Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2024 (Based on Japanese GAAP)

February 28, 2025

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	
Inquiries:	Director, General Manager of Corporate Planning Department	Toshiya Okada	TEL 06-6204-1193

Scheduled date of annual general meeting of shareholders:	March 25, 2025
Scheduled date to file Annual Securities Report:	February 28, 2025
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on financial results:	Yes
Holding of financial results meeting:	No (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)

(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, 2024	7,856	(24.3)	(711)	–	(808)	–	(2,250)	–
Year ended September 30, 2023	10,374	9.6	(1,302)	–	(1,472)	–	(2,433)	–

(Note) Comprehensive income Year ended September 30, 2024: ¥(2,306) million [–%]
Year ended September 30, 2023: ¥(2,422) million [–%]

	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, 2024	(102.26)	–	–	(10.5)	(9.1)
Year ended September 30, 2023	(111.14)	–	–	(15.6)	(12.6)

(Reference) Share of profit (loss) of entities accounted for using equity method
Year ended September 30, 2024: ¥– million
Year ended September 30, 2023: ¥– 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, 2024	6,860	(4,973)	(72.7)	(223.19)
As of September 30, 2023	8,479	(2,329)	(27.5)	(106.30)

(Reference) Equity
As of September 30, 2024: ¥(4,986) million
As of September 30, 2023: ¥(2,329) 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, 2024	(1,674)	(117)	1,512	941
Year ended September 30, 2023	(206)	(668)	(217)	1,191

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, 2023	–	17.50	–	17.50	35.00	789	–	–
Year ended September 30, 2024	–	17.50	–	0.00	17.50	394	–	–
Year ending September 30, 2025 (Forecast)	–	0.00	–	–	–		–	

(Notes) 1. The scheduled date of the annual general meeting of shareholders is the date of the Following Meeting of the 29th General Meeting of Shareholders.

2. Regarding the fiscal year-end dividend for the year ended September 30, 2024, no dividend was issued because it was unclear whether a distributable amount could be secured.
3. Regarding the fiscal year-end dividend for the year ending September 30, 2025, it is currently undecided. We will promptly provide this information as soon as conditions allow for disclosure.
4. Capital surplus is included in dividend resources for the six months ended March 31, 2024. For details, please refer to "Breakdown of Dividends paid out of Capital Surplus."

3. Forecast of consolidated financial results for the year ending September 30, 2025 (from October 1, 2024 to September 30, 2025)

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	–	–	–	–	–	–	–	–	–

(Note) The forecast of consolidated financial results for the year ending September 30, 2025 is currently being examined, so we are refraining from making a public announcement. We will promptly provide this information as soon as conditions allow for disclosure.

4. Notes

(1) Significant changes in the scope of consolidation during the year ended September 30, 2024: 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, 2024	22,937,400 shares	As of September 30, 2023	22,557,200 shares

Number of treasury shares at the end of the period

As of September 30, 2024	595,929 shares	As of September 30, 2023	641,207 shares

Average number of shares during the period

Year ended September 30, 2024	22,004,516 shares	Year ended September 30, 2023	21,891,034 shares

(Note) 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, 2024 (from October 1, 2023 to September 30, 2024)

(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, 2024	6,277	(22.8)	(771)	–	(520)	–	(1,961)	–
Year ended September 30, 2023	8,130	10.5	(1,727)	–	(1,050)	–	(1,839)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended September 30, 2024	(89.13)	–
Year ended September 30, 2023	(84.02)	–

(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, 2024	5,800	(5,355)	(92.6)	(240.28)
As of September 30, 2023	7,059	(3,000)	(42.5)	(136.90)

(Reference) Equity

As of September 30, 2024: ¥(5,368) million

As of September 30, 2023: ¥(3,000) 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

As stated in 3 above, we are refraining from making a public announcement regarding the forecast of consolidated financial results for the year ending September 30, 2025. We will promptly provide this information as soon as conditions allow for disclosure.

Breakdown of Dividends paid out of Capital Surplus

The breakdown of dividends paid out of capital surplus for dividends in the six months ended March 31, 2024 is as follows:

Record date	2nd quarter-end	Total
Dividend per share	¥1.71	¥1.71
Total cash dividends	¥38 million	¥38 million

(Note) The proportion of the decrease in net assets is currently being calculated and will be disclosed upon finalization.

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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, 2024 (from October 1, 2023 to September 30, 2024), the Japanese economy trended toward gradual recovery amid an expected improvement in employment and income conditions. However, the outlook remains uncertain due to factors including rising prices, prolonged global instability, and fluctuations in financial capital markets.

In the insurance industry, products are becoming increasingly diversified to supplement medical insurance due to concerns about the public medical insurance system in a society with a declining birthrate and an aging population. In addition, with life insurance companies raising the expected interest rates on savings-type products and the shift of personal financial assets from savings to investments, foreign currency-denominated insurance and other savings-type insurance products are attracting attention, and demand for private sector insurance is expected to remain strong. In addition, as seen in the certified agency system of the Life Insurance Association of Japan, which the Company is also certified under, the insurance industry is being called on to enhance the structure of the insurance agency business and achieve customer-oriented business operations as part of its fiduciary duty.

