

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2020 (Based on Japanese GAAP)

May 13, 2020

Company name: Advance Create.,Ltd.
 Stock exchange listing: Tokyo
 Stock code: 8798 URL <https://www.advancecreate.co.jp/>
 Representative: President&Chief Executive Officer Yoshiharu Hamada
 Inquiries: General Manager Kinji Yokoyama TEL 06-6204-1193
 Scheduled date to file Quarterly Securities Report: May 13, 2020
 Scheduled date to commence dividend payments: June 1, 2020
 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, 2020 (from October 1, 2019 to March 31, 2020)

(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, 2020	5,575	8.0	856	24.3	821	24.3	552	25.0
Six months ended March 31, 2019	5,161	10.9	689	12.1	661	9.6	442	7.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2020	53.31		53.30	
Six months ended March 31, 2019	42.66		42.37	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2020	9,241	5,306	57.4
As of September 30, 2019	8,168	4,591	56.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended September 30, 2019	–	25.00	–	25.00	50.00
Year ending September 30, 2020	–	25.00			
Year ending September 30, 2020 (Forecast)			–	25.00	50.00

3. Forecast of consolidated financial results for the year ending September 30, 2020 (from October 1, 2019 to September 30, 2020)

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	11,400	10.0	1,570	16.7	1,500	15.6	1,000	18.4	95.51

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2020
 (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 March 31, 2020	10,999,100 shares	As of September 30, 2019	10,999,100 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	429,739 shares	As of September 30, 2019	667,489 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, 2020	10,370,133 shares	Six months ended March 31, 2019	10,366,617 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	678,658	1,189,983
Notes and accounts receivable - trade	1,001,654	1,994,965
Accounts receivable - other	2,785,215	1,897,805
Other	548,064	790,367
Total current assets	5,013,592	5,873,121
Non-current assets		
Property, plant and equipment	583,674	551,290
Intangible assets		
Software	567,425	580,159
Other	7,513	39,049
Total intangible assets	574,939	619,209
Investments and other assets		
Investment securities	219,324	192,676
Guarantee deposits	635,850	665,751
Insurance funds	691,932	691,932
Deferred tax assets	298,340	312,491
Other	150,419	326,023
Total investments and other assets	1,995,867	2,188,875
Total non-current assets	3,154,482	3,359,374
Deferred assets	–	8,754
Total assets	8,168,074	9,241,250
Liabilities		
Current liabilities		
Income taxes payable	324,388	243,533
Accounts payable - other	911,581	1,119,584
Provision for bonuses	181,676	177,995
Other	1,021,395	1,251,829
Total current liabilities	2,439,041	2,792,943
Non-current liabilities		
Long-term borrowings	167,630	147,190
Retirement benefit liability	331,245	349,227
Asset retirement obligations	194,123	201,976
Other	444,663	443,899
Total non-current liabilities	1,137,662	1,142,293
Total liabilities	3,576,703	3,935,236

(Thousands of yen)

	As of September 30, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Share capital	2,915,314	2,915,314
Capital surplus	352,328	343,719
Retained earnings	2,424,075	2,710,747
Treasury shares	(1,139,440)	(689,023)
Total shareholders' equity	4,552,277	5,280,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,693	19,255
Total accumulated other comprehensive income	38,693	19,255
Share acquisition rights	400	6,000
Total net assets	4,591,371	5,306,014
Total liabilities and net assets	8,168,074	9,241,250

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, 2019	Six months ended March 31, 2020
Net sales	5,161,461	5,575,599
Cost of sales	1,521,853	1,602,215
Gross profit	3,639,607	3,973,384
Selling, general and administrative expenses	2,950,140	3,116,466
Operating profit	689,467	856,918
Non-operating income		
Interest and dividend income	3,629	2,415
Gain on forfeiture of unclaimed dividends	450	498
Guarantee commission received	4,090	4,090
Other	1,666	3,859
Total non-operating income	9,835	10,863
Non-operating expenses		
Interest expenses	1,737	5,676
Guarantee commission	2,449	300
Commission expenses	33,836	39,911
Other	–	250
Total non-operating expenses	38,023	46,138
Ordinary profit	661,280	821,643
Extraordinary income		
Gain on reversal of share acquisition rights	–	400
Total extraordinary income	–	400
Profit before income taxes	661,280	822,043
Income taxes - current	228,341	273,586
Income taxes - deferred	(9,381)	(4,463)
Total income taxes	218,959	269,122
Profit	442,320	552,920
Profit attributable to owners of parent	442,320	552,920

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Profit	442,320	552,920
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,647)	(19,438)
Total other comprehensive income	(43,647)	(19,438)
Comprehensive income	398,673	533,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	398,673	533,482
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	661,280	822,043
Depreciation	187,239	196,162
Increase of reserve for commission pay back	(1,922)	–
Increase (decrease) in provision for bonuses	4,774	(3,680)
Increase (decrease) in retirement benefit liability	15,676	17,982
Interest and dividend income	(3,629)	(2,415)
Interest expenses on borrowings and bonds	1,737	5,676
Amortization of deferred assets	–	250
Increase (decrease) in accrued consumption taxes	(38,185)	(22,969)
Decrease (increase) in trade receivables	(378,749)	(993,310)
Decrease (increase) in accounts receivable - other	(181,988)	887,954
Other, net	148,047	48,065
Subtotal	414,280	955,758
Interest and dividends received	2,987	2,115
Interest paid	(1,737)	(5,676)
Income taxes paid	(150,674)	(356,195)
Net cash provided by (used in) operating activities	264,855	596,001
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,221)	(617)
Purchase of intangible assets	(111,804)	(151,085)
Purchase of investment securities	(1,254)	(1,352)
Payments of guarantee deposits	(6,428)	(31,306)
Proceeds from refund of guarantee deposits	916	860
Other, net	(17,651)	(17,582)
Net cash provided by (used in) investing activities	(157,442)	(201,084)
Cash flows from financing activities		
Proceeds from short-term borrowings	300,000	2,600,000
Repayments of short-term borrowings	(300,000)	(2,600,000)
Repayments of long-term borrowings	(22,140)	(20,440)
Purchase of treasury shares	(185,120)	(77)
Proceeds from disposal of treasury shares	20,407	441,587
Dividends paid	(268,285)	(265,525)
Other, net	(35,535)	(42,242)
Net cash provided by (used in) financing activities	(490,674)	113,301
Effect of exchange rate change on cash and cash equivalents	567	2,132
Net increase (decrease) in cash and cash equivalents	(382,693)	510,351
Cash and cash equivalents at beginning of period	1,689,003	616,350
Cash and cash equivalents at end of period	1,306,309	1,126,701