

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2020 (Based on Japanese GAAP)

November 11, 2020

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 of ordinary general meeting of shareholders: December 18, 2020
 Scheduled date to file Securities Report: December 21, 2020
 Scheduled date to commence dividend payments: December 21, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(1) Consolidated operating results

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	%
Year ended September 30, 2020	10,510	1.4	1,184	(12.0)	1,095	(15.6)	700	(17.1)
Year ended September 30, 2019	10,365	9.5	1,345	15.1	1,297	14.3	844	7.5

(Note) Comprehensive income Year ended September 30, 2020: ¥790 million [16.9 %]
 Year ended September 30, 2019: ¥675 million [(20.5) %]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2020	66.73	66.68	13.7	11.9	11.3
Year ended September 30, 2019	81.62	–	18.6	16.3	13.0

(Reference) Share of profit (loss) of entities accounted for using equity method

Year ended September 30, 2020: ¥– million
 Year ended September 30, 2019: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	10,312	5,610	54.4	522.14
As of September 30, 2019	8,168	4,591	56.2	444.36

(Reference) Equity

As of September 30, 2020: ¥5,606 million
 As of September 30, 2019: ¥4,590 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2020	1,351	(527)	1,097	2,537
Year ended September 30, 2019	(278)	9	(799)	616

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2019	–	25.00	–	25.00	50.00	535	61.3	11.4
Year ended September 30, 2020	–	25.00	–	25.00	50.00	547	74.9	10.3
Year ending September 30, 2021 (Forecast)	–	25.00	–	25.00	50.00		53.7	

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	11,500	9.4	1,570	32.6	1,500	36.9	1,000	42.8	93.13

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2020	11,037,600 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 September 30, 2020	300,239 shares	As of September 30, 2019	667,489 shares
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Average number of shares during the period

Year ended September 30, 2020	10,495,555 shares	Year ended September 30, 2019	10,346,242 shares
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The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and average number of shares during the period, includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets pertaining to the "Employee Stockholding Association linked Trust ESOP" and the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets pertaining to "Stock Benefit Trust (J-ESOP)."

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2020	9,107	2.4	881	2.5	1,055	4.5	737	4.1
Year ended September 30, 2019	8,891	6.5	860	2.0	1,009	(10.2)	708	(17.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended September 30, 2020	70.26		70.21	
Year ended September 30, 2019	68.48		—	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	8,868	4,895	55.2	455.60
As of September 30, 2019	7,361	3,839	52.2	371.61

(Reference) Equity

As of September 30, 2020:	¥4,892 million
As of September 30, 2019:	¥3,839 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to page 2 of the Attached Materials, "1. Overview of operating results and others (1) Overview of operating results for the fiscal year."

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

(i) Operating results

In the fiscal year ended September 30, 2020 (From October 1, 2019 to September 30, 2020), the Japanese economy faced lower consumer spending due to lockdown restrictions, sluggish production and substantial drops in exports with the spread of the novel coronavirus disease (COVID-19) in Japan and overseas. The outlook remains very uncertain despite recent signs of improvement due to the lifting of the state of emergency declaration and various economic stimulus measures.

Under such circumstances, the industry has experienced a surge in insurance needs due to the heightened consciousness of individuals to defend their livelihoods. The Company has conducted face-to-face consultations and achieved the same level of service through “online interviews” that have long been promoted as a response to the arrival of the 5G era, and the Company aims to provide truly helpful information to customers and undertake consulting while preventing the spread of COVID-19.

Our Group advocated to be “a company that promotes the deepening and the evolution of people and technology,” forging ahead daily to build “an insurance industry platform” able to deal with all types of insurance needs. We continue to build a business ecosystem that fits the OMO (Online Merges with Offline) era.

Specifically, in addition to upgrading the “Hoken Ichiba Consulting Plaza,” we are developing a common platform for the insurance industry (Advance Create Cloud Platform, hereinafter, “ACP”), accumulating know-how from more than 23,000 “online interviews,” and developing a video conference system dedicated to online insurance consultations. The Company aims to improve the productivity and canvassing quality in insurance canvassing opportunities and to expand partner business by also providing these systems to non-Company insurance agencies.

