

Advance Create Co., Ltd. FY09/21 Results Briefing Materials

(October 2020 to September 2021)



November 12, 2021



Securities code: 8798

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I. FY09/21 Results Overview

FY09/21 Results Highlights

— Consolidated Results —

Net sales and profits reached all-time highs

Net sales

¥11,019 million, up ¥508 million YoY

(+4.8% YoY)

Operating
profit

¥2,041 million, up ¥857 million YoY

(+72.4% YoY)

Ordinary
profit

¥1,925 million, up ¥ 829 million YoY

(+75.7% YoY)

Profit

¥1,295 million, up ¥595 million YoY

(+85.0% YoY)

FY09/21 Income Statement (Consolidated)

(Unit: Millions of yen)	FY09/20	Composition (%)	FY09/21	Composition (%)	YoY change (%)
Net sales	10,510	100.0	11,019	100.0	4.8
Insurance Agency business	8,923	84.9	9,103	82.6	2.0
ASP business	183	1.7	195	1.8	6.4
Media business	1,250	11.9	1,030	9.4	(17.6)
Media Representative Services business	807	7.7	807	7.3	(0.0)
Reinsurance business	851	8.1	942	8.6	10.7
Consolidation adjustments	(1,506)	(14.3)	(1,060)	(9.6)	—
Cost of revenue	3,155	30.0	2,451	22.3	(22.3)
Gross profit	7,355	70.0	8,567	77.7	16.5
Operating expenses	6,171	58.7	6,525	59.2	5.7
Operating profit	1,184	11.3	2,041	18.5	72.4
Insurance Agency business	868	8.3	1,472	13.4	69.5
ASP business	12	0.1	50	0.5	287.1
Media business	261	2.5	221	2.0	(15.4)
Media Representative Services business	(92)	(0.9)	165	1.5	—
Reinsurance business	131	1.2	129	1.2	(1.2)
Ordinary profit	1,095	10.4	1,925	17.5	75.7
Profit	700	6.7	1,295	11.8	85.0
Earnings per share (¥)	33.37		59.66		

In the Insurance Agency business, sales performance of face-to-face sales channels was up YoY due to an increase in the number of appointments and improved profitability of online insurance consultations. Sales and profits increased due to an improvement in the cost of revenue ratio as a result of efficient web promotions using AI and other technologies. In the ASP business, sales and profits increased due to an increase in recurring revenue from subscriptions. In the Media business, sales and profits decreased due to sluggish ad placements on the Hoken Ichiba website versus FY09/20. In the Media Representative Services business, sales remained almost flat, while profits increased as a result of efforts to secure profitability through thorough cost control. In the Reinsurance business, while sales remained steady, an increase in costs resulted in higher sales and lower profits.

FY09/21 Balance Sheet (Consolidated)

(Unit: Millions of yen)	End-FY09/20	End-FY09/21	Change
Current assets	6,563	7,968	1,405
Cash and deposits	2,632	3,337	705
Accounts receivable - trade	1,099	1,406	307
Accounts receivable - other	2,120	2,456	335
Other	710	767	56
Non-current assets	3,724	3,821	97
Property, plant and equipment	617	581	(35)
Intangible assets	686	792	106
Investment and other assets	2,421	2,447	26
Deferred assets	24	17	(6)
Total assets	10,312	11,808	1,495

(Unit: Millions of yen)	End-FY09/20	End-FY09/21	Change
Current liabilities	2,698	3,267	568
Short-term interest-bearing debt	280	283	3
Other	2,418	2,983	565
Non-current liabilities	2,004	1,817	(186)
Long-term interest-bearing debt	1,297	1,061	(236)
Other	706	756	50
Total liabilities	4,702	5,085	382
Share capital	2,954	3,158	204
Capital surplus	381	585	204
Retained earnings	2,586	3,272	686
Treasury shares	(443)	(404)	39
Other	132	110	(21)
Total net assets	5,610	6,723	1,113
Total liabilities and net assets	10,312	11,808	1,495

Assets

Total assets rose ¥1,495 million from end-FY09/20 to ¥11,808 million. This was mainly due to an increase of ¥705 million in cash and deposits, an increase of ¥307 million in notes and accounts receivable-trade, and an increase of ¥335 million in accounts receivable-other under current assets.

Non-current assets rose ¥97 million from end-FY09/20. This was primarily due to an increase of ¥179 million in software.

Liabilities and Net Assets

Total liabilities rose ¥382 million from end-FY09/20 to ¥5,085 million, mainly due to an increase of ¥56 million in accounts payable-other under current liabilities and an increase of ¥424 million in income taxes payable.

Total net assets rose ¥1,113 million from end-FY09/20 to ¥6,723 million. This mainly reflected the booking of ¥1,295 million in profit attributable to owners of parent, a ¥408 million increase from the issuance of new shares, and a decline of ¥608 million from the payment of dividends of surplus.

FY09/21 Statement of Cash Flows (Consolidated)

(Unit: Millions of yen)	FY09/20	FY09/21	Change
Cash flows from operating activities	1,351	1,643	291
Profit before income taxes	1,029	1,905	876
Depreciation	409	434	25
Increase (decrease) in accounts receivable	(97)	(307)	(209)
Other	11	(389)	(400)
Cash flows from investing activities	(527)	(485)	42
Cash flows from financing activities	1,097	(488)	(1,586)
Increase (decrease) in interest-bearing debt	875	(326)	(1,202)
Dividends paid	(537)	(608)	(70)
Other	759	445	(313)
Effect of exchange rate change on cash and cash equivalents	(1)	—	1
Net increase (decrease) in cash and cash equivalents	1,920	668	(1,252)
Cash and cash equivalents at beginning of period	616	2,537	
Cash and cash equivalents at end of period	2,537	3,206	668

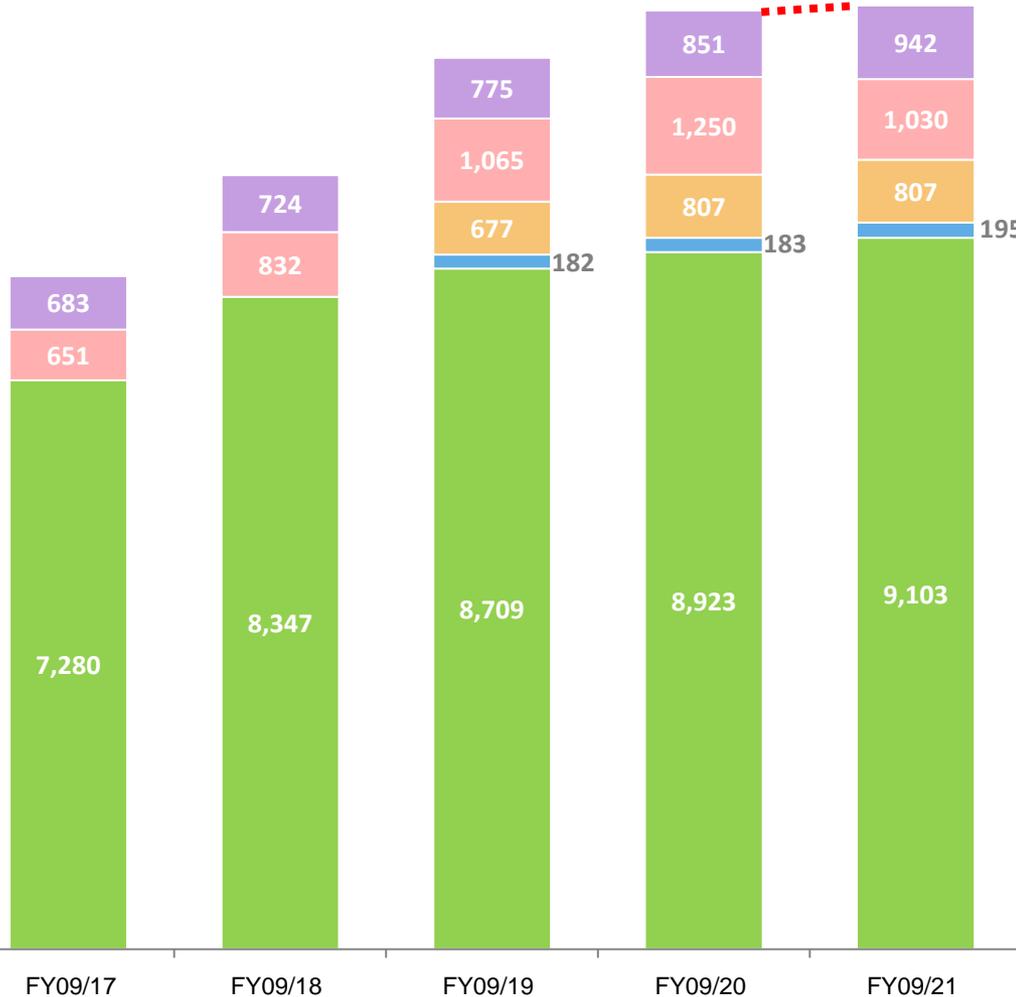
Net cash provided by operating activities came to ¥1,643 million. This reflected ¥1,905 million in profit before income taxes, ¥434 million in depreciation, a ¥335 million decrease in accounts receivable – other, and ¥216 million in income taxes paid.

