

Advance Create Co., Ltd. FY09/19 Results Briefing Materials

(October 2018 to September 2019)



November 11, 2019



Disclaimer

The forward-looking statements included in this document and any related materials are based on currently available information, and may change due to macroeconomic conditions and trends in the industry in which the Company operates.

Accordingly, please note that actual results may differ from the forward-looking statements presented in these materials which are subject to risks or uncertainties.

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I. FY09/19 Results Overview

FY09/19 Results Highlights

— Consolidated Results —

Net sales

¥10,365 million, up ¥896 million YoY

Operating
profit

¥1,345 million, up ¥176 million YoY

Ordinary
profit

¥1,297 million, up ¥162 million YoY

Profit

¥844 million, up ¥59 million YoY

FY09/19 Income Statement (Consolidated)

(Unit: Millions of yen)	FY09/18	Composition (%)	FY09/19	Composition (%)	YoY change (%)
Revenue	9,468	100.0	10,365	100.0	9.5
Insurance Agency business	8,343	88.1	8,709	84.0	4.4
ASP business	4	0.0	182	1.8	3,994.5
Media business	832	8.8	1,743	16.8	109.5
Reinsurance business	724	7.7	775	7.5	7.0
Consolidation adjustments	▲ 436	▲ 4.6	▲ 1,045	▲ 10.1	—
Cost of revenue	2,623	27.7	2,989	28.8	14.0
Gross profit	6,844	72.3	7,375	71.2	7.8
Operating expenses	5,675	59.9	6,030	58.2	6.2
Operating profit	1,168	12.3	1,345	13.0	15.1
Insurance Agency business	843	8.9	778	7.5	▲ 7.7
ASP business	0	0.0	82	0.8	258,687.9
Media business	217	2.3	372	3.6	71.3
Reinsurance business	105	1.1	110	1.1	4.1
Ordinary profit	1,135	12.0	1,297	12.5	14.3
Profit	785	8.3	844	8.1	7.5
Profit per share (¥)	74.72		81.62		

- In the Insurance Agency business, sales increased thanks to continued aggressive promotion and a steady increase in consultation volume. In the ASP business, which became an independent segment in this fiscal year, sales expanded on strong sales of cloud services. In the Media business, sales rose on efforts to expand the business by leveraging our expertise in online ad operation, one of our strengths. The Reinsurance business also performed well. As a result, consolidated net sales increased 9.5% YoY.
- Consolidated ordinary profit increased 14.3% YoY and profit rose 7.5% YoY as sharp profit growth in the ASP and Media businesses offset YoY increases in cost of sales and SG&A expenses mainly attributable to higher promotion and IT-related expenses.

FY09/19 Balance Sheet (Consolidated)

(Unit: Millions of yen)	End-FY09/18	End-FY09/19	Change
Current assets	4,255	5,013	758
Cash and deposits	1,692	678	▲ 1,013
Accounts receivable - trade	486	1,001	515
Accounts receivable - other	1,518	2,785	1,266
Other	558	548	▲ 9
Non-current assets	3,536	3,154	▲ 382
Property, plant and equipment	447	583	136
Intangible assets	602	574	▲ 27
Investments and other assets	2,487	1,995	▲ 491
Total assets	7,792	8,168	375

(Unit: Millions of yen)	End-FY09/18	End-FY09/19	Change
Current liabilities	2,349	2,439	89
Short-term interest-bearing debt	62	71	9
Other	2,287	2,367	80
Non-current liabilities	930	1,137	207
Long-term interest-bearing debt	343	473	130
Other	586	663	76
Total liabilities	3,279	3,576	296
Share capital	2,915	2,915	-
Capital surplus	352	352	-
Retained earnings	2,026	2,424	397
Treasury shares	▲ 989	▲ 1,139	▲ 150
Other	207	39	▲ 168
Total net assets	4,512	4,591	78
Total liabilities and net assets	7,792	8,168	375

Assets

Total assets increased ¥375 million from end-FY09/18. This mainly reflected a ¥515 million increase in accounts receivable - trade, a ¥1,266 million increase in accounts receivable - other, and a ¥1,013 million decline in cash and deposits.

Liabilities and Net Assets

Total liabilities expanded ¥296 million from end-FY09/18. This was mainly due to a ¥130 million increase in long-term interest-bearing debt.

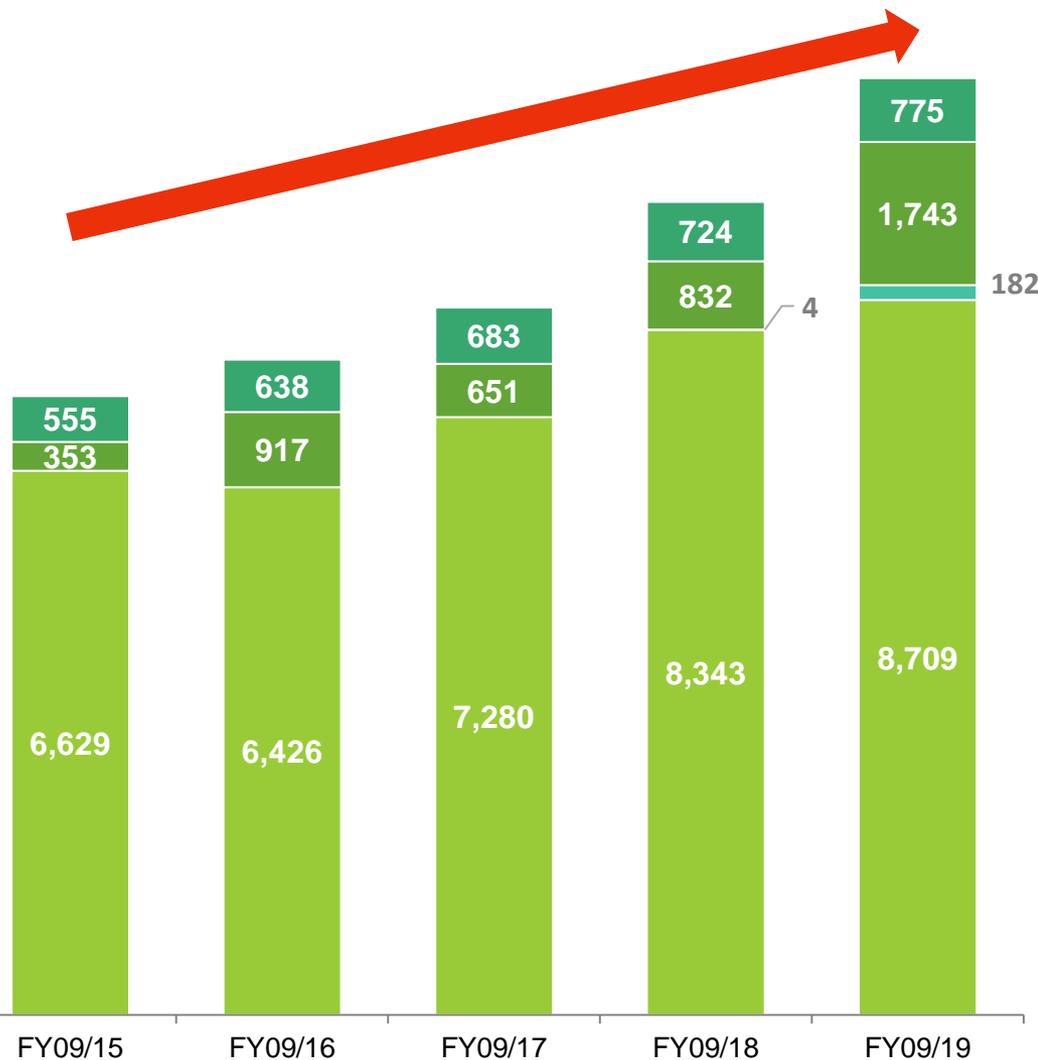
Total net assets grew ¥78 million from end-FY09/18. This mainly reflected the booking of ¥844 million in profit attributable to owners of parent, as well as a ¥535 million decline due to the payment of dividends of surplus and a ¥150 million drop due to purchases of treasury shares.