While also enhancing these new measures, we are proactively investing management resources into enhancing the governance and compliance structures, continuing to reinforce the information security structure, and implementing company-wide initiatives to strengthen the structure for management of insurance solicitation in compliance with relevant laws and regulations such as the Insurance Business Act and the Act on Protection of Personal Information as well as management structures.

As a result of these initiatives, the Insurance agency business was steady due to the aggressive web promotion from the beginning of the period, but the number of actual interviews fell from April due to the impact of COVID-19. While a certain number of interviews were possible through “online interviews,” time was required to educate and train employees, so profitability did not reach the level of actual interviews and overall sales increased only slightly. Revenue increase in the Media business and Media representative business as we aimed to expand our business utilizing our management know-how in web advertising and the Company’s strength in the ability to attract customers through the insurance marketplace website “Hoken Ichiba.” The Reinsurance business was also steady. However, profit declined due to the increase in advertising costs and selling, general and administrative expenses.

As a result, we recorded net sales of ¥10,510 million (+1.4% YoY), operating profit of ¥1,184 million (-12.0% YoY), ordinary profit of ¥1,095 million (-15.6% YoY) and profit attributable to owners of parent of ¥700 million (-17.1% YoY).

(Millions of yen, Year-on-year changes (%))

	Consolidated basis		Non-consolidated basis	
	Millions of yen	YoY change (%)	Millions of yen	YoY change (%)
Net sales	10,510	101.4	9,107	102.4
Operating profit	1,184	88.0	881	102.5
Ordinary profit	1,095	84.4	1,055	104.5
Profit attributable to owners of parent	700	82.9	737	104.1

The operating results by segment were as follows.

Our Group previously had four reporting segments being “Insurance agency business,” “ASP business,” “Media business” and “Reinsurance business,” but the heightened importance of “Media representative business,” which had to date been included in the “Media business,” led to this being treated as a separate reporting segment from the current fiscal year. Therefore, from the current fiscal year, we are disclosing five reporting segments being “Insurance agency business,” “ASP business,” “Media business” “Media representative business” and “Reinsurance business.”

(Insurance agency business)

Although steady due to the aggressive web promotion from the beginning of the period, the number of actual interviews fell from April due to the impact of COVID-19. While a certain number of interviews were possible through “online interviews,” time was required to educate and train employees, so profitability did not reach the level of actual interviews and overall sales increased only slightly.

As a result, the Insurance agency business recorded net sales of ¥8,923 million (+2.5% YoY) and operating profit of ¥868 million (+11.6% YoY).

(ASP business)

Sales activities to joint insurance agencies did not progress in the same way as anticipated due to the impact of COVID-19 and sales were flat. However, profit declined due to the increase in selling, general and administrative expenses.

As a result, the ASP business recorded net sales of ¥183 million (+0.5% YoY) and operating profit of ¥12 million (-84.2% YoY) in the current fiscal year.

(Media business)

The placement of ads on the insurance marketplace website “Hoken Ichiba” remained favorable and both revenue and profit increased.

As a result, the Media business recorded net sales of ¥1,250 million (+17.4% YoY) and operating profit of ¥261 million (+23.5% YoY).

(Media representative business)

Revenue increased as a result of us striving to provide various services as an advertising agency for the insurance industry based on the web marketing know-how we have accumulated through the management of the insurance marketplace website “Hoken Ichiba.” However, profit declined due to the increase in advertising costs associated with the development of new services and other factors.

As a result, the Media representative business recorded net sales of ¥807 million (+19.2% YoY) and operating loss of ¥92 million (operating profit of ¥160 million in the previous fiscal year).

(Reinsurance business)

Net sales remained firm with an increase in both revenue and profit.

As a result, the Reinsurance business recorded net sales of ¥851 million (+9.9% YoY) and operating profit of ¥131 million (+19.1% YoY).

