

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2019 (Based on Japanese GAAP)

November 11, 2019

Company name: Advance Create Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 8798 URL <https://www.advancecreate.co.jp/>
 Representative: President Yoshiharu Hamada
 Senior Executive Director
 Inquiries: General Manager, Administration Headquarters Koichi Murakami TEL 06-6204-1193
 Scheduled date of ordinary general meeting of shareholders: December 18, 2019
 Scheduled date to file Securities Report: December 19, 2019
 Scheduled date to commence dividend payments: December 19, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

(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, 2019	10,365	9.5	1,345	15.1	1,297	14.3	844	7.5
Year ended September 30, 2018	9,468	16.4	1,168	12.0	1,135	10.9	785	5.8

(Note) Comprehensive income Year ended September 30, 2019: ¥675 million [(20.5) %]
 Year ended September 30, 2018: ¥850 million [7.7 %]

	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, 2019	81.62	–	18.6	16.3	13.0
Year ended September 30, 2018	74.72	–	17.3	14.6	12.3

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

Year ended September 30, 2019: ¥– million
 Year ended September 30, 2018: ¥– 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, 2019	8,168	4,591	56.2	444.36
As of September 30, 2018	7,792	4,512	57.9	433.44

(Reference) Equity

As of September 30, 2019: ¥4,590 million
 As of September 30, 2018: ¥4,512 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, 2019	(278)	9	(799)	616
Year ended September 30, 2018	1,712	(255)	(1,067)	1,689

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, 2018	–	25.00	–	25.00	50.00	544	66.9	11.5
Year ended September 30, 2019	–	25.00	–	25.00	50.00	535	61.3	11.4
Year ending September 30, 2020 (Forecast)	–	25.00	–	25.00	50.00		51.7	

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	96.79

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2019

(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: Yes

Changes in accounting estimates: No

Restatement of prior period financial statements: No

For further details, please refer to page 13 of the Attached Materials, “Changes in accounting policies” under “3. Consolidated financial statements and significant notes thereto (5) Notes for consolidated financial statements.”

(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, 2019	10,999,100 shares	As of September 30, 2018	10,999,100 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	667,489 shares	As of September 30, 2018	589,132 shares
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Average number of shares during the period

Year ended September 30, 2019	10,346,242 shares	Year ended September 30, 2018	10,508,464 shares
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The number of treasury shares excluded from the calculation of the “number of treasury shares owned at the end of the period,” and “average number of shares during the period,” includes the Company’s shares held by Japan Trustee Services Bank, Ltd. (Trust Account) as trust assets pertaining to the “Employee Stockholding Association linked Trust ESOP” and the Company’s shares held by Trust & Custody Services Bank, 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, 2019 (from October 1, 2018 to September 30, 2019)

(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, 2019	8,891	6.5	860	2.0	1,009	(10.2)	708	(17.7)
Year ended September 30, 2018	8,347	14.7	843	13.2	1,125	52.7	860	63.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended September 30, 2019	68.48		—	
Year ended September 30, 2018	81.90		—	

(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, 2019	7,361	3,839	52.2	371.61
As of September 30, 2018	6,429	3,896	60.6	374.30

(Reference) Equity

As of September 30, 2019:	¥3,839 million
As of September 30, 2018:	¥3,896 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

1. 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."
2. The Company plans to hold financial results presentation meeting for institutional investors on Wednesday, November 13, 2019.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

(i) Operating results for the fiscal year

In the fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019), the Japanese economy remained on a path of gradual recovery amid improvements in corporate performance, as well as employment and income environments. However, the outlook for the economy remains uncertain due to the impact of US-China trade frictions and heightened global geopolitical risks especially in the Middle East.

Concurrent with growing diversification and sophistication of insurance products amid technological advancements such as AI and progress in medical technology, the insurance industry needs to fulfill its customer-oriented business management (fiduciary duty) by providing truly helpful information and consulting to customers.

Under such circumstances, our Group advocates 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. By merging latest technologies with our Company’s own know-how, we aim to improve customer utility and strengthen operating ties with all insurance companies and business partners.

Specifically, we will continue to developing a common platform for the insurance industry (named, Advance Create Cloud Platform, hereinafter, “ACP”). The use of ACP will substantially reduce the administrative burden for all insurance companies, insurance agencies and customers because it enables insurance companies and joint agencies to control and manage customer reviews of insurance products, applications and preservation procedures in a single batch in accordance with their respective perspectives. In addition, we have commenced sales of “GOYOKIKI” and “DECHI,” which respectively handle parts of the ACP functions as the customer information management system and the common platform for the application system. We aim for a subscription model that secures stock revenue and expansion of our collaborative business with the use of these systems through affiliated agencies.