FY09/19 Statement of Cash Flows (Consolidated)

(Unit: Millions of yen)	FY09/18	FY09/19	Change
Cash flows from operating activities	1,712	▲ 278	▲ 1,990
Profit before income taxes	1,135	1,270	134
Depreciation	398	385	▲ 13
Increase (decrease) in accounts receivable	95	▲ 388	▲ 484
Other	81	▲ 1,545	▲ 1,627
Cash flows from investing activities	▲ 255	9	264
Cash flows from financing activities	▲ 1,067	▲ 799	268
Increase (decrease) in interest-bearing debt	▲ 156	▲ 113	42
Dividends paid	▲ 545	▲ 534	10
Other	▲ 365	▲ 151	214
Effect of exchange rate change on cash and cash equivalents	0	▲ 4	▲ 4
Net increase (decrease) in cash and cash equivalents	389	▲ 1,072	▲ 1,462
Cash and cash equivalents at beginning of period	1,299	1,689	
Cash and cash equivalents at end of period	1,689	616	▲ 1,072

Sales by Segment

(Unit: Millions of yen)



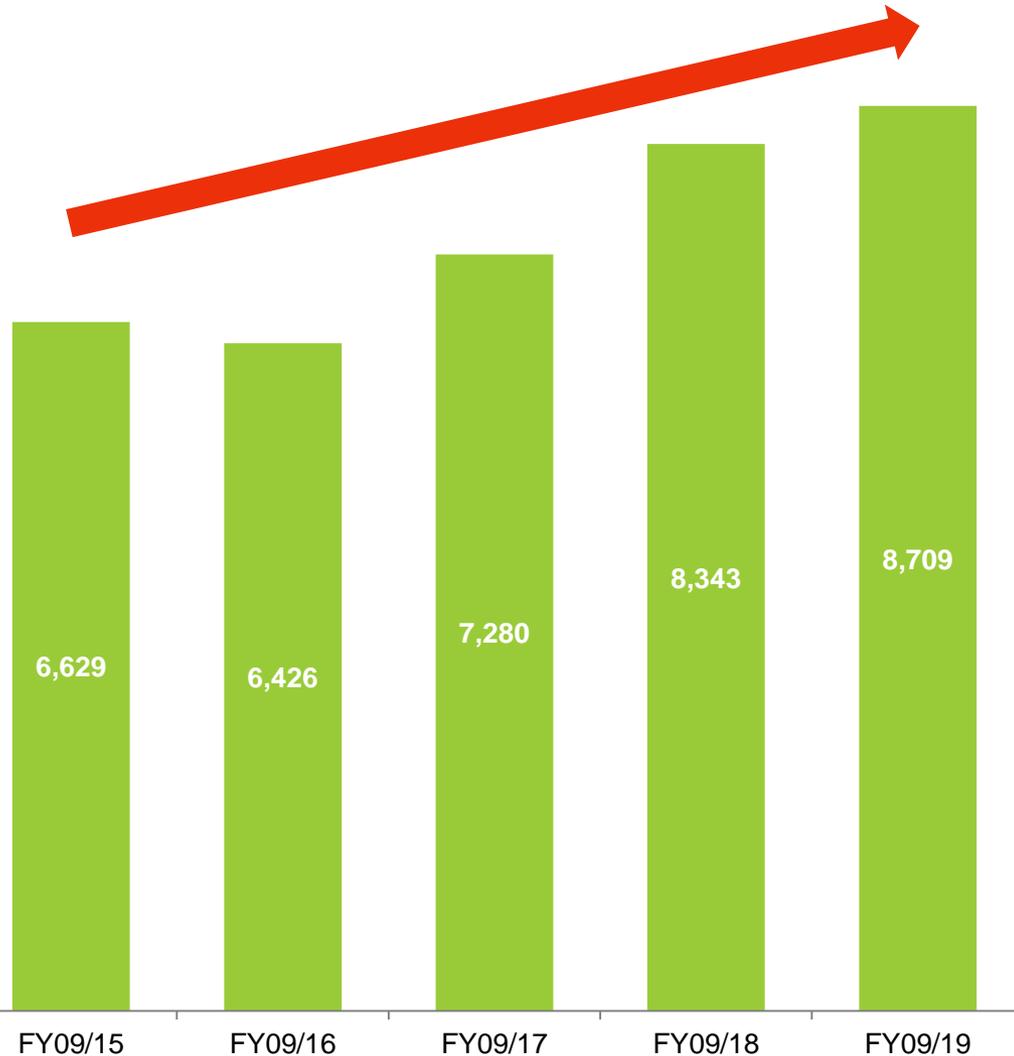
	FY09/18	FY09/19
Reinsurance	724	775
Media	832	1,743
ASP	4	182
Insurance Agency	8,343	8,709
Total	9,904	11,410

Up **15.2%**
YoY

* Before consolidation adjustments

Sales: Insurance Agency Business

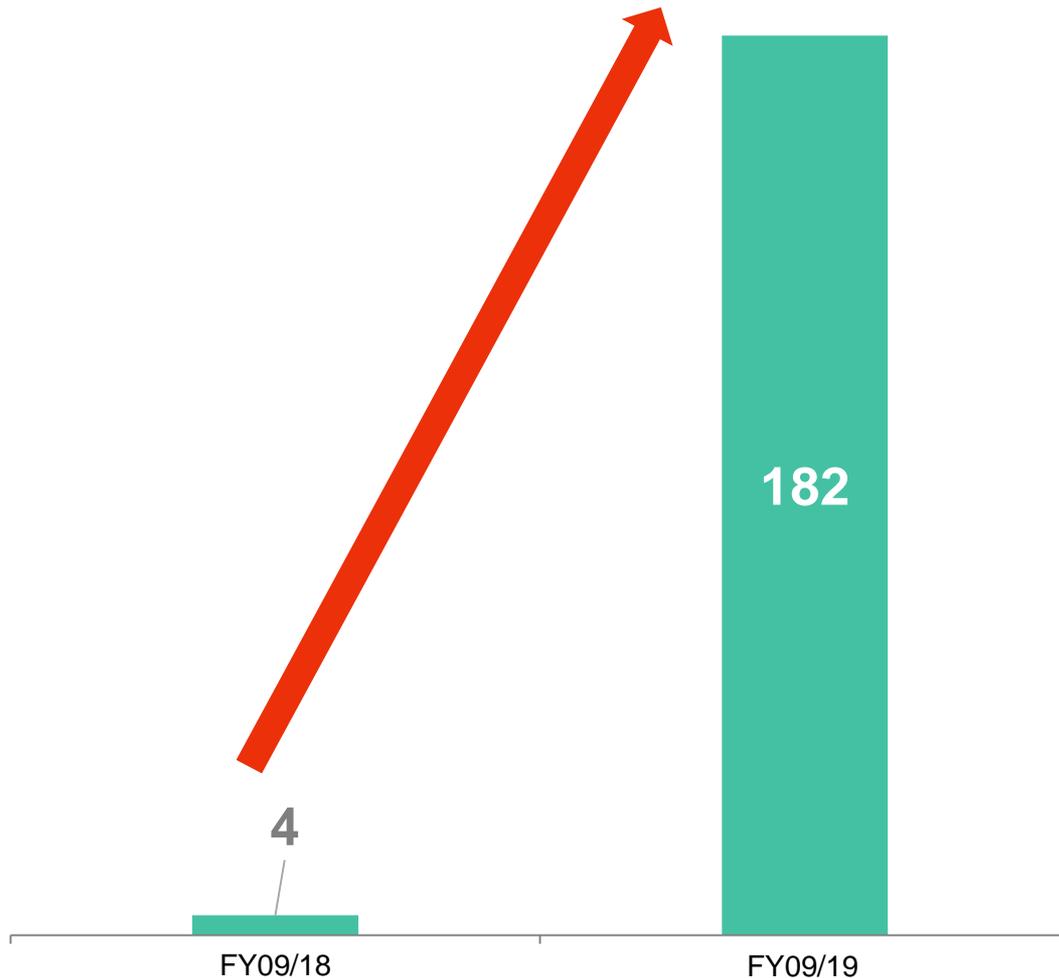
(Unit: Millions of yen)



Up 4.4%
YoY

Sales: ASP Business

(Unit: Millions of yen)

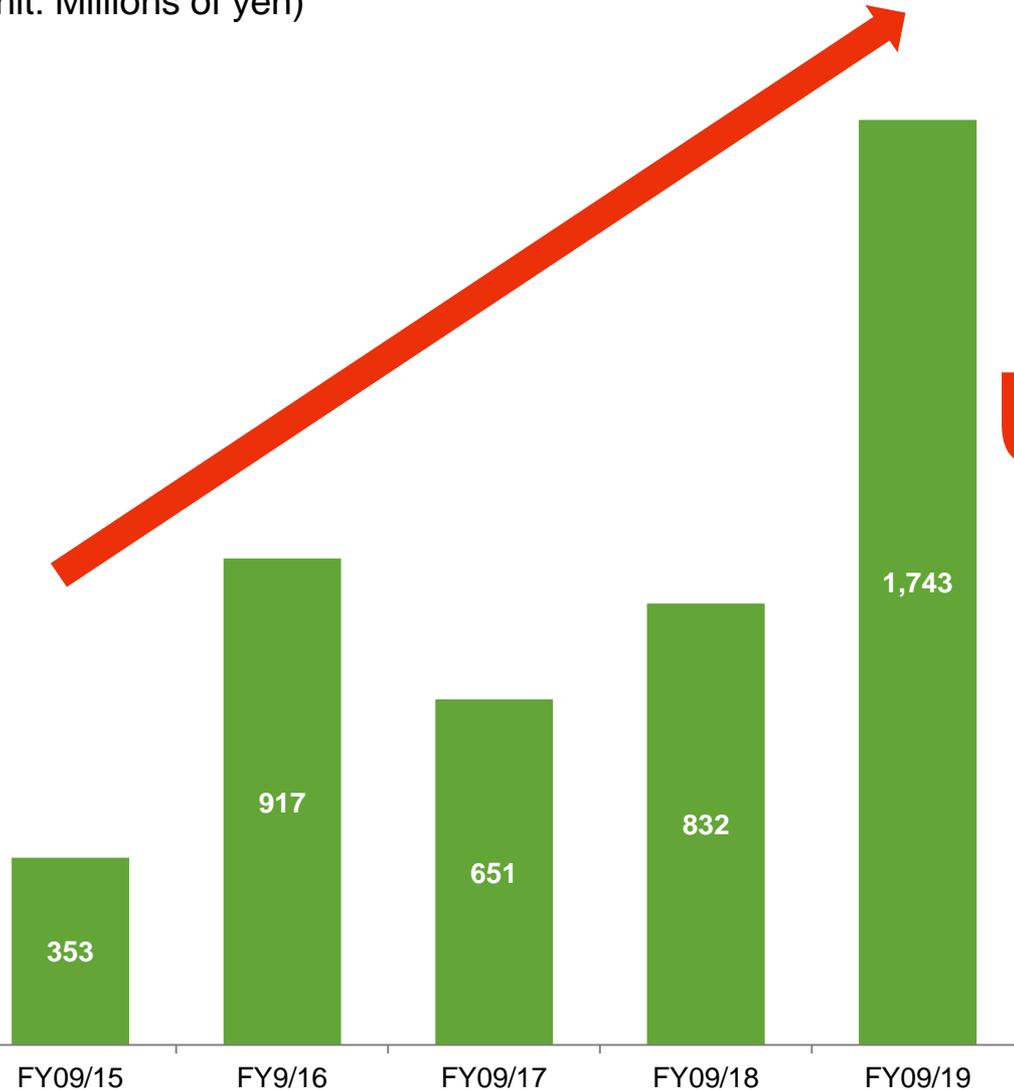


40.9x
YoY

* The ASP business was included in the Insurance Agency business through FY09/18, and became an independent segment in FY09/19. The figures in FY09/18 have been retrospectively adjusted and are presented on that basis.

