25th Fiscal Year (From July 1, 2020 to June30, 2021)

Annual Securities Report

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail.

AVANT Corporation

Contents

[Cover]

[Filing Type]	Securities Report
[Governing laws and regulations]	Article 24(1) of the Financial Instruments and Exchange Act
[Filed with]	Kanto Finance Bureau
[Filing date]	September 27, 2021
[Fiscal year]	25th fiscal year (from July 1, 2020 to June 30, 2021)
[Company name]	AVANT CORPORATION
[English translation]	AVANT CORPORATION
[Title and Name of Representative]	Tetsuji Morikawa, President and Group CEO
[Location of Head Office]	2-15-2, Konan, Minato-ku, Tokyo
[Phone]	(03) 6864-0100 (Main number)
[Officer liaison name]	Naoyoshi Kasuga, Director and Group CFO
[Neighboring contact location]	2-15-2, Konan, Minato-ku, Tokyo
[Phone]	(03) 6864-0100 (Representative)
[Officer liaison name]	Naoyoshi Kasuga, Director and Group CFO
[Location for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I [Corporate Information]

1. [Business Overview]

1-1 [Selected Financial Data]

(1) Consolidated financial summary

Fiscal Year		21st	22nd	23rd	24th	25th
Fiscal Year-End		June 2017	June 2018	June 2019	June 2020	June 2021
Net sales	(thousand yen)	10,532,392	12,110,795	14,077,976	15,691,533	16,236,129
Ordinary income	(thousand yen)	1,308,887	1,632,433	1,972,583	2,282,082	2,808,216
Profit attributable to owners of parent company	(thousand yen)	663,606	1,062,061	1,317,048	1,537,894	1,888,976
Comprehensive income	(thousand yen)	665,659	1,069,302	1,316,735	1,562,619	1,914,609
Net assets	(thousand yen)	3,873,381	4,792,462	5,898,048	7,194,333	8,787,207
Total assets	(thousand yen)	7,325,518	8,814,290	10,415,229	11,780,604	13,956,966
Net assets per share	(yen)	103.15	127.63	157.00	191.42	233.70
Net income per share	(yen)	17.67	28.28	35.06	40.92	50.24
Fully diluted Net income per share	(yen)	-	-	-	-	-
Equity ratio	(%)	52.9	54.4	56.6	61.1	63.0
Return on equity	(%)	18.5	24.5	24.6	23.5	23.6
Price-earnings ratio	(times)	20.2	17.0	28.7	25.3	32.8
Cash flows from operating activities	(thousand yen)	1,070,201	1,159,472	1,320,217	1,890,755	2,561,689
Cash flows from investing activities	(thousand yen)	(297,429)	(353,910)	(455,340)	(420,430)	(789,786)
Cash flows from financing activities	(thousand yen)	(232,227)	(184,632)	(232,007)	(294,708)	(359,514)
Cash and cash equivalents Year-end balance	(thousand yen)	3,947,673	4,566,875	5,195,137	6,370,860	7,786,223
Number of employees (excluding average number of temporary employees)	(people)	709 (34)	806 (48)	938 (55)	1,055 (16)	1,107 (40)

(Notes)
1. Net sales do not include consumption taxes.
2. Diluted net income per share is not prepared because there are no dilutive shares.
3. The number of employees is the number of employed persons (excluding those seconded from our group to non-group companies and includes those seconded from non-group companies to our group companies).
4. On December 1, 2016, the Company conducted a 2-for-1 stock split of common stock. Net income per share have been calculated as if this stock split had taken place at the beginning of the 20th fiscal year.
5. On November 1, 2017, the Company conducted a 2-for-1 stock split of common stock. Net assets per share and net income per share are calculated as if this stock split had taken place at the beginning of the 21st fiscal year.
6. On December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net assets per share and net income per share are calculated as if this stock split had taken place at the beginning of the 23rd fiscal year.

(2) Parent company financial summary

Fiscal Year		21st	22nd	23rd	24th	25th
Fiscal Year-End		June 2017	June 2018	June 2019	June 2020	June 2021
Net sales or operating revenue	(thousand yen)	1,743,500	1,751,837	1,851,240	2,355,778	2,661,884
Ordinary income	(thousand yen)	561,938	679,684	729,784	1,141,659	1,348,123
Net income	(thousand yen)	478,788	642,379	771,939	1,252,154	1,464,244
Paid-in capital	(thousand yen)	288,400	288,400	295,525	303,271	311,568
Number of issued shares	Co., Ltd.	9,388,000	18,776,000	18,785,094	37,586,982	37,603,203
Net assets	(thousand yen)	2,979,276	3,480,465	4,044,164	5,054,779	6,219,564
Total assets	(thousand yen)	5,388,194	6,029,542	6,769,764	6,994,627	8,899,512
Net assets per share	(yen)	158.69	185.38	215.30	134.49	165.41
Dividend per share (Including interim dividends per share)	(yen) (yen)	16 (-)	12 (-)	7.5 (-)	9 (-)	11 (-)
Net income per share	(yen)	25.50	34.22	41.10	33.32	38.95
Fully diluted Net income per share	(yen)	-	-	-	-	-
Equity ratio	(%)	55.3	57.7	59.7	72.3	69.9
Return on equity	(%)	17.2	19.9	20.5	27.5	26.0
Price-earnings ratio	(times)	28.0	28.1	49.0	31.1	42.3
Dividend payout ratio	(%)	31.4	35.1	36.5	27.0	28.2
Number of employees (excluding average number of temporary employees)	(people)	56 (9)	33 (1)	37 (3)	36 (2)	45 (2)
Total shareholder return (Comparative index: TOPIX with dividends)	(%) (%)	195.5 (135.7)	264.8 (148.9)	549.6 (136.6)	584.3 (107.1)	1,228.8 (174.7)
Highest stock price	(yen)	1,550 (1,835)	1,093 (2,195)	2,364	1,198 (2,497)	1,872
Lowest stock price	(yen)	808 (1,020)	818 (1,384)	911	645 (1,775)	951

(Notes)
1. Net sales and operating revenue do not include consumption taxes.
2. Diluted net income per share is not prepared because there are no dilutive shares.
3. The number of employees is based on the number of employees employed (including employees seconded from outside the company to us, excluding those seconded from us to outside the company).
4. The highest and lowest share prices are based on the First Section of the Tokyo Stock Exchange from March 7, 2018 and are based on the Second Section of the Tokyo Stock Exchange prior to March 6, 2018, and the Tokyo Stock Exchange JASDAQ (Growth) prior to September 21, 2017. The maximum and minimum stock values for the years ending June 2017 and June 2018 are shown after the stock split, and the maximum and minimum stock values before the stock split are shown in parentheses.
5. On December 1, 2016, the Company conducted a 2-for-1 stock split of common stock. Net income per share have been calculated as if this stock split had taken place at the beginning of the 20th fiscal year. The amount of dividends per share for the 20th fiscal period and prior is the actual amount of dividends before the stock split.
6. On November 1, 2017, the Company conducted a 2-for-1 stock split of common stock. Net assets per share and net income per share are calculated as if this stock split had taken place at the beginning of the 21st fiscal year. The amount of dividends per share for the 21st fiscal period and prior is the actual amount of dividends before the stock split.
7. On December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net assets per share and net income per share are calculated as if this stock split had taken place at the beginning of the 23rd fiscal year.

1-2 [History]

Date	Events
May 1997	Established DIVA CORPORATION (capitalized at 11 million yen) in Ota-ku, Tokyo to develop, sell, and support consolidated accounting packages and software (DivaSystem)
October 1997	Commercial launch of DivaSystem
December 1998	Added automated cash-flow statement creation function to DivaSystem in response to changes in the accounting system Also equipped with a web data collection module to expand consolidated accounting support functions
June 1999	Relocated headquarters from Omori-kita, Ota-ku, Tokyo to Minami-Oi, Shinagawa-ku, Tokyo
August 1999	Opened an Osaka branch office in Nishi-Tenma, Kita-ku, Osaka
September 2001	Relocated the head office from Minami-Oi, Shinagawa-ku, Tokyo to Kamata, Ota-ku, Tokyo
June 2002	Launched consolidated accounting operations courses for accounting professionals
January 2004	Launched outsourcing services for consolidated accounting operations
November 2005	Relocated the Osaka Branch from Nishi-Tenma, Kita-ku, Osaka to Dojima, Kita-ku, Osaka
February 2007	Listed on the Osaka Securities Exchange Hercules (now Tokyo Stock Exchange JASDAQ (Growth))
August 2007	Launched sales of DivaSystem version 9 with enhanced consolidated administrative functions Achieved 500 companies using DivaSystem
October 2008	Established DIVA CORPORATION OF AMERICA (now a consolidated subsidiary) in California, U.S.A. Opened a Nagoya office in Meieki, Nakamura-ku, Nagoya City
November 2009	Acquired all shares of Internet Disclosure Co., Ltd. (now a consolidated subsidiary)
November 2010	Relocated the head office from Kamata, Ota-ku, Tokyo to Konan, Minato-ku, Tokyo (current location).
August 2011	Established DIVA BUSINESS INNOVATION CORPORATION
July 2012	Established ZEAL Spin-off Preparation Co., Ltd. (now a consolidated subsidiary)
October 2012	Changed the name of ZEAL Spin-off Preparation Co., Ltd. to ZEAL CORPORATION and took over the information systems business of DHI CORPORATION.
October 2013	Changed trade name to AVANT CORPORATION and shifted to a holding company structure Succeeded software business to DIVA CORPORATION (now a consolidated subsidiary), which was established through a spin-off.
November 2014	DIVA CORPORATION opens Shinjuku Office (now FIERTE CORPORATION) in Nishi-Shinjuku, Shinjuku-ku.
June 2016	DIVA CORPORATION merged with DIVA BUSINESS INNOVATION CORPORATION.
August 2017	FIERTE CORPORATION (now a consolidated subsidiary) is established.
September 2017	Changed from the Tokyo Stock Exchange JASDAQ (Growth) to the Second Section of the Tokyo Stock Exchange
October 2017	Succeeded outsourcing business of DIVA CORPORATION to FIERTE CORPORATION
March 2018	Shares listed on the Second Section of the Tokyo Stock Exchange are listed on the First Section of the Tokyo Stock Exchange.
December 2018	DivaSystem clients base exceeded 1,000 companies
March 2021	Signed capital and business alliance with Metapraxis Limited

