

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 10, 2023

Company name: FORVAL CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 8275 URL <https://www.forval.co.jp>
 Representative: President and COO Masanori Nakajima
 Inquiries: Managing Director Koji Kato TEL 03-3498-1541
 Scheduled date to file Quarterly Securities Report: November 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 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 September 30, 2023 (from April 1, 2023 to September 30, 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 September 30, 2023	30,576	11.1	1,498	157.6	1,656	115.7	942	216.1
Six months ended September 30, 2022	27,526	17.5	581	(39.8)	768	(24.8)	298	(59.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	36.66		36.66	
Six months ended September 30, 2022	11.63		11.63	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	35,392	15,937	42.0
As of March 31, 2023	35,858	15,636	40.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2023	–	0.00	–	27.00	27.00
Year ending March 31, 2024	–	0.00			
Year ending March 31, 2024 (Forecast)			–	28.00	28.00

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	4.1	3,000	22.8	3,000	10.4	1,900	13.1	73.90

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 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: No
- (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 September 30, 2023	25,710,145 shares	As of March 31, 2023	25,710,145 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2023	2,022,477 shares	As of March 31, 2023	2,022,477 shares
--------------------------	------------------	----------------------	------------------

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

Six months ended September 30, 2023	25,710,145 shares	Six months ended September 30, 2022	25,643,533 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,162,826	10,565,711
Notes and accounts receivable - trade, and contract assets	9,321,191	7,920,299
Investments in leases	233,228	209,482
Merchandise and finished goods	797,645	929,667
Work in process	89,276	159,252
Raw materials and supplies	292,580	234,547
Accounts receivable - other	1,908,205	1,985,389
Other	1,442,680	1,712,602
Allowance for doubtful accounts	(109,065)	(126,502)
Total current assets	25,138,568	23,590,449
Non-current assets		
Property, plant and equipment	1,644,015	2,314,364
Intangible assets		
Goodwill	1,734,942	1,595,632
Other	1,309,836	1,460,304
Total intangible assets	3,044,779	3,055,936
Investments and other assets		
Investment securities	2,252,156	2,283,839
Distressed receivables	2,304,814	2,309,714
Deferred tax assets	1,999,800	1,960,533
Other	1,754,492	2,152,396
Allowance for doubtful accounts	(2,280,097)	(2,274,239)
Total investments and other assets	6,031,166	6,432,244
Total non-current assets	10,719,960	11,802,545
Total assets	35,858,529	35,392,995
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,303,448	6,086,195
Short-term borrowings	1,925,368	2,242,938
Accounts payable - other	3,062,465	3,229,310
Income taxes payable	636,701	594,123
Provision for bonuses	738,035	738,702
Provision for bonuses for directors (and other officers)	216,463	151,515
Other	3,043,925	2,948,438
Total current liabilities	16,926,407	15,991,222
Non-current liabilities		
Bonds payable	100,000	100,000
Long-term borrowings	162,786	213,182
Retirement benefit liability	2,796,915	2,803,169
Provision for retirement benefits for directors (and other officers)	65,543	46,928
Deferred tax liabilities	5,242	11,480
Liabilities from application of equity method	29,574	21,840
Other	135,147	267,804
Total non-current liabilities	3,295,208	3,464,404
Total liabilities	20,221,615	19,455,627

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	4,150,294	4,150,294
Capital surplus	2,653,732	2,658,182
Retained earnings	8,407,909	8,656,306
Treasury shares	(1,194,473)	(1,194,473)
Total shareholders' equity	14,017,463	14,270,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	624,611	551,033
Foreign currency translation adjustment	16,681	59,620
Remeasurements of defined benefit plans	(26,417)	(24,237)
Total accumulated other comprehensive income	614,874	586,415
Share acquisition rights	19,224	18,917
Non-controlling interests	985,351	1,061,724
Total net assets	15,636,913	15,937,368
Total liabilities and net assets	35,858,529	35,392,995

