

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

Company name: Advance Create Co., Ltd.
 Stock exchange listing: Tokyo, Sapporo, Fukuoka
 Stock code: 8798 URL <https://www.advancecreate.co.jp/>
 Representative: President Yoshiharu Hamada
 Director and General Manager of Administration Division Kinji Yokoyama TEL 06-6204-1193
 Scheduled date to file Quarterly Securities Report: May 12, 2023
 Scheduled date to commence dividend payments: June 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2023 (from October 1, 2022 to March 31, 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 March 31, 2023	6,454	8.9	762	(37.7)	666	(44.0)	324	(57.9)
Six months ended March 31, 2022	5,926	2.6	1,222	0.1	1,190	2.2	770	1.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2023	14.83		-	
Six months ended March 31, 2022	35.19		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	12,191	7,096	58.2
As of September 30, 2022	12,491	7,145	57.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended September 30, 2022	-	15.00	-	17.50	32.50
Year ending September 30, 2023	-	17.50	-	-	-
Year ending September 30, 2023 (Forecast)	-	-	-	17.50	35.00

3. Forecast of consolidated financial results for the year ending September 30, 2023 (from October 1, 2022 to September 30, 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	15,050	26.9	2,950	43.1	2,800	39.0	1,700	29.6	77.67

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 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: Yes
- 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 March 31, 2023	22,557,200 shares	As of September 30, 2022	22,557,200 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	665,307 shares	As of September 30, 2022	689,178 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2023	21,879,764 shares	Six months ended March 31, 2022	21,901,032 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	2,273,548	1,430,445
Accounts receivable - trade	2,231,307	2,644,982
Accounts receivable - other	2,261,020	2,320,075
Other	1,090,946	1,198,935
Total current assets	7,856,821	7,594,438
Non-current assets		
Property, plant and equipment	1,073,502	1,055,408
Intangible assets		
Software	900,317	1,016,752
Other	102,359	198,404
Total intangible assets	1,002,676	1,215,156
Investments and other assets		
Investment securities	119,164	117,182
Guarantee deposits	694,850	707,223
Insurance funds	764,910	428,033
Deferred tax assets	379,101	380,514
Other	588,880	685,747
Total investments and other assets	2,546,906	2,318,701
Total non-current assets	4,623,086	4,589,266
Deferred assets	11,213	8,094
Total assets	12,491,121	12,191,800
Liabilities		
Current liabilities		
Current portion of bonds payable	200,000	200,000
Income taxes payable	342,449	323,493
Accounts payable - other	1,110,741	1,239,875
Deposits received	395,611	459,412
Lease liabilities	110,000	125,483
Provision for bonuses	178,002	136,935
Other	668,298	522,585
Total current liabilities	3,005,103	3,007,785
Non-current liabilities		
Long-term borrowings	256,250	230,320
Bonds payable	400,000	300,000
Lease liabilities	704,300	713,094
Retirement benefit liability	416,197	417,769
Asset retirement obligations	304,576	308,935
Other	259,227	117,282
Total non-current liabilities	2,340,551	2,087,402
Total liabilities	5,345,655	5,095,188

(Thousands of yen)

	As of September 30, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,158,703	3,158,703
Capital surplus	585,325	585,325
Retained earnings	3,908,226	3,838,085
Treasury shares	(552,474)	(528,680)
Total shareholders' equity	7,099,781	7,053,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,684	43,177
Total accumulated other comprehensive income	45,684	43,177
Total net assets	7,145,466	7,096,611
Total liabilities and net assets	12,491,121	12,191,800

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Net sales	5,926,708	6,454,083
Cost of sales	1,217,392	1,534,560
Gross profit	4,709,316	4,919,522
Selling, general and administrative expenses	3,486,360	4,157,111
Operating profit	1,222,955	762,410
Non-operating income		
Interest and dividend income	1,735	199
Guarantee commission received	4,554	4,647
Gain on sales of gold bullion	18,658	–
Foreign exchange gains	18,022	–
Other	3,123	2,849
Total non-operating income	46,093	7,696
Non-operating expenses		
Interest expenses	6,372	8,877
Commission expenses	68,487	83,840
Other	3,979	10,390
Total non-operating expenses	78,839	103,108
Ordinary profit	1,190,210	666,999
Extraordinary income		
Gain on cancellation of insurance policies	–	9,972
Total extraordinary income	–	9,972
Extraordinary losses		
Loss on retirement of non-current assets	1,929	–
Loss on termination of ESOP trust	10,925	–
Loss on cancellation of insurance policies	–	35,783
Total extraordinary losses	12,854	35,783
Profit before income taxes	1,177,355	641,187
Income taxes	406,536	316,621
Profit	770,819	324,565
Profit attributable to owners of parent	770,819	324,565

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit	770,819	324,565
Other comprehensive income		
Valuation difference on available-for-sale securities	(75,268)	(2,507)
Total other comprehensive income	(75,268)	(2,507)
Comprehensive income	695,550	322,058
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	695,550	322,058
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,177,355	641,187
Depreciation	209,855	266,143
Increase (decrease) in provision for bonuses	(11,105)	(41,067)
Increase (decrease) in retirement benefit liability	9,303	2,983
Interest and dividend income	(1,735)	(199)
Interest expenses on borrowings and bonds	6,372	8,877
Amortization of deferred assets	3,368	3,118
Gain on sales of gold bullion	(18,658)	–
Loss on retirement of non-current assets	1,929	–
Loss on termination of ESOP trust	10,925	–
Loss (gain) on cancellation of insurance policies	–	25,811
Decrease (increase) in trade receivables	(678,780)	(413,675)
Decrease (increase) in accounts receivable - other	309,680	(59,140)
Decrease (increase) in deposits paid	(139,314)	(52,231)
Decrease (increase) in long-term prepaid expenses	(144,760)	(76,565)
Increase (decrease) in accrued consumption taxes	(160,420)	(125,269)
Increase (decrease) in accounts payable - other	(189,702)	119,739
Other, net	(188,228)	(144,894)
Subtotal	196,084	154,816
Interest and dividends received	1,088	199
Interest paid	(6,468)	(8,937)
Income taxes paid	(552,318)	(323,900)
Net cash provided by (used in) operating activities	(361,614)	(177,821)
Cash flows from investing activities		
Purchase of property, plant and equipment	(72,278)	(89,761)
Purchase of investment securities	(1,367)	(1,629)
Purchase of intangible assets	(232,458)	(280,026)
Proceeds from cancellation of insurance funds	–	311,065
Payments of guarantee deposits	(59,038)	(14,031)
Proceeds from refund of guarantee deposits	7,540	1,744
Other, net	73,391	(28,181)
Net cash provided by (used in) investing activities	(284,211)	(100,821)
Cash flows from financing activities		
Proceeds from long-term borrowings	300,000	–
Repayments of long-term borrowings	(103,700)	(25,930)
Purchase of treasury shares	(298,636)	(34)
Proceeds from disposal of treasury shares	132,925	22,930
Redemption of bonds	(100,000)	(100,000)
Dividends paid	(337,726)	(394,103)
Other, net	(49,249)	(60,464)
Net cash provided by (used in) financing activities	(456,386)	(557,602)
Effect of exchange rate change on cash and cash equivalents	18,022	(6,857)
Net increase (decrease) in cash and cash equivalents	(1,084,189)	(843,103)
Cash and cash equivalents at beginning of period	3,206,034	2,270,524
Cash and cash equivalents at end of period	2,121,844	1,427,420