Net cash used in investing activities totaled ¥485 million. This was mainly due to ¥379 million used for the purchase of intangible assets and ¥93 million used for the payment of guarantee deposits.

Net cash used in financing activities amounted to ¥488 million. This was primarily attributable to ¥200 million used for redemption of bonds, ¥404 million in proceeds from issuance of shares resulting from exercise of share acquisition rights, and ¥608 million in dividends paid.

Sales by Segment

(Unit: Millions of yen)



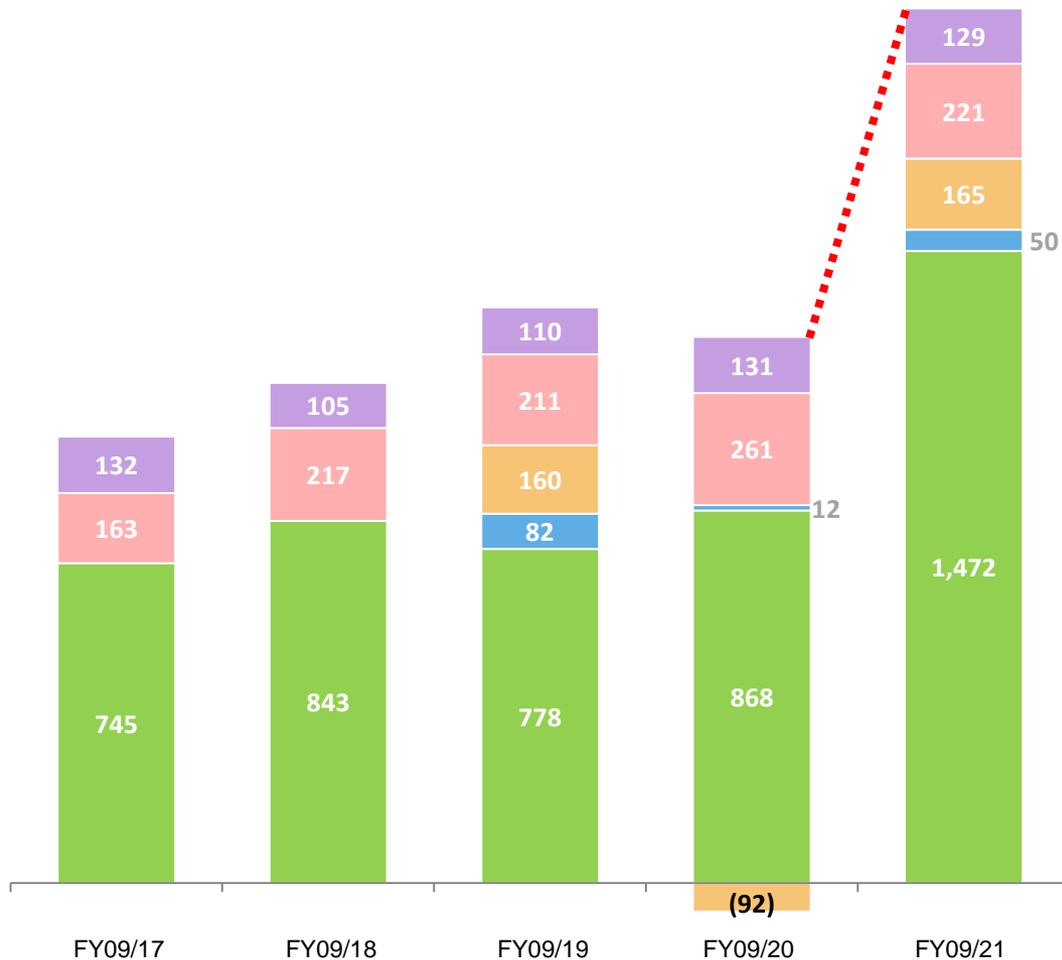
	FY09/20	FY09/21	YoY
Reinsurance	851	942	10.7%
Media	1,250	1,030	-17.6%
Media Rep.	807	807	- 0.0%
ASP	183	195	6.4%
Insurance Agency	8,923	9,103	2.0%
Total	12,016	12,080	0.5%

Up **0.5%**
YoY

* Before consolidation adjustments

Operating profit by segment

(Unit: Millions of yen)



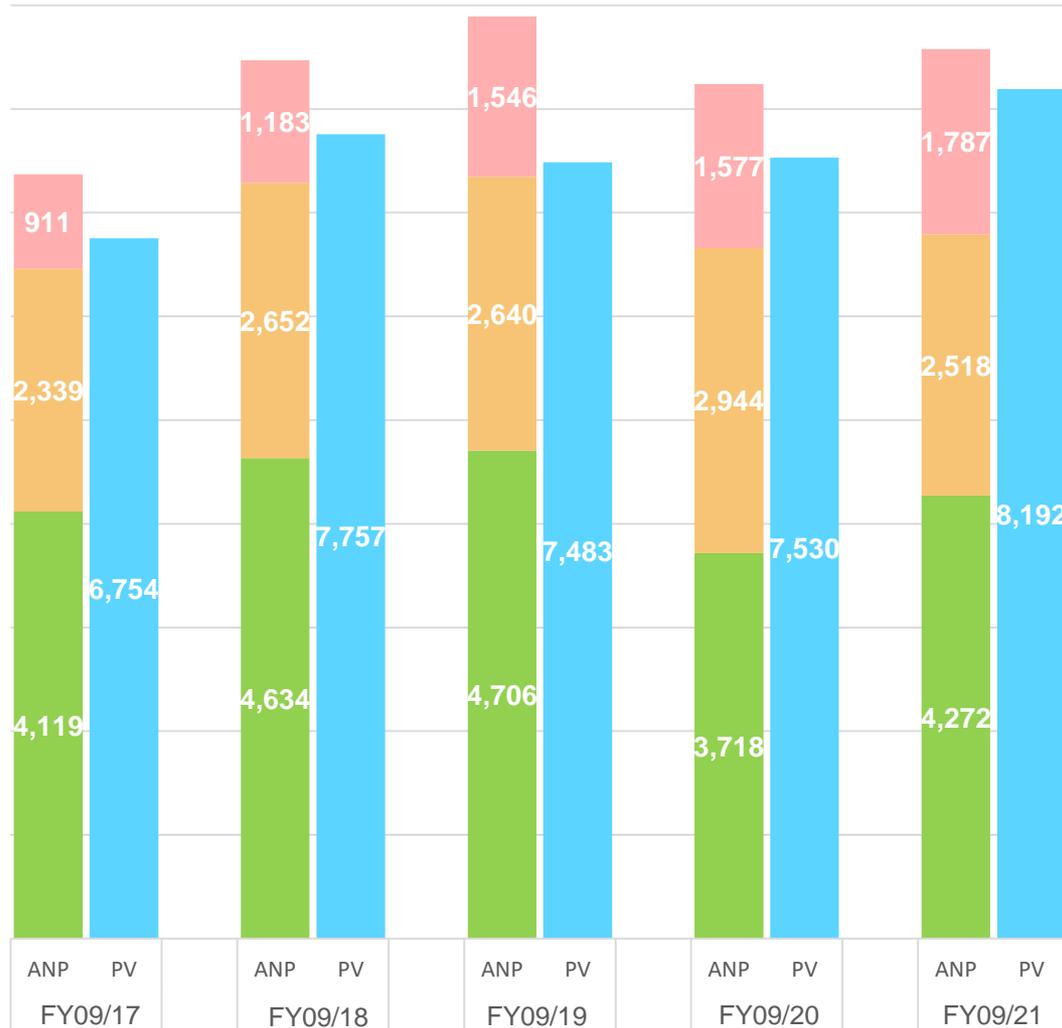
	FY09/20	FY09/21	YoY
Reinsurance	131	129	-1.2%
Media	261	221	-15.4%
Media Rep.	(92)	165	—
ASP	12	50	287.1%
Insurance Agency	868	1,472	69.5%
Total	1,181	2,039	72.6%