(ii) Future Outlook

The Japanese economy is forecast to remain on a path of gradual recovery with measures being promoted to deal with COVID-19, but the outlook remains uncertain due to the risk of a resurgence of COVID-19 in Japan and overseas as well as natural disasters, overseas geopolitical risks and economic risks.

Given such economic trends, we anticipate the environment for insurance agencies to remain severe due to the impact of negative interest rates and stronger regulation for customer-oriented business management affecting the insurance industry while the need for private sector insurance remains firm as a supplement to social security with the heightened consciousness of individuals to defend their livelihoods.

Given the business conditions, the Company is striving to improve performance, responding swiftly to customer needs and market trends based on a management policy of “enabling the customer to easily and conveniently purchase insurance in the best and most agreeable environment.”

Key measures aim:

- a) To train and strengthen personnel required for constant evolution as an innovator in the insurance industry.
- b) To continue to promote the OMO strategy focused on “online interviews” and aim to provide truly helpful information to customers and undertake consulting while preventing the spread of COVID-19.
- c) To strengthen web marketing and strengthen the response to each type of terminal, with further promotion of a platform strategy to improve customer convenience.

- d) To strengthen system links with “partner” agencies and build a structure that can effectively and efficiently respond to customer needs, with the aim of developing the Company’s performance.
- e) To pursue synergies to the utmost in the ASP business, Media business, Media representative business and Reinsurance business with the Insurance agency business at the core, building a solid sales base as a “financial information services business” that approaches all types of insurance-related profit-making opportunities.
- f) To further strengthen the structure for management of insurance solicitation by systematizing and enhancing the compliance checking structure, building an information security structure, and strengthening training systems in order to promote customer-oriented business.

Through these activities, we forecast consolidated earnings for the next fiscal year (From October 1, 2020 to September 30, 2021) to record net sales of ¥11,500 million, operating profit of ¥1,570 million, ordinary profit of ¥1,500 million, and profit attributable to owners of parent of ¥1,000 million. Note that the Company assumes the current situation will continue in regard to the impact of COVID-19.

(2) Overview of financial position for the fiscal year

(i) Assets, liabilities and net assets

(Total assets)

Total assets as of September 30, 2020 were ¥10,312 million, an increase of ¥2,144 million from the end of the previous fiscal year (¥8,168 million, as of September 30, 2019).

Current assets increased ¥1,549 million from the end of the previous fiscal year, mainly due to a ¥1,953 million increase in cash and deposits, a ¥97 million increase in notes and accounts receivable - trade, and a ¥664 million decrease in accounts receivable - other.

Non-current assets increased ¥570 million from the end of the previous fiscal year, mainly due to a ¥425 million increase in investments and other assets.

(Total liabilities)

Total liabilities as of September 30, 2020 were ¥4,702 million, an increase of ¥1,126 million from the end of the previous fiscal year (¥3,576 million, as of September 30, 2019).

Current liabilities increased ¥259 million from the end of the previous fiscal year, mainly due to a ¥200 million increase in current portion of bonds payable, a ¥176 million increase in accounts payable - other and a ¥217 million decrease in income taxes payable.

Non-current liabilities increased ¥866 million from the end of the previous fiscal year, mainly due to an ¥800 million increase in bonds payable.

(Total net assets)

Net assets increased ¥1,018 million from the end of the previous fiscal year, mainly due to ¥700 million recorded as profit attributable to owners of parent, a ¥538 million decrease due to dividends of surplus and a ¥695 million increase due to disposal of treasury shares.

(ii) Cash flows

Cash and cash equivalents (hereinafter, “Net cash”) as of September 30, 2020 was ¥2,537 million, a ¥1,920 million increase due to ¥1,351 million in cash inflows from operating activities, ¥527 million in cash outflows from investing activities and ¥1,097 million in cash inflows from financing activities.