1-3 [Description of Business]

Our group consists of the Company, five subsidiaries, and one affiliate. Based on the mission of "Spreading Accountability (transforming management information into a map for the future)," we are working on "visualization of management information (Business Intelligence Business)," "use of management information (Consolidated Accounting-related Business)," and "entrustment (Outsourcing Business)".

As the Company is a specified listed company, etc., the Company will determine the minor criteria for the material facts of the insider trading regulation based on the consolidated figures.

The positioning of the Company and its affiliated companies in the businesses of the Company and its affiliated companies, and their relationship to their segments, are as follows. The following categories are the same as the segments.

For details of consolidated subsidiaries and an affiliate, please refer to "1. Overview of the Company, 4. Overview of Subsidiaries and Affiliates."

(1) Consolidated Accounting-related Business

DIVA CORPORATION sells licenses and provides in-licensing consulting services for DivaSystem, a packaged software developed in-house for consolidated management and accounting. Following the start of operations, we also provide sustained maintenance services, including support for version upgrades.

In addition, we provide consulting services and solutions related to IFRS response, sophisticated management, budgetary management and administrative accounts.

In addition, the information search service for disclosure documents provided by Internet Disclosure Co., Ltd. which is mainly provided to auditing firms, is also included in the Consolidated Accounting-related Business.

(2) Business Intelligence Business

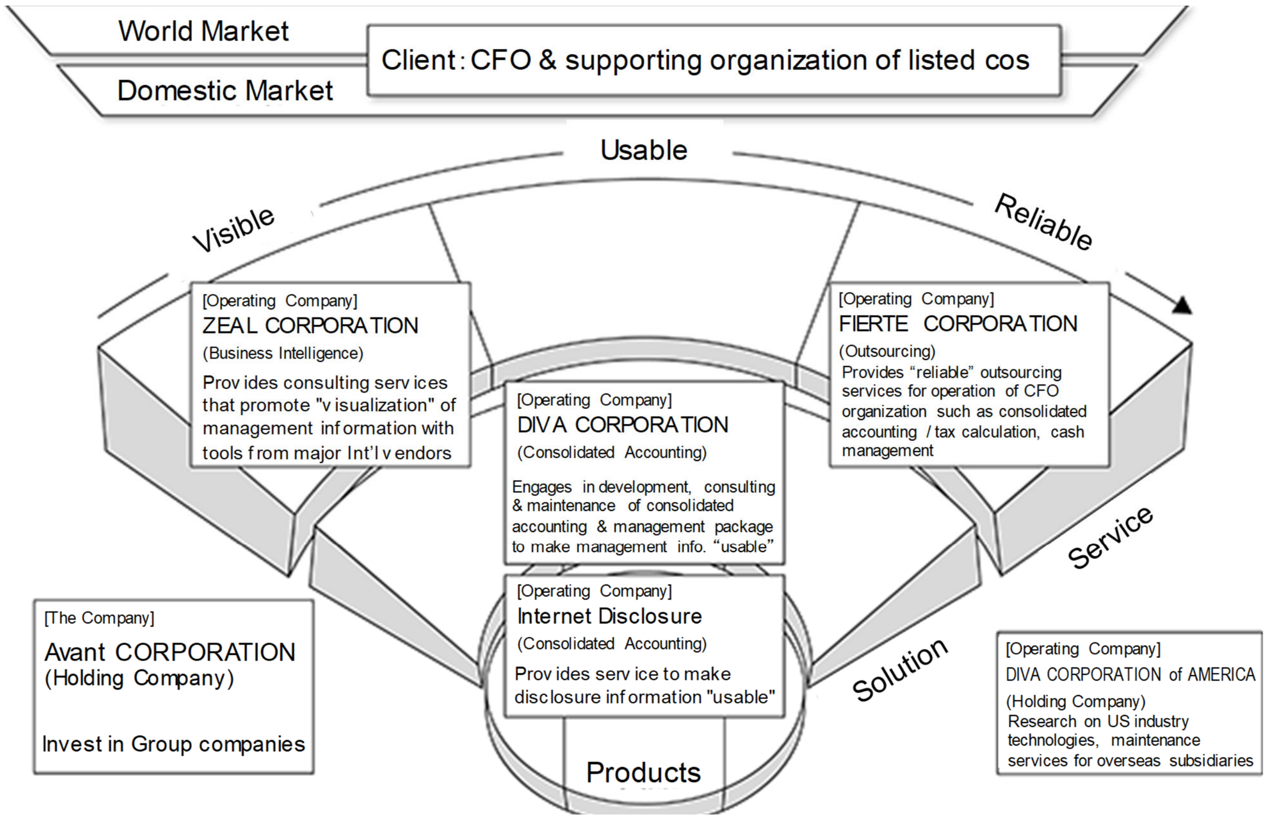
ZEAL CORPORATION is developing a system integration service for utilizing information called BI (Business Intelligence). This is a system development service that integrates and organizes enormous amounts of data in companies that are accumulated in business systems, etc., and analyzes them in reports and graphs so that they can be used for corporate decision-making. The service helps customers improve their information utilization capabilities.

(3) Outsourcing Business

FIERTE CORPORATION provides outsourced consolidated accounting and consolidated tax payment services. We are contributing to the creation of an environment in which we can provide more value to management and business by analyzing and utilizing various types of information, while resolving bottlenecks and personalization of operations by acting on behalf of our customers and resolving bottlenecks.

[Business Organization]

The above information is presented in the following business diagram.



1-4 [Information on Affiliated Companies]

Name	Address	Paid-in Capital (millions of yen)	Major Businesses Details	Voting rights owned by the Company (%)	Details of the relationship
(Consolidated Subsidiaries)					
DIVA CORPORATION (Notes 2, 3)	Minato-ku, Tokyo	100	Consolidated Accounting-related Business	100.0	Management guidance, administrative work outsourcing, dividend receipt, fund management, With concurrent position of director
Internet Disclosure Co., Ltd. (Notes 2)	Chuo-ku, Tokyo	39	Consolidated Accounting-related Business	100.0	Management guidance, dividend receipts, cash management, With concurrent position of director
ZEAL CORPORATION (Notes 2, 3)	Shinagawa-ku, Tokyo	100	Business Intelligence Business	100.0	Management guidance, administrative work outsourcing, dividend receipt, fund management, With concurrent position of director
FIERTE CORPORATION (Notes 2)	Shinjuku-ku, Tokyo	100	Outsourcing Business	100.0	Management guidance, administrative work outsourcing, dividend receipt, fund management, With concurrent position of director
DIVA CORPORATION OF AMERICA (Notes 2)	Burlingame, California, USA	USD 1,100,000	Others	100.0	Consignment of research, With concurrent position of director
(Equity method affiliate)					
Metapraxis Limited (Notes 3)	London United Kingdom	GBP 143,000	Consolidated Accounting-related Business	19.79	With concurrent position of director

(Notes)
1. Segment information are listed in the "Major Business Details" column. "Others" is a business segment that is not included in each segment and includes IT products and services research.
2. These subsidiaries are classified as a specified subsidiary.
3. The Company acquired shares of Metapraxis Limited as of March 4, 2021, making it an equity method affiliate.
4. Major profit and loss information of consolidated subsidiaries in which net sales (excluding inter-company sales among consolidated companies) exceed 10% of consolidated net sales is as follows:

Name	Net sales (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)	Net assets (millions of yen)	Total assets (millions of yen)
DIVA CORPORATION	7,822	1,836	1,269	1,495	5,223
ZEAL CORPORATION	6,250	809	538	975	2,564
FIERTE CORPORATION	2,479	524	368	588	1,366

1-5 [Information on Employees]