Up **72.6%**
YoY

* Before consolidation adjustments

ANP and PV by Sales Channel

(Unit: Millions of yen)



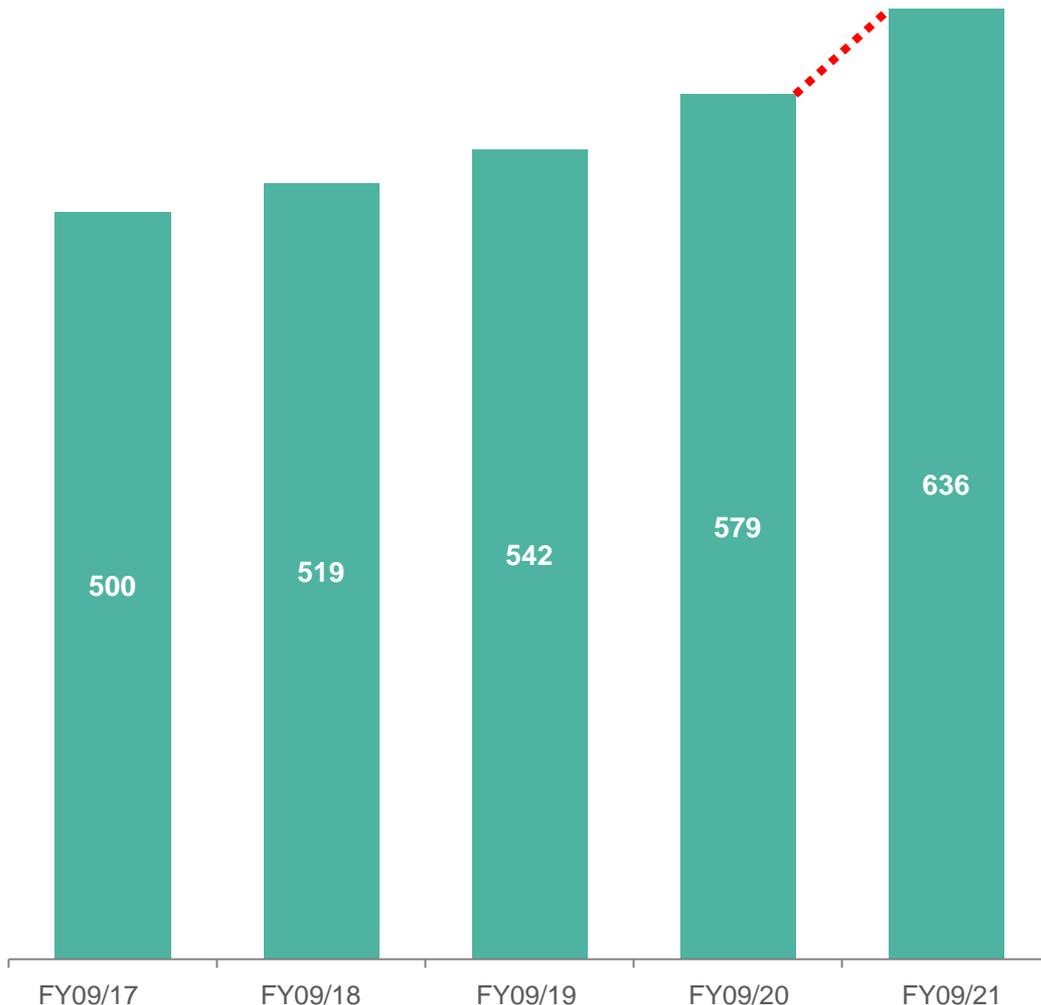
	FY09/20	FY09/21
Collaborative	1,577	1,787
Non-face-to-face	2,944	2,518
Face-to-face	3,718	4,272
Total	8,239	8,578

Up **4.1%**
YoY

- * ANP: annualized new premiums (ANP for a monthly premium of ¥5,000 is ¥60,000)
- * PV refers to the discounted present value of future cash flows from insurance agency commissions. The Company recognizes PV as sales.
- * Figures for the most recent quarter reflect preliminary data.
- * The sales channel "Online" used through FY09/19 was renamed "Non-face-to-face" in FY09/20.

Number of Policies in Force

(Unit: 1,000 policies)



Up **9.8%**
YoY

*The number of policies in force includes life insurance, medical insurance, and other policies that continue or are renewed (life insurance companies and American Home Assurance Company, Ltd.), and excludes non-life insurance and small-amount and short-term insurance.

II. Advance Create Overview

About Advance Create

Advance Create is an insurtech company that is constantly innovating to change the way people think about the insurance business.



Corporate Philosophy

Life is finite. Life's possibilities are infinite.

Life is time, and a life of value is born by living it to the fullest in the present moment.

We provide the best service in insurance, an economic means of expressing love, to those who live in the present. At the same time, we are committed to making a lasting contribution to society by fostering human resources who can create infinite possibilities.

Advance Create's Digital Transformation (DX)

- Spontaneous insurtech born out of customer service
- Obtained a patent for the system we developed and promoted the protection and use of intellectual property

Discovery of potential customers
Web marketing



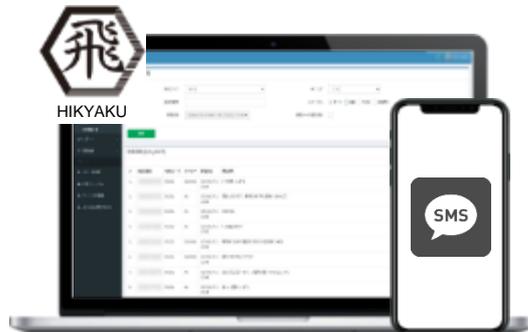
Insurance consultation
Online consultation



Continued relationship with customers
"folder" insurance policy management app
"GOYOKIKI" CRM system