Furthermore, the Company is achieving seamless contact with customers through text communications tools such as SNS and SMS. Based on this type of know-how, we also aim to be active in the BPO business of contracting insurance operations for customers of other insurance companies and insurance agencies, expand our business, and also participate in the continuation and improvement of CRM, which is an issue for the insurance industry.

We are pursuing further progress for the entire Group including existing businesses, 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, we recorded net sales of ¥10,365 million (+9.5% YoY), operating profit of ¥1,345 million (+15.1% YoY), ordinary profit of ¥1,297 million (+14.3% YoY) and profit attributable to owners of parent of ¥844 million (+7.5% YoY).

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

	Consolidated basis		Non-consolidated basis	
Net sales	10,365	109.5	8,891	106.5
Operating profit	1,345	115.1	860	102.0
Ordinary profit	1,297	114.3	1,009	89.8
Profit attributable to owners of parent	844	107.5	708	82.3

The operating results by segment were as follows.

Our Group previously had three reporting segments being “Insurance agency business,” “Media business” and “Reinsurance business,” but the heightened importance of “ASP business,” which had to date been included in the “Insurance agency 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 four reporting segments being “Insurance agency business,” “ASP business,” “Media business” and “Reinsurance business.”

(Insurance agency business)

Revenue increased due to the steady flow of appointments (opportunities for business discussion) generated by aggressive promotion. Profit declined as a result of a year-on-year increase in the cost of sales and selling, general and administrative expenses due to the increase in costs for the aforementioned promotion and an increase in IT-related costs, etc. As a result, the Insurance agency business recorded net sales of ¥8,709 million (+4.4% YoY) and operating profit of ¥778 million (-7.7% YoY).

(ASP business)

Both revenue and profit increased due to sales of the new cloud service. As a result, the ASP business recorded net sales of ¥182 million (+3,994.5% YoY) and operating profit of ¥82 million (+258,687.9% YoY).

(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 ¥1,743 million (+109.5% YoY) and operating profit of ¥372 million (+71.3% YoY).

(Reinsurance business)

Net sales remained firm with an increase in both revenue and profit. As a result, the Reinsurance business recorded net sales of ¥775 million (+7.0% YoY) and operating profit of ¥110 million (+4.1% YoY).

(ii) Future Outlook

The Japanese economy is likely to remain on a path of gradual recovery with improvements in corporate earnings and employment conditions, but the outlook remains uncertain due to natural disasters as well as 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.

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 strengthen web marketing and strengthen the response to each type of terminal, with further promotion of a platform strategy to improve customer convenience.
- c) 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.
- d) To pursue synergies to the utmost in the ASP business, Media 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.
- e) To further strengthen the management of insurance soliciting by systematizing and enhancing the compliance checking structure, building an information security structure, and strengthening training systems in order to promote customer-oriented business.

We forecast consolidated earnings for the next fiscal year (From October 1, 2019 to September 30, 2020) to record net sales of ¥11,400 million, operating profit of ¥1,570 million, ordinary profit of ¥1,500 million, and profit attributable to owners of parent of ¥1,000 million.

(2) Overview of financial position for the fiscal year

(i) Assets, liabilities and net assets

(Total assets)

Total assets as of September 30, 2019 were ¥8,168 million, an increase of ¥375 million from the end of the previous fiscal year (¥7,792 million, as of September 30, 2018).

Current assets increased ¥758 million from the end of the previous fiscal year, mainly due to a ¥1,013 million decrease in cash and deposits, a ¥515 million increase in notes and accounts receivable – trade, and a ¥1,266 million increase in accounts receivable – other.

Non-current assets decreased ¥382 million from the end of the previous fiscal year, mainly due to a ¥228 million decrease in investment securities.

(Total liabilities)

Total liabilities as of September 30, 2019 were ¥3,576 million, an increase of ¥296 million from the end of the previous fiscal year (¥3,279 million, as of September 30, 2018).

Current liabilities increased ¥89 million from the end of the previous fiscal year, mainly due to a ¥122 million decrease in accounts payable - other and a ¥179 million increase in income taxes payable.

Non-current liabilities increased ¥207 million from the end of the previous fiscal year, mainly due to a ¥172 million increase in lease obligations.

