreciation | (1,360,440) | (1,531,703) |
| Buildings and structures, net | 2,381,089 | 2,137,490 |
| Vehicles | 128,635 | 110,958 |
| Accumulated depreciation | (98,991) | (90,198) |
| Vehicles, net | 29,644 | 20,760 |
| Land | 2,533,380 | 2,317,979 |
| Other | 541,096 | 511,575 |
| Accumulated depreciation | (392,254) | (425,273) |
| Other, net | 148,841 | 86,302 |
| Total property, plant and equipment | 5,092,955 | 4,562,532 |
| Intangible assets | | |
| Goodwill | 563,414 | 636,390 |
| Software | 72,955 | 87,734 |
| Other | 26,421 | 23,820 |
| Total intangible assets | 662,791 | 747,945 |
| Investments and other assets | | |
| Investment securities | 561,210 | 429,096 |
| Deferred tax assets | 249,604 | 328,833 |
| Retirement benefit asset | 14,680 | 400 |
| Other | 601,030 | 670,842 |
| Total investments and other assets | 1,426,526 | 1,429,171 |
| Total non-current assets | 7,182,273 | 6,739,650 |
| Total assets | 53,466,956 | 60,683,562 |

(Thousands of yen)

| | As of August 31, 2021 | As of August 31, 2022 |
|--|-----------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 2,194,225 | 2,709,920 |
| Short-term borrowings | 12,530,780 | 19,472,703 |
| Current portion of long-term borrowings | 1,269,855 | 4,325,611 |
| Income taxes payable | 345,932 | 431,409 |
| Advances received on construction contracts in progress | 3,615,221 | – |
| Contract liabilities | – | 1,261,087 |
| Provision for bonuses | 129,271 | 124,580 |
| Provision for warranties for completed construction | 30,614 | 18,694 |
| Other | 1,150,455 | 1,108,603 |
| Total current liabilities | 21,266,355 | 29,452,609 |
| Non-current liabilities | | |
| Long-term borrowings | 5,897,960 | 3,639,845 |
| Deferred tax liabilities | 4,001 | – |
| Retirement benefit liability | 253,542 | 281,712 |
| Other | 459,909 | 422,360 |
| Total non-current liabilities | 6,615,413 | 4,343,918 |
| Total liabilities | 27,881,769 | 33,796,528 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,732,673 | 3,732,673 |
| Capital surplus | 2,980,013 | 2,978,249 |
| Retained earnings | 19,403,285 | 20,732,264 |
| Treasury shares | (602,061) | (575,443) |
| Total shareholders' equity | 25,513,910 | 26,867,743 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 71,276 | 19,289 |
| Total accumulated other comprehensive income | 71,276 | 19,289 |
| Total net assets | 25,585,186 | 26,887,033 |
| Total liabilities and net assets | 53,466,956 | 60,683,562 |

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Net sales | 45,327,930 | 58,753,402 |
| Cost of sales | 38,243,322 | 49,865,661 |
| Gross profit | 7,084,608 | 8,887,740 |
| Selling, general and administrative expenses | | |
| Remuneration for directors (and other officers) | 297,493 | 308,918 |
| Employees' salaries and allowances | 2,025,879 | 2,328,823 |
| Provision for bonuses | 64,333 | 61,328 |
| Retirement benefit expenses | 33,817 | 46,328 |
| Advertising expenses | 599,707 | 783,718 |
| Taxes and dues | 424,325 | 576,814 |
| Provision of allowance for doubtful accounts | 219 | (715) |
| Other | 1,898,416 | 2,456,776 |
| Total selling, general and administrative expenses | 5,344,193 | 6,561,992 |
| Operating profit | 1,740,415 | 2,325,747 |
| Non-operating income | | |
| Interest income | 1,287 | 719 |
| Dividend income | 7,471 | 8,291 |
| Administrative service fee income | 42,924 | 61,492 |
| Refunded Real Estate Acquisition Tax | 110,773 | 85,254 |
| Miscellaneous income | 192,374 | 116,865 |
| Total non-operating income | 354,830 | 272,624 |
| Non-operating expenses | | |
| Interest expenses | 119,697 | 156,677 |
| Miscellaneous losses | 37,679 | 21,611 |
| Total non-operating expenses | 157,376 | 178,288 |
| Ordinary profit | 1,937,869 | 2,420,082 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 7,341 | 2,564 |
| Gain on reversal of asset retirement obligations | 3,375 | – |
| Other | 46 | – |
| Total extraordinary income | 10,763 | 2,564 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | – | 29,966 |
| Loss on retirement of non-current assets | 43,347 | 12,069 |
| Loss on revision of retirement benefit plan | – | 12,951 |
| Other | 453 | – |
| Total extraordinary losses | 43,800 | 54,986 |
| Profit before income taxes | 1,904,831 | 2,367,660 |

(Thousands of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Income taxes - current | 562,580 | 721,663 |
| Income taxes for prior periods | – | (164,094) |
| Income taxes - deferred | (10,535) | (60,368) |
| Total income taxes | 552,044 | 497,200 |
| Profit | 1,352,786 | 1,870,460 |
| Profit attributable to owners of parent | 1,352,786 | 1,870,460 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Profit | 1,352,786 | 1,870,460 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20,859 | (51,986) |
| Total other comprehensive income | 20,859 | (51,986) |
| Comprehensive income | 1,373,645 | 1,818,473 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,373,645 | 1,818,473 |
| Comprehensive income attributable to non-controlling interests | — | — |