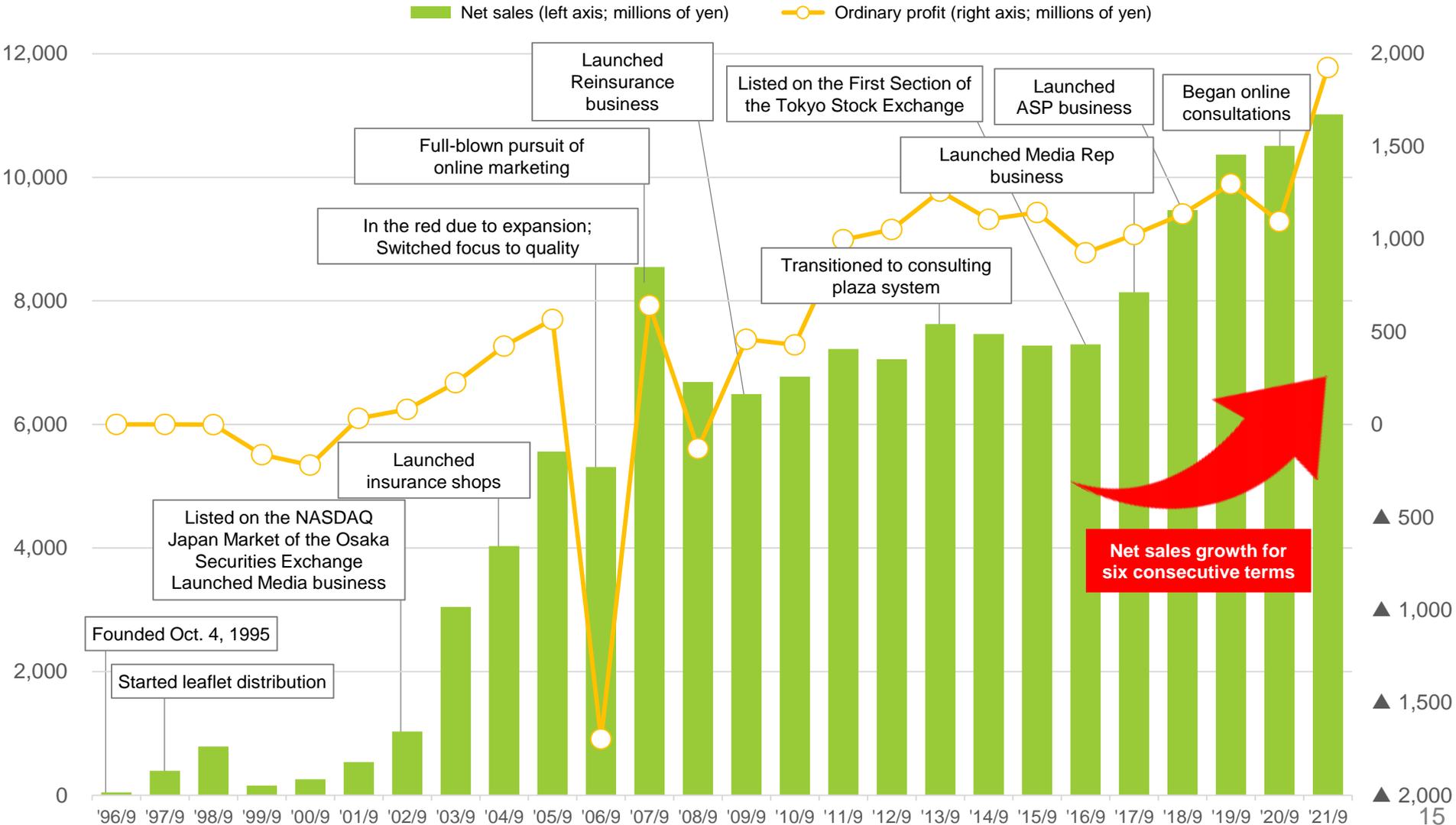
Contact with customers
Communication via text



Application
Comprehensive paperless application



Long-Term Performance



Our History of Progress through Technology

1998 Began accepting requests for information via website
1999 Launched Hoken Ichiba website
1999 Developed CRM system GOYOKIKI

Cf. Amazon founded: 1994
Cf. Google founded: 1998



2009 Launched smartphone-optimized website
2012 Complete revamping of smartphone site
Cf. iPhone 3G launched: 2008



2013 Developed Hoken Ichiba smartphone app
2018 Developed "folder," an insurance policy management app

Cf. MoneyForward ME: 2012

2020 Began offering online insurance consultations
2020 Developed Dynamic OMO

Cf. COVID-19 pandemic: 2020



Our Strengths



Development of insurance software in-house

- Despite being a specialized insurance agency, we have more than 100 IT personnel and develop software in-house.
- The system development team works directly with the management team and sales force, enabling agile development of customer management systems.



Proprietary methods of online marketing

- Operation of one of the largest insurance selection websites in Japan, Hoken Ichiba
- Conducts original marketing without relying on advertising agencies

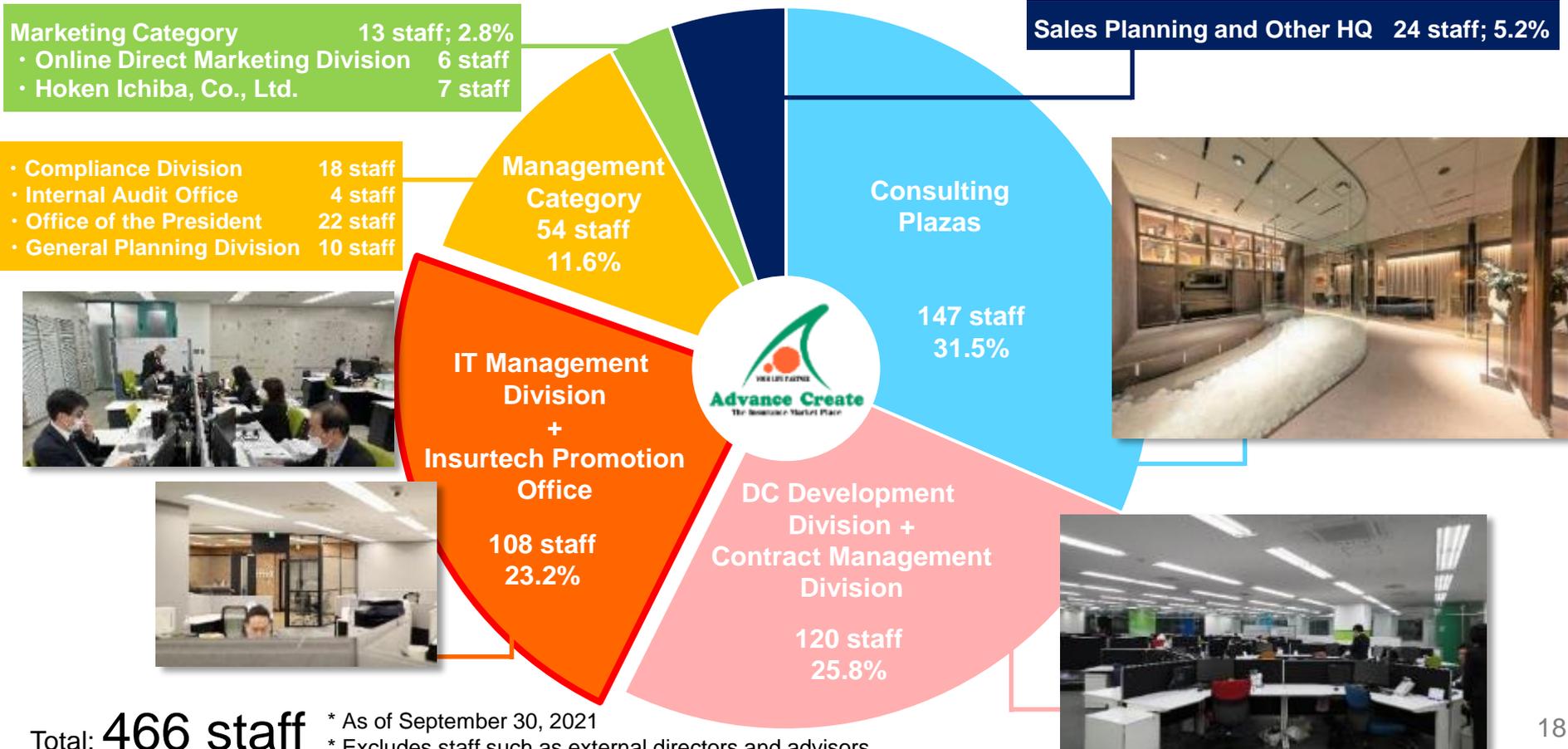


Corporate culture that rapidly adapts to change

- Human resource development through an education and training system based on the corporate culture and founding spirit
- We have established a system to encourage employees to improve themselves, including a self-investment support allowance for three years after joining the Company.

In-House Agile Software Development

- We develop software in-house with more than 100 IT personnel including engineers and designers.
- We employ agile development through direct connections between management, sales staff, and engineers.