Each of the cash flows during the current fiscal year were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities in the current fiscal year resulted in a net cash inflow of ¥1,351 million (outflow of ¥278 million in the previous fiscal year) mainly due to profit before income taxes of ¥1,029 million (¥1,270 million in the previous fiscal year), depreciation of ¥409 million (¥385 million in the previous fiscal year), decrease (increase) in accounts receivable - other of ¥664 million (negative ¥1,266 million in the previous fiscal year), income taxes paid of ¥574 million (¥310 million in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities in the current fiscal year resulted in a net cash outflow of ¥527 million (inflow of ¥9 million in the previous fiscal year) mainly due to purchase of intangible assets of ¥362 million and payments of guarantee deposits of ¥45 million.

(Cash flows from financing activities)

Net cash provided by financing activities in the current fiscal year resulted in a net cash inflow of ¥1,097 million (outflow of ¥799 million in the previous fiscal year) mainly due to dividends paid of ¥537 million, proceeds from issuance of bonds of ¥981 million and proceeds from disposal of treasury shares of ¥686 million.

(3) Basic policy on distribution of profits and dividends for the fiscal year under review/next fiscal year

The Company takes the return of profits to shareholders and the expansion of share in the insurance distribution market as important issues for management. Our basic policy is to improve shareholder value by paying a dividend that is commensurate with performance while striving to enhance internal reserves to provide the resources to implement future growth strategies.

In accordance with this policy, the year-end dividend for the current fiscal year is set at ¥25.0 per share. Combined with the interim dividend of ¥25.0 per share already paid on June 1, 2020, the annual dividend per share will be ¥50.0.

In regard to the next fiscal year, we forecast paying both interim and year-end dividends of ¥25.0 per share, resulting in an annual dividend per share of ¥50.0.

2. Basic approach concerning the selection of accounting standards

Considering the comparability of consolidated financial statements over time and with other companies, our Group plans to create consolidated financial statements based on Japanese GAAP for the time being. Note that our plan is to proceed considering the adoption of international accounting standards in light of factors such as the proportion of foreign shareholders, and the trend amongst other companies in the same industry towards the adoption of international standards.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	678,658	2,632,288
Notes and accounts receivable - trade	1,001,654	1,099,522
Accounts receivable - other	2,785,215	2,120,899
Income taxes receivable	–	15,225
Other	548,064	695,462
Total current assets	5,013,592	6,563,398
Non-current assets		
Property, plant and equipment		
Buildings and structures	515,830	546,205
Accumulated depreciation	(366,945)	(409,707)
Buildings and structures, net	148,885	136,498
Tools, furniture and fixtures	600,104	630,121
Accumulated depreciation	(504,550)	(550,435)
Tools, furniture and fixtures, net	95,554	79,685
Leased assets	863,226	966,417
Accumulated depreciation	(523,991)	(565,429)
Leased assets, net	339,235	400,988
Total property, plant and equipment	583,674	617,172
Intangible assets		
Software	567,425	518,631
Other	7,513	167,744
Total intangible assets	574,939	686,376
Investments and other assets		
Investment securities	219,324	351,506
Guarantee deposits	635,850	678,655
Insurance funds	691,932	716,258
Deferred tax assets	298,340	271,683
Other	150,419	403,056
Total investments and other assets	1,995,867	2,421,161
Total non-current assets	3,154,482	3,724,710
Deferred assets	–	24,688
Total assets	8,168,074	10,312,797

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Lease obligations	71,892	80,116
Current portion of bonds payable	–	200,000
Income taxes payable	324,388	106,616
Accounts payable - other	911,581	1,087,762
Deposits received	410,216	410,212
Provision for bonuses	181,676	183,305
Asset retirement obligations	–	6,777
Other	539,285	623,855
Total current liabilities	2,439,041	2,698,647
Non-current liabilities		
Long-term borrowings	167,630	127,630
Bonds payable	–	800,000
Retirement benefit liability	331,245	356,206
Lease obligations	306,358	369,609
Asset retirement obligations	194,123	214,016
Other	138,304	136,594
Total non-current liabilities	1,137,662	2,004,057
Total liabilities	3,576,703	4,702,704
Net assets		
Shareholders' equity		
Share capital	2,915,314	2,954,496
Capital surplus	352,328	381,117
Retained earnings	2,424,075	2,586,305
Treasury shares	(1,139,440)	(443,976)
Total shareholders' equity	4,552,277	5,477,943
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,693	128,534
Total accumulated other comprehensive income	38,693	128,534
Share acquisition rights	400	3,615
Total net assets	4,591,371	5,610,092
Total liabilities and net assets	8,168,074	10,312,797