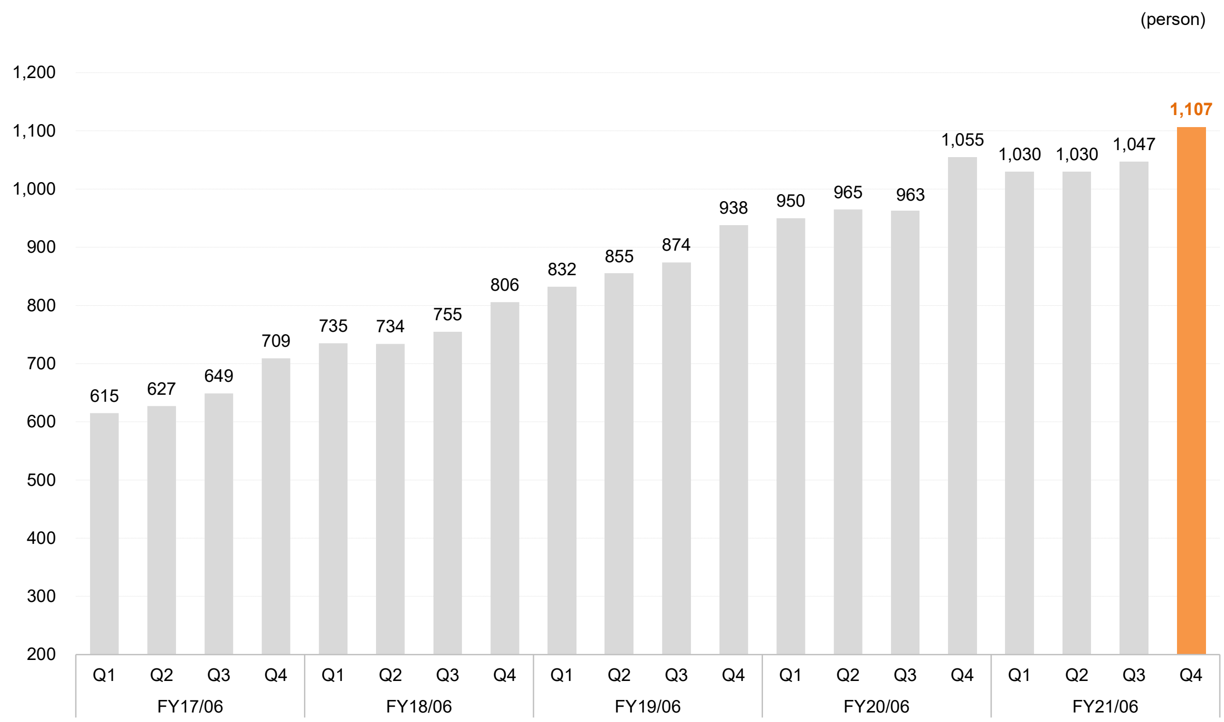
(1) Employees of Consolidated Companies

As of June 30, 2021

Segment	Employees (person)
Consolidated Accounting Related Business	461 (28)
Business Intelligence Business	372 (4)
Outsourcing Business	229 (6)
Head office	45 (2)
Total	1,107 (40)

(Notes)
1. The number of employees is the number of employed persons (excluding those seconded from our group to non-group companies but including those seconded from non-group companies to our group companies).
2. Figures in the "Number of Employees" column are the annual average number of temporary employees.
3. Head office employees are employees of administrative divisions, etc. that cannot be classified into specific segments.
4. The number of employees increased by 52 people from the end of the previous fiscal year, mainly due to new hires in line with business expansion.

The changes in the number of employees by quarter are as follows.



(2) Employees of the Parent Company

As of June 30, 2021

Number of employees	Average age	Average length of service	Average compensation (yen)
45 (2)	43.2	3.8	8,547,208

(Notes)
1. The number of employees is the number of employed persons (excluding those seconded from our group to non-group companies but including those seconded from non-group companies to our group companies).
2. Figures in the "Number of Employees" column are the annual average number of temporary employees.
3. Average annual pay includes bonuses and any non-standard wages.
4. The number of employees by segment is not shown because we are a holding company.
5. The number of employees increased by 9 people from the end of the previous fiscal year, mainly due to new hires in line with business expansion.

(3) Information on labor union

In our group, there is no labor union, but labor-management relations are working in a satisfactory manner, and there are no noteworthy issues.

2. [Business situation]

2-1 [Management policy, management environment and issues to be addressed]

The forward-looking statements contained in this document are based on management's assumptions and beliefs in light of reasonable views and beliefs as of the date of filing of this document and are not intended to guarantee the Group's achievement or future performance.

(1) Fundamental Management Policy of the Company

Our Group has set the highest management goal of "Creating a 100-year company" to support the self-realization of members participating in the organization and to achieve continuous business growth through an independent organization that is highly adaptable to the rapidly changing market environment.

By specializing in the business domains of group management, we are dedicated to further contributing to our customers by developing and providing professional services based on software products and systems that have a deeper understanding of our customers' business. To this end, we have established the following 5 management principles.
These principles also indicate the priority of management decisions.

(i) Trust
Trust means adhering to promises (commitments). In terms of relationships with our customers, we are able to gain through the accumulation of efforts to meet quality and expectations, and we believe that in business activities we can build up by raising the accuracy of our plans and repeatedly achieving them.

(ii) High profitability
Our focus on high profitability is the basis for implementing what we want to do, and we believe it is the foundation for responding flexibly to unexpected changes in the future.

(iii) High productivity
Life is finite, and time can be thought of as a unit that subdivides the life.
Creativity and ingenuity to make effective use of time is nothing less than the importance of life.
Growth is important for companies, but it is important to develop a framework to support growth before doing so.

(iv) High growth
We believe that not only corporations but also people working in them must grow together.
We are striving to create new value every day and not to repeat the same work.

(v) Pursuit of an edge
Pursuit of an edge leads to everywhere and can be considered to be the quality of life. It is expected that each and every employee will have something that "is second to none" in his or her work. In addition, we would like to increase the number of such employees by as many people as possible.

(2) Medium-term business targets

Our groups have six key management indicators, including sales, recurring sales ratio, operating income, sales growth and operating income, ROE, and dividends. Specific targets for each are announced in the 5-year new medium-term management plan "BE GLOBAL 2023" up to the fiscal year ending June 2023.

In this mid-term management plan, the Company focuses on shifting to a SaaS business model that can provide sustainable value to customers and has positioned the "recurring sales ratio" as the most important long-term indicator among the above indicators.

(3) The Company's Medium- to long-term Management Strategy

(i) Sustainable Earnings Growth and Business Expansion

The Group's medium-term management plan was formulated with the fiscal year ended June 30, 2019 as the first year and was announced in September 2018. We achieved our target of net income of 1 billion yen in the previous medium-term management plan announced in August 2017, two years ahead of schedule in the fiscal year ended June 30, 2018 and have therefore formulated a new five-year plan.

A growing demand for stronger governance and management capabilities at client companies is turning into a tailwind for us. We continue to focus on providing sustainable value to clients through our Consolidated Accounting related Business, Business Intelligence Business, and Outsourcing Business. At the same time, we are aiming for earnings growth by improving quality and productivity and promoting automation.

The products provided by the Group in the Consolidated Accounting Business have been adopted by many of Japan's leading companies, with sales exceeding 1,100 companies, and are becoming one of the infrastructures that support consolidated accounting and group management in Japan. However, in order to improve the contribution to society and corporate value of the Group, we will strive to continuously provide high quality and high value-added products and services, aiming to be adopted by an even greater number of customers.

In addition, as added value for these customers and their group companies, we will promote the provision of various solutions in the Consolidated Accounting Business, as well as services in the Business Intelligence Business and Outsourcing Business, and cloud-based products developed based on the knowledge accumulated through these services. We will also promote the provision of cloud-based products developed based on the knowledge accumulated through these services.

(ii) Changing Business Model

In order to increase corporate value, the Group focuses on the stable and continuous generation of earnings. In the medium-term management plan, the Group has set the goal of continuously increasing the ratio of recurring sales. To achieve this, we will accelerate the expansion of the outsourcing business and promote the shift of other businesses to cloud and transformation of our business models.

(iii) Grow through Mergers and Acquisitions

In addition to the growth of our existing businesses, if there is an opportunity to conduct mergers and acquisition with a company that meets the Group's strategy, we will carefully judge whether or not it will contribute to the enhancement of the Group's corporate value and will actively promote M&A while taking care not to make the M&A an objective.

(4) Challenges for AVANT CORPORATION

In September 2018, the Group announced new five-year medium-term management plan "BE GLOBAL 2023" which covers five years to the fiscal year ending June 30, 2023, with the goal of becoming a globally competitive software company. We are working to achieve this plan. In particular, the goal of raising the ratio of "recurring sales," which consistently generate sales such as software maintenance fees, to total sales (the ratio of recurring sales) to 70% from more than 30% currently, is an extremely important challenge for the Group, and all of our employees are making efforts to tackle this challenge positively. In addition, we have adopted the "sales growth rate + operating income margin" as an indicator in order to promote both improvement of profitability and expansion of scale in a balanced manner. Our goal is to raise this figure to 40% or more, which is the highest level on a global basis.
In order to realize the medium-term management plan, the Company will focus on the following priority business and financial issues.