Under such circumstances, our Group advocates to be "a company that evolves by promoting the sharpening of people and technology," forging ahead daily to build "an insurance industry platform" able to deal with all types of insurance needs and a structure that fits the Online-Merges-with-Offline (OMO) era. Specifically, through our online interview system "Dynamic OMO," which we developed in-house, we are achieving online insurance consultations that are equivalent to offline consultations, eliminating the barriers between face-to-face and non-face-to-face interactions since 2020. In addition, since July 2022, we have partnered with AVITA, Inc. (hereinafter, "AVITA"), a startup company led by Professor Hiroshi Ishiguro of Osaka University, to utilize avatars developed by the company for insurance consultations, and we have also collaborated with AVITA on case studies of avatar usage, system improvement proposals, and customer survey results to develop more user-friendly avatars. In addition, we aim to make sales employees more effective as soon as possible through education using the avatar AI role-playing support service, AvaTraining using ChatGPT-4o. Furthermore, while it was previously common to use the telephone as a means of communication with customers, we are working to improve customer convenience by utilizing text tools such as LINE and social media, and by using ChatGPT-4o to provide automated responses to inquiries received at night and in the early morning. Moreover, we have started efforts to attract customers targeting younger demographics through promotional activities on social media using generative AI.

Going forward, the Company will strive to further increase its profitability by promoting digital transformation (DX) of the insurance solicitation process. Furthermore, we will continue to promote the development and sale of a common platform system for the insurance industry (Advance Create Cloud Platform, hereinafter, "ACP"). Spread of ACP in the industry is bound to culminate in a shift to digitization of sales operations along with significant reduction in administrative workloads. We have received high praise from customers who have installed any of the customer information management system "GOYOKIKI," the common platform system for applications "DECHI," the insurance policy management app "folder," or the online interview system "Dynamic OMO," which are key functions of ACP. We are also further expanding system functionality, including the application-based implementation of various systems. Furthermore, we are developing a system that integrates Dynamic OMO with AVITA's avatars and we are selling both products together. We will actively develop these ACP systems with the aim of making them the standard in the insurance industry, and we will aim for a subscription model that secures stock revenue and expand our collaborative business. While promoting and expanding these sales strategies, we will actively invest management resources to further enhance our governance and compliance systems, including strengthening our information security systems and insurance solicitation management systems.

Beginning with the fiscal year ended September 2019, the Company has applied the accounting standard for revenue recognition to calculate the present value (PV) of future commission income for the remaining effective contract period of each insurance policy, discounted by surrender rates and risk-free interest rates, and recorded as sales. However, during the current fiscal year, our accounting auditor, Sakurabashi & Co., pointed out discrepancies between some of the PV calculation results and actual conditions, and we decided to correct these discrepancies through amendments to past financial statements. In addition, based on this, net sales for the current fiscal year was calculated using conservative assumptions, resulting in a decrease in revenue. Furthermore, the recognition of impairment losses on non-current assets due to the revision of past net sales figures contributed to a decline in profit.

It has also been confirmed that during the PV recalculation, there are future agent fees that the Company is expected to receive due to the automatic renewal of insurance policies related to insurance products sold through the Company. Currently, the

Company estimates that the amount of such agent fees will be approximately 1.0 billion yen, based on past results. However, as it is not certain that the automatic renewal of insurance policies will be performed out at present, the above amount has not been taken into account in the PV recalculation and the revision of net sales in past fiscal years. Given these circumstances, we would like to note that the recalculated PV amount has been conservatively estimated.

As a result, we recorded net sales of ¥7,856 million (-24.3% YoY), operating loss of ¥711 million (operating loss of ¥1,302 million in the previous fiscal year), ordinary loss of ¥808 million (ordinary loss of ¥1,472 million in the previous fiscal year) and loss attributable to owners of parent of ¥2,250 million (loss attributable to owners of parent of ¥2,433 million in the previous fiscal year) in the current fiscal year.

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

	Consolidated basis		Non-consolidated basis	
Net sales	7,856	75.7	6,277	77.2
Operating loss	(711)	–	(771)	–
Ordinary loss	(808)	–	(520)	–
Loss attributable to owners of parent	(2,250)	–	(1,961)	–

The operating results by segment were as follows.

(Insurance agency business)

During the transitional period of restructuring the call center business, the number of appointments obtained decreased, which had the impact of a decrease in the number of new insurance interviews, and as a result, there was sluggish growth in business performance particularly through business collaboration, and the PV calculated from new policies decreased, resulting in a decrease in revenue.

As a result, the Insurance agency business recorded net sales of ¥5,670 million (-28.0% YoY) and operating loss of ¥1,194 million (operating loss of ¥1,822 million in the previous fiscal year) in the current fiscal year.