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	27,526,418	30,576,636
Cost of sales	18,126,069	19,474,541
Gross profit	9,400,349	11,102,094
Selling, general and administrative expenses	8,818,795	9,604,051
Operating profit	581,554	1,498,042
Non-operating income		
Interest income	2,553	2,773
Dividend income	26,828	15,776
Share of profit of entities accounted for using equity method	80,367	98,765
Other	91,159	72,836
Total non-operating income	200,910	190,151
Non-operating expenses		
Interest expenses	9,424	8,591
loss on retirement of long-term prepaid expenses	–	17,933
Other	4,866	5,015
Total non-operating expenses	14,290	31,540
Ordinary profit	768,173	1,656,653
Extraordinary income		
Gain on sale of investment securities	138	12,930
Gain on sale of non-current assets	–	318
Compensation for forced relocation	–	77,578
Gain on reversal of asset retirement obligations	–	19,440
Other	322	307
Total extraordinary income	460	110,574
Extraordinary losses		
Loss on sale and retirement of non-current assets	112	47,088
Loss on valuation of investment securities	70	–
Total extraordinary losses	182	47,088
Profit before income taxes	768,452	1,720,139
Income taxes - current	346,335	565,307
Income taxes - deferred	92,486	76,226
Total income taxes	438,822	641,533
Profit	329,630	1,078,606
Profit attributable to non-controlling interests	31,478	136,034
Profit attributable to owners of parent	298,152	942,571

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	329,630	1,078,606
Other comprehensive income		
Valuation difference on available-for-sale securities	22,373	(73,578)
Remeasurements of defined benefit plans, net of tax	1,740	2,179
Share of other comprehensive income of entities accounted for using equity method	43,480	42,939
Total other comprehensive income	67,594	(28,459)
Comprehensive income	397,224	1,050,147
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	365,746	914,112
Comprehensive income attributable to non-controlling interests	31,478	136,034

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	768,452	1,720,139
Depreciation	564,273	623,070
Amortization of goodwill	158,235	157,815
Increase (decrease) in allowance for doubtful accounts	(131,603)	10,608
Increase (decrease) in provision for bonuses	(99,516)	169
Increase (decrease) in provision for bonuses for directors (and other officers)	(116,075)	(64,947)
Increase (decrease) in retirement benefit liability	36,931	9,396
Increase (decrease) in provision for retirement benefits for directors (and other officers)	–	(18,614)
Interest and dividend income	(29,382)	(18,549)
Interest expenses	9,424	8,591
Share of loss (profit) of entities accounted for using equity method	(80,367)	(98,765)
Loss (gain) on sale and retirement of non-current assets	112	46,770
Loss (gain) on sale of investment securities	(138)	(12,930)
Decrease (increase) in trade receivables and contract assets	1,081,307	1,519,678
Decrease (increase) in inventories	46,578	(114,589)
Decrease (increase) in prepaid expenses	(263,821)	(263,021)
Increase (decrease) in trade payables	(227,897)	(1,329,303)
Increase (decrease) in accrued consumption taxes	(124,155)	(97,713)
Increase (decrease) in accounts payable - other	(195,886)	213,260
Other, net	(31,285)	(307,568)
Subtotal	1,365,184	1,983,496
Interest and dividends received	29,924	19,231
Interest paid	(9,534)	(8,857)
Income taxes paid	(646,116)	(640,477)
Net cash provided by (used in) operating activities	739,457	1,353,392
Cash flows from investing activities		
Purchase of property, plant and equipment	(70,593)	(598,837)
Purchase of intangible assets	(341,448)	(412,736)
Purchase of investment securities	(211,446)	(5,083)
Proceeds from sale of investment securities	3,287	55,090
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	108,530	42,664
Loan advances	(710)	(40,590)
Proceeds from collection of loans receivable	16,304	5,869
Payments of guarantee deposits	(4,372)	(416,551)
Other, net	8,814	46,897
Net cash provided by (used in) investing activities	(491,635)	(1,323,277)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	122,000	349,400
Repayments of long-term borrowings	(73,510)	(177,721)
Dividends paid	(664,553)	(692,287)
Dividends paid to non-controlling interests	(59,451)	(64,947)
Other, net	(57,063)	(75,781)
Net cash provided by (used in) financing activities	(732,579)	(661,336)
Effect of exchange rate change on cash and cash equivalents	15,370	11,030
Net increase (decrease) in cash and cash equivalents	(469,386)	(620,191)
Cash and cash equivalents at beginning of period	10,066,272	11,055,419
Cash and cash equivalents at end of period	9,596,885	10,435,227