Total: **466 staff**

* As of September 30, 2021
 * Excludes staff such as external directors and advisors

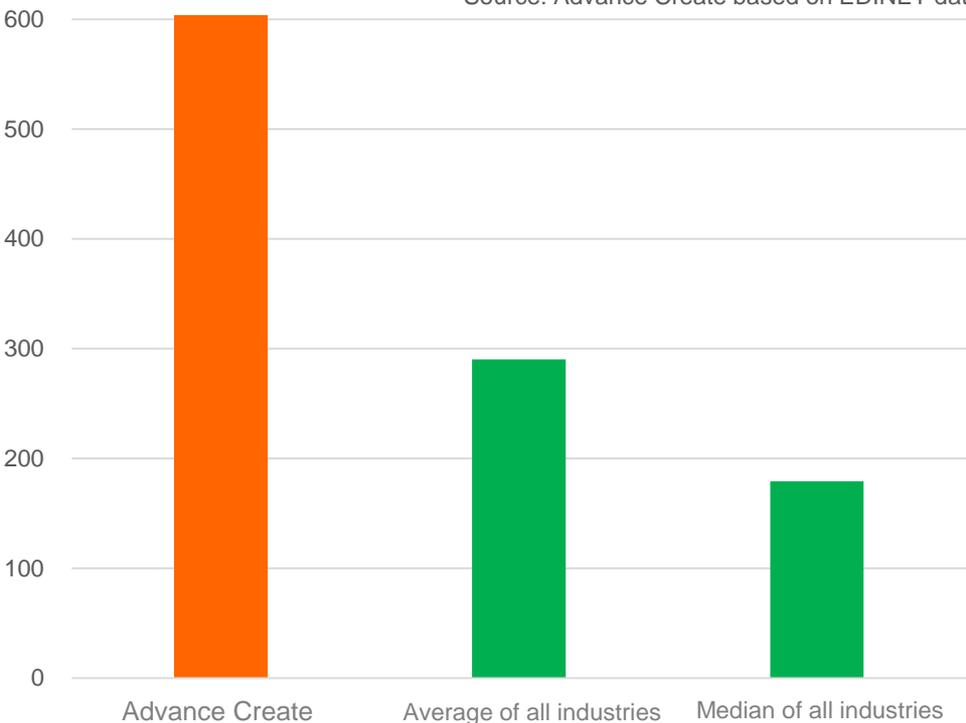
Growth of the Younger Generation to Support High Productivity and High Added Value

- We achieve high productivity through online insurance consultations and the use of text communication in addition to employee training to foster internet literacy.
- We have created an environment in which young people can participate actively by establishing an insurance sales management system that makes full use of technology.

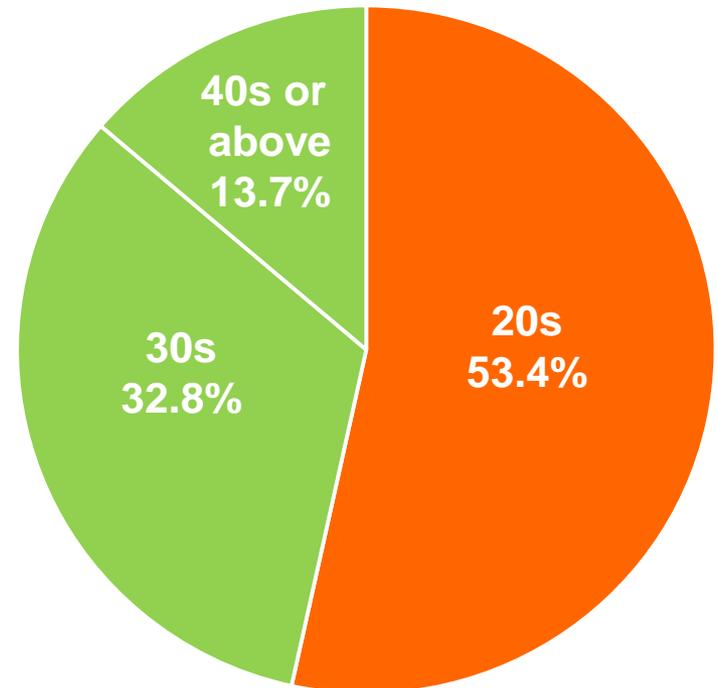
Ordinary Profit per Employee

(Unit: ¥10,000)

Source: Advance Create based on EDINET data



Employee Age Distribution at Our Consulting Plazas



Building and Reinforcing the Management Structure

- We are continuously building and reinforcing the management structure.



Introduction of Employee Stock Ownership Plans (ESOP)

Establishment of on-premises childcare center

Self-investment support allowance for young employees

Information security audit by Deloitte Touche Tohmatsu

Revision of personnel system
Improvement of salaries

Establishment of a line manager appointment system

Appointment of outside directors

Start of securitization of receivables

Closure of all branches on weekends and holidays

Establishment of Governance Committee (comprising outside attorneys, etc.)

Listed on the Second Section of the Tokyo Stock Exchange (October 2015)

Promotion of remote work

Obtained PrivacyMark

Listed on the First Section of the Tokyo Stock Exchange (July 2016)

First equity financing in 13 years



Transfer to the Tokyo Stock Exchange Prime Market

- As we celebrated the fifth anniversary of our designation to the First Section of the Tokyo Stock Exchange in July 2021, we confirmed that we met the criteria for maintaining our listing on the new Prime Market and Standard Market, which will be established in April 2022 in accordance with revisions to the Tokyo Stock Exchange's market classifications.
- The Company's Board of Directors resolved at a meeting held in July to apply for a listing on the Prime Market.

Thank you

Celebrating five years on the First Section of
the Tokyo Stock Exchange

Thanks to your support, on July 22, 2021, Advance Create celebrated the fifth anniversary of its listing on the First Section of the Tokyo Stock Exchange. We would like to take this opportunity to thank everyone for their support and encouragement.

We would also like to take this opportunity to once again return to the spirit in which we were founded. As a company that contributes to the community and society, and is trusted by all, we will make every effort to respond to your kindness.

We look forward to your continued patronage and support moving forward.

III. Company Strategy

Achieve progress through enhancing people and technology

OMO X FinTech

- In the insurance industry, where most companies rely on mass advertising, we approach customers with high IT literacy through cutting-edge marketing using social media, video, AI data analysis, and other means. We apply the knowledge gained from our original marketing to our Media and Media Rep businesses.
- We have conducted a cumulative total of more than 50,000 online insurance consultations, one of the highest in the industry, since launching the service in March 2020. External sales of Dynamic OMO, an online consultation system developed in-house and tailored to insurance consultations, are also growing steadily, and we have expanded sales not only to the insurance industry but also to major companies in other industries.



Insurance Policy Management App “folder”

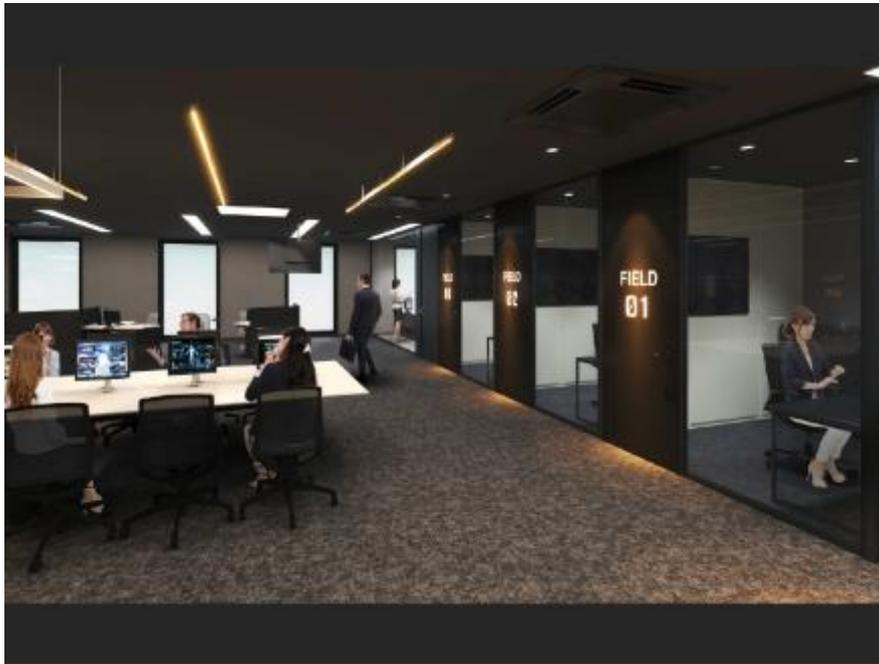


- “folder” allows users to convert insurance policies into data and manage them in the cloud. It offers various functions such as family sharing of policy information, diagnosis of excess or deficiency of coverage, and simulations of pensions and education expenses.
- In conjunction with Dynamic OMO, online insurance consultations are also available via “folder.” By building long-term relationships with customers, we have created a system that does not miss any profit opportunities by preparing the ground for customers to choose us as the first point of contact when considering insurance.