(ASP business)

Both revenue and profit increased as a result of solid performance in new sales of ACP to joint insurance agencies, etc.

As a result, the ASP business recorded net sales of ¥299 million (+15.5% YoY) and operating profit of ¥115 million (+21.4% YoY) in the current fiscal year.

(Media business)

The placement of ads on the insurance marketplace website "Hoken Ichiba" remained sluggish and both revenue and profit decreased.

As a result, the Media business recorded net sales of ¥1,231 million (-44.1% YoY) and operating profit of ¥251 million (-46.0% YoY) in the current fiscal year.

(Media representative business)

Revenue and profit decreased due to a slowdown in orders compared to the same period of the previous fiscal year.

As a result, the Media representative business recorded net sales of ¥694 million (-45.9% YoY) and operating loss of ¥30 million (operating profit of ¥77 million in the previous fiscal year) in the current fiscal year.

(Reinsurance business)

Revenue and profit increased due to net sales remaining strong and the completion of reinsurance payments following the reclassification of COVID-19.

As a result, the Reinsurance business recorded net sales of ¥1,130 million (+1.8% YoY) and operating profit of ¥107 million (operating loss of ¥121 million in the previous fiscal year) in the current fiscal year.

(ii) Future Outlook

As for the insurance industry for the fiscal year ending September 30, 2025, we anticipate the environment for insurance agencies to remain severe due to stronger regulation for customer-oriented business management, 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.

Meanwhile, regarding the accounting method for recording agent fee revenue in the insurance agency business, the Company estimates the future agent fee revenue, calculates its total discounted present value, and records it as revenue (hereinafter, “PV calculation,” and the net sales recorded through PV calculation referred to as “PV revenue”). However, our accounting auditor, Sakurabashi & Co., pointed out that there were discrepancies between some of the PV calculation results and actual conditions, indicating the need for a reassessment of the estimates. In response to the auditor’s remarks, we established an investigation committee consisting of external independent third parties, including lawyers and an outside Corporate Auditor, to conduct an investigation into the facts.

As announced in our notices dated October 8, 2024, regarding the Investigation Committee Report and Preventive Measures and January 10, 2025, regarding the Supplementary Investigation Committee Report, we received an investigation report and supplementary report (hereinafter, the “investigation reports”) from the investigation committee. As described in the investigation reports, it was found that appropriate responses had not been taken for unexpected errors occurring in the commission calculation system and that the process of calculating PV revenue was not precise. It should be noted that the discrepancies between the PV calculation results and actual conditions were not intentional, and no evidence was found that the management at the time exerted pressure or issued instructions to accounting staff to record non-existent sales or ensure a minimum amount of sales.

In response to this incident, the Company conducted a calculation of the discrepancy amount between the PV calculation and actual conditions. However, since the impact of this discrepancy extended not only to the current fiscal year but also to previous years, we determined that it would be appropriate to delay the announcement of the financial results for the fiscal year ended September 30, 2024 and to correct the discrepancy through amendments to past financial statements. Based on the above, the Company corrected the financial statements of the affected past fiscal years and submitted amendment reports of annual securities report, etc. to the Director-General of the Kinki Local Finance Bureau on February 28, 2025.

In addition, as stated in our announcement dated February 21, 2025, titled Formulation and Implementation of Preventive Measures, we have formulated and are implementing measures to prevent recurrence based on the investigation reports.

Given the business conditions, our Group is strengthening its internal control system as well as 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.”

(2) Overview of financial position for the fiscal year

(i) Assets, liabilities and net assets

(Total assets)

Total assets as of September 30, 2024 were ¥6,860 million, a decrease of ¥1,619 million from the end of the previous fiscal year (¥8,479 million, as of September 30, 2023).

Current assets decreased ¥462 million from the end of the previous fiscal year, mainly due to a ¥409 million decrease in income taxes refund receivable.

Non-current assets decreased ¥1,165 million from the end of the previous fiscal year, mainly due to a ¥567 million decrease in long-term prepaid expenses and a ¥318 million decrease in insurance funds.

(Total liabilities)

Total liabilities as of September 30, 2024 were ¥11,833 million, an increase of ¥1,024 million from the end of the previous fiscal year (¥10,809 million, as of September 30, 2023).

Current liabilities decreased ¥3,360 million from the end of the previous fiscal year, mainly due to a ¥4,490 million decrease in adjustment accounts related to securitization of receivables, despite an ¥1,817 million increase in short-term borrowings.

Non-current liabilities increased ¥4,384 million from the end of the previous fiscal year, mainly due to the recording of ¥4,348 million in adjustment accounts related to securitization of receivables under non-current liabilities.

(Total net assets)

Total net assets as of September 30, 2024 were negative ¥4,973 million, a decrease of ¥2,643 million from the end of the previous fiscal year (negative ¥2,329 million, as of September 30, 2023).