Consolidated statements of changes in equity

Fiscal year ended August 31, 2021

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 3,732,673 | 2,982,029 | 18,590,865 | (629,792) | 24,675,776 |
| Changes during period | | | | | |
| Dividends of surplus | | | (540,367) | | (540,367) |
| Profit attributable to owners of parent | | | 1,352,786 | | 1,352,786 |
| Disposal of treasury shares | | (2,016) | | 27,730 | 25,714 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (2,016) | 812,419 | 27,730 | 838,133 |
| Balance at end of period | 3,732,673 | 2,980,013 | 19,403,285 | (602,061) | 25,513,910 |

| | Accumulated other comprehensive income | Total net assets |
|--|---|------------------|
| | Valuation difference on available-for-sale securities | |
| Balance at beginning of period | 50,417 | 24,726,194 |
| Changes during period | | |
| Dividends of surplus | | (540,367) |
| Profit attributable to owners of parent | | 1,352,786 |
| Disposal of treasury shares | | 25,714 |
| Net changes in items other than shareholders' equity | 20,859 | 20,859 |
| Total changes during period | 20,859 | 858,992 |
| Balance at end of period | 71,276 | 25,585,186 |

Fiscal year ended August 31, 2022

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 3,732,673 | 2,980,013 | 19,403,285 | (602,061) | 25,513,910 |
| Changes during period | | | | | |
| Dividends of surplus | | | (541,480) | | (541,480) |
| Profit attributable to owners of parent | | | 1,870,460 | | 1,870,460 |
| Disposal of treasury shares | | (1,763) | | 26,617 | 24,854 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (1,763) | 1,328,979 | 26,617 | 1,353,833 |
| Balance at end of period | 3,732,673 | 2,978,249 | 20,732,264 | (575,443) | 26,867,743 |

| | Accumulated other comprehensive income | Total net assets |
|--|---|------------------|
| | Valuation difference on available-for-sale securities | |
| Balance at beginning of period | 71,276 | 25,585,186 |
| Changes during period | | |
| Dividends of surplus | | (541,480) |
| Profit attributable to owners of parent | | 1,870,460 |
| Disposal of treasury shares | | 24,854 |
| Net changes in items other than shareholders' equity | (51,986) | (51,986) |
| Total changes during period | (51,986) | 1,301,846 |
| Balance at end of period | 19,289 | 26,887,033 |

Consolidated statements of cash flows

(Thousands of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,904,831 | 2,367,660 |
| Depreciation | 231,205 | 323,262 |
| Amortization of goodwill | 46,012 | 90,364 |
| Gain on reversal of asset retirement obligations | (3,375) | – |
| Increase (decrease) in allowance for doubtful accounts | (668) | (715) |
| Increase (decrease) in provision for bonuses | (13,226) | (4,691) |
| Increase (decrease) in provision for warranties for completed construction | 12,772 | (11,919) |
| Increase (decrease) in retirement benefit liability | 3,162 | 28,170 |
| Interest and dividend income | (8,759) | (9,011) |
| Interest expenses | 119,697 | 156,677 |
| Loss (gain) on sale of non-current assets | (7,341) | 27,401 |
| Loss on retirement of non-current assets | 43,347 | 12,069 |
| Decrease (increase) in trade receivables | 722,934 | (302,302) |
| Decrease (increase) in inventories | (265,359) | (6,460,481) |
| Increase (decrease) in trade payables | (1,425,889) | 515,694 |
| Increase (decrease) in advances received on construction contracts in progress | 125,147 | – |
| Increase (decrease) in contract liabilities | – | (2,354,134) |
| Transfer from fixed assets to inventories | – | 247,258 |
| Other, net | (96,669) | (49,682) |
| Subtotal | 1,387,823 | (5,424,379) |
| Interest and dividends received | 7,573 | 8,391 |
| Interest paid | (122,564) | (144,358) |
| Income taxes paid | (752,910) | (646,709) |
| Income taxes refund | 12,553 | 107,321 |
| Net cash provided by (used in) operating activities | 532,476 | (6,099,734) |

(Thousands of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from investing activities | | |
| Payments into time deposits | (159,372) | (77,542) |
| Proceeds from withdrawal of time deposits | 155,850 | 75,944 |
| Purchase of property, plant and equipment | (131,507) | (45,498) |
| Proceeds from sale of property, plant and equipment | 199,007 | 5,479 |
| Purchase of intangible assets | (45,823) | (45,561) |
| Purchase of investment securities | (3,059) | (3,120) |
| Proceeds from redemption of investment securities | 101,000 | 61,000 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (510,553) | – |
| Additional purchase of investments in consolidated subsidiaries | – | (104,131) |
| Other, net | (102,009) | (55,766) |
| Net cash provided by (used in) investing activities | (496,467) | (189,197) |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 20,627,549 | 44,560,135 |
| Repayments of short-term borrowings | (20,155,056) | (37,618,211) |
| Proceeds from long-term borrowings | 773,908 | 2,692,000 |
| Repayments of long-term borrowings | (1,877,072) | (1,894,358) |
| Redemption of bonds | (130,000) | – |
| Dividends paid | (540,455) | (541,442) |
| Net cash provided by (used in) financing activities | (1,301,126) | 7,198,121 |
| Net increase (decrease) in cash and cash equivalents | (1,265,117) | 909,189 |
| Cash and cash equivalents at beginning of period | 14,097,824 | 12,832,707 |
| Cash and cash equivalents at end of period | 12,832,707 | 13,741,896 |