(Total net assets)

Net assets increased ¥78 million from the end of the previous fiscal year, mainly due to ¥844 million recorded as profit attributable to owners of parent, ¥535 million in dividends of surplus and ¥150 million for the acquisition of treasury shares, etc.

Note that the Company has been applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances from the beginning of the current fiscal year. Figures reported as of the fiscal year ended September 30, 2018 were retrospectively adjusted to conform with the change in such accounting policy for comparison and analysis.

(ii) Cash flows

Cash and cash equivalents (hereinafter, “Net cash”) as of September 30, 2019 was ¥616 million, a ¥1,072 million decrease due to ¥278 million in cash outflows from operating activities, ¥9 million in cash inflows from investing activities and ¥799 million in cash outflows from financing activities.

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

(Cash flows from operating activities)

Net cash used in operating activities in the current fiscal year resulted in a net cash outflow of ¥278 million (inflow of ¥1,712 million in the previous fiscal year) mainly due to decrease (increase) in notes and accounts receivable - trade of ¥(388) million (¥95 million in the previous fiscal year), decrease (increase) in accounts receivable - other of ¥(1,266) million (¥437 million in the previous fiscal year), despite profit before income tax of ¥1,270 million (¥1,135 million in the previous fiscal year).

(Cash flows from investing activities)

Net cash provided by investing activities in the current fiscal year resulted in a net cash inflow of ¥9 million (outflow of ¥255 million in the previous fiscal year) mainly due to proceeds from sales of investment securities of ¥133 million, purchase of intangible assets of ¥185 million and proceeds from cancellation of insurance funds of ¥141 million.

(Cash flows from financing activities)

Net cash used in financing activities in the current fiscal year resulted in a net cash outflow of ¥799 million (outflow of ¥1,067 million in the previous fiscal year) mainly due to cash dividends paid of ¥534 million and purchase of treasury shares of ¥190 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 3, 2019, 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, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	1,692,027	678,658
Notes and accounts receivable - trade	486,521	1,001,654
Accounts receivable - other	1,518,981	2,785,215
Other	558,030	548,064
Total current assets	4,255,560	5,013,592
Non-current assets		
Property, plant and equipment		
Buildings and structures	485,847	515,830
Accumulated depreciation	(323,116)	(366,945)
Buildings and structures, net	162,731	148,885
Tools, furniture and fixtures	556,326	600,104
Accumulated depreciation	(442,192)	(504,550)
Tools, furniture and fixtures, net	114,134	95,554
Leased assets	850,488	863,226
Accumulated depreciation	(679,938)	(523,991)
Leased assets, net	170,550	339,235
Total property, plant and equipment	447,416	583,674
Intangible assets		
Software	515,612	567,425
Leased assets	420	—
Other	86,120	7,513
Total intangible assets	602,152	574,939
Investments and other assets		
Investment securities	447,646	219,324
Guarantee deposits	612,499	635,850
Insurance funds	941,787	691,932
Deferred tax assets	202,616	298,340
Other	282,638	150,419
Total investments and other assets	2,487,187	1,995,867
Total non-current assets	3,536,756	3,154,482
Total assets	7,792,317	8,168,074

(Thousands of yen)

	As of September 30, 2018	As of September 30, 2019
Liabilities		
Current liabilities		
Lease obligations	62,149	71,892
Income taxes payable	144,848	324,388
Accounts payable - other	1,034,538	911,581
Deposits received	447,642	410,216
Provision for bonuses	162,860	181,676
Reserve for commission reduction	1,922	–
Other	495,212	539,285
Total current liabilities	2,349,174	2,439,041
Non-current liabilities		
Long-term loans payable	210,170	167,630
Retirement benefit liability	293,003	331,245
Lease obligations	133,665	306,358
Asset retirement obligations	176,005	194,123
Other	117,757	138,304
Total non-current liabilities	930,601	1,137,662
Total liabilities	3,279,776	3,576,703
Net assets		
Shareholders' equity		
Capital stock	2,915,314	2,915,314
Capital surplus	352,328	352,328
Retained earnings	2,026,640	2,424,075
Treasury shares	(989,380)	(1,139,440)
Total shareholders' equity	4,304,903	4,552,277
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	207,237	38,693
Total accumulated other comprehensive income	207,237	38,693
Share acquisition rights	400	400
Total net assets	4,512,541	4,591,371
Total liabilities and net assets	7,792,317	8,168,074