1. Increase number of customers
The Group's products have been adopted by many of Japan's leading companies, with a sales track record exceeding 1,100 companies, and are becoming one of the infrastructures supporting consolidated accounting and group management in Japan, but they have not yet reached a level sufficient to enhance the Group's contribution to society and corporate value. However, it has not yet reached a level sufficient to enhance the Group's contribution to society and corporate value. For the time being, the Group is working to provide high-quality, high-value-added products and services on a sustainable basis, with the aim of being adopted by more than 2,000 customers.

2. Expand the value of our contribution to existing customers and their group companies
One of the Group's greatest assets is its customers, a group of outstanding companies that represent Japan. In

addition, because we provide products and services related to the management of the Group, the number of Group companies that use our products as users is many dozens of times greater than that of our customers. As a further value-added service to these customers and their group companies, we aim to contribute to more than 10,000 group companies by providing a variety of services of our group companies and cloud-based products developed based on the knowledge accumulated through these services. The Company also aims to contribute to more than 10,000 Group companies by providing cloud-based products developed based on knowledge accumulated through these services.

In addition, the Company will work to create an environment in which each company in the Group can maximize the expression of synergies.

3. Shift the business from man-hour-based to value-added-based

In the process of expanding the scale of the Group to its current size, we have increased the ratio of man-hours-based sales, in which we bill customers based on man-hours x unit price. In order to further improve corporate value by increasing profitability and productivity while expanding the scale of sales in the future, the Group recognizes that it is necessary to shift from a business centered on man-hours-based sales to a business centered on value-added-based sales that does not necessarily require an increase in personnel to increase sales. In order to achieve this goal, the Company recognizes the need to shift from a man-hour-based sales-oriented business to a value-added sales-oriented business that does not necessarily require an increase in personnel to increase sales.

The recurring sales ratio of 70% is a ratio that will be difficult to achieve without a change in this business model, and by setting this target as a key indicator, the entire Group is working together to change its business model.

4. Improve employee job satisfaction

Another major asset of the Group is its outstanding employees, who possess a high level of technology, expertise and a challenging spirit. While increasing the number of employees each fiscal year, we are working to create a rewarding work environment that enriches the lives and lifestyles of our employees and allows them to focus on creating results in their work. The Group conducts surveys of employees using the Great Place to Work® (GPTW) to visualize job satisfaction and engagement and implements actions for improvement with the aim of creating a rewarding work environment. We are working to raise this GPTW score to 70 points for each Group company. We have also begun to work on the recruitment and promotion of diverse human resources to executive positions, regardless of gender or nationality.

5. Capture external growth

In realizing the medium-term management plan, although sustainable development of existing businesses will be the basis of the plan, it may be difficult to realize the plan on its own. In the event that a corporate acquisition or capital alliance is deemed necessary and effective, we will consider it as one of the most important elements of modern corporate activities and will proactively implement it while carefully preparing for it.

In addition to being conscious of the cost of capital, the Group will set a standard that it is expected to be able to maintain a return on equity (ROE) of 20% or more even with the results of external growth. This will reduce the possibility that the Company's corporate value will be undermined by the easy acquisition of external growth.

6. Compliance

Since its establishment, the Group has emphasized compliance as a fundamental principle of corporate governance. At the same time, social demands for compliance have increased in recent years, and we believe that the loss of public trust in the event of a violation is even greater than in the past, and the time required to recover that trust is also longer. We are promoting our business activities while being more thorough than ever before to ensure that we do not violate labor and other related laws and regulations but also corporate ethics.

7. Sustainability

The Group's management philosophy, "Creating a 100-Year-Old Company," refers to the sustainable development of a company as an organization that exists for the benefit of society, viewing it as a public institution. The Group's mission is to contribute to society by providing value to customers through the use of management information for the creation of the future, and in the process of realizing this mission, the Group is involved with various stakeholders. Therefore, unless each and every member of the Group acts with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness, sustainable development will not be achieved. To this end, on July 22, 2020, the Group established the Group Human Rights Policy and Group Environmental Policy, and on August 25, 2020, the Group signed the United Nations Global Compact, declaring that it accepts, supports, and implements essential values in the four areas of human rights, labor, the environment, and anti-corruption. On July 1, 2021, the Group will take the first step toward realizing a sustainable society by converting all of its annual electricity use to "green power" and reducing its greenhouse gas emissions to zero. In addition, the Group has been supporting, albeit in a small way, sporting events and cultural activities organized by local governments and industry groups. On the other hand, now that the Group has more than 1,000 members, in order to share the same philosophy system throughout the Group and solve the issues mentioned in 1 to 6 above, we need highly skilled human resources who can understand changes in customer needs and propose solutions. We are aiming to establish an optimal training and compensation system to secure and develop such human resources.

2-2 [Risk Factors]

Items that may affect the Group's business performance, financial condition, stock price, etc. include the following.
The Group's business activities could be affected by various other factors than items listed below.
Matters concerning the future in the text are considered reasonable by the Group or based on certain assumptions made by the Group as of the filing date of the securities report.

(1) Risks Related to the Group Business

(i) Dependence on Consolidated Accounting and Management System

The Group is engaged in the software business, with development & sales, installation & support service of The Group is engaged in the software business and its main business is development & sales, installation & support service of consolidated accounting and management systems as the main business. For this reason, the Group implements measures such as research and development and organization changes based on the verification of changes in customers' needs related to consolidated accounting and management or changes in the market environment. If the Group cannot adequately predict customers' needs and market environment, and product development and organizational structures cannot be properly addressed, it may affect business results and financial position. In addition, while the Group is working to expand sales and strengthen its business base by diversifying the solutions it provides such as financial planning / budgeting systems and management information utilization systems, our dependence on DivaSystems grow stronger. Many customers of DivaSystem are listed companies with many consolidated subsidiaries and are required to disclose consolidated financial results and management results. Thus, the market for consolidated accounting and management systems may be limited compared to accounting software for individual settlement of companies, and the Group is developing products that meet these customer (market) needs.

(ii) Business Environment in the Consolidated Group Management and Consolidated Accounting Market

The Group aims to create and drive the market for financial planning and budgeting systems and management information utilization systems in order to expand addressable market and users of management information, and to expand the line of business of the Group. This systems solution market is rapidly changing on the back of the reorganization of major ERP vendors and business intelligence solution vendors. In addition, the market is immature in Japan, so if the company cannot keep up with the speed of growth of the market or the products developed by the Group in the future cannot adequately meet customer needs, it may affect the business performance and financial position.

(2) Risks Related to Profitability of the Company

(i) Impact of IT Investment

The Group is committed to providing high-quality products and providing systems that can be used continuously through enhancement of products and the Group’s support capabilities. Orders to the Group may be affected by the change in IT investment policy of the customers. IT investment is greatly affected by the economic environment and corporate profit environment, and depending on these trends, the amount of investment may be reduced or canceled.

In the future, the products that the Group plans to sell include not only those that contribute to the cost reduction of client companies through improvement in operational efficiency, but also those that support company decision making. Investment in these products may be postponed when the earnings environment of the client company deteriorates.

(ii) Impact of Large-scale Projects

When the Group participates in large-scale projects, the feedback from that experience contributes to the development of practical product in line with job requirements, and thus will promote the development of high-value-added and reliable quality packaged software. So, our policy is to take orders for large-scale projects, but the business performance and financial position of the Group may be affected by trends in orders for these large-scale projects.

(iii) Competition

The competitive environment surrounding the Group has shifted to major SI vendors and ERP companies. These companies are not specialized in consolidated accounting and management systems, but are comprehensive system developers, and greatly exceed the Group in terms of corporate size, financial resources and investment capacity. In order to compete with these companies and ensure competitiveness, we have responded meticulously to customer needs and are fully committed to developing and providing products and services that are attractive to the market. If these competitors deploy a sales strategy based on scale and comprehensive strength, the Group will not be able to compete and may affect the business environment, business performance, and financial position.

(iv) Regulations

At present, we recognize that there are no regulations that will restrict the Group's business activities. In the future, if new regulations related to the software industry is introduced, or regulations related to changes in related fields and the environment are strengthened and the business activities of the Group will be restricted, it may affect our business.

(3) Risks Related to Product Development

(i) Development of New Product(s)

The Group has established a medium-term product development policy for the purpose of providing competitive products and services that meet customer (market) needs, and it is working on the development of new products that will drive the Group's growth if they are put on the market at appropriate timing. However, rapid technological advances, the emergence of alternative technologies / competitive products, changes in the dependent technology standards / bases, etc. may hinder appropriate launch of new products. There is also a possibility that changes in product cycle and market environment may hinder continuous product development capabilities, and our business results and financial position may fluctuate significantly.

(ii) Technological Innovation Related to Database and Operating System

In developing software and building systems, the Group uses the industry standard technologies such as Oracle for the database and Microsoft for the operating system. However, technological innovation and market changes might make these technologies no longer a standard. In this case, the Group's products may also lose competitiveness, which may affect business results and financial position.