Sales: Media Business

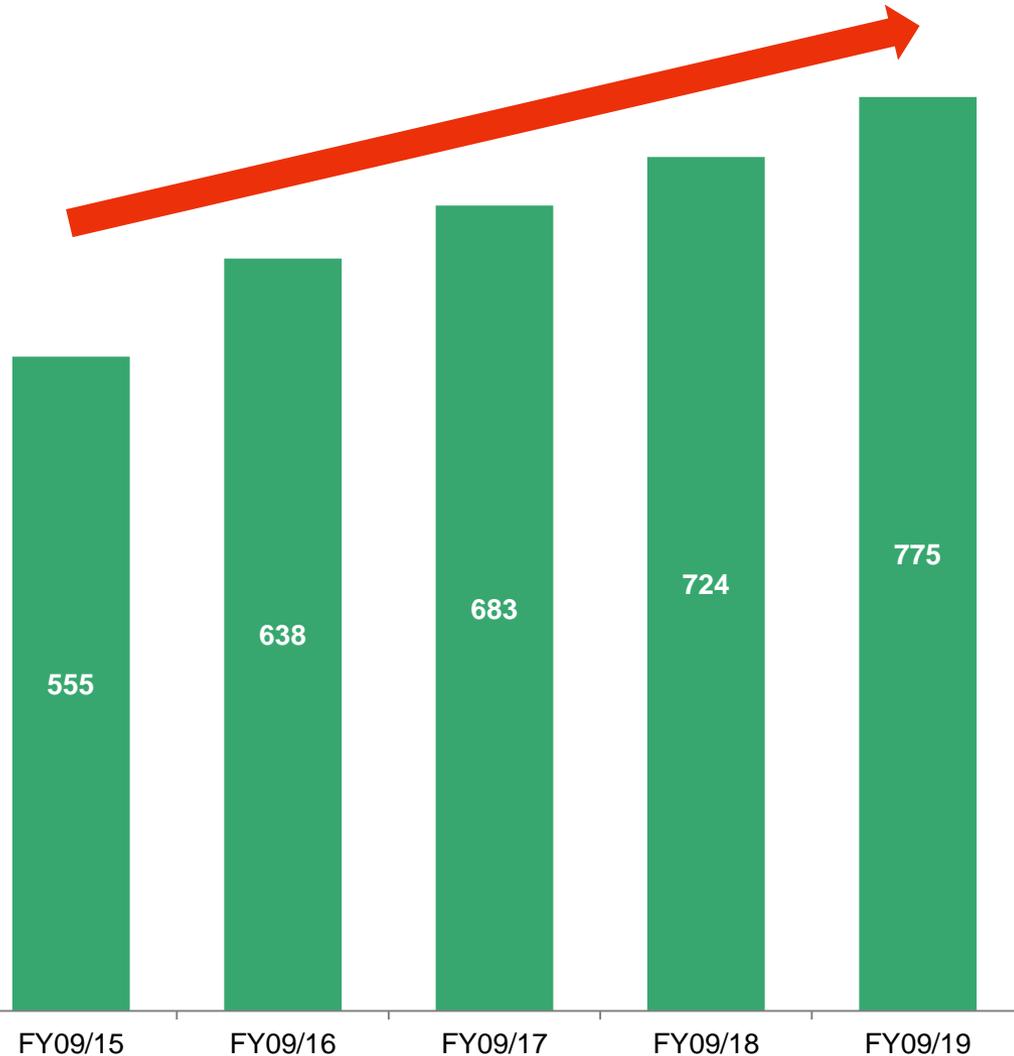
(Unit: Millions of yen)



Up **109.5%**
YoY

Sales: Reinsurance Business

(Unit: Millions of yen)



Up 7.0%
YoY

FY09/20 Forecasts

(Unit: Millions of yen)

Consolidated	FY09/16 results	FY09/17 results	FY09/18 results	FY09/19 results	FY09/20 estimates	YoY change (%)
Revenue	7,295	8,137	9,468	10,365	11,400	10.0%
Operating profit	954	1,043	1,168	1,345	1,570	16.7%
Ordinary profit	926	1,024	1,135	1,297	1,500	15.6%
Profit	582	742	785	844	1,000	18.4%
ROE	12.4%	16.2%	17.3%	18.6%	19.7%	
Ordinary profit margin	12.7%	12.6%	12.0%	12.5%	13.2%	
Payout ratio	87.7%	67.9%	66.9%	61.3%	51.7%	
Equity ratio	65.5%	59.3%	57.9%	56.2%	58.7%	

[Shareholder returns]

For FY09/19, we plan to pay an annual dividend of ¥50 per share, comprising an interim dividend and year-end dividend of ¥25 per share each.

Key Performance Indicators (KPI)

	Target	FY09/19
ROE	20% or more	18.6%
Ordinary profit margin	20% or more	12.5%
Payout ratio	50% or more	61.3%
Equity ratio	80% or more	56.2%

II. Operations Management Data

ANP by Sales Channel

(Unit: Millions of yen)



	FY09/18	FY09/19
Collaborative	1,183	1,570
Online	2,652	2,632
Face-to-face	4,634	4,697
Total	8,470	8,900

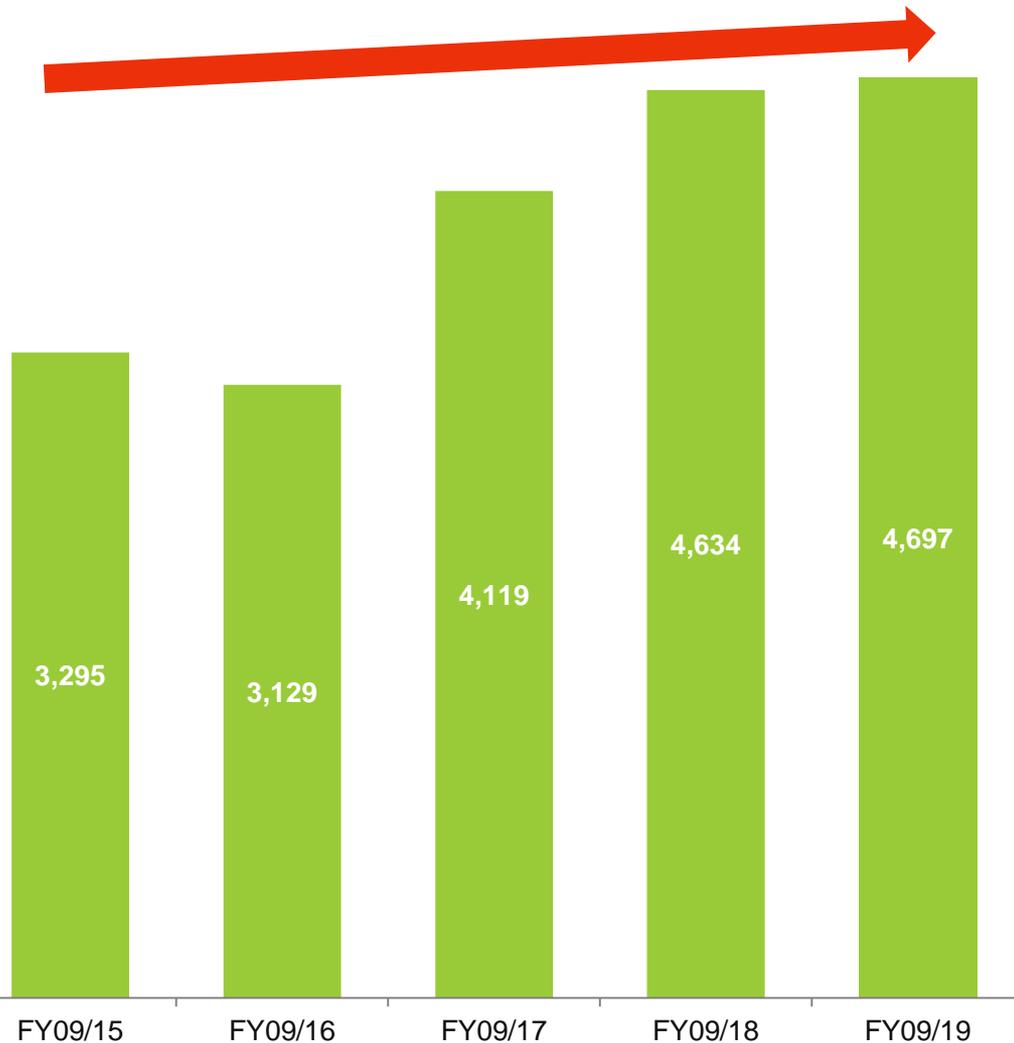
Up 5.1%
YoY

* ANP: annualized new premiums (ANP for a monthly premium of ¥5,000 is ¥60,000)

* Figures for the most recent quarter reflect preliminary data.

