

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2024 (Based on Japanese GAAP)

May 14, 2024

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, General Manager of Corporate Division Toshiya Okada TEL 06-6204-1193
 Scheduled date to file Quarterly Securities Report: May 15, 2024
 Scheduled date to commence dividend payments: June 26, 2024
 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, 2024 (from October 1, 2023 to March 31, 2024)

(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, 2024	5,005	(22.5)	343	(55.0)	332	(50.1)	144	(55.4)
Six months ended March 31, 2023	6,454	8.9	762	(37.7)	666	(44.0)	324	(57.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2024	6.60		-	
Six months ended March 31, 2023	14.83		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	11,913	4,397	36.9
As of September 30, 2023	10,512	4,643	44.2

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, 2023	-	17.50	-	17.50	35.00
Year ending September 30, 2024	-				
Year ending September 30, 2024 (Forecast)		17.50	-	17.50	35.00

3. Forecast of consolidated financial results for the year ending September 30, 2024 (from October 1, 2023 to September 30, 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	12,000	18.0	1,700	-	1,500	-	900	-	41.03

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2024
(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 March 31, 2024	22,557,200 shares	As of September 30, 2023	22,557,200 shares
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Number of treasury shares at the end of the period

As of March 31, 2024	615,107 shares	As of September 30, 2023	641,207 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, 2024	21,927,840 shares	Six months ended March 31, 2023	21,879,764 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	1,238,267	1,279,219
Accounts receivable - trade	1,723,495	4,053,447
Accounts receivable - other	764,869	335,721
Income taxes refund receivable	419,547	25,835
Other	889,192	941,254
Total current assets	5,035,371	6,635,477
Non-current assets		
Property, plant and equipment	996,163	940,795
Intangible assets		
Software	1,174,031	1,363,853
Other	140,600	89,353
Total intangible assets	1,314,632	1,453,206
Investments and other assets		
Investment securities	138,014	34,397
Long-term prepaid expenses	568,259	515,694
Guarantee deposits	855,251	803,138
Insurance funds	443,222	443,222
Deferred tax assets	1,057,756	1,027,229
Other	97,609	50,841
Total investments and other assets	3,160,113	2,874,523
Total non-current assets	5,470,908	5,268,526
Deferred assets	6,226	9,934
Total assets	10,512,507	11,913,937
Liabilities		
Current liabilities		
Short-term borrowings	900,000	2,512,000
Current portion of bonds payable	200,000	300,000
Income taxes payable	105,606	179,244
Accounts payable - other	1,331,073	1,266,445
Deposits received	642,638	359,395
Lease liabilities	135,011	129,219
Provision for bonuses	145,132	118,420
Other	441,381	490,116
Total current liabilities	3,900,843	5,354,841
Non-current liabilities		
Long-term borrowings	205,760	205,760
Bonds payable	200,000	500,000
Lease liabilities	679,234	633,441
Retirement benefit liability	419,079	387,568
Asset retirement obligations	343,101	343,227
Other	120,796	91,979
Total non-current liabilities	1,967,971	2,161,977
Total liabilities	5,868,815	7,516,818

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	3,158,703	3,158,703
Capital surplus	585,325	321,138
Retained earnings	1,349,529	1,363,776
Treasury shares	(505,856)	(446,248)
Total shareholders' equity	4,587,701	4,397,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,990	(251)
Total accumulated other comprehensive income	55,990	(251)
Total net assets	4,643,691	4,397,119
Total liabilities and net assets	10,512,507	11,913,937

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, 2023	Six months ended March 31, 2024
Net sales	6,454,083	5,005,054
Cost of sales	1,534,560	1,000,277
Gross profit	4,919,522	4,004,776
Selling, general and administrative expenses	4,157,111	3,661,375
Operating profit	762,410	343,400
Non-operating income		
Interest and dividend income	199	2,575
Guarantee commission income	4,647	4,647
Gain on sale of investment securities	–	92,770
Gain on sales of gold bullion	–	7,430
Other	2,849	5,886
Total non-operating income	7,696	113,311
Non-operating expenses		
Interest expenses	8,877	14,772
Commission expenses	83,840	101,171
Other	10,390	7,983
Total non-operating expenses	103,108	123,927
Ordinary profit	666,999	332,784
Extraordinary income		
Gain on insurance cancellation	9,972	–
Total extraordinary income	9,972	–
Extraordinary losses		
Loss on cancellation of insurance policies	35,783	–
Total extraordinary losses	35,783	–
Profit before income taxes	641,187	332,784
Income taxes	316,621	188,017
Profit	324,565	144,767
Profit attributable to owners of parent	324,565	144,767

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Profit	324,565	144,767
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,507)	(56,241)
Total other comprehensive income	(2,507)	(56,241)
Comprehensive income	322,058	88,525
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	322,058	88,525
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	641,187	332,784
Depreciation	266,143	334,483
Increase (decrease) in provision for bonuses	(41,067)	(26,712)
Increase (decrease) in retirement benefit liability	2,983	(27,536)
Interest and dividend income	(199)	(2,575)
Interest expenses on borrowings and bonds	8,877	14,772
Amortization of deferred assets	3,118	1,962
Loss (gain) on sale of investment securities	–	(92,770)
Foreign exchange losses (gains)	–	5,879
Gain on sales of gold bullion	–	(7,430)
Loss (gain) on cancellation of insurance policies	25,811	–
Decrease (increase) in trade receivables	(413,675)	(2,329,951)
Decrease (increase) in accounts receivable - other	(59,140)	429,147
Decrease (increase) in deposits paid	(52,231)	(57,049)
Decrease (increase) in long-term prepaid expenses	(76,565)	52,565
Increase (decrease) in accrued consumption taxes	(125,269)	109,627
Increase (decrease) in accounts payable - other	119,739	(122,515)
Other, net	(144,894)	(322,072)
Subtotal	154,816	(1,707,391)
Interest and dividends received	199	2,571
Interest paid	(8,937)	(14,491)
Income taxes paid	(323,900)	(66,057)
Income taxes refund	–	374,026
Net cash provided by (used in) operating activities	(177,821)	(1,411,343)
Cash flows from investing activities		
Purchase of property, plant and equipment	(89,761)	(17,017)
Purchase of investment securities	(1,629)	(1,999)
Proceeds from sale of investment securities	–	117,371
Purchase of intangible assets	(280,026)	(327,970)
Proceeds from cancellation of insurance funds	311,065	–
Payments of guarantee deposits	(14,031)	(1,146)
Proceeds from refund of guarantee deposits	1,744	53,258
Other, net	(28,181)	62,926
Net cash provided by (used in) investing activities	(100,821)	(114,577)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	1,612,000
Repayments of long-term borrowings	(25,930)	–
Purchase of treasury shares	(34)	–
Proceeds from disposal of treasury shares	22,930	27,059
Proceeds from issuance of bonds	–	494,330
Redemption of bonds	(100,000)	(100,000)
Dividends paid	(394,103)	(393,404)
Other, net	(60,464)	(66,285)
Net cash provided by (used in) financing activities	(557,602)	1,573,700
Effect of exchange rate change on cash and cash equivalents	(6,857)	(5,879)
Net increase (decrease) in cash and cash equivalents	(843,103)	41,900
Cash and cash equivalents at beginning of period	2,270,524	1,191,745
Cash and cash equivalents at end of period	1,427,420	1,233,645