(iii) Defects (Lawsuits Arising from Software Defects)

The Group makes every effort to conduct quality control and system test inspections during product development until launch, but in the event of an economic loss to a client company due to a serious malfunction, the Group might be asked to compensate for damages. If that happens, in addition to the impact of costs associated with repairs and response work, the Group would suffer damage to its social credibility and to its brand, ant it may have a further impact on business results and financial position.

(iv) Intellectual Property Rights

The Group develops new products and templates based on accumulation of business experiences. If a customer makes a copyright request for a system function that has been developed based on customer requirements, the product function might be restricted.

In case a software developed by the Group infringes on the intellectual property rights of others, the Group might be asked compensation for damages.

In addition, in order to ensure competitiveness, we take great care in managing the Group's product development information and try to protect intellectual property. However, if other companies infringe on our intellectual properties or in case of emergence of imitations and similar products, expected earnings may be lost, which may affect business performance and financial position.

(v) Revision of Regulations on Corporate Accounting and Information Disclosure

The specifications of the software of the Group are designed based on rules and regulation governing corporate accounting and the information disclosure. However, if there is a sudden change in the rules and regulation that constitutes these business contents occurs and the Group cannot respond appropriately, the competitiveness of group products may be reduced, which may affect business performance and financial position.

In addition, there is a possibility that it will be affected by the revision of tax regulation, etc., which are largely related to the accounting field.

(4) Risks Related to Information Management and Security

(i) Management of Customer Information

The Group handles important corporate information that corresponds to insider information such as financial results of customers in connection with business execution. We believe we have taken all possible measures to manage this information. However, the Group cannot rule out possible leakage of such information due to unforeseen circumstances such as unauthorized access to our company's computers from outside, misconduct of our company's officers / employees and subcontractors, etc. If such a situation occurs, it may have a significant impact on the Group's social credibility and may affect the Group's business performance and financial position, including the cost of responding.

(ii) Information System Failures and Security

The role of computer networks and information systems is becoming more and more important, and the construction of information systems and the establishment of security measures are indispensable for continuing business activities. At the same time the possibility of risk of information leakage due to system failure, system fault by malicious virus and network intrusion is increasing. The Group makes every effort to manage systems and data through advanced security and employee training. However, if these accidents occur, they may affect business activities.

In addition, if the Group's offices are damaged by natural disasters such as earthquakes or fires, the loss of stored documents and data may hinder business activities and affect business performance and financial condition.

(5) Risks Related to Management System and Organization Structure

(i) Dependence on Chief of Management

The Group's organization is currently working on the development of human resources and the establishment of an organizational structure but recognizes that corporate management is highly dependent on Tetsuji Morikawa, President and Representative Director. If a situation arises, it may affect the promotion of business activities, earnings and financial position.

In addition, in order to respond to future expansion of line of business and business foundation, the Group aims to strengthen human resources and enhance the internal management system. However, if the expansion of human resources does not proceed as planned, if there is an unexpected outflow of human resources, it may hinder business operations and affect the Group's business performance and financial position.

(ii) Secure and Develop Human Resources

We believe that the development of Group's business and growth depend on its ability to sustain development of competitive products and services that meet customer needs. That ability depends on whether the Group can secure and develop talented human resources who are capable of both creating solutions that combines ever evolving information technology and practical business operation and converging them into a system. Thus, the Group offers various training opportunities such as training for new graduates, mid-term training and OJT for them to accumulate practical experience. However, if the securing and developing of talented human resources with specialized knowledge does not proceed as planned for several years, it may affect the future growth potential, performance and financial position of the Group.

(iii) Securing Capacity to Provide Service and Quality Assurance

The Group is unable to exactly forecast the order amount and frequency for services that the Group develop as contractor, so in some circumstances the Group cannot accommodate customer order in excess of our capacity to supply services, and that may result in lost sales opportunities. Regarding its capacity to supply services, we are working to improve the ability to respond to various orders by utilizing outsourcing to external partner companies and the service quality and provision capacity to customers through alliances, but these alliances do not always progress as planned. If that happens, it may have an impact on business performance and financial position.

Further, the Group established a project quality management department to strengthen project management and pay close attention to project profits and losses. However, as project specification becomes more sophisticated and complicated, there is a chance that the Group incurs a difference in projection due to unexpected obstacles, changes in specifications or delivery dates, and then profitability of that project may deteriorate or become deficit. In that case it may affect the Group's business performance and financial position.

(iv) Shift to a Holding Company Structure (Reorganization, etc.)

The Group shifted to a holding company structure on October 1, 2013, where the Company specializes in management and business support functions, and each business subsidiary provides customers with services that take advantage of their characteristics.

In the course of business in the future, the Group might reorganize the business structure, or the Group might incur reorganization in association with merger and acquisition in pursuit of growth opportunity. Along the way, the Group will accumulate know-how on reorganization with or without M & A, and prepare for smooth management integration work, aiming for the growth and improvement of corporate value of the Group. However, there are always risks associated with group reorganization and M & A. If these actions do not meet the original expectation the Group's business results and financial condition may be affected.

(6) Other Risks

(i) Effect of Investment

In order to enhance competitiveness of the product, establish and expand business foundations and to sustain medium- to long-term growth in priority areas, the Group actively makes investments such as research and development after considering business performance and financial conditions. However, there is no guarantee that we can always realize the development of new products that will lead to the growth of the Group and the establishment of a business foundation that will have an effect commensurate with investment. In this case, the Group's business results and financial condition may be affected.

(ii) Limited Number of Issued (Floating) Shares

The Group's business is small and so is the number of shares issued. If there is not enough liquidity to meet market demand and supply, stock prices may increase or decrease sharply in the short term.

(iii) Impact of new coronavirus infection

With regard to the impact of the spread of the new coronavirus infection, the situation has not developed into a large-scale restriction of activities due to the increase in vaccination rates as well as measures such as the avoidance of three densities and thorough remote work. At present, the impact of the new coronavirus is expected to subside to some extent by the end of 2020, and the economic activities of domestic companies are expected to gradually return to normal by 2021. However, the new coronavirus is constantly mutating, and if the impact of the infectious disease is severe and prolonged in the future, IT investments by domestic companies may be further postponed, and the business performance of the Group may be worse than expected. In this case, we are preparing a scenario to limit the deterioration of our business performance by restraining some expenses such as outsourcing costs.

In addition, we view the expansion of coronavirus infections as an expansionary factor for the market to which our Group belongs, as it will promote the digitization of companies and increase the importance of management information in the medium to long term.

Among the above risks, our Group recognizes the following as particularly important risks, and implements countermeasures centered on the Compliance and Risk Committee, which is chaired by the Group CEO.

・ (3)-(iii) Defects (Lawsuits Arising from Software Defects)

To date, there have been no cases in which lawsuits have been brought about as a result of product or other deliverables having a significant impact on the performance of the customer's business, and this is not a high likelihood of occurrence. However, we recognize that this is a risk that, if it does occur, it will have a major impact on the Group's operating results and financial position. We take measures by, for example, improving product project quality through the establishment of a quality control department and other means, and obtaining insurance in the event of an emergency.

・ (4)-(ii) Information System Failures and Security

Considering the impact of cyber-attacks, earthquakes, and other natural disasters on the system, we recognize that the risks that materialize are relatively high. We are continually implementing measures to strengthen security measures, strengthen back-ups, and conduct internal education and training.

・(5)-(i) Dependence on Chief of Management

Although the timing of the materialization is unclear, this is a risk that will always materialize over the long term. The Group CEO, by concurrently assuming the positions of directors of each business company, is working to develop successors by providing guidance and entrusting management.

・(5)-(iv) Shift to a Holding Company Structure (Reorganization, etc.)

We recognize that M&A is an important risk because the amount of investment in M&A is enormous in the reorganization and the impact of failure is extremely large.

Although this is not a frequent activity in our group, we plan to take bold action after sufficiently reducing risks (uncertainties) through careful planning and the implementation of in-depth due diligence.

2-3 [Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows]

Management discussion and analysis on Financial position, results of operations and cash flows of the Company and its consolidated subsidiaries for the fiscal year (hereinafter referred to as "business results, etc.") and the status of the Group's business results is as follows.

The forward-looking statements in this report are based on judgments made at the end of the fiscal year under review.

(1) Overview of Operating Results

Major Quantitative Targets and Progress of the Medium-Term Management Plan "BE GLOBAL 2023

In September 2018, we formulated a new 5-year medium-term management plan "BE GLOBAL 2023" for the period up to June 2023, with the goal of becoming a global software company. Among these, we have announced targets for 6 categories: sales, recurring sales ratio, operating margin, sales growth rate + operating margin (GPP), ROE, and dividends. Targets for each item and progress made in the current consolidated fiscal year are as follows.

