

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2021 (Based on Japanese GAAP)

May 13, 2021

Company name: Advance Create Co.,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, 2021
 Scheduled date to commence dividend payments: June 1, 2021
 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, 2021 (from October 1, 2020 to March 31, 2021)

(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, 2021	5,778	3.6	1,221	42.5	1,164	41.7	759	37.4
Six months ended March 31, 2020	5,575	8.0	856	24.3	821	24.3	552	25.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2021	35.28		35.20	
Six months ended March 31, 2020	26.66		26.65	

(Note) The company conducted a stock split on April 1, 2021, at a ratio of 2 ordinary shares for each ordinary share. Consequently, basic net income per share and diluted net income per share for the second quarter are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2021	11,151	6,200	55.6
As of September 30, 2020	10,312	5,610	54.4

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, 2020	–	25.00	–	25.00	50.00
Year ending September 30, 2021	–	30.00	–	–	–
Year ending September 30, 2021 (Forecast)	–	–	–	15.00	–

(Note) Revision of dividend forecast to the latest announcement No

The company conducted a stock split on April 1, 2021, at a ratio of 2 ordinary shares for each ordinary share. The amount of dividend showed above as the amount of dividend implemented before the second quarter of the fiscal year ending September 30, 2021 is equivalent to the actual amount paid before the stock split. The company plans to declare a cash dividend of 30 yen per share at the end of the fiscal year ending September 30, 2021, resulting in a total year dividend of 60 yen per share, which does not take the effect of such stock split into consideration.

3. Forecast of consolidated financial results for the year ending September 30, 2021 (from October 1, 2020 to September 30, 2021)

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	12,000	14.2	1,800	52.0	1,700	55.1	1,100	57.1	50.98

(Note) Revision of earnings forecast to the latest announcement No

The company conducted a stock split on April 1, 2021, at a ratio of 2 ordinary shares for each ordinary share. Consequently, net income per share on consolidated earnings forecast are calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2021
(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, 2021	22,201,400 shares	As of September 30, 2020	22,075,200 shares
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Number of treasury shares at the end of the period

As of March 31, 2021	580,478 shares	As of September 30, 2020	600,478 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, 2021	21,526,310 shares	Six months ended March 31, 2020	20,740,266 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	2,632,288	2,274,826
Notes and accounts receivable - trade	1,099,522	1,755,889
Accounts receivable - other	2,120,899	2,752,408
Income taxes receivable	15,225	–
Other	695,462	793,734
Total current assets	6,563,398	7,576,858
Non-current assets		
Property, plant and equipment	617,172	559,062
Intangible assets		
Software	518,631	643,031
Other	167,744	86,849
Total intangible assets	686,376	729,880
Investments and other assets		
Investment securities	351,506	319,190
Guarantee deposits	678,655	536,472
Insurance funds	716,258	716,258
Deferred tax assets	271,683	291,853
Other	403,056	400,164
Total investments and other assets	2,421,161	2,263,939
Total non-current assets	3,724,710	3,552,882
Deferred assets	24,688	21,319
Total assets	10,312,797	11,151,060
Liabilities		
Current liabilities		
Current portion of bonds payable	200,000	200,000
Income taxes payable	106,616	417,716
Accounts payable - other	1,087,762	1,094,169
Deposits received	410,212	593,152
Lease obligations	80,116	75,803
Provision for bonuses	183,305	178,449
Asset retirement obligations	6,777	–
Other	623,855	527,918
Total current liabilities	2,698,647	3,087,209
Non-current liabilities		
Long-term borrowings	127,630	108,910
Bonds payable	800,000	700,000
Lease obligations	369,609	331,611
Retirement benefit liability	356,206	373,377
Asset retirement obligations	214,016	205,168
Other	136,594	144,251
Total non-current liabilities	2,004,057	1,863,318
Total liabilities	4,702,704	4,950,527

(Thousands of yen)