Face-to-Face Sales ANP (Direct Sales)

(Unit: Millions of yen)

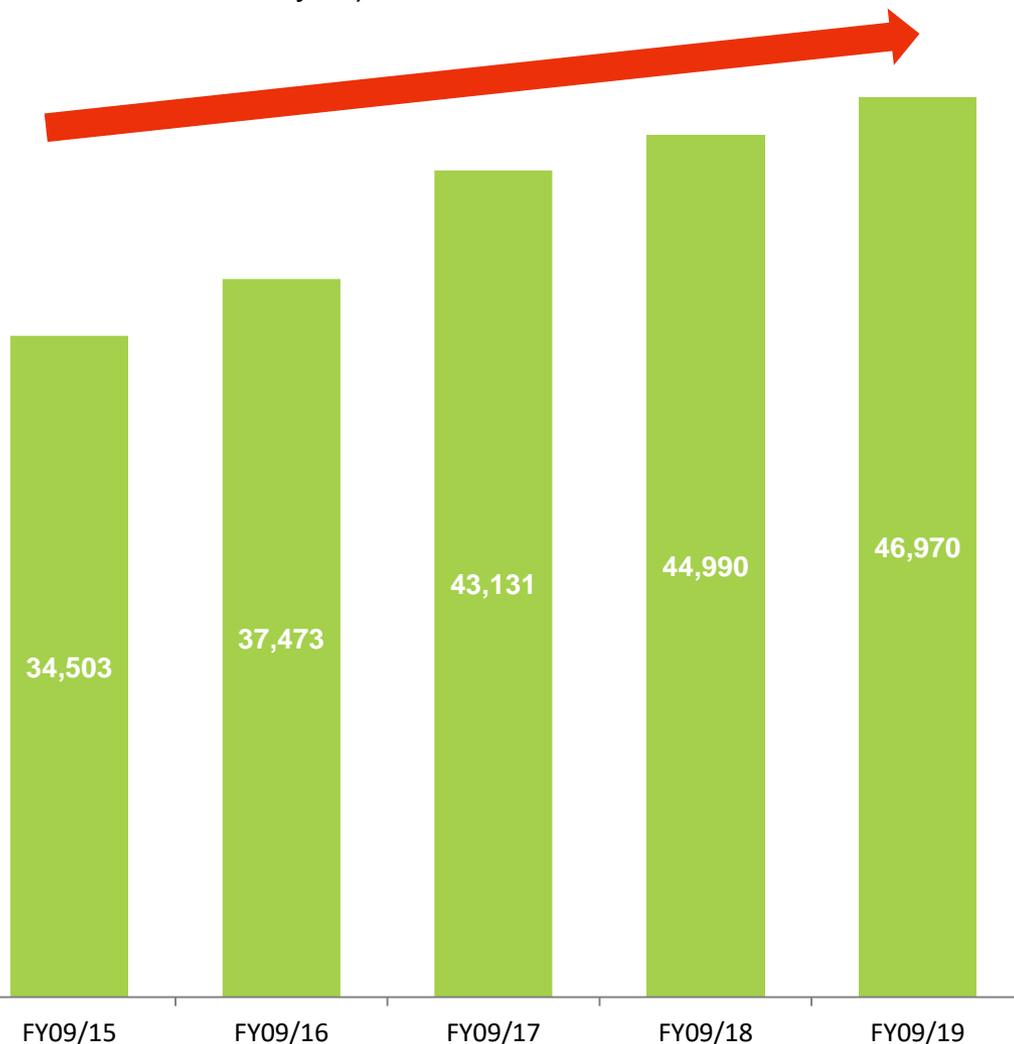


Up **1.4%**
YoY

* For single premium policies, adjusted premiums are used to calculate ANP through face-to-face sales.

ANP per Salesperson (Face-to-Face Sales at Direct-Sales Outlets)

(Unit: Thousands of yen)



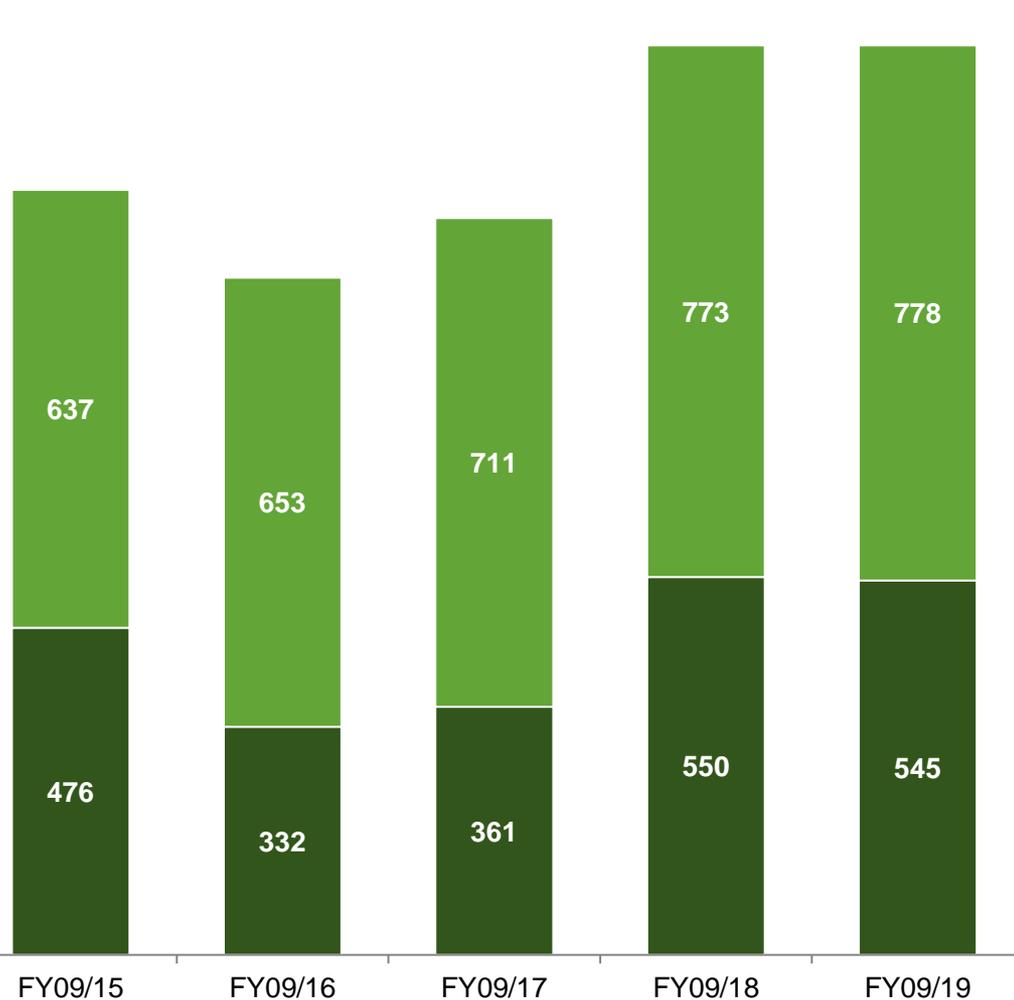
Up **4.4%**
YoY

* 12 outlets across Japan, 117 salespeople
(as of end-September 2019)

* For single premium policies, adjusted premiums
are used to calculate ANP per salesperson.

Online Life and Non-Life Insurance ANP

(Unit: Millions of yen)