This was mainly due to ¥2,250 million recorded as loss attributable to owners of parent, and a ¥789 million decrease due to dividends of surplus, partially offset by a ¥357 million increase in share capital and capital surplus from the issuance of new shares through the exercise of share acquisition rights.

(ii) Cash flows

Cash and cash equivalents (hereinafter, “Net cash”) as of September 30, 2024 was ¥941 million, a ¥250 million decrease due to ¥1,674 million in cash outflows from operating activities, ¥117 million in cash outflows from investing activities and ¥1,512 million in cash inflows from financing activities.

Each of the cash flows during the current fiscal year was 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 ¥1,674 million (outflow of ¥206 million in the previous fiscal year) mainly due to loss before income taxes of ¥2,238 million (loss before income taxes of ¥2,252 million in the previous fiscal year), depreciation of ¥81 million (¥68 million in the previous fiscal year), impairment losses of ¥1,373 million (¥744 million in the previous fiscal year), decrease (increase) in trade receivables of negative ¥933 million (¥523 million in the previous fiscal year), decrease (increase) in accounts receivable - other of ¥308 million (¥1,034 million in the previous fiscal year), and income taxes paid of ¥100 million and income taxes refund of ¥429 million (payment of ¥748 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 ¥117 million (outflow of ¥668 million in the previous fiscal year) mainly due to purchase of intangible assets of ¥619 million (¥607 million in the previous fiscal year) and proceeds from cancellation of insurance funds of ¥310 million.

(Cash flows from financing activities)

Net cash provided by financing activities in the current fiscal year resulted in a net cash inflow of ¥1,512 million (outflow of ¥217 million in the previous fiscal year) mainly due to proceeds from short-term borrowings of ¥1,817 million, redemption of bonds of ¥250 million (¥200 million in the previous fiscal year), and dividends paid of ¥791 million (¥789 million in the previous fiscal year).

(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.

Regarding the year-end dividend for the fiscal year under review, no dividend was issued because it was unclear whether a distributable amount could be secured.

Regarding the next fiscal year, we forecast an interim dividend of ¥0 per share, and the year-end dividend is undecided at this time.

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 domestic companies in the same industry towards the adoption of international accounting standards.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,238,267	994,480
Accounts receivable - trade	1,224,949	2,158,351
Accounts receivable - other	588,572	279,615
Consumption taxes refund receivable	578,372	390,121
Income taxes refund receivable	1,632,373	1,222,384
Other	796,770	551,724
Total current assets	6,059,304	5,596,679
Non-current assets		
Property, plant and equipment		
Buildings and structures	377,593	377,593
Accumulated depreciation	(375,785)	(376,159)
Buildings and structures, net	1,808	1,434
Tools, furniture and fixtures	530,562	530,562
Accumulated depreciation	(529,683)	(530,142)
Tools, furniture and fixtures, net	878	420
Total property, plant and equipment	2,687	1,854
Intangible assets		
Software	162,007	115,518
Other	10,778	–
Total intangible assets	172,785	115,518
Investments and other assets		
Investment securities	138,014	30,390
Long-term prepaid expenses	568,259	930
Guarantee deposits	855,251	800,480
Insurance funds	443,222	124,253
Deferred tax assets	136,182	141,694
Other	97,609	33,758
Total investments and other assets	2,238,539	1,131,508
Total non-current assets	2,414,013	1,248,880
Deferred assets	6,226	14,590
Total assets	8,479,544	6,860,150

(Thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Short-term borrowings	900,000	2,717,500
Current portion of bonds payable	200,000	300,000
Income taxes payable	88,858	210
Accounts payable - other	1,331,073	1,190,588
Deposits received	642,637	246,047
Liability adjustment accounts related to securitization of receivables	4,932,680	441,940
Lease liabilities	135,011	128,072
Provision for bonuses	145,132	121,711
Other	441,381	310,293
Total current liabilities	8,816,775	5,456,363
Non-current liabilities		
Long-term borrowings	205,760	164,570
Bonds payable	200,000	350,000
Liability adjustment accounts related to securitization of receivables	–	4,348,150
Deferred tax liabilities	34,547	–
Lease liabilities	679,234	576,899
Retirement benefit liability	419,079	379,447
Asset retirement obligations	343,101	466,897
Other	110,912	91,461
Total non-current liabilities	1,992,635	6,377,426
Total liabilities	10,809,411	11,833,790
Net assets		
Shareholders’ equity		
Share capital	3,158,703	3,337,212
Capital surplus	585,325	460,893
Retained earnings	(5,624,029)	(8,360,788)
Treasury shares	(505,856)	(423,815)
Total shareholders’ equity	(2,385,856)	(4,986,498)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,990	(99)
Total accumulated other comprehensive income	55,990	(99)
Share acquisition rights	–	12,958
Total net assets	(2,329,866)	(4,973,639)
Total liabilities and net assets	8,479,544	6,860,150