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

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net sales	9,468,265	10,365,215
Cost of sales	2,623,442	2,989,809
Gross profit	6,844,822	7,375,405
Selling, general and administrative expenses		
Advertising expenses	2,686	5,883
Communication expenses	168,946	192,511
Salaries & Directors' compensations	2,242,799	2,246,804
Provision for bonuses	162,860	181,676
Retirement benefit expenses	57,096	66,166
Depreciation	398,901	385,153
Rents	561,220	598,501
Commission expenses	851,236	1,051,921
Other	1,230,092	1,301,604
Total selling, general and administrative expenses	5,675,841	6,030,222
Operating profit	1,168,980	1,345,182
Non-operating income		
Interest income	178	591
Dividend income	5,869	4,697
Gain on forfeiture of unclaimed dividends	1,228	927
Guarantee commission received	8,180	8,180
Gain on sales of precious metals	–	15,530
Other	2,695	2,960
Total non-operating income	18,152	32,886
Non-operating expenses		
Interest	3,440	4,274
Guarantee commission	4,320	3,621
Commission expenses	43,441	67,456
Other	130	4,773
Total non-operating expenses	51,333	80,126
Ordinary profit	1,135,799	1,297,943
Extraordinary income		
Gain on sales of investment securities	–	107,042
Total extraordinary income	–	107,042
Extraordinary losses		
Loss on insurance cancellation	–	132,909
Loss on retirement of non-current assets	–	1,413
Total extraordinary losses	–	134,323
Profit before income taxes	1,135,799	1,270,662
Income taxes - current	347,979	487,948
Income taxes - deferred	2,547	(61,779)
Total income taxes	350,526	426,168
Profit	785,273	844,493
Profit attributable to owners of parent	785,273	844,493

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit	785,273	844,493
Other comprehensive income		
Valuation difference on available-for-sale securities	64,913	(168,544)
Total other comprehensive income	64,913	(168,544)
Comprehensive income	850,186	675,949
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	850,186	675,949
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

The fiscal year ended September 30, 2018 (From October 1, 2017 to September 30, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,915,314	352,328	1,785,980	(618,874)	4,434,749
Cumulative effects of changes in accounting policies					–
Restated balance	2,915,314	352,328	1,785,980	(618,874)	4,434,749
Changes of items during period					
Dividends of surplus			(544,613)		(544,613)
Profit attributable to owners of parent			785,273		785,273
Purchase of treasury shares				(407,211)	(407,211)
Disposal of treasury shares				36,705	36,705
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	240,659	(370,505)	(129,846)
Balance at end of current period	2,915,314	352,328	2,026,640	(989,380)	4,304,903

	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 current period	142,324	142,324	400	4,577,474
Cumulative effects of changes in accounting policies				–
Restated balance	142,324	142,324	400	4,577,474
Changes of items during period				
Dividends of surplus				(544,613)
Profit attributable to owners of parent				785,273
Purchase of treasury shares				(407,211)
Disposal of treasury shares				36,705
Net changes of items other than shareholders' equity	64,913	64,913	–	64,913
Total changes of items during period	64,913	64,913	–	(64,932)
Balance at end of current period	207,237	207,237	400	4,512,541

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

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current 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 of items during period					
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 of items other than shareholders' equity					
Total changes of items during period	–	–	309,427	(150,060)	159,367
Balance at end of current 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 current 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 of items during period				
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 of items other than shareholders' equity	(168,544)	(168,544)	–	(168,544)
Total changes of items during period	(168,544)	(168,544)	–	(9,177)
Balance at end of current period	38,693	38,693	400	4,591,371