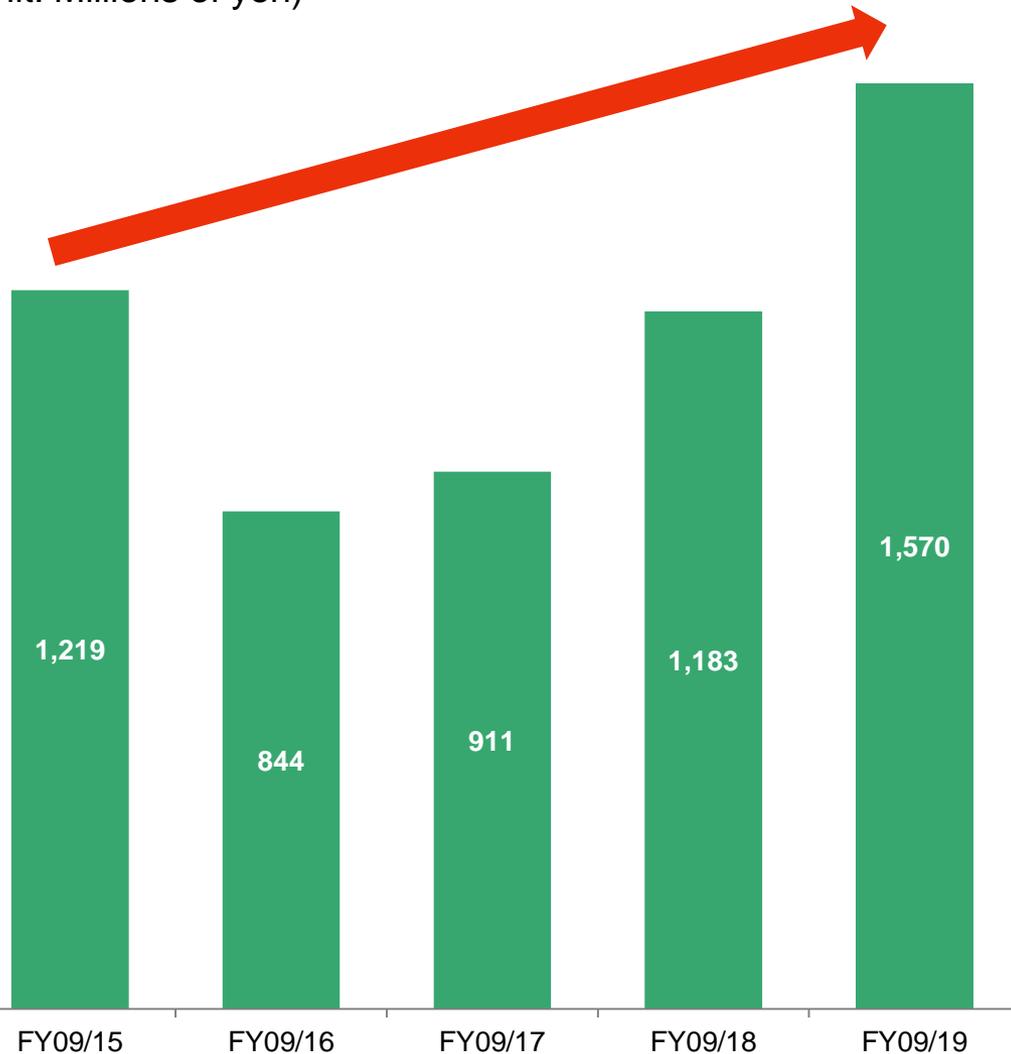


	FY09/18	FY09/19
Online non-life insurance	773	778
Online life insurance	550	545
合計	1,323	1,323

Flat YoY

Collaborative Sales ANP

(Unit: Millions of yen)

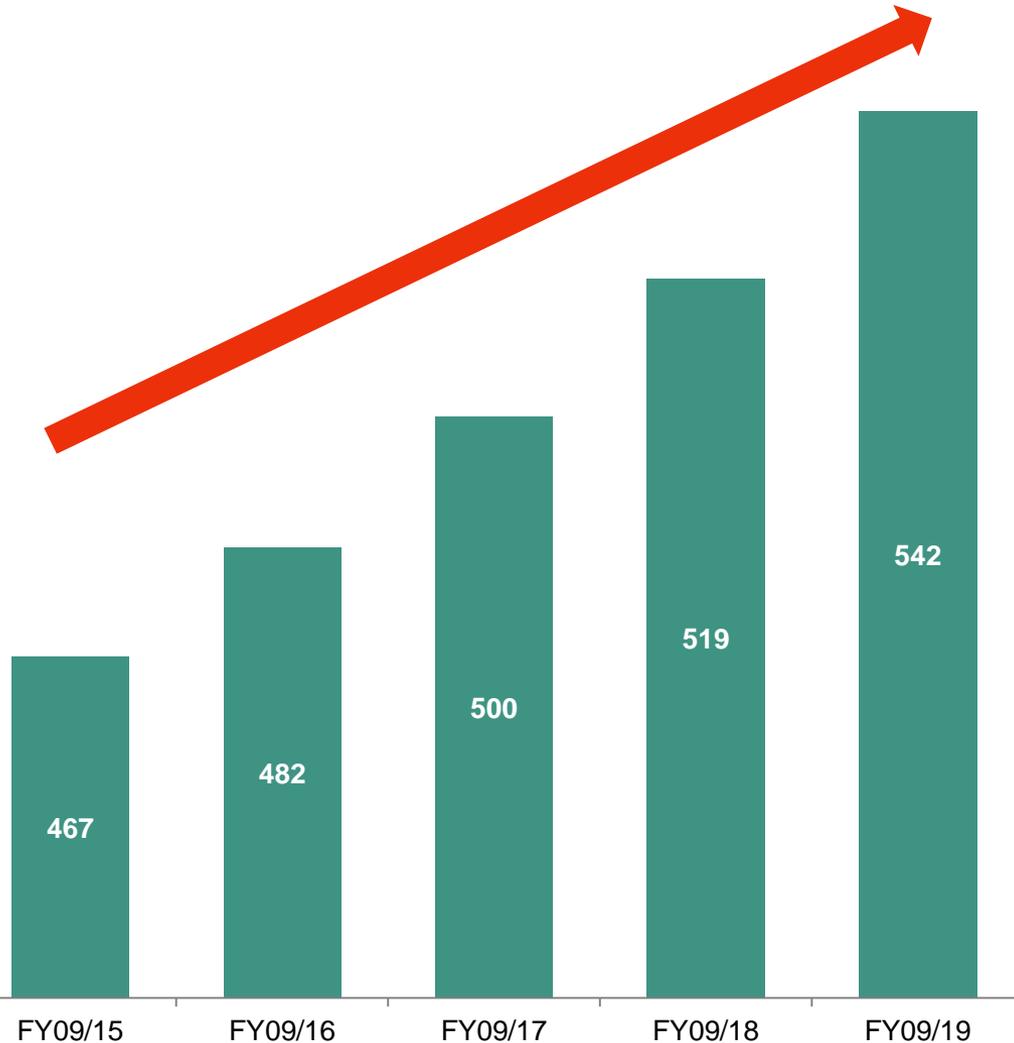


Up **32.7%**
YoY

- Affiliated agents 87 (297 agent outlets)
No. of affiliated solicitors: 56,675
* As of September 30, 2019
(Number of affiliated agents at end-FY09/18: 78)

Number of Policies in Force

(Unit: Thousand)



Up 4.4%
YoY

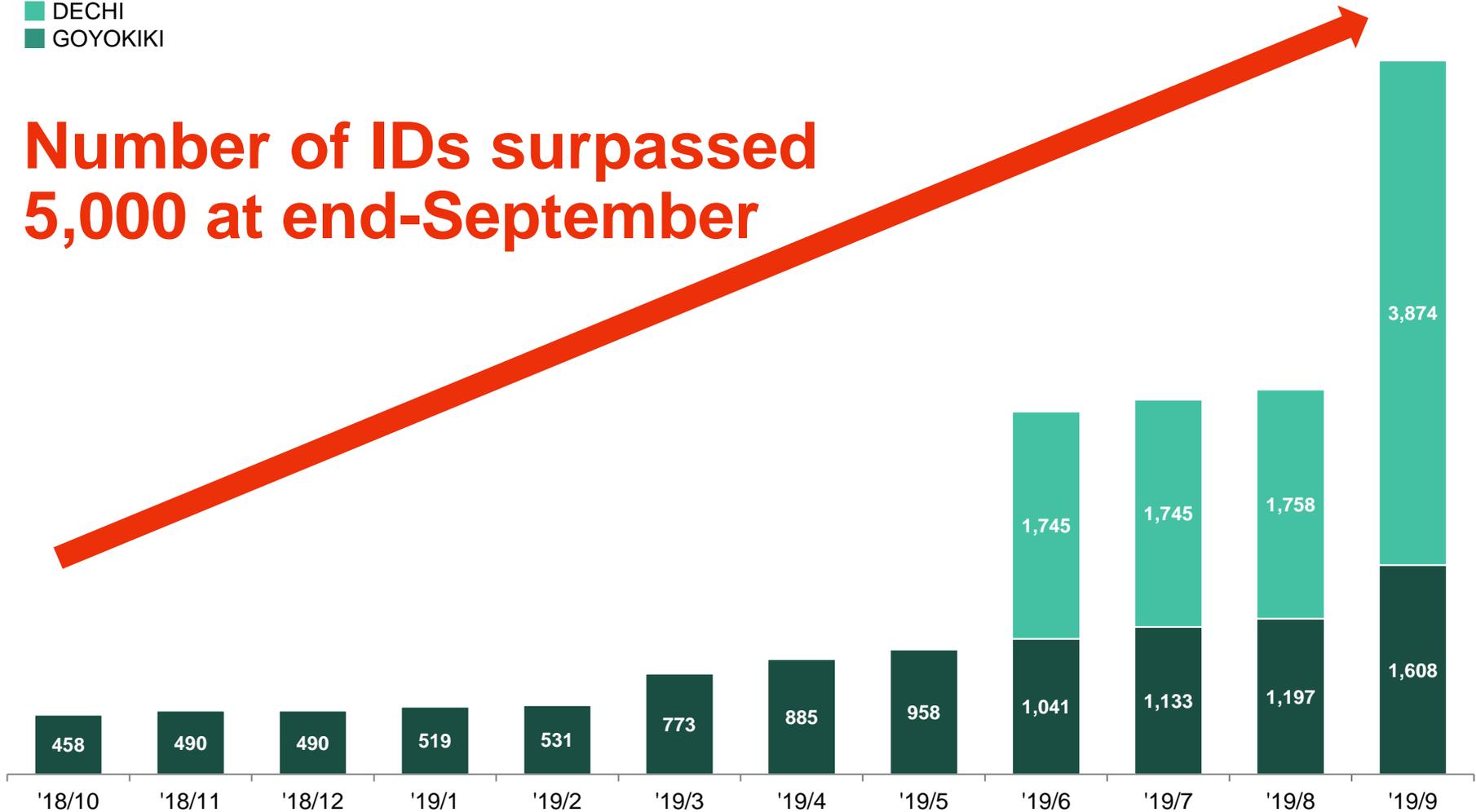
* Number of policies in force reflects products subject to regular premiums and renewals such as life insurance and medical insurance, but excludes short-term accident insurance (travel insurance, etc.)