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

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net sales	10,365,215	10,510,699
Cost of sales	2,989,809	3,155,035
Gross profit	7,375,405	7,355,664
Selling, general and administrative expenses		
Advertising expenses	5,883	2,844
Communication expenses	192,511	241,296
Salaries & Directors' compensations	2,246,804	2,220,044
Provision for bonuses	181,676	183,305
Retirement benefit expenses	66,166	69,608
Depreciation	385,153	409,008
Rent expenses on land and buildings	598,501	627,756
Commission expenses	1,051,921	1,195,158
Other	1,301,604	1,222,578
Total selling, general and administrative expenses	6,030,222	6,171,601
Operating profit	1,345,182	1,184,063
Non-operating income		
Interest income	591	2,735
Dividend income	4,697	1,499
Gain on forfeiture of unclaimed dividends	927	883
Guarantee commission received	8,180	8,180
Gain on sales of precious metals	15,530	–
Other	2,960	4,345
Total non-operating income	32,886	17,644
Non-operating expenses		
Interest expenses and interest on bonds	4,274	12,342
Guarantee commission	3,621	402
Commission expenses	67,456	88,090
Other	4,773	5,105
Total non-operating expenses	80,126	105,940
Ordinary profit	1,297,943	1,095,766
Extraordinary income		
Gain on sales of investment securities	107,042	–
Gain on reversal of share acquisition rights	–	400
Total extraordinary income	107,042	400
Extraordinary losses		
Loss on cancellation of insurance policies	132,909	–
Loss on retirement of non-current assets	1,413	–
Loss on COVID19	–	66,865
Total extraordinary losses	134,323	66,865
Profit before income taxes	1,270,662	1,029,301
Income taxes - current	487,948	341,851
Income taxes - deferred	(61,779)	(12,961)
Total income taxes	426,168	328,889
Profit	844,493	700,411
Profit attributable to owners of parent	844,493	700,411

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Profit	844,493	700,411
Other comprehensive income		
Valuation difference on available-for-sale securities	(168,544)	89,840
Total other comprehensive income	(168,544)	89,840
Comprehensive income	675,949	790,252
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	675,949	790,252
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,915,314	352,328	2,026,640	(989,380)	4,304,903
Cumulative effects of changes in accounting policies			88,006		88,006
Restated balance	2,915,314	352,328	2,114,647	(989,380)	4,392,910
Changes during period					
Issuance of new shares - exercise of share acquisition rights					-
Dividends of surplus			(535,065)		(535,065)
Profit attributable to owners of parent			844,493		844,493
Purchase of treasury shares				(190,388)	(190,388)
Disposal of treasury shares				40,327	40,327
Net changes in items other than shareholders' equity					
Total changes during period	-	-	309,427	(150,060)	159,367
Balance at end of period	2,915,314	352,328	2,424,075	(1,139,440)	4,552,277

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	207,237	207,237	400	4,512,541
Cumulative effects of changes in accounting policies				88,006
Restated balance	207,237	207,237	400	4,600,548
Changes during period				
Issuance of new shares - exercise of share acquisition rights				-
Dividends of surplus				(535,065)
Profit attributable to owners of parent				844,493
Purchase of treasury shares				(190,388)
Disposal of treasury shares				40,327
Net changes in items other than shareholders' equity	(168,544)	(168,544)	-	(168,544)
Total changes during period	(168,544)	(168,544)	-	(9,177)
Balance at end of period	38,693	38,693	400	4,591,371