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,135,799	1,270,662
Depreciation	398,901	385,153
Loss (gain) on sales of precious metals	–	(15,530)
Loss (gain) on sales of investment securities	–	(107,042)
Loss (gain) on cancellation of insurance contract	–	132,909
Loss on retirement of non-current assets	–	1,413
Increase (decrease) in provision for bonuses	11,498	18,816
Increase (decrease) in retirement benefit liability	41,200	38,241
Increase of reserve for commission reduction	(2,495)	(1,922)
Interest and dividend income	(6,047)	(5,288)
Interest expenses paid on loans and bonds	3,440	4,274
Increase (decrease) in accrued consumption taxes	(29,996)	48,842
Decrease (increase) in notes and accounts receivable - trade	95,751	(388,359)
Decrease (increase) in accounts receivable - other	437,556	(1,266,070)
Other, net	104,163	(86,814)
Subtotal	2,189,773	29,285
Interest and dividend income received	5,725	7,242
Interest expenses paid	(3,440)	(4,274)
Income taxes paid	(480,017)	(310,780)
Net cash provided by (used in) operating activities	1,712,040	(278,526)
Cash flows from investing activities		
Purchase of investment securities	(2,320)	(41,111)
Proceeds from sales of investment securities	–	133,682
Purchase of property, plant and equipment	(81,232)	(41,506)
Purchase of intangible assets	(116,758)	(185,515)
Payments for insurance funds	(24,326)	(24,326)
Proceeds from cancellation of insurance funds	–	141,272
Payments for guarantee deposits	(6,824)	(26,703)
Proceeds from collection of guarantee deposits	1,909	3,190
Other, net	(25,596)	50,744
Net cash provided by (used in) investing activities	(255,148)	9,726
Cash flows from financing activities		
Increase in short-term loans payable	200,000	1,100,000
Decrease in short-term loans payable	(200,000)	(1,100,000)
Repayments of long-term loans payable	(45,350)	(42,540)
Purchase of treasury shares	(407,211)	(190,388)
Cash dividends paid	(545,046)	(534,583)
Other, net	(69,531)	(31,567)
Net cash provided by (used in) financing activities	(1,067,138)	(799,079)
Effect of exchange rate change on cash and cash equivalents	130	(4,773)
Net increase (decrease) in cash and cash equivalents	389,884	(1,072,653)
Cash and cash equivalents at beginning of period	1,299,118	1,689,003
Cash and cash equivalents at end of period	1,689,003	616,350

(5) Notes for consolidated financial statements

(Notes regarding the assumption of going concern)

No applicable matters.

(Changes in accounting policies)

As the early application of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) is allowed from the start of the fiscal year beginning on or after April 1, 2018, the Company has applied the Accounting Standard for Revenue Recognition and its guidance from the start of the fiscal year ended September 30, 2019, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said goods or services is transferred to the customer. Therefore, regarding insurance agency commission revenue pertaining to the Insurance agency business, the amount of future agency commissions, which is expected to come from contracts that fulfill the Company’s performance obligations in contracts with customers, is recorded as sales. Note that up until the fiscal year ended September 30, 2018, the amount of commissions to be received in the following year was recorded as sales by adopting the following year’s standard, and regarding future receipts of insurance agency commissions receivables, sales were recorded as PV revenue in the event that the receivables were sold to securitize receivables (¥2,017,292,000 in the fiscal year ended September 30, 2018). Therefore, the adoption of the Accounting Standard for Revenue Recognition has not impacted the portion subject to PV revenue. In addition, receivables continued to be securitized to raise funds in the fiscal year ended September 30, 2019 as well.

The application of the Accounting Standard for Revenue Recognition and its guidance is subject to the transitional treatment provided in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the start of the fiscal year ended September 30, 2019, was added to or subtracted from the opening balance of retained earnings of the fiscal year ended September 30, 2019, and thus the new accounting policy is applied from such opening balance; provided, however, that the new accounting policy is not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the fiscal year ended September 30, 2019, are subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, with regard to modifications to contracts carried out prior to the start of the fiscal year ended September 30, 2019, to which the method set forth in the supplementary note (1) of paragraph 86 of the Accounting Standard for Revenue Recognition are applied, the steps (i) through (iii) stated below are carried out based on the contractual terms existing after all contract modifications have been reflected and this cumulative effect is added to or subtracted from the opening balance of retained earnings of the fiscal year ended September 30, 2019.

- (i) Classification as fulfilled or unfulfilled performance obligations
- (ii) Calculation of transaction price
- (iii) Allocation of transaction price to fulfilled or unfulfilled performance obligation

As a result, net sales, operating profit, ordinary profit and profit before income tax each increased ¥175,030,000 in the current fiscal year. In addition, retained earnings at the beginning of the current fiscal year rose ¥88,006,000.

(Changes in presentation methods)

(Consolidated statements of cash flows)

The “Decrease (increase) in accounts receivable - other” included in “Other, net” under “Cash flow from operating activities” in the previous fiscal year has been recorded independently from the current fiscal year because its monetary importance has increased. There has been reclassification of the consolidated financial statements for the previous fiscal year to reflect this change in presentation method.

As a result, the ¥541,719,000 shown as “Other, net” in the “Cash flow from operating activities” in the consolidated statements of cash flows for the previous fiscal year has been reclassified as ¥437,556,000 of “Decrease (increase) in accounts receivable - other” and ¥104,163,000 of “Other, net.”