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

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net sales	10,374,351	7,856,949
Cost of sales	3,964,727	2,074,121
Gross profit	6,409,623	5,782,828
Selling, general and administrative expenses		
Advertising expenses	8,286	9,567
Communication expenses	253,308	224,143
Salaries & Directors’ compensation	2,968,955	2,286,377
Provision for bonuses	145,132	121,711
Retirement benefit expenses	79,155	60,101
Depreciation	68,050	81,893
Rent expenses on land and buildings	826,763	827,613
Commission expenses	1,713,486	1,820,167
Net claims paid	897,342	543,853
Other	751,812	518,705
Total selling, general and administrative expenses	7,712,295	6,494,133
Operating loss	(1,302,671)	(711,305)
Non-operating income		
Interest income	312	2,067
Dividend income	2,292	2,017
Guarantee commission income	9,295	9,295
Gain on sales of gold bullion	–	7,679
Gain on sale of investment securities	–	95,897
Foreign exchange gains	14,232	29,246
Other	5,269	9,719
Total non-operating income	31,402	155,924
Non-operating expenses		
Interest expenses on borrowings and bonds	17,174	33,893
Commission expenses	179,364	188,756
Other	5,126	30,043
Total non-operating expenses	201,665	252,694
Ordinary loss	(1,472,934)	(808,075)
Extraordinary income		
Gain on insurance cancellation	9,972	–
Total extraordinary income	9,972	–
Extraordinary losses		
Loss on retirement of non-current assets	9,600	5,527
Impairment losses	744,329	1,373,547
Loss on cancellation of insurance policies	35,783	23,208
Special investigation expense	–	27,965
Total extraordinary losses	789,713	1,430,248
Loss before income taxes	(2,252,676)	(2,238,324)
Income taxes - current	191,121	12,082
Income taxes - deferred	(10,767)	(121)
Total income taxes	180,353	11,961
Loss	(2,433,030)	(2,250,286)
Loss attributable to owners of parent	(2,433,030)	(2,250,286)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Loss	(2,433,030)	(2,250,286)
Other comprehensive income		
Valuation difference on available-for-sale securities	10,305	(56,089)
Total other comprehensive income	10,305	(56,089)
Comprehensive income	(2,422,724)	(2,306,375)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,422,724)	(2,306,375)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

The fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,158,703	585,325	(2,401,584)	(552,474)	789,969
Changes during period					
Dividends of surplus			(789,414)		(789,414)
Loss attributable to owners of parent			(2,433,030)		(2,433,030)
Purchase of treasury shares				(34)	(34)
Disposal of treasury shares				46,653	46,653
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(3,222,444)	46,618	(3,175,826)
Balance at end of period	3,158,703	585,325	(5,624,029)	(505,856)	(2,385,856)

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	45,684	45,684	835,654
Changes during period			
Dividends of surplus			(789,414)
Loss attributable to owners of parent			(2,433,030)
Purchase of treasury shares			(34)
Disposal of treasury shares			46,653
Net changes in items other than shareholders' equity	10,305	10,305	10,305
Total changes during period	10,305	10,305	(3,165,521)
Balance at end of period	55,990	55,990	(2,329,866)

The fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,158,703	585,325	(5,624,029)	(505,856)	(2,385,856)
Changes during period					
Issuance of new shares - exercise of share acquisition rights	178,508	178,508			357,017
Dividends of surplus		(302,940)	(486,473)		(789,414)
Loss attributable to owners of parent			(2,250,286)		(2,250,286)
Purchase of treasury shares				(24)	(24)
Disposal of treasury shares				82,065	82,065
Net changes in items other than shareholders' equity					
Total changes during period	178,508	(124,432)	(2,736,759)	82,041	(2,600,641)
Balance at end of period	3,337,212	460,893	(8,360,788)	(423,815)	(4,986,498)

	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	55,990	55,990	–	(2,329,866)
Changes during period				
Issuance of new shares - exercise of share acquisition rights				357,017
Dividends of surplus				(789,414)
Loss attributable to owners of parent				(2,250,286)
Purchase of treasury shares				(24)
Disposal of treasury shares				82,065
Net changes in items other than shareholders' equity	(56,089)	(56,089)	12,958	(43,131)
Total changes during period	(56,089)	(56,089)	12,958	(2,643,773)
Balance at end of period	(99)	(99)	12,958	(4,973,639)