Hoken Ichiba Smart Consulting Plaza

- We plan to open a Smart Consulting Plaza at the end of November 2021. We will deliver the convenience of our high-quality online insurance consultations to customers outside the coverage area of our directly managed branches. In the event that a face-to-face consultation becomes necessary, our directly managed branches as well as cooperating agents will be able to respond, thereby expanding profit opportunities for both the Company and our partners.



Above: Concept image of the completed Smart Consulting Plaza.

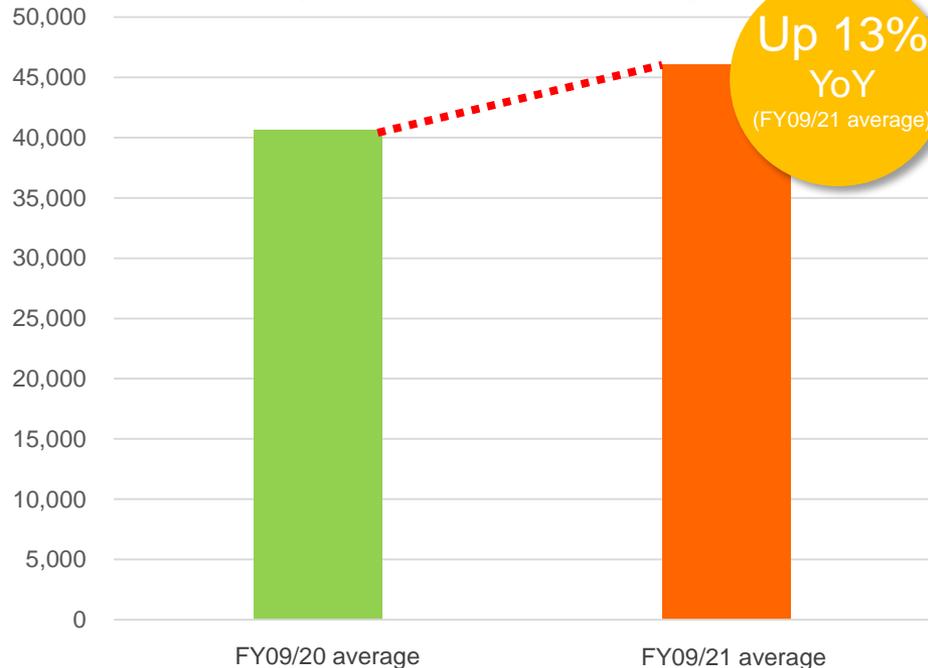
We will set up consulting booths dedicated to online insurance consultations to serve customers across Japan. While pursuing the convenience of online operations, our physical locations will provide the impressive experience that only face-to-face interactions can provide.

Online Insurance Consultation Appointment Productivity

- ANP per consultation remained steady for online consultations. Following up with social media and other means after obtaining appointments increased the consultation rate and improved productivity per appointment.
- The average number of consultations before a customer submits an application has decreased, and productivity per hour has surpassed that of conventional sales visits, making a significant contribution to earnings.

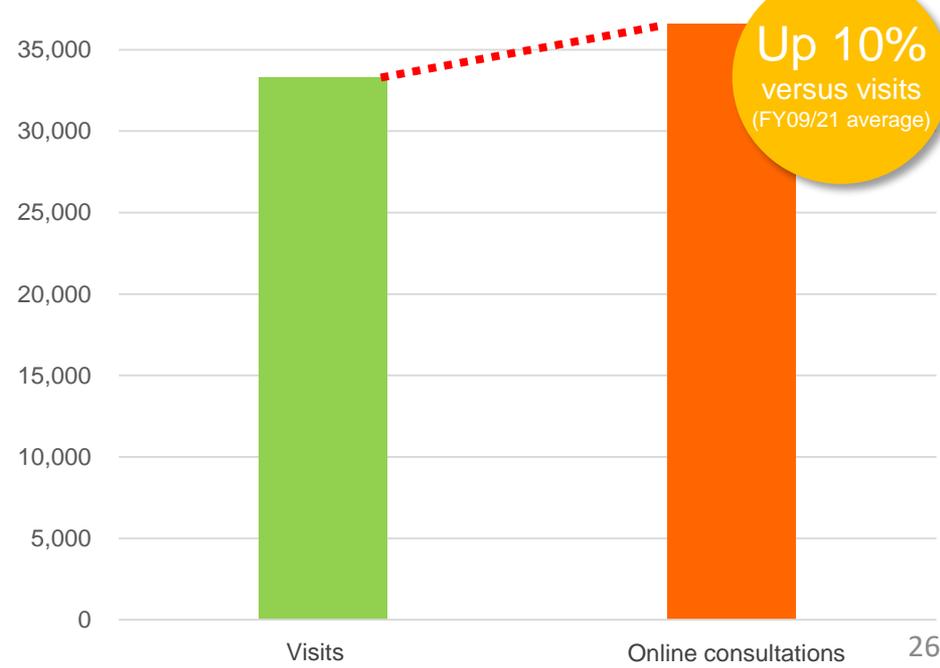
Online Insurance Consultation Appointment Productivity

(Unit: Yen)



Productivity per Hour

(Unit: Yen)

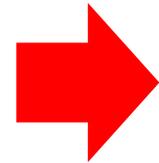
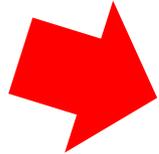


Pursuing High-Quality Service at Our Physical Locations

- We operate Hoken Ichiba consulting plazas at urban landmarks.
- At these physical locations, we continue to pursue high-quality consulting services so that our customers can experience the “impressive experience that only face-to-face interactions can provide.” We are creating a new insurance distribution market by enhancing the experience value for customers both online and offline.
- Most recently, we relocated, expanded, and renovated the Kobe Consulting Plaza. We plan to expand and renovate the Umeda Hankyu Consulting Plaza, Nagoya Consulting Plaza, and Sapporo Consulting Plaza.