The fiscal year ended September 30, 2020 (From October 1, 2019 to September 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,915,314	352,328	2,424,075	(1,139,440)	4,552,277
Cumulative effects of changes in accounting policies					-
Restated balance	2,915,314	352,328	2,424,075	(1,139,440)	4,552,277
Changes during period					
Issuance of new shares - exercise of share acquisition rights	39,181	39,181			78,363
Dividends of surplus			(538,181)		(538,181)
Profit attributable to owners of parent			700,411		700,411
Purchase of treasury shares				(77)	(77)
Disposal of treasury shares		(10,391)		695,542	685,150
Net changes in items other than shareholders' equity					
Total changes during period	39,181	28,789	162,230	695,464	925,665
Balance at end of period	2,954,496	381,117	2,586,305	(443,976)	5,477,943

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	38,693	38,693	400	4,591,371
Cumulative effects of changes in accounting policies				-
Restated balance	38,693	38,693	400	4,591,371
Changes during period				
Issuance of new shares - exercise of share acquisition rights				78,363
Dividends of surplus				(538,181)
Profit attributable to owners of parent				700,411
Purchase of treasury shares				(77)
Disposal of treasury shares				685,150
Net changes in items other than shareholders' equity	89,840	89,840	3,215	93,055
Total changes during period	89,840	89,840	3,215	1,018,721
Balance at end of period	128,534	128,534	3,615	5,610,092

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,270,662	1,029,301
Depreciation	385,153	409,008
Loss (gain) on sales of precious metals	(15,530)	–
Loss (gain) on sales of investment securities	(107,042)	–
Loss (gain) on cancellation of insurance policies	132,909	–
Loss on retirement of non-current assets	1,413	–
Increase (decrease) in provision for bonuses	18,816	1,629
Increase (decrease) in retirement benefit liability	38,241	24,961
Increase of reserve for commission reduction	(1,922)	–
Interest and dividend income	(5,288)	(4,235)
Interest expenses on borrowings and bonds	4,274	12,342
Increase (decrease) in accrued consumption taxes	48,842	64,529
Amortization of deferred assets	–	2,996
Loss on COVID19	–	66,865
Decrease (increase) in trade receivables	(388,359)	(97,867)
Decrease (increase) in accounts receivable - other	(1,266,070)	664,513
Other, net	(86,814)	(175,512)
Subtotal	29,285	1,998,532
Interest and dividends received	7,242	4,876
Interest paid	(4,274)	(12,342)
Income taxes paid	(310,780)	(574,558)
Payments for loss on COVID19	–	(64,837)
Net cash provided by (used in) operating activities	(278,526)	1,351,670
Cash flows from investing activities		
Purchase of investment securities	(41,111)	(2,766)
Proceeds from sales of investment securities	133,682	–
Purchase of property, plant and equipment	(41,506)	(29,860)
Purchase of intangible assets	(185,515)	(362,190)
Payments for insurance funds	(24,326)	(24,326)
Proceeds from cancellation of insurance funds	141,272	–
Payments of guarantee deposits	(26,703)	(45,856)
Proceeds from refund of guarantee deposits	3,190	2,853
Other, net	50,744	(65,561)
Net cash provided by (used in) investing activities	9,726	(527,707)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,100,000	3,100,000
Repayments of short-term borrowings	(1,100,000)	(3,100,000)
Repayments of long-term borrowings	(42,540)	(40,000)
Proceeds from issuance of bonds	–	981,320
Proceeds from disposal of treasury shares	–	686,790
Purchase of treasury shares	(190,388)	(77)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	66,973
Dividends paid	(534,583)	(537,672)
Other, net	(31,567)	(59,411)
Net cash provided by (used in) financing activities	(799,079)	1,097,922
Effect of exchange rate change on cash and cash equivalents	(4,773)	(1,019)
Net increase (decrease) in cash and cash equivalents	(1,072,653)	1,920,866
Cash and cash equivalents at beginning of period	1,689,003	616,350
Cash and cash equivalents at end of period	616,350	2,537,216

(5) Notes for consolidated financial statements

(Notes regarding the assumption of going concern)

No applicable matters.