Number of Advance Create Cloud Platform (ACP) User Accounts

(Unit: IDs)

■ DECHI
■ GOYOKIKI

Number of IDs surpassed 5,000 at end-September



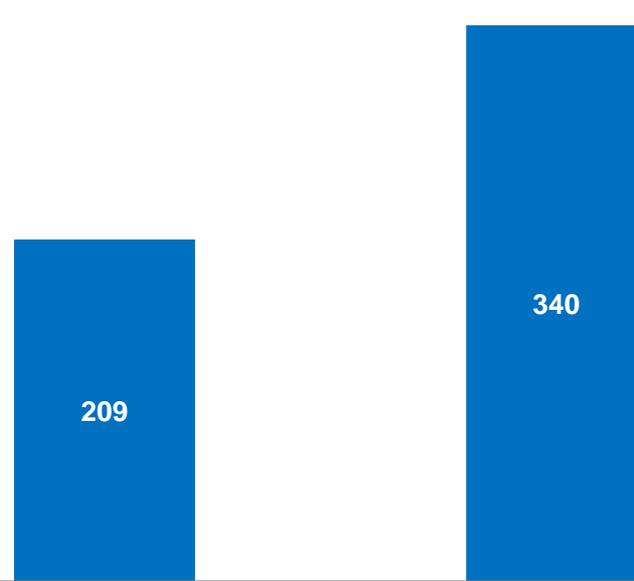
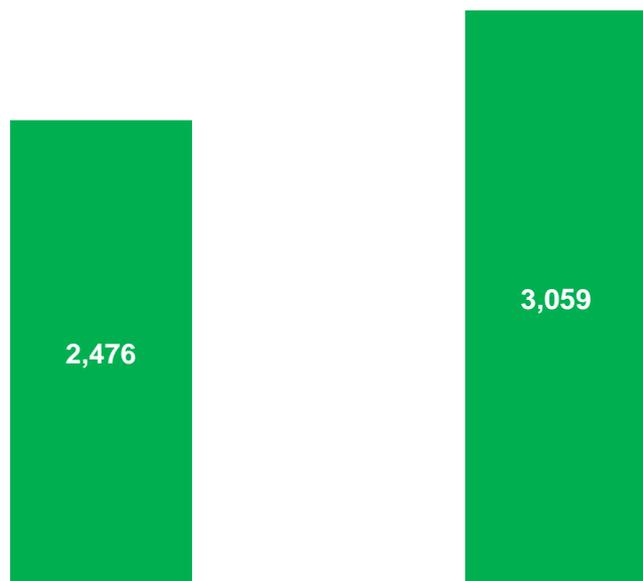
Trends in EEV (Present Value of Reinsurance Revenue)

European Embedded Value (EEV)

Value of New Business (VNB)

(Unit: Millions of yen)

(Unit: Millions of yen)



End-June 2018

End-June 2019

FY2017

FY2018

***1 An Embedded Value (EV) is an indicator of the present value of projected future profits available for distribution to shareholders. It supplements financial accounting information by recognizing future profit contributions at the time new policies are sold. Advance Create uses European Embedded Value (EEV), an indicator that has been widely adopted by life insurers.**

***2 Advance Create has requested verification of its EEV estimates to Deloitte Touche Tohmatsu LLC, a third-party organization with expert knowledge in this area, and received such verification in the form of written opinions. For the meaning and precise calculation of terms such as adjusted net assets, value of in-force policies (VIF), and value of new business (VNB), as well as the written opinions received from Deloitte Touche Tohmatsu, please refer to "Disclosure of European Embedded Value for Reinsurance Subsidiary at End-June 2019" released on November 11, 2019.**

III. Company Strategy

Achieve progress through enhancing people and technology

History of Advance Create



1997
Started leaflet distribution



2002
Listed on NASDAQ Japan



2004
Opened insurance shops



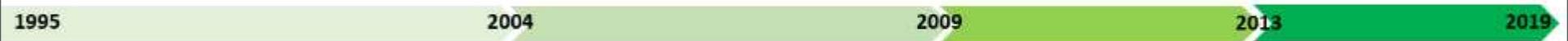
2009
Launched new-format Hoken Ichiba outlets



2013
Launched consulting plaza outlets



2016
Moved to the First Section of the Tokyo Stock Exchange



1998
Developed GOYOKIKI



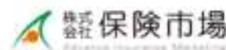
1999
Launched Hoken Ichiba website



2007
Launched full-scale online marketing



2004
Established Hoken Ichiba Co., Ltd.



2009
Developed mobile website



2008
Established Advance Create Reinsurance Inc.



2018
Started sales of GOYOKIKI



2018
Released "folder" app



2019
Started sales of DECHI



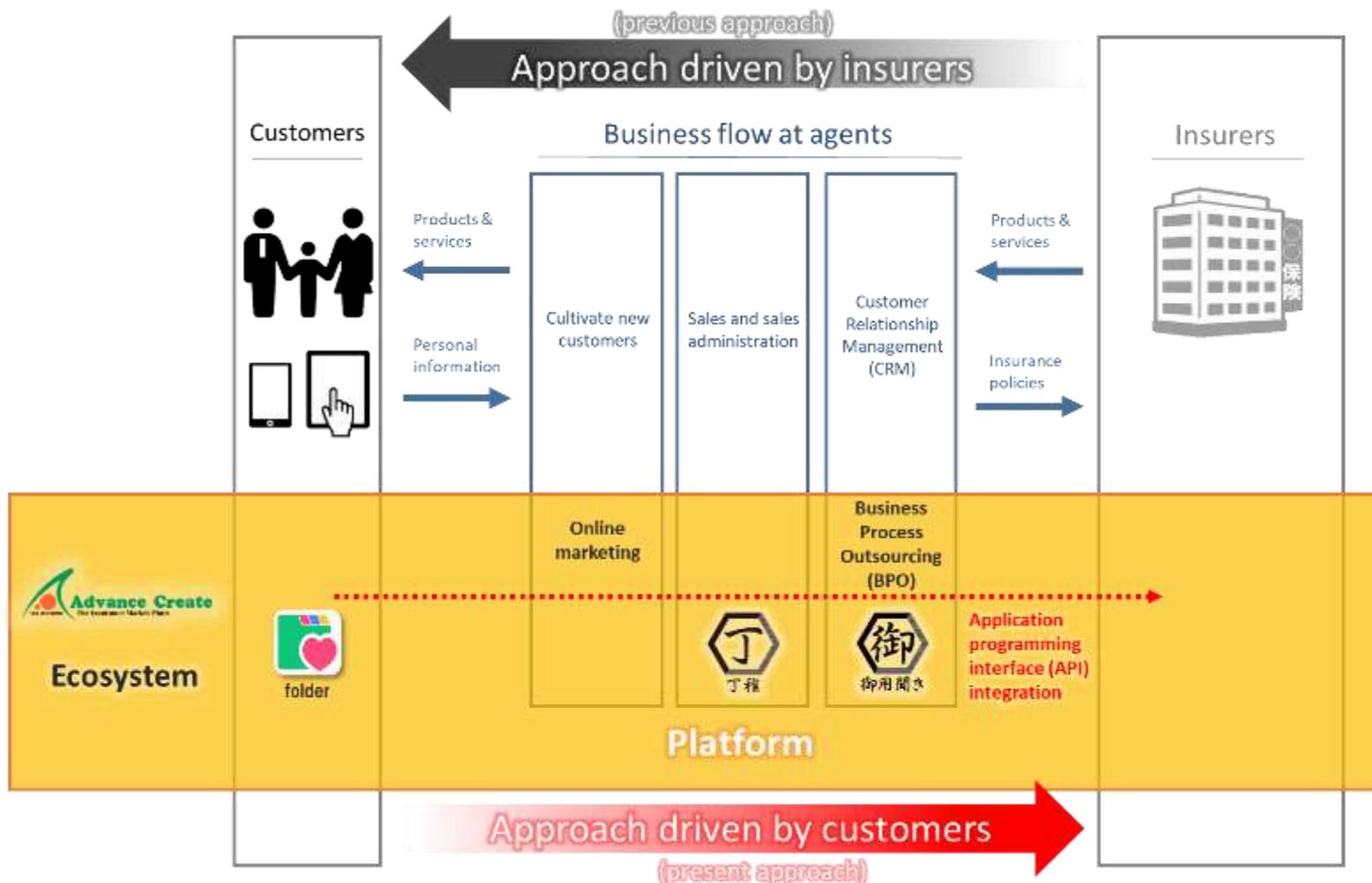
Transition from insurance agent to insurance industry platform provider

Revenue Portfolio & Group Businesses

Leveraging various revenue-generating opportunities in the insurance field



Ecosystem of Advance Create



* An ecosystem is an environment in which living organisms in a region or space depend on each other to survive. In the context of business, an ecosystem refers to an environment in which industries and products interact to form a large revenue structure. Advance Create has formed an ecosystem that comprises itself, insurers, insurance agents, and other parties through sales of its Advance Create Cloud Platform (ACP) and promotion of its business process outsourcing (BPO) services.