Portfolio Strategy: Portfolio of Channels



保険市場
HOKEN ICHIBA
The Insurance Market Place

0120-816-316

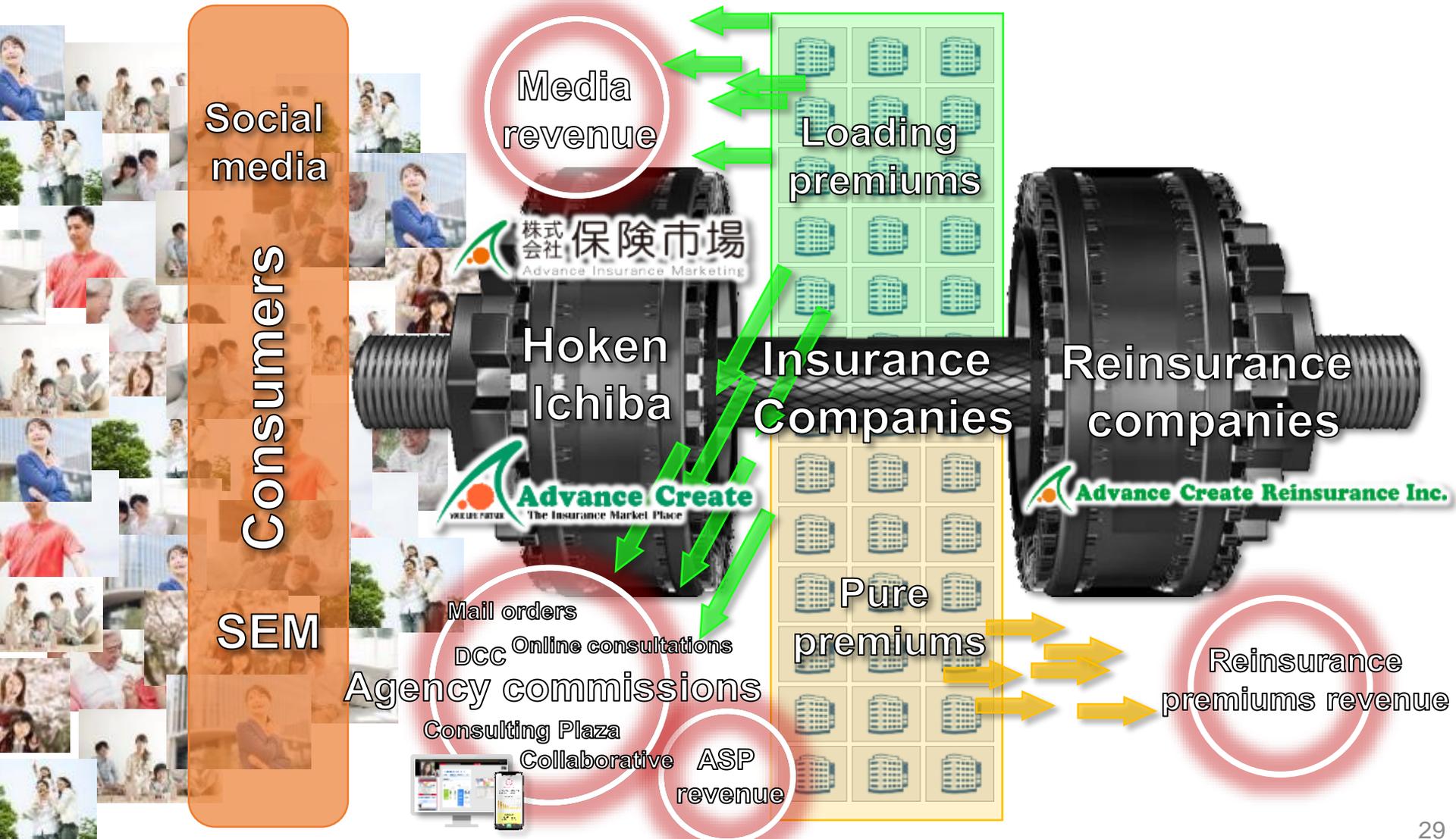
Topics

folder

f



Portfolio Strategy: Revenue Portfolio



Portfolio Strategy: Revenue Portfolio

Insurance Agency Business

- ▶ Sell insurance products on behalf of life insurance and non-life insurance companies after concluding agency contracts
- ▶ Implement promotions centered on Hoken Ichiba, one of the largest insurance selection websites in Japan, to attract customers with apparent demand for insurance
- ▶ Earn agency commissions from insurance companies by providing consulting to customers and having them to apply for insurance
- ▶ Promotion costs (cost of sales) are incurred immediately, while agency commissions (revenue) are paid over a period of several years, so the PV (discounted present value of future cash flows from agency commissions) recorded as sales is securitized to cover the balance



Portfolio Strategy: Revenue Portfolio

Hoken Ichiba Co., Ltd.



Media Business

- ▶ Hoken Ichiba, one of the largest insurance product information websites 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
- ▶ The first dedicated insurance ad agency to be selected as a two-star certified partner under the Yahoo! Marketing Solutions Partner Program for the second consecutive term
- ▶ In FY09/21, certified as an Advertising Operations Partner, which is awarded to sales partners who meet certain performance requirements in areas specified by Yahoo! (out of 593 sales partners, only 31 are certified as Advertising Operations Partners)



Portfolio Strategy: Revenue Portfolio

Advance Create Reinsurance Inc.



Reinsurance Business

- ▶ Assumes part of the risk of the insurance sold by the insurer and earns reinsurance premiums
- ▶ Strengthens relationships with customers by underwriting risk and shouldering insurance payment obligations
- ▶ Deepens relationships with insurers via risk sharing and sound insurance solicitation
- ▶ Stabilizes revenue by increasing the number of reinsurance agreements with insurers

[Insurers under reinsurance agreements]

As of end-Sep. 2021: Total 11
 Life insurers: 8
 Non-life insurers: 2
 Small-amount and short-term insurers: 1

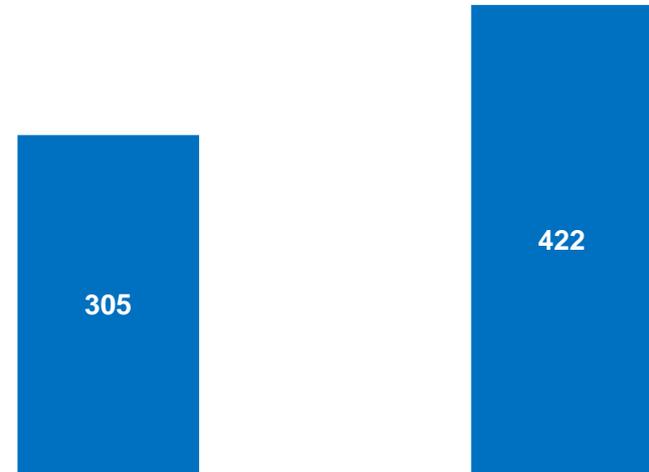
Trends in EEV (Present Value of Reinsurance Revenue)

(Unit: Millions of yen)

European Embedded Value (EEV)



Value of New Business (VNB)



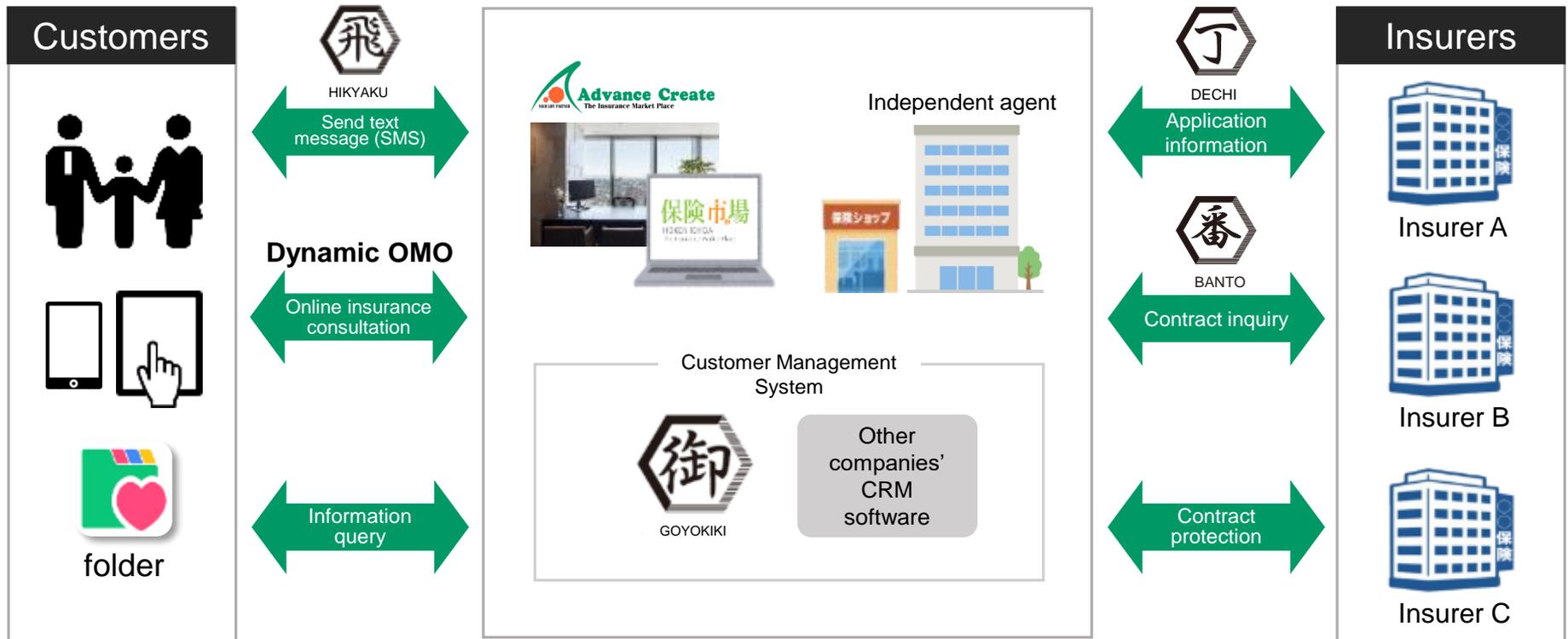
* For more information on EEV and VNB, please refer to "Disclosure of European Embedded Value for Reinsurance Subsidiary at End-June 2021" released November 12, 2021.