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Cash flows from operating activities		
Loss before income taxes	(2,252,676)	(2,238,324)
Depreciation	68,050	81,893
Impairment losses	744,329	1,373,547
Increase (decrease) in provision for bonuses	(32,869)	(23,420)
Increase (decrease) in retirement benefit liability	7,988	(33,613)
Interest and dividend income	(2,605)	(4,084)
Interest expenses on borrowings and bonds	17,174	33,893
Amortization of deferred assets	4,986	5,283
Gain on sales of gold bullion	–	(7,679)
Loss on retirement of non-current assets	9,600	5,527
Loss (gain) on cancellation of insurance policies	25,811	23,208
Loss (gain) on sale of investment securities	–	(95,897)
Decrease (increase) in trade receivables	523,912	(933,402)
Decrease (increase) in accounts receivable - other	1,034,140	308,956
Increase (decrease) in liability adjustment accounts related to securitization of receivables	209,544	(142,589)
Decrease (increase) in long-term prepaid expenses	(38,231)	(75,687)
Increase (decrease) in accrued consumption taxes	1,258	(31,308)
Increase (decrease) in accounts payable - other	238,896	(139,468)
Other, net	(3,432)	(80,981)
Subtotal	555,879	(1,974,148)
Interest and dividends received	2,605	4,069
Interest paid	(16,641)	(33,496)
Income taxes paid	(748,558)	(100,731)
Income taxes refund	–	429,614
Net cash provided by (used in) operating activities	(206,714)	(1,674,692)
Cash flows from investing activities		
Purchase of property, plant and equipment	(93,360)	(29,191)
Purchase of intangible assets	(607,647)	(619,663)
Purchase of investment securities	(4,005)	(12,598)
Proceeds from sale of investment securities	–	135,366
Purchase of insurance funds	(15,189)	(15,189)
Proceeds from cancellation of insurance funds	311,065	310,950
Payments of guarantee deposits	(163,077)	(1,841)
Proceeds from refund of guarantee deposits	2,676	56,611
Other, net	(99,260)	58,424
Net cash provided by (used in) investing activities	(668,797)	(117,130)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	900,000	1,817,500
Repayments of long-term borrowings	(50,490)	(41,190)
Purchase of treasury shares	(34)	–
Proceeds from disposal of treasury shares	41,545	51,831
Redemption of bonds	(200,000)	(250,000)
Dividends paid	(789,414)	(791,304)
Proceeds from issuance of bonds	–	494,330
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	353,975
Other, net	(119,104)	(123,106)
Net cash provided by (used in) financing activities	(217,498)	1,512,036
Effect of exchange rate change on cash and cash equivalents	14,232	29,213
Net increase (decrease) in cash and cash equivalents	(1,078,778)	(250,572)
Cash and cash equivalents at beginning of period	2,270,524	1,191,745
Cash and cash equivalents at end of period	1,191,745	941,173

(5) Notes for consolidated financial statements

(Notes regarding the assumption of going concern)

In the current fiscal year, our Group re-examined the calculation of agent fee revenue in the insurance agency business and made corrections to net sales retroactively for previous years. At the same time, our Group recorded impairment losses on non-current assets and reversed deferred tax assets. As a result of these and other corrections, in the current fiscal year, we recorded an operating loss of ¥711 million, ordinary loss of ¥808 million, and loss attributable to owners of parent of ¥2,250 million. This is the second consecutive fiscal year of operating loss and ordinary loss, and the third consecutive fiscal year of loss attributable to owners of parent. Furthermore, net cash from operating activities was negative for the second consecutive fiscal year. As a result of recording these losses, we had excess liabilities of ¥4,973 million at the end of the current fiscal year. In addition, we are in breach of financial covenants under various agreements with certain financial institutions for securitization of receivables. As a result, a situation exists that raises significant doubts about the assumption of going concern.

Our Group is taking the following measures to resolve this situation.

(1) Capital policy

We believe it is essential to consider and implement capital reinforcement and other policies to drastically improve our financial condition and eliminate our excess liabilities as quickly as possible. The specific timing and scale of the capital policy has not yet been determined, but we are proceeding with consideration regarding the specifics.

(2) Improving productivity by strengthening the product proposal ability of sales employees

We aim to restore business performance and achieve renewed growth by strengthening the product proposal ability of each sales employee and thereby improving their productivity. Many young employees are actively contributing in the insurance agency business of the Company, including employees who have been with the company for less than three years that have achieved high sales results by utilizing the latest technologies, such as the online interview system developed in-house (Dynamic OMO) and avatars. In addition, we are actively using the avatar AI role-playing support service AvaTraining, developed by AVITA, Inc., in training for sales employees, and particularly for new graduate sales employees, to help them become effective immediately. This technology-based sales training will promote further growth of young employees and lead to improvement in the ability of all sales employees to make comprehensive proposals, thereby increasing per-capita productivity.

(3) Optimizing fixed costs

We will optimize our overall personnel structure to properly control personnel expenses by hiring new employees and reallocating existing personnel. At the same time, we will review activity expenses with an emphasis on outsourcing expenses as we work to reduce fixed costs.

(4) Financial covenants

Although we are in breach of financial covenants under various agreements with certain financial institutions for securitization of receivables, these covenants do not stipulate that a breach would result in the forfeiture of the benefit of time for repayment of contractual obligations and other related matters. In addition, we have obtained the approval of said financial institutions for the continuation of the agreements. We have explained our future business plans to said financial institutions and are striving to maintain good relationships with them.