	As of September 30, 2020	As of March 31, 2021
Net assets		
Shareholders' equity		
Share capital	2,954,496	3,011,677
Capital surplus	381,117	438,298
Retained earnings	2,586,305	3,068,470
Treasury shares	(443,976)	(425,811)
Total shareholders' equity	5,477,943	6,092,635
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	128,534	105,228
Total accumulated other comprehensive income	128,534	105,228
Share acquisition rights	3,615	2,668
Total net assets	5,610,092	6,200,532
Total liabilities and net assets	10,312,797	11,151,060

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, 2020	Six months ended March 31, 2021
Net sales	5,575,599	5,778,166
Cost of sales	1,602,215	1,313,441
Gross profit	3,973,384	4,464,725
Selling, general and administrative expenses	3,116,466	3,243,276
Operating profit	856,918	1,221,448
Non-operating income		
Interest and dividend income	2,415	2,421
Gain on forfeiture of unclaimed dividends	498	414
Guarantee commission received	4,090	4,090
Other	3,859	1,922
Total non-operating income	10,863	8,847
Non-operating expenses		
Interest expenses	5,676	5,387
Guarantee commission	300	708
Commission expenses	39,911	56,187
Other	250	3,541
Total non-operating expenses	46,138	65,825
Ordinary profit	821,643	1,164,470
Extraordinary income		
Gain on reversal of share acquisition rights	400	—
Total extraordinary income	400	—
Extraordinary losses		
Loss on store closings	—	15,793
Loss on retirement of non-current assets	—	3,224
Total extraordinary losses	—	19,018
Profit before income taxes	822,043	1,145,451
Income taxes - current	273,586	390,106
Income taxes - deferred	(4,463)	(4,102)
Total income taxes	269,122	386,003
Profit	552,920	759,448
Profit attributable to owners of parent	552,920	759,448

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Profit	552,920	759,448
Other comprehensive income		
Valuation difference on available-for-sale securities	(19,438)	(23,305)
Total other comprehensive income	(19,438)	(23,305)
Comprehensive income	533,482	736,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	533,482	736,142
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	822,043	1,145,451
Depreciation	196,162	227,360
Increase (decrease) in provision for bonuses	(3,680)	(4,855)
Increase (decrease) in retirement benefit liability	17,982	17,170
Interest and dividend income	(2,415)	(2,421)
Interest expenses on borrowings and bonds	5,676	5,387
Amortization of deferred assets	250	3,368
Loss on store closings	–	15,793
Loss on retirement of non-current assets	–	3,224
Increase (decrease) in accrued consumption taxes	(22,969)	(72,945)
Decrease (increase) in trade receivables	(993,310)	(656,366)
Decrease (increase) in accounts receivable - other	887,954	(476,688)
Other, net	48,065	92,443
Subtotal	955,758	296,924
Interest and dividends received	2,115	1,428
Interest paid	(5,676)	(4,765)
Income taxes paid	(356,195)	(70,167)
Net cash provided by (used in) operating activities	596,001	223,420
Cash flows from investing activities		
Purchase of property, plant and equipment	(617)	(36,380)
Purchase of intangible assets	(151,085)	(187,719)
Purchase of investment securities	(1,352)	(1,255)
Payments of guarantee deposits	(31,306)	(13,630)
Proceeds from refund of guarantee deposits	860	993
Other, net	(17,582)	(66,269)
Net cash provided by (used in) investing activities	(201,084)	(304,263)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,600,000	–
Repayments of short-term borrowings	(2,600,000)	–
Repayments of long-term borrowings	(20,440)	(18,720)
Purchase of treasury shares	(77)	–
Proceeds from disposal of treasury shares	441,587	18,653
Redemption of bonds	–	(100,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	113,415
Dividends paid	(265,525)	(275,083)
Other, net	(42,242)	(42,310)
Net cash provided by (used in) financing activities	113,301	(304,046)
Effect of exchange rate change on cash and cash equivalents	2,132	–
Net increase (decrease) in cash and cash equivalents	510,351	(384,889)
Cash and cash equivalents at beginning of period	616,350	2,537,216
Cash and cash equivalents at end of period	1,126,701	2,152,327