Portfolio Strategy: Revenue Portfolio

ASP Business

- ▶ We sell our in-house system, which we have been using for many years and have improved from the user's perspective, at a low price.
- ▶ In-house engineers can quickly respond to customers' requests to improve certain functions.

Advance Create Cloud Platform (ACP)

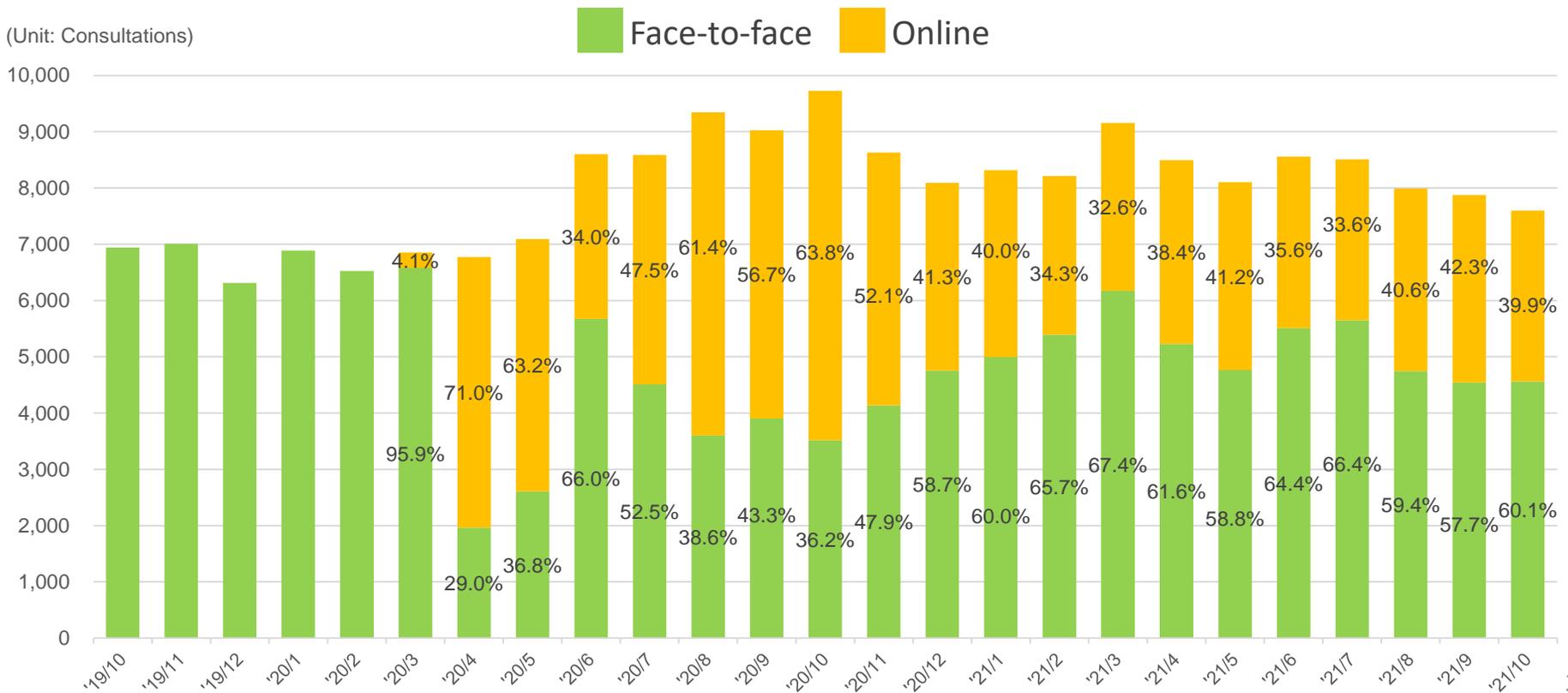


* Advance Create Cloud Platform, GOYOKIKI, DECHI, HIKYAKU, folder, and Dynamic OMO are registered trademarks of Advance Create.

IV. Recent Developments

Appointments

- We have been able to secure appointments steadily throughout the year despite a temporary drop in customer interest in insurance due to the recent lifting of the state of emergency and accompanying reaction against the previous mood of self-restraint. While the number of customers requesting in-person consultations has been increasing since last fall, demand for online consultations has been firm.



Trend in ANP at Our Consulting Plazas and Collaborating Agents

- Thanks to the effectiveness of OMO strategies such as online consultations, we have secured results that exceed pre-pandemic levels despite the state of emergency. We have evolved amid a changing environment and established a solid earnings structure.



FY09/22 Full-Year Forecast

(Unit: Millions of yen)

Consolidated	FY09/18	FY09/19	FY09/20	FY09/21	FY09/22	YoY Change
Net sales	9,468	10,365	10,510	11,019	12,500	13.4%
Operating profit	1,168	1,345	1,184	2,041	2,300	12.7%
Ordinary profit	1,135	1,297	1,095	1,925	2,200	14.2%
Profit	785	844	700	1,295	1,450	11.9%
ROE	17.3%	18.6%	13.7%	21.0%	20.4%	
Ordinary profit margin	12.0%	12.5%	10.4%	17.5%	17.6%	
Payout ratio	66.9%	61.3%	74.9%	50.3%	45.5%	
Equity ratio	57.9%	56.2%	54.4%	56.9%	59.6%	

[Shareholder returns]

- For FY09/21, we plan to pay an interim dividend of ¥30 per share (before the stock split) and a year-end dividend of ¥15 per share (after the stock split), an increase from the previous level. If the stock split is not taken into account, the year-end dividend for FY09/21 would be equivalent to ¥30 per share, for a total annual dividend of ¥60 per share.
- For FY09/22, we plan to pay a dividend of ¥15 per share for both the interim and year-end dividend, for a total annual dividend of ¥30 per share.

Key Performance Indicators

	Target	FY09/21 results	FY09/22 forecast
ROE	20% or more	21.0%	20.4%
Ordinary profit margin	20% or more	17.5%	17.6%
Payout ratio	50% or more	50.3%	45.5%
Equity ratio	80% or more	56.9%	59.6%

ESG Initiatives



ESG Initiatives

- In addition to our existing CSR initiatives, we have started to prepare an integrated report to be released by the end of 2021.
- In addition to our existing co-sponsorship of the Osaka Marathon and the offering of endowed courses at Kansai University, this year we began sponsoring the New Japan Philharmonic's special concert of the Ninth Symphony.
- Obtained three-star certification, the highest level of “Eruboshi” certification, as an excellent company based on the “Act on Promotion of Women’s Participation and Advancement in the Workplace.”

Sponsorship of the
New Japan Philharmonic



Providing Endowed Courses at
Kansai University



Co-sponsorship of the
Osaka Marathon



©Osaka Marathon 2019

“Eruboshi” certification



* For more information on the various ESG initiatives, please refer to the following press releases (Japanese only)

- [Notice of Co-sponsorship of the 10th Osaka Marathon and the 77th Biwako Mainichi Marathon](#)
- [Notice of Sponsorship of the Special Concert of the Ninth by the New Japan Philharmonic](#)
- [Advance Create Obtains 3-star Certification, the highest rating on the Eruboshi scale, as a company that promotes the advancement of women](#)
- [Our ESG Initiatives](#)

V. Supplementary Materials

Company Overview

Trade name	Advance Create Co., Ltd.
Location	Nomura Fudosan Midosuji Building, 3-5-7 Kawaramachi, Chuo-ku, Osaka, Osaka Prefecture
Established	October 1995
Capital	¥3,158 million (as of September 30, 2021)
Businesses	Insurance Agency, Media, Media Representative Services, Reinsurance, ASP, BPO
Number of Employees	319 (as of September 30, 2021; excluding contract employees, rehired employees, and temporary employees)
Fiscal Year-End	September
Listing	The First Section of the Tokyo Stock Exchange (Ticker: 8798)

Analyst Reports

- Please refer to the research reports by these external organizations for details on the Company's history, earnings structure, and other information since its establishment.
- These research reports will be updated as necessary based on the announcement of financial results and press releases.
- In addition to the reports below, Ichiyoshi Research Institute also distributes reports to institutional investors in Japan and overseas.



[Click here for our research report by FISCO Ltd.](#)



[Click here for our research report by Shared Research Inc.](#)

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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