(Additional information)

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended September 30, 2019. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

(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 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 three reporting segments being “Insurance agency business,” “Media business” and “Reinsurance business,” but the heightened importance of “ASP business,” which had to date been included in the “Insurance agency 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 four reporting segments being “Insurance agency business,” “ASP business,” “Media business” and “Reinsurance business.” Note that the disclosure of segment information for the previous fiscal year has been created based on the classification of reporting segments following the change.

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	Service activities such as the handling, planning, production and marketing of web promotion and other advertising operations
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. Inter-segment 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, 2018 (From October 1, 2017 to September 30, 2018)

(Thousands of yen)

	Reporting segment					Total	Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
	Insurance agency business	ASP business	Media business	Reinsurance business	Total			
Net sales								
Sales to external customers	7,913,198	4,460	826,177	724,429	9,468,265	9,468,265	–	9,468,265
Intersegment sales or transfers	430,117	–	5,969	–	436,086	436,086	(436,086)	–
Total	8,343,316	4,460	832,146	724,429	9,904,352	9,904,352	(436,086)	9,468,265
Segment profits	843,469	31	217,346	105,733	1,166,580	1,166,580	2,400	1,168,980
Segment assets	6,047,641	12,540	555,490	1,261,261	7,876,935	7,876,935	(84,617)	7,792,317
Segment liabilities	2,532,339	–	174,970	657,083	3,364,393	3,364,393	(84,617)	3,279,776
Other items								
Depreciation	398,508	393	–	–	398,901	398,901	–	398,901
Increase in property, plant and equipment and intangible assets	196,856	12,934	–	–	209,791	209,791	–	209,791

(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 ¥(84,617,000) includes ¥(84,617,000) of eliminations of intersegment transactions.

(3) Adjusted segment liabilities of ¥(84,617,000) includes ¥(84,617,000) 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, 2019 (From October 1, 2018 to September 30, 2019)

(Thousands of yen)

	Reporting segment					Total	Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
	Insurance agency business	ASP business	Media business	Reinsurance business	Total			
Net sales								
Sales to external customers	7,907,949	182,613	1,499,444	775,207	10,365,215	10,365,215	–	10,365,215
Intersegment sales or transfers	801,377	–	243,825	–	1,045,203	1,045,203	(1,045,203)	–
Total	8,709,327	182,613	1,743,269	775,207	11,410,418	11,410,418	(1,045,203)	10,365,215
Segment profits	778,135	82,159	372,411	110,075	1,342,782	1,342,782	2,400	1,345,182
Segment assets	6,915,318	77,424	800,630	1,294,450	9,087,823	9,087,823	(919,748)	8,168,074
Segment liabilities	3,520,499	1,449	358,633	615,868	4,496,452	4,496,452	(919,748)	3,576,703
Other items								
Depreciation	373,760	11,393	–	–	385,153	385,153	–	385,153
Increase in property, plant and equipment and intangible assets	418,978	76,276	–	–	495,254	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.

(Information per share)

The fiscal year ended September 30, 2018 (From October 1, 2017 to September 30, 2018)		The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	
Net assets per share	433.44 yen	Net assets per share	444.36 yen
Earnings per share	74.72 yen	Earnings per share	81.62 yen
Diluted earnings per share	– yen	Diluted earnings per share	– yen

(Notes) 1. The basis for calculating of earnings per share and diluted earnings per share are as follows.

	The fiscal year ended September 30, 2018 (From October 1, 2017 to September 30, 2018)	The fiscal year ended September 30, 2019 (From October 1, 2018 to September 30, 2019)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	785,273	844,493
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	785,273	844,493
Average number of common shares during the outstanding period (Shares)	10,508,464	10,346,242
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Thousands of yen)	–	–
Increase in the number of common shares (Shares)	–	–
(Subscription rights to shares) (Shares)	(–)	(–)
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 Type and number of shares to be issued per the share acquisition rights: common shares, 400,000 shares	

(Notes) 2. Diluted earnings per share is not presented since there are no potential shares with a dilutive effect.

3. 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" (117,100 shares for the previous fiscal year; 95,600 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" (126,817 shares for the previous fiscal year; 106,443 shares for current the fiscal year).

4. 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" (222,900 shares for the previous fiscal year 222,700 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" (222,900 shares for the previous fiscal year; 222,821 shares for the current fiscal year).

(Significant subsequent events)

No applicable matters.