(Notes regarding significant changes in the amount of shareholders' equity)

In the current fiscal year, treasury shares fell ¥695,464,000 due to the disposal of treasury shares. As a result, treasury shares were ¥443,976,000 at the end of the current fiscal year.

(Segment information)

[Segment information]

1. Outline of reporting segments

The Company's reporting segments are the business units for which the Company is able to obtain separate financial information that is evaluated regularly by the Board of Directors to determine the allocation of management resources and assess performance.

Our Group is developing business activities as units comprising constituent units of the Company and consolidated subsidiaries.

Our Group previously had four reporting segments being "Insurance agency business," "ASP business," "Media business" and "Reinsurance business," but the heightened importance of "Media representative business," which had to date been included in the "Media business," led to this being treated as a separate reporting segment from the current fiscal year.

Therefore, from the current fiscal year, we are disclosing five reporting segments being "Insurance agency business," "ASP business," "Media business" "Media representative business" and "Reinsurance business."

An outline of each reporting segment is provided below.

Insurance agency business	Agency operations for life insurance and non-life insurance and ancillary operations
ASP business	Cloud service sales
Media business	Handling of advertising operations for the insurance marketplace website "Hoken Ichiba"
Media representative business	Service activities such as the planning, production and marketing of web promotion
Reinsurance business	Reinsurance operations

2. Calculation method for the amount of net sales, profit, assets, liabilities and other items for each reporting segment

The reporting segment profit is on an operating profit base. Intersegment sales and transfers are based on prevailing market prices.

3. Information regarding the amounts of net sales, profit, assets, liabilities and other items for each reporting segment

The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)

(Thousands of yen)

	Reporting segment					
	Insurance agency business	ASP business	Media business	Media representative business	Reinsurance business	Total
Net sales						
Sales to external customers	7,907,949	182,613	1,065,461	433,982	775,207	10,365,215
Intersegment sales or transfers	801,377	–	–	243,825	–	1,045,203
Total	8,709,327	182,613	1,065,461	677,807	775,207	11,410,418
Segment profits	778,135	82,159	211,662	160,749	110,075	1,342,782
Segment assets	6,915,318	77,424	698,202	102,427	1,294,450	9,087,823
Segment liabilities	3,520,499	1,449	301,292	57,341	615,868	4,496,452
Other items						
Depreciation	373,760	11,393	–	–	–	385,153
Increase in property, plant and equipment and intangible assets	418,978	76,276	–	–	–	495,254

	Total	Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
Net sales			
Sales to external customers	10,365,215	–	10,365,215
Intersegment sales or transfers	1,045,203	(1,045,203)	–
Total	11,410,418	(1,045,203)	10,365,215
Segment profits	1,342,782	2,400	1,345,182
Segment assets	9,087,823	(919,748)	8,168,074
Segment liabilities	4,496,452	(919,748)	3,576,703
Other items			
Depreciation	385,153	–	385,153
Increase in property, plant and equipment and intangible assets	495,254	–	495,254

- (Notes)
1. The details of adjusted amounts are as follows.
 - (1) Adjusted segment profit of ¥2,400,000 includes ¥2,400,000 of eliminations of intersegment transactions.
 - (2) Adjusted segment assets of ¥(919,748,000) includes ¥(919,748,000) of eliminations of intersegment transactions.
 - (3) Adjusted segment liabilities of ¥(919,748,000) includes ¥(919,748,000) of eliminations of intersegment transactions.
 2. Segment profit is the same as operating profit in the consolidated financial statements.