Reach customers through diverse communication channels



Facebook



LINE



FaceTime



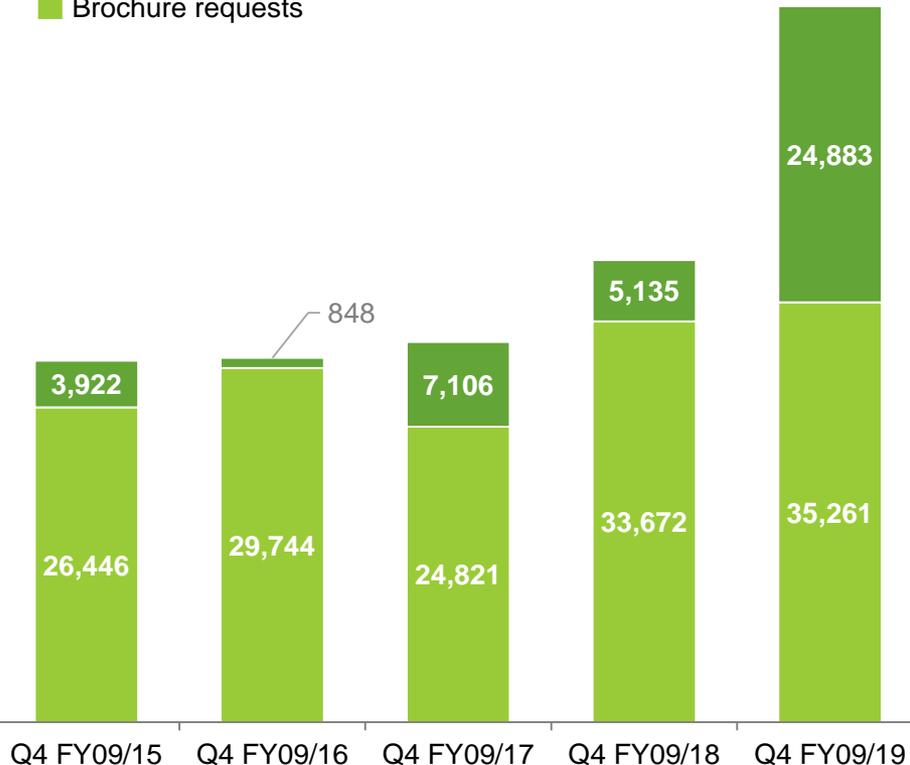
SMS

Trends in brochure requests and appointments

Brochure requests + online quotes from multiple providers

(Unit: Number)

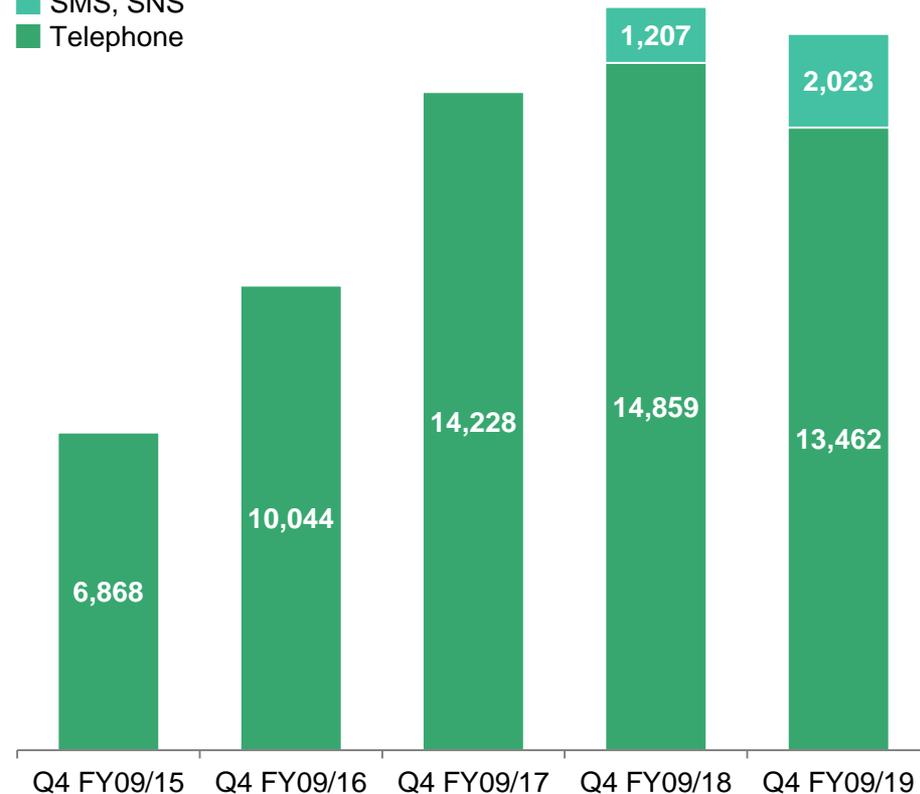
- Online quotes from multiple providers
- Brochure requests



Appointments

(Unit: Number)

- SMS, SNS
- Telephone



Face-to-face Sales Channels

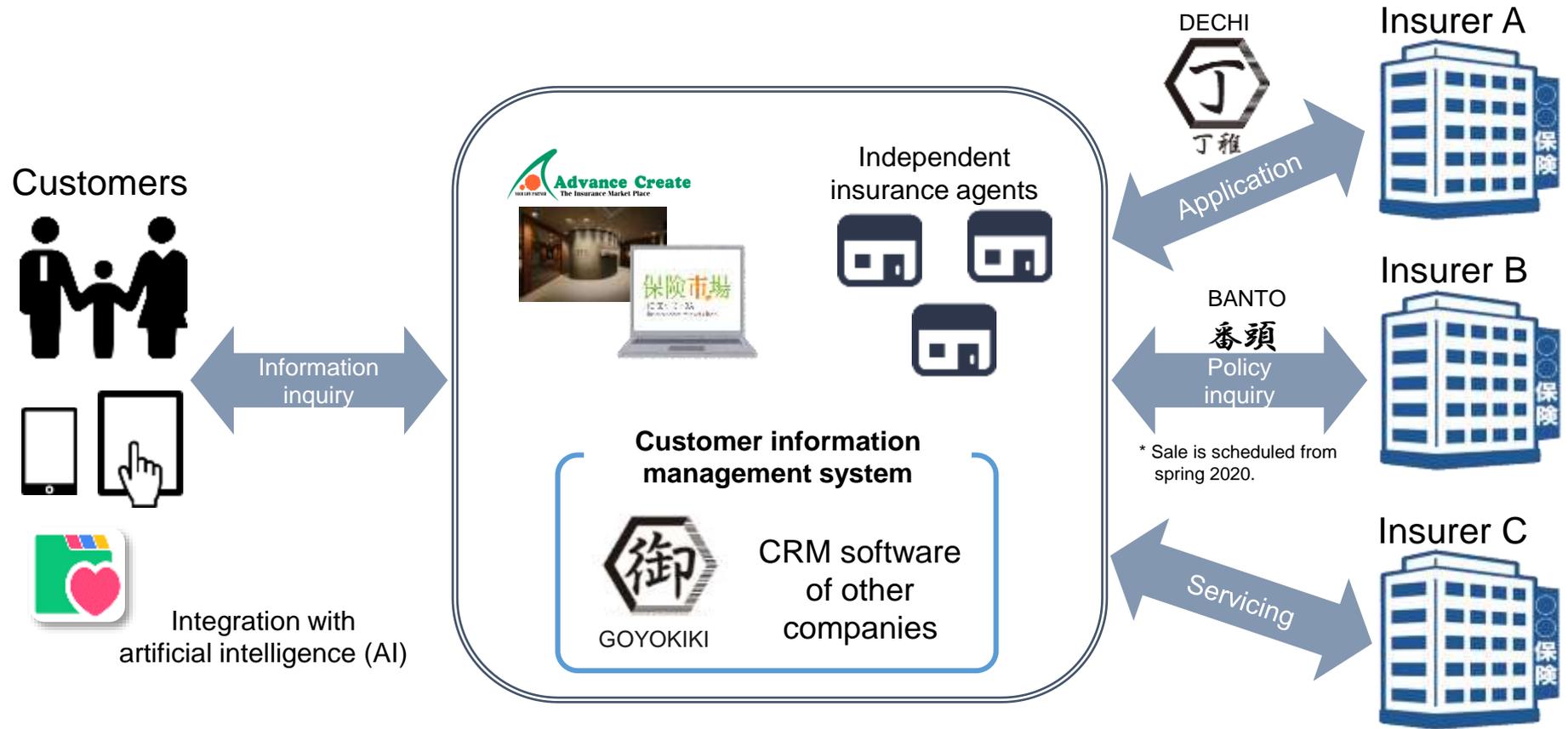
Continuing to pursue high-quality consulting services at Hoken Ichiba consulting plazas

Successively revamped consulting plazas around the country from May 2019



Advance Create Cloud Platform

- Leverage application program interfaces (API) and robotic process automation (RPA) in various insurer systems, and integrate these with customer relationship management (CRM) software of insurance agents
- Sell customer information management system GOYOKIKI and centralized insurance application information system DECHI to insurance agents ⇒ Improve operational efficiency of insurance industry as a whole
- As of September 30, 2019, Advance Create had partnered with 12 life insurers