(5) Securing capital

As described in “Significant subsequent events,” we have borrowed funds totaling ¥719 million from December 2024 to February 2025 based on overdraft and other agreements with financial institutions in order to secure cash reserves.

However, since these measures are still being implemented and some have not been finally agreed upon with the parties concerned, we recognize that material uncertainty exists regarding the assumption of going concern at this time.

Our Group’s consolidated financial statements have been prepared on the going concern basis, and the effect of the material uncertainty regarding the assumption of going concern has not been reflected in the consolidated financial statements.

(Additional information)

(Correction of previous years' consolidated financial statements)

As described below, in the current financial year, we recognized the fact that previous years' financial figures included inappropriate accounting treatment.

Beginning with the fiscal year ended September 2019, we adopted a method for recording agent fee revenue in the insurance agency business in which we estimated future agent fee revenue and recorded its total discounted present value as sales (hereinafter, "PV calculation"). However, during the audit process for financial statements for the current fiscal year, we became aware of the suspicion that some of the results of PV calculations were overstating sales as pointed out by the audit corporation.

In response to this, we established an investigation committee on July 4, 2024, consisting of three external independent third parties, including lawyers and an outside Corporate Auditor, to conduct an investigation into the matter. We received the investigation report from the committee on October 7, 2024. As a result, regarding the total number of agent fee payments that forms the basis of PV calculations, we discovered a discrepancy between the number registered in the fee calculation system and actual conditions.

Furthermore, in the course of conducting said investigation, we recognized that, apart from the issue with the number of payments mentioned above, there were also discrepancies between some of the fee amounts used in the PV calculations and the actual amounts received from the insurance company. Therefore, we requested that the investigation committee conduct an additional investigation on October 22, 2024, and received the additional investigation report from the same committee on December 30, 2024. As a result, we discovered that there were PV calculations that had been made based on fee amounts that had no rational basis.

As a result of the above, we recognized that PV calculations based on agent fees had been excessive in previous years, and that net sales had consequently been overstated.

Accordingly, we made the necessary corrections to the consolidated financial statements contained in the annual securities reports and quarterly securities reports that we had submitted in the past, and submitted an amendment report on February 28, 2025. The corrections also included the recording of impairment losses on non-current assets of ¥3,483 million and the reversal of deferred tax assets of ¥985 million in previous years.

The impact of the above corrections on the financial figures for each fiscal year is as follows.

(Thousands of yen)

Fiscal year ended	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022	September 30, 2023	September 30, 2024 (Note)
Net sales	(1,777,583)	(1,417,840)	(1,573,298)	(2,396,658)	210,836	(526,044)
Selling, general and administrative expenses	–	(18,011)	(422,667)	(430,196)	(506,892)	(311,455)
Operating profit/loss	(1,777,583)	(1,399,828)	(1,150,631)	(1,966,461)	717,729	(250,588)
Profit/loss attributable to owners of parent	(2,273,582)	(2,309,350)	(1,181,947)	(2,561,424)	(663,747)	(477,272)
Total assets	(181,409)	(1,629,774)	(1,489,746)	(2,040,927)	(2,032,962)	(2,870,447)
Net assets	(257,088)	(2,566,438)	(3,748,386)	(6,309,811)	(6,973,558)	(7,450,942)

(Note) The amount of impact for the first six months of the current fiscal year are stated.

(Notes on 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.

   Therefore, 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 and information on disaggregation of revenue

The fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Thousands of yen)

	Reporting segment						Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
	Insurance agency business	ASP business	Media business	Media representative business	Reinsurance business	Total		
Net sales								
Revenue from contracts with customers	6,169,055	258,988	2,202,118	633,676	1,110,512	10,374,351	–	10,374,351
Other revenue	–	–	–	–	–	–	–	–
Sales to external customers	6,169,055	258,988	2,202,118	633,676	1,110,512	10,374,351	–	10,374,351
Intersegment sales or transfers	1,702,718	–	–	650,048	–	2,352,766	(2,352,766)	–
Total	7,871,773	258,988	2,202,118	1,283,724	1,110,512	12,727,117	(2,352,766)	10,374,351
Segment profit (loss)	(1,822,554)	94,880	466,007	77,722	(121,126)	(1,305,071)	2,400	(1,302,671)
Segment assets	6,489,798	201,005	1,170,775	189,708	1,732,268	9,783,556	(1,304,012)	8,479,544
Segment liabilities	10,050,999	9,302	1,100,846	88,067	854,324	12,103,539	(1,294,128)	10,809,411
Other items								
Depreciation	268	67,782	–	–	–	68,050	–	68,050
Increase in property, plant and equipment and intangible assets	682,427	104,361	–	–	–	786,788	–	786,788

(Notes)
1. The details of adjusted amounts are as follows.
   (1) Adjusted segment profit (loss) of ¥2,400 thousand includes ¥2,400 thousand of eliminations of intersegment transactions.
   (2) Adjusted segment assets of negative ¥1,304,012 thousand includes negative ¥1,304,012 thousand of eliminations of intersegment transactions.
   (3) Adjusted segment liabilities of negative ¥1,294,128 thousand includes negative ¥1,294,128 thousand of eliminations of intersegment transactions.
2. Segment profit (loss) is the same as operating loss in the consolidated statements of income.
3. Net sales of insurance agency business (reporting segment) by life insurance and non-life insurance are as follows.