	FY20 Actual	FY21 Actual	FY23 Target
Net sales	¥ 15.69B	¥ 16.23B	¥18~22B
Recurring sales ratio	32.6%	36.0%	70%
Operating income	¥2.27B	¥2.79B	¥3.1~3.8B
Sales growth + operating margin	26.0pts	20.7pts	Over 40pt
ROE	23.5%	23.6%	Over 20%
Dividends	¥9	¥11	Over ¥15

[Net sales]

Our sales target for the fiscal year ending June 2023 is 180 yen to 22 billion yen.
The Company aims to achieve net sales of 18-22 billion yen in the fiscal year ending June 30, 2023. In the current consolidated fiscal year, sales in the Consolidated Accounting Related Business decreased due to the impact of the convergence of large-scale projects, which had been the mainstay of the business until the previous consolidated fiscal year. The Business Intelligence Business achieved an increase in sales, and the Outsourcing Business achieved business growth of over 20% from the previous fiscal year. As a result, consolidated net sales for the fiscal year under review amounted to 16,236 million yen. This represents an increase of 3.5% over the previous consolidated fiscal year, and we recognize that we are making steady progress toward our mid-term plan targets.

[Recurring sales ratio]

The Company has set the goal of increasing the "recurring sales ratio", which is the ratio of recurring sales (sales that continue to occur each fiscal year, such as software maintenance fees) to total sales, to 70%, with the aim of realizing a change in the business model during the period of this mid-term plan.
In the current consolidated fiscal year, the recurring sales ratio was 36.0%, an increase of 3.4 percentage points from the previous consolidated fiscal year. While there are some areas that are beginning to produce results, such as the growth of the Outsourcing Business and the increase in cloud sales in the Consolidated Accounting-related Business, the total amount of sales increased by 14.2% compared to the previous consolidated fiscal year due to the impact of strong non-recurring

sales, mainly in the Business Intelligence Business. We do not recognize that it has become completely difficult to achieve our targets. We will continue our efforts to reform our business model.

[Operating income]

The Company places importance on the growth of operating income and has set an average growth rate of 18% as its long-term target. Based on this average growth rate, the medium-term management plan aims to achieve 3.1-3.8 billion yen in the fiscal year ending June 30, 2023.

In the fiscal year under review, operating income amounted to 2,796 million yen, thanks to the improvement of project profitability by increasing the ratio of in-house production, the effect of non-essential cost-cutting measures that have been promoted since the spread of the new coronavirus infection, and the suppression of some expenses such as transportation and utilities costs due to changes in work styles. This represents an increase of 22.7% over the previous consolidated fiscal year, and we recognize that we are making steady progress toward our mid-term plan targets as well as net sales.

[Sales growth + Operating margin (GPP)]

In this medium-term management plan, the Company has adopted "sales growth + operating margin (GPP)" as an indicator to promote both profitability improvement and scale expansion while maintaining a good balance, and has set a goal of raising this value to 40 points or more, which is one of the highest levels in the world.

In the current consolidated fiscal year, the sales growth rate increased only slightly to 3.5% due to a slowdown in IT investment by client companies as a result of the spread of the new coronavirus infection and a reactionary decline from last year's large-scale projects, but the operating profit margin improved by 2.7 percentage points from the previous consolidated fiscal year to 17.2%, mainly due to an improvement in the profit margin by increasing the ratio of in-house production. As a result, the GPP was 20.7 points. This is a decline of 5.3 percentage points from the previous fiscal year, and the situation where there is a deviation from the target has not improved. We recognize that we need to work towards further acceleration of sales growth or improvement of profitability.

[ROE]

In order to achieve the goals of this medium-term management plan, the Company recognizes that it is necessary not only to grow the three existing businesses, but also to invest in internal and external growth. However, as a guideline for investment activities, the Company has set the goal of maintaining ROE at 20% or higher.

ROE for the current consolidated fiscal year was 23.6%, exceeding this level and maintaining the target of the medium-term management plan of 20%, which is 0.1 percentage points higher than the entire consolidated fiscal year. Amidst the growing uncertainty in the business environment due to the Corona disaster, we are aware that we are performing well as a result of our efforts to curb unnecessary and unnecessary expenses.

[Dividends]

The Company regards dividends as an important part of its shareholder return policy, and aims to maintain and improve the dividend amount in a stable manner without being greatly affected by the business performance of each fiscal year, focusing on indicators such as the ratio of dividends to net assets. In the fiscal year ending June 30, 2023, we aim to achieve a business performance and financial condition that will enable us to pay a dividend of 15 yen per share.

For the fiscal year ended June 30, 2012, we increased the dividend by 2 yen per share to 11 yen per share based on our basic policy of continuous stable dividends. The ratio of dividends to shareholders' equity is approximately 5.2%, which is well above the average for companies listed on the Tokyo Stock Exchange.

Although the target cannot be achieved without a slightly larger increase in the dividend during the period of this mid-term plan, we recognize that we are not in a situation where we have to revise the target downward at this time.

The following is a detailed analysis of operating results.

(2) Discussion on Business Operations

The consolidated results for the fiscal year ended June 30, 2021 are as follows.

(millions of yen, rounded down to the nearest unit)

	24th Fiscal Year ended June 30, 2020	25th Fiscal Year ended June 30, 2021	Year on Year Change	
			Amount	%
Sales	15,691	16,236	544	3.5
Operating income	2,278	2,796	517	22.7
Ordinary income	2,282	2,808	526	23.1
Net Profit attributable to owners of parent company	1,537	1,888	351	22.8

Toward the end of the previous consolidated fiscal year, some domestic companies began to postpone or reduce their IT investments due to the impact of the spread of the new coronavirus infection, which also began to affect the orders received by the Group.

The business environment surrounding the Group was also initially within the scope of this outlook. However, various social changes have aroused the need for "data-based management and decision-making," and the needs for the Group's products and services are on a recovery track, transforming into more sophisticated ones.

Under these circumstances, although sales in the Consolidated Accounting-related Business declined, partly due to the impact of the convergence of large-scale projects that had been the mainstay of the business until the previous consolidated fiscal year, sales in the Business Intelligence Business increased, and the Outsourcing Business achieved business growth of more than 20% from the previous consolidated fiscal year. As a result, consolidated net sales were 16,236 million yen (up 3.5% from the previous consolidated fiscal year), exceeding the net sales of the previous consolidated fiscal year.

In addition to growth in the Outsourcing Business, which has consistently maintained a ratio of around 90%, the ratio increased in the Consolidated Accounting-related Business and the Business Intelligence Business due to an increase in cloud computing sales. In addition to growth in the Outsourcing Business, which has consistently maintained a ratio of approximately 90%, the ratio increased in the Consolidated Accounting-related Business and the Business Intelligence Business due to an increase in cloud computing sales, and as a result, the ratio increased 3.4 percentage points to 36.0%. The total amount also increased 14.2% compared with the previous fiscal year.

Operating income increased 22.7% to 2,796 million yen, ordinary income increased 23.1% to 2,808 million yen, and net income attributable to the parent company increased 23.1% to 1,888 million yen. As a result, operating income was 2,796 million yen (up 22.7% from the previous consolidated fiscal year), ordinary income was 2,808 million yen (up 23.1% from the previous consolidated fiscal year), and net income attributable to shareholders of the parent company was 1,888 million yen (up 22.8% from the previous consolidated fiscal year), all of which were higher than the previous consolidated fiscal year.

The status of each reportable segment is as follows.
a. Net sales

(millions of yen, rounded down to the nearest million yen)

	24th Fiscal Year ended June 30, 2020	25th Fiscal Year ended June 30, 2021	Year on Year Change	
			Amount	%
Consolidated Accounting-related Business	8,485	8,160	(324)	(3.8)
Business Intelligence Business	5,767	6,250	482	8.4
Outsourcing Business	2,062	2,479	417	20.2
Elimination of inter-segment transactions	(624)	(654)	(30)	-
Consolidated net sales	15,691	16,236	544	3.5

b. Operating income

(millions of yen, rounded down to the nearest million yen)

	24th Fiscal Year ended June 30, 2020	25th Fiscal year ended June 30, 2021	Year on Year Change	
			Amount	%
Consolidated Accounting-related Business	1,616	1,935	318	19.7
Business Intelligence Business	692	811	119	17.2
Outsourcing Business	364	523	159	43.7
Corporate Expenses and Elimination of inter-company transaction	(394)	(473)	(79)	-
Consolidated operating income	2,278	2,796	517	22.7

In the Consolidated Accounting Business, especially in the first half of the current consolidated fiscal year, there was a slowdown in IT investment by customers due to the spread of the new coronavirus infection and the stagnation of economic activities due to the declaration of a state of emergency, as well as the negative impact of the conclusion of a large-scale project. As a result, sales for the current consolidated fiscal year were 8,160 million yen (down 3.8% from the previous consolidated fiscal year), a decrease from the previous consolidated fiscal year. On the other hand, as a result of our efforts to improve project profitability by increasing the ratio of in-house production and other measures, as well as promoting unnecessary cost reductions, operating income increased to 1,935 million yen (up 19.7% from the previous consolidated fiscal year), and the operating income ratio improved by 4.7 percentage points from the previous consolidated fiscal year. In addition, due to an increase in cloud sales and maintenance support options, the ratio of recurring sales to total sales increased significantly from the previous fiscal year. As a result, the recurring sales ratio improved significantly from the previous fiscal year.