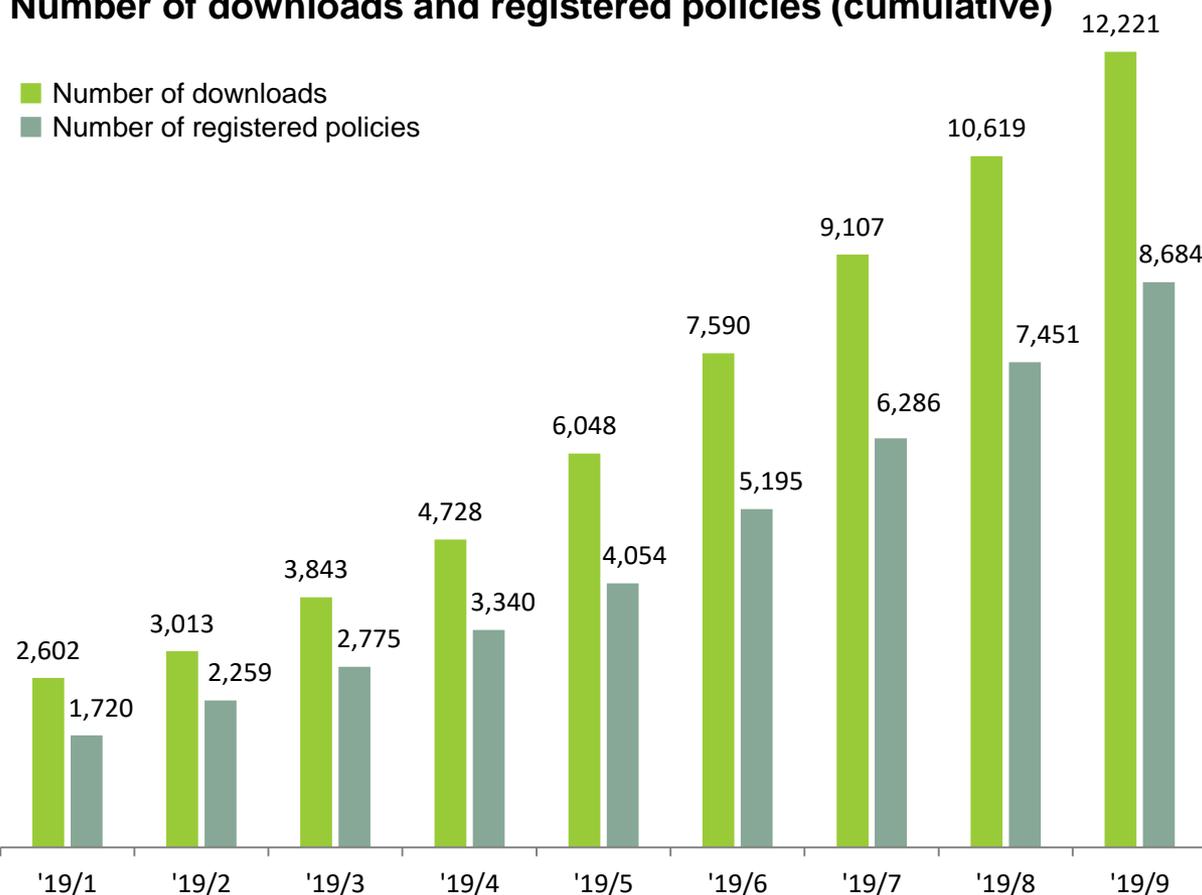


Insurance Policy Management App “folder”



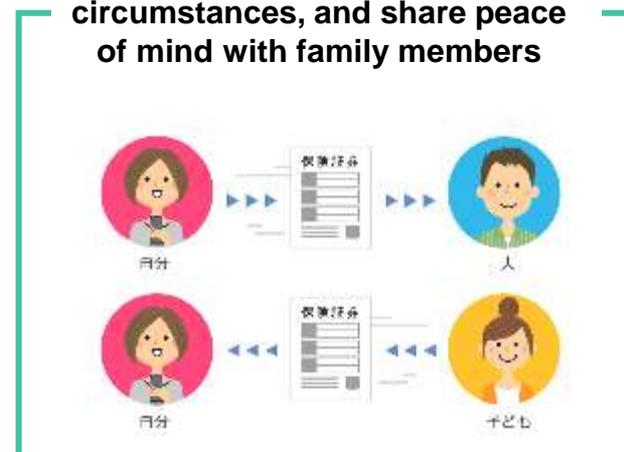
- Released “folder” app, which uses AI to manage insurance document information
- A family sharing function allows policyholders to share data of selected insurance policies with their family members

Number of downloads and registered policies (cumulative)



* Available at the following URL.
https://www.hokende.com/features/app_introduction

Prepare for unforeseen circumstances, and share peace of mind with family members



Insurance Industry Service Provider: BPO Business

- Provide policy servicing for various types of customers on behalf of insurers and insurance agents
- Administer various types of customer procedures (address changes, etc.) on behalf of insurers and insurance agents
- Provide high-quality services through in-house call centers and CRM Department
- If requested by customers, help set up appointments to review existing policies with insurers or insurance agents



• Information about policy in force

- Customer interaction
- Satisfaction survey



- Cultivation of prospective customers
- Feedback on survey results



- Requests such as address changes
- Requests to review existing policies



Group Companies: Hoken Ichiba and Advance Create Reinsurance (ACR)

Hoken Ichiba Co., Ltd.



Media Business

- Hoken Ichiba, the largest insurance product information website in Japan, receives ad placement orders from insurers
- Directly contacts customer segment with strong interest in insurance products



Media Representative Services Business

- Leverages in-house expertise to provide contracted ad operation services to insurers and other parties.
- Selected as a one-star certified partner under the Yahoo! Marketing Solutions Partner Program



Advance Create Reinsurance Inc.



Reinsurance Business

- Strengthens relationships with customers by underwriting risk and shouldering insurance payment obligations
- Deepens relationships with insurers via risk sharing and sound insurance solicitation
- Aims for stable revenue by increasing reinsurance agreements with insurers

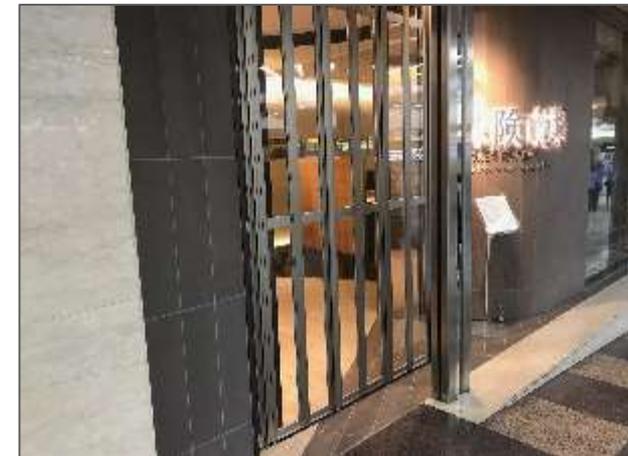
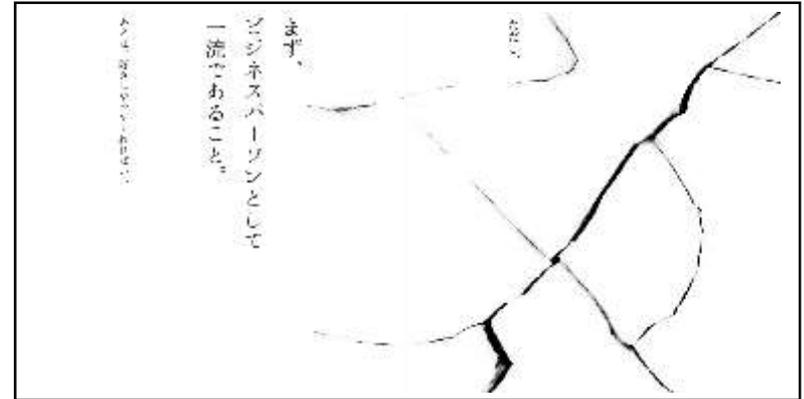
[Insurers under reinsurance agreements]

As of end-Sep. 2019: Total 11
Life insurers: 8
Non-life insurers: 2
Small-amount and short-term insurers: 1

Investment in Human Resources

Hire and train human resources who can lead the company in the new Reiwa era

- Stronger hiring activities
 - ▶ Revamp hiring website
 - ▶ Create concept book
- Aggressive investment in human resources
 - ▶ Dispatch staff overseas
 - ▶ Pay self-development support allowances to young staff
 - ▶ Develop line manager appointment system
- Enhanced employee benefits
 - ▶ Close consulting plazas on all weekends and holidays



Strengthen Management Systems

Strengthen and maintain previously established management systems

Comply with relevant laws and regulations

- ◆ Develop systems in compliance with relevant laws and regulations such as the Insurance Business Act and Personal Information Protection Act, and continuously implement various training programs

Governance and compliance systems

- ◆ Operation of various special committees (Governance Committee, Compliance Committee, internal project teams, etc.)
- ◆ Conduct compliance training; internal legal division to monitor compliance

Information security

- ◆ Operate personal information protection system; conduct information security audits
- ◆ Establish audit system staffed by relevant divisions

Confirm personal information management systems at affiliated agents

- ◆ Conduct audits to improve level of affiliated agent management organization

Corporate Social Responsibility (CSR) Initiatives

Co-sponsored and participated in Osaka Marathon

To promote health of its employees, Advance Create actively supports a broad range of sports activities for citizens.

(Consistently co-sponsored the Osaka Marathon since 2013)

Endowed seminar “Insurance Systems to Support a Safe and Secure Society” at the Faculty of Societal Safety Sciences at Kansai University

Advance Create has held credit-earning endowed seminars led by its employees at Kansai University since FY2017 (lectures in FY2019 started from November)



© Osaka Marathon 2018





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