(Thousands of yen)

	Insurance agency business segment		
Net sales	Life insurance	Non-life insurance	Total
Sales to external customers	5,620,561	548,493	6,169,055
Intersegment sales or transfers	1,483,763	218,954	1,702,718
Total	7,104,325	767,448	7,871,773

The fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Thousands of yen)

	Reporting segment						Adjusted amounts (Note 1)	Consolidated financial statements amount (Note 2)
	Insurance agency business	ASP business	Media business	Media representative business	Reinsurance business	Total		
Net sales								
Revenue from contracts with customers	4,745,943	299,138	1,231,834	449,060	1,130,973	7,856,949	–	7,856,949
Other revenue	–	–	–	–	–	–	–	–
Sales to external customers	4,745,943	299,138	1,231,834	449,060	1,130,973	7,856,949	–	7,856,949
Intersegment sales or transfers	924,397	–	–	245,585	–	1,169,983	(1,169,983)	–
Total	5,670,340	299,138	1,231,834	694,645	1,130,973	9,026,932	(1,169,983)	7,856,949
Segment profit (loss)	(1,194,578)	115,157	251,718	(30,575)	107,062	(751,215)	39,910	(711,305)
Segment assets	5,282,457	148,707	773,459	66,474	1,688,256	7,959,353	(1,099,203)	6,860,150
Segment liabilities	11,154,334	1,210	718,123	47,681	1,004,675	12,926,025	(1,092,235)	11,833,790
Other items								
Depreciation	230	81,663	–	–	–	81,893	–	81,893
Increase in property, plant and equipment and intangible assets	760,001	40,250	–	–	–	800,251	–	800,251

(Notes)

1. The details of adjusted amounts are as follows.
   (1) Adjusted segment profit (loss) of ¥39,910 thousand includes ¥39,910 thousand of eliminations of intersegment transactions.
   (2) Adjusted segment assets of negative ¥1,099,203 thousand includes negative ¥1,099,203 thousand of eliminations of intersegment transactions.
   (3) Adjusted segment liabilities of negative ¥1,092,235 thousand includes negative ¥1,092,235 thousand of eliminations of intersegment transactions.
2. Segment profit (loss) is the same as operating loss in the consolidated statements of income.
3. Net sales of insurance agency business (reporting segment) by life insurance and non-life insurance are as follows.

(Thousands of yen)

	Insurance agency business segment		
Net sales	Life insurance	Non-life insurance	Total
Sales to external customers	4,305,744	440,199	4,745,943
Intersegment sales or transfers	828,955	95,442	924,397
Total	5,134,699	535,641	5,670,340

(Information per share)

The fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)		The fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)	
Net assets per share	¥(106.30)	Net assets per share	¥(223.19)
Loss per share	¥(111.14)	Loss per share	¥(102.26)

(Note) The basis for calculating of earnings per share or loss per share is as follows.

	The fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)	The fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024)
Loss attributable to owners of parent (Thousands of yen)	(2,433,030)	(2,250,286)
Amount not attributable to common shareholders (Thousands of yen)	–	–
Loss attributable to owners of parent related to common shares (Thousands of yen)	(2,433,030)	(2,250,286)
Average number of common shares outstanding during the period (Shares)	21,891,034	22,004,516

(Notes) 1. Diluted earnings per share

Diluted earnings per share is not presented for the previous fiscal year since there was a loss per share and there are no potential shares.

Diluted earnings per share is not presented for the current fiscal year since, although there are potential shares, there was a loss per share.

2. 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" (208,400 shares for the previous fiscal year; 172,700 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 "Loss per share" (228,090 shares for the previous fiscal year; 190,115 shares for the current fiscal year).

3. 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" (430,300 shares for the previous fiscal year; 420,700 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 "Loss per share" (436,615 shares for the previous fiscal year; 425,515 shares for the current fiscal year).

(Significant subsequent events)

(Large amount of borrowing of funds)

We have borrowed funds as follows based on overdraft and other agreements with financial institutions.

(1) Use of funds Working capital

(2) Name of lender Sumitomo Mitsui Banking Corporation and 3 other banks

(3) Amount borrowed Total ¥719 million

(4)	Drawdown date	December 30, 2024; January 20, 2025; February 20, 2025
(5)	Interest rate	Variable interest rate (Bank base rate plus spread)
(6)	Payment due	March 19, 2025 (however, the term will be extended unless a different intention is expressed by either party)
(7)	Assets pledged as collateral	Accounts receivable - trade (including those that arise up to June 30, 2025)