As for the Business Intelligence Business, the Company believes that needs for this business will increase over the medium term, as this business can make a particular contribution to the promotion of digital transformation in the management of domestic companies. This trend has already been seen in the current consolidated fiscal year, and net sales were 6,250 million yen (up 8.4% from the previous consolidated fiscal year), exceeding the previous consolidated fiscal year. Operating income also increased to 811 million yen (up 17.2% from the previous consolidated fiscal year), despite the burden of fixed costs such as office-related expenses established in the previous consolidated fiscal year, due to the impact of the increase in sales and a decrease in transportation and other expenses resulting from changes in work styles caused by the Corona disaster.

In the Outsourcing Business, the market situation is not necessarily optimistic, as uncertainty due to the impact of the new coronavirus infection has led to a trend toward greater caution in final decision-making than in the past. As a result, the Group achieved double-digit increases in both sales and profit, with net sales of 2,479 million yen (up 20.2% year on year) and operating income of 523 million yen (up 43.7% year on year).

(Production, Orders and Sales Results)
a. Production Results
Not applicable.

b. Orders Received
Orders received in each business segment for the fiscal year under review are as follows.

Segment name	Orders Received (millions of yen)	Year on year (%)	Order Backlog (millions of Yen)	Year on year (%)
Consolidated accounting-related Business	8,510	2.4	2,349	17.5
Business Intelligence	6,639	22.6	1,244	45.6
Outsourcing Business	2,987	38.3	1,457	53.4
Elimination of inter-segment transactions	(735)	37.9	(290)	38.9
Total	17,401	13.3	4,761	32.4

(Note) Figures do not include consumption tax and other items.

c. Sales Results
Sales results for the fiscal year under review by business segment are as follows.

Segment name	Sales (millions of yen)	Year on year (%)
Consolidated accounting-related Business	8,160	(3.8)
Business Intelligence	6,250	8.4
Outsourcing Business	2,479	20.2
Elimination of inter-segment transactions	(654)	-
Total	16,236	3.5

(Notes) 1. Sales results by major counterparty and the ratio of such sales to total sales are not stated because there are no major counterparties whose ratio is more than 10%.
2. Figures do not include consumption tax and other items.

(3) Discussion on Financial Position

Total assets at the end of the fiscal year under review amounted to 13,956 million yen (up 2,176 million yen from the end of the previous fiscal year). This was mainly due to an increase of 1,542 million yen in current assets resulting from a decrease of cash and deposits of 903 million yen, increase in notes and accounts receivable-trade of 242 million yen, and an increase of 489 million yen in securities. Intangible assets increased by 416 million yen due to the development of the IT infrastructure environment, while shares of subsidiaries and associates increased by 267 million yen due to investments in equity-method affiliates through the conclusion of capital and business alliance agreements and the acquisition of shares, and security deposits decreased by 60 million yen due to the closure of offices, resulting in an increase in fixed assets of 633 million yen.

On the other hand, total liabilities amounted to 5,169 million yen (up 583 million yen from the end of the previous consolidated fiscal year). This was mainly due to an increase of 64 million yen in accounts payable-other and accrued expenses, an increase in income taxes payable of 282 million yen, a decrease of 203 million yen in unearned revenue, and a decrease of 57 million yen in provision for bonuses.

Total net assets amounted to 8,787 million yen (up 1,592 million yen from the end of the previous fiscal year), mainly due to the recording of 1,888 million yen in net income attributable to owners of the parent and the payment of 338 million yen in dividends from retained earnings. As a result, the equity ratio improved by 1.9 percentage points from the previous fiscal year to 63.0% (61.1% at the end of the previous fiscal year), and we believe that we have maintained a highly stable financial balance with little interest-bearing debt.

(4) Discussion on Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year under review increased by 1,415 million yen from the end of the previous fiscal year to 7,786 million yen. The status of each cash flow and their factors are as follows.

<Cash flows from operating activities>

Net cash provided by operating activities amounted to 2,561 million yen (1,890 million yen for the previous year). The main reasons for the increase were income before income taxes and minority interests of 2,808 million yen, depreciation of fixed assets of 254 million yen, and increase/decrease in unearned revenue of 203 million yen, while the main reasons for the decrease were increase/decrease in notes and accounts receivable-trade of 242 million yen and income taxes paid of 650 million yen.

<Cash flows from investing activities>

Net cash used in investing activities was 789 million yen (420 million yen for the previous year).
Major outflows included 114 million yen for the purchase of property, plant and equipment, 429 million yen for the purchase of intangible assets, and 269 million yen for investments in equity method affiliates due to the conclusion of capital and business alliance agreements and the acquisition of shares, while major inflows included 107 million yen for the collection of lease and guarantee deposits.

<Cash flows from financing activities>

Net cash used in financing activities was 359 million yen (294 million yen for the previous year).
The main components of cash outflow were cash dividends paid of 338 million yen.

(5) Analysis of Shareholders' Equity and Liquidity

Our basic policy for the Group is to maintain and pursue an optimal capital structure that ensures financial soundness and flexibility while improving capital efficiency in order to achieve sustainable growth in corporate value and increase shareholder returns.
The Group's main funding requirements are office and IT-related capital investment and ordinary working capital, and these funds are procured from the Company's own funds and borrowings from banks as appropriate.
There were no outstanding borrowings at the end of the fiscal year under review. The Company also holds cash and deposits of 7,238 million yen, and the Company recognizes that the necessary funds are secured.
With regard to fund liquidity, the Group strives to effectively utilize surplus funds through fund management contracts between Group companies and has concluded commitment line contracts with financial institutions to prepare for sudden fund demand and contingencies.

(6) Significant Accounting Estimates and Assumptions Used in Such Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, it is necessary to make estimates regarding the future that affect the reported amounts and disclosures of assets, liabilities, and sales and expenses for the current fiscal year.
Management makes reasonable judgments regarding these estimates by taking into account past results and various other factors at the end of the current fiscal year. However, actual results may differ from these estimates in the future due to uncertainties inherent in the estimates.
Significant accounting policies used in the consolidated financial statements of the Group are described in "5. Accounting, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements, and Significant Accounting Policies for the Preparation of Consolidated Financial Statements."
In particular, the following significant accounting policies will have a significant impact on the judgment of the Company in making significant estimates in the preparation of its consolidated financial statements.

(i) Deferred tax assets

The Companies reasonably estimate future taxable income and determine the recoverability of deferred tax assets.
Forecasts of future taxable income are based on historical experience and certain assumptions. If changes in the business environment or other factors necessitate changes in the estimates of taxable income, the amount of deferred tax assets recorded may change, which may affect the Group's performance.

(ii) Provision for bonuses

The reserve for bonuses is provided at an amount corresponding to the current period of the estimated bonus payments to employees in the next fiscal year. However, since the actual bonus payments are determined based on the external environment at the time of payment and the status of our group, additional expenses may be required if the actual bonus payments differ from the estimates.

(iii) Accrual for losses on contracts

In order to prepare for future losses on contracts, the Group records the estimated amount of losses to be incurred in and after the next fiscal year. Additional provisions may be required when actual accrued costs differ from estimates.

2-4 [Important Business Contracts]

At a meeting of the Board of Directors held on January 20, 2021, the Company passed a resolution to enter into a capital and business alliance agreement with Metapraxis Limited, and on March 4, 2021, the Company entered into the capital and business alliance agreement.

(1) Purpose of the Agreement

In order to realize our mission of "popularization of management information", we have been negotiating with various domestic and foreign companies with a view to developing various products and solutions by ourselves as well as acquiring products and solutions through M&A and alliances.

This transaction is also part of the measures to raise the recurring sales ratio to 70% in order to achieve business expansion and increase corporate value in the mid-term management plan "BE GLOBAL," which covers the five-year period ending June 30, 2023.

(2) Details of the agreement

(i) Details of the business alliance

“Metapraxis Empower", a BI tool developed by Metapraxis in the U.S. and European markets to support financial information planning, analysis, and visualization, will be translated into Japanese by the Company, and the Company will acquire exclusive sales rights in Japan.

(ii) Details of the capital alliance

The Company will acquire the preferred shares newly issued by Metapraxis, become the second largest shareholder of Metapraxis, dispatch two outside directors, and Metapraxis became an equity method affiliate of the Company.

(3) Outline of the other party to the agreement

Name: Metapraxis Limited
Location: St George's House, 5 St George's Road, London SW19 4DR United Kingdom
Name and title of representative: Simon Bittlestone, CEO
Business description: Development and sales of software
Date of establishment: February 1, 1979

(4) Schedule

Date of conclusion of capital and business alliance agreement: March 4, 2021

(5) Number of shares to be acquired and percentage of ownership after acquisition

Number of shares to be acquired: 201,688 shares
Equity ratio after acquisition: 13.12
Percentage of voting rights held after the acquisition: 19.79

2-5 [R&D Activities]

The Group considers software to be an intellectual product, and in order to provide high productivity added value by standardizing and packing business processes, we consider software functions from both operational and technical aspects of data processing and the resulting content and promote the development of reliable software that concentrates advanced technologies. We will also strengthen our product development system to accurately reflect the needs of client companies for the medium-to long-term growth of the Group. Our group has been developing products that meet a variety of needs by building relationships with a large number of client companies. We will continue to strengthen our relationships with client companies and seek more effective product development inputs.