The fiscal year ended September 30, 2020 (From October 1, 2019 to September 30, 2020)

(Thousands of yen)

	Reporting segment					
	Insurance agency business	ASP business	Media business	Media representative business	Reinsurance business	Total
Net sales						
Sales to external customers	7,995,065	183,506	1,250,421	230,116	851,589	10,510,699
Intersegment sales or transfers	928,711	–	–	577,559	–	1,506,270
Total	8,923,776	183,506	1,250,421	807,675	851,589	12,016,970
Segment profits	868,627	12,971	261,490	(92,560)	131,132	1,181,663
Segment assets	8,409,058	90,163	461,413	201,562	1,491,948	10,654,148
Segment liabilities	3,970,380	2,224	293,269	62,081	716,099	5,044,055
Other items						
Depreciation	385,660	23,348	–	–	–	409,008
Increase in property, plant and equipment and intangible assets	493,212	36,087	–	–	–	529,299

	Total	Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
Net sales			
Sales to external customers	10,510,699	–	10,510,699
Intersegment sales or transfers	1,506,270	(1,506,270)	–
Total	12,016,970	(1,506,270)	10,510,699
Segment profits	1,181,663	2,400	1,184,063
Segment assets	10,654,148	(341,350)	10,312,797
Segment liabilities	5,044,055	(341,350)	4,702,704
Other items			
Depreciation	409,008	–	409,008
Increase in property, plant and equipment and intangible assets	529,299	–	529,299

(Notes) 1. The details of adjusted amounts are as follows.

- (1) Adjusted segment profit of ¥2,400,000 includes ¥2,400,000 of eliminations of intersegment transactions.
- (2) Adjusted segment assets of ¥(341,350,000) includes ¥(341,350,000) of eliminations of intersegment transactions.
- (3) Adjusted segment liabilities of ¥(341,350,000) includes ¥(341,350,000) of eliminations of intersegment transactions.

2. Segment profit is the same as operating profit in the consolidated financial statements.

(Information per share)

The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)		The fiscal year ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	
Net assets per share	444.36 yen	Net assets per share	522.14 yen
Earnings per share	81.62 yen	Earnings per share	66.73 yen
Diluted earnings per share	– yen	Diluted earnings per share	66.68 yen

(Note) The basis for calculating of earnings per share and diluted earnings per share are as follows.

	The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	The fiscal year ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	844,493	700,411
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	844,493	700,411
Average number of common shares outstanding during the period (Shares)	10,346,242	10,495,555
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Thousands of yen)	–	–
Increase in the number of common shares (Shares)	–	7,952
(Share acquisition rights) (Shares)	(–)	(7,952)
Outline of the potential shares not included in the calculation of diluted earnings per share since they have no dilution effect	No. 8 share acquisition rights Number of share acquisition rights: 4,000 units (Common shares: 400,000 shares)	No. 8 share acquisition rights (Lapse) Number of share acquisition rights: 4,000 units (Common shares: 400,000 shares) The above share acquisition rights lapsed as of December 19, 2019 due to the terms and conditions for exercising the rights not being met.

(Note) 1. Employee Stockholding Association linked Trust ESOP

The Company's own shares that remain in the trust and are recorded as treasury shares in shareholders' equity are included in the treasury shares deducted from the total number of issued shares at the end of the period in calculating "Net assets per share" (95,600 shares for the previous fiscal year; 76,600 shares for the current fiscal year).

In addition, the Company's own shares that remain in the trust and are recorded as treasury shares in shareholders' equity are included in the treasury shares deducted in the calculation of the average number of shares during the period in calculating "Earnings per share" (106,443 shares for the previous fiscal year; 85,974 shares for current the fiscal year).

2. Stock Benefit Trust (J-ESOP)

The Company's own shares that remain in the trust and are recorded as treasury shares in shareholders' equity are included in the treasury shares deducted from the total number of issued shares at the end of the period in calculating "Net assets per share" (222,700 shares for the previous fiscal year; 222,400 shares for the current fiscal year).

In addition, the Company's own shares that remain in the trust and are recorded as treasury shares in shareholders' equity are included in the treasury shares deducted in the calculation of the average number of shares during the period in calculating "Earnings per share" (222,821 shares for the previous fiscal year; 222,699 shares for current the fiscal year).

(Significant subsequent events)

No applicable matters.