Total R&D expenditures for the fiscal year under review were 445 million yen.

R&D activities by segment are as follows.

(1) Consolidated Accounting-related Business

We continue to develop products in order to meet the diverse needs of our customers and contribute to the solution of issues.

(2) Business Intelligence Business

There were no research and development expenses related to this segment.

(3) Outsourcing Business

There were no research and development expenses related to this segment.

3. [Information on Facilities]

3-1 [Outline of Capital Investment]

In order to respond to rapid technological innovation and changes in the business environment, the Group carries out systematic and continuous capital investment with the aim of enhancing product development functions, strengthening customer service, and strengthening the organizational foundation to support continuous business growth.

Capital expenditures for the consolidated fiscal year under review amounted to 543 million yen (including software). Capital expenditures by segment were 240 million yen for the Consolidated Accounting-related Business, 7 million yen for the Business Intelligence Business, 15 million yen for the Outsourcing Business, and 281 million yen for the intra-company (common). This was mainly due to the addition of tools, furniture and fixtures related to internal network facilities, the introduction of software for internal use, and the development of software for sales.

3-2 [Major Facilities]

Major facilities of our group are as follows.

(1) Parent company

As of June 30, 2021

Business Sites (Location)	In the segment Name	Facilities	Book value (Millions of yen)					Number of employees (People)
			Buildings	Tools, instruments & fixtures	Software	Others	Total	
Head Office (Minato-ku, Tokyo)	Head-office	Office facilities Software	2	73	144	0	221	45
Shinjuku office (Shinjuku-ku, Tokyo)	Head-office	Office facilities	54	-	-	-	54	-
Osaka Office (Osaka City, Osaka Prefecture)	Head-office	Office facilities	2	-	-	0	2	-

(Notes)
1. The above amounts do not include consumption taxes.
2. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
3. All buildings are building fixtures such as partitions. Both the head office and other offices are under lease.
4. For the Head Office, Shinjuku Office, and Osaka Office, part of the facilities is leased to the consolidated subsidiaries together with the business sites.
5. The book value of "Other" includes telephone subscription rights and trademarks.
6. The Company closed Omori Office on November 15, 2020,

(2) Domestic subsidiaries

As of June 30, 2021

Company Name	In the segment Name	Business Sites (Location)	Facilities	Book value (Millions of yen)					Number of employees (People)
				Buildings	Tools, Instruments and fixtures	Software	Others	Total	
DIVA CORPORATION	Consolidated accounting-related Business	Head Office (Minato-ku, Tokyo)	Office facilities Software	19	14	35	-	69	240
		Osaka Office (Osaka City, Osaka)	Office facilities	29	1	0	-	32	48
		Konan office (Minato-ku, Tokyo)	Office facilities	71	31	-	-	102	160
Internet Disclosure Co., Ltd.	Consolidated accounting-related Business	Head Office (Chuo-ku, Tokyo)	Office facilities Software	-	23	-	-	23	11
ZEAL CORPORATION	Business Intelligence Business	Head Office (Shinagawa-ku, Tokyo)	Office facilities Software	9	2	18	0	31	291
		Osaka Office (Osaka City, Osaka)	Office facilities	12	1	-	-	13	19
		Fudomae Office (Shinagawa-ku, Tokyo)	Office facilities	27	8	-	-	35	62
FIERTE CORPORATION	Outsourcing Business	Head Office (Shinjuku-ku, Tokyo)	Office facilities Software	1	17	37	-	57	229

(Notes)
1. The above amounts do not include consumption taxes.
2. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
3. All buildings are building fixtures such as partitions. Both the head office and other offices are under lease.
4. The book value of "Other" includes vehicles, telephone subscription rights and trademarks.
5. As of November 15, 2020, the Omori Office of DIVA CORPORATION has been discontinued.
6. As of June 30, 2021, the Gotanda office of ZEAL CORPORATION has been discontinued.
7. The head office of Internet Disclosure Co., Ltd. has been relocated as of May 10, 2021.

3-3 [Plans for New Construction and Retirement of Facilities]

(1) Construction of major facilities

Not applicable.

(2) Disposal of major facilities

Not applicable.

4. [Information on Parent Company]

4-1 [Status of Shares, etc.]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Type	Number of Shares Authorized (Shares)
Common stock	62,304,000
Total	62,304,000

(ii) [Shares issued and outstanding]

Type	As of the end of the fiscal year Number of shares issued (As of June 30, 2021)	As of the filing date Number of shares issued (September 17, 2021)	Listed financial commodity exchange name or registered authorized financial commodity trade association name	Details
Common stock	37,603,203	37,603,203	Tokyo Stock Exchange (First Section)	Number of shares per unit 100 shares
Total	37,603,203	37,603,203	-	-

(2) [Subscription rights to shares, etc.]

(i) [Details of the stock option plan]
Not applicable.

(ii) [Content of rights plan]
Not applicable.

(iii) [Status of other stock acquisition rights, etc.]
Not applicable.

(3) [Exercise of bonds with subscription rights to shares, etc. with exercise price revision provisions, etc.]

Not applicable.

(4) [Number of Shares Issued, Share Capital, etc.]

Date	Issued shares Increase/decrease in the total number Co., Ltd.	Issued shares Total balance Co., Ltd.	Change in common shareholders' equity (Millions of yen)	Common stock balance (Millions of yen)	Legal capital surplus Increase (decrease) (Millions of yen)	Legal capital surplus Balance (Millions of yen)
December 1, 2016 (Notes) 1	4,694,000	9,388,000	-	288	-	225
November 1, 2017 (Notes) 1	9,388,000	18,776,000	-	288	-	225
October 19, 2018 (Notes) 2	9,094	18,785,094	7	295	7	232
October 17, 2019 (Notes) 3	8,397	18,793,491	7	303	7	240
December 1, 2019 (Notes) 1	18,793,491	37,586,982	-	303	-	240
October 16, 2020 (Notes 4)	16,221	37,603,203	8	311	8	248

(Notes)
1. This is due to a 2-for-1 stock split.
2. This was due to the issuance of new shares as restricted stock compensation.
   Issue price: 1,567 yen
   Capital appropriation: 783.5 yen
   Issued to: 10 of our Corporate Officer and our subsidiary's board members
3. This was due to the issuance of new shares as restricted stock compensation.
   Issue price: 1,845 yen
   Capital appropriation: 922.5 yen
   Issued to: 10 of our Corporate Officer and our subsidiary's board members
4. This was due to the issuance of new shares as restricted stock compensation.
   Issue price: 1,023 yen
   Capital appropriation: 511.5 yen
   Issued to: 11 of our Corporate Officer and our subsidiary's board members

(5) Status by Owner

As of June 30, 2021

Classification	Status of shares (100 shares per voting unit)								Shares in less than voting unit
	Governments and municipality	Financial institutions	Financial Instruments Business dealer	Other Corporation	Foreigners		Individuals Others	Total	
					Corporate	Individuals			
Number of shareholders	-	20	21	40	82	14	3,497	3,674	-
Number of shares held (voting units)	-	47,746	7,020	37,872	55,775	42	227,522	375,977	5,503
Percentage of shares held	-	12.70	1.87	10.07	14.83	0.01	60.51	100.00	-

(Note) 2,951 treasury stocks are included in "Individuals and others" at 29 units and in "shares in less than 1 unit" at 51.

(6) [Major Shareholders]

As of June 30, 2021

Name or registration	Address	Number of shares held	Percentage of total numbers of share held (%) excluding treasury stock
Tetsuji Morikawa	Minato-ku, Tokyo	9,764,000	25.97
Avant Employee Stock Ownership Plan	2-15-2, Konan, Minato-ku, Tokyo	2,290,900	6.09
Tsuyoshi Noshiro	Asaka, Saitama	1,868,800	4.97
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	1,651,100	4.39
OBIC Business Consulting Co., Ltd.	6-8-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo	1,600,000	4.26
PCA Corporation	1-2-21, Fujimi-cho, Chiyoda-ku, Tokyo	1,556,800	4.14
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02 111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,252,015	3.33
Custody Bank of Japan, Ltd. (trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,239,400	3.30
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	9 AVENUE PERCIER 75008 PARIS (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	800,000	2.13
JP MORGAN CHASE BANK (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	705,600	1.88
Total	-	22,728,615	60.45

(Notes)
1. Of the above number of shares held, the number of shares related to the trust business is as follows.
   The Master Trust Bank of Japan, Ltd. (trust account) 1,651,100 shares
   Custody Bank of Japan, Ltd. (trust account) 1,239,400 shares
2. Wasatch Advisors Inc. announced in the Report of Possession of Large Volume published for public inspection as of June 4, 2021, that it owns the following shares as of May 31, 2021. However, as we are not able to confirm the actual number of shares owned as of June 30, 2020, it is not included in the above-mentioned major shareholders. The content of the Report of Possession of Large Volume is as follows.

Name or registration	Address	Shares owned (shares)	Percentage held (%)
WASATCH ADVISORS INC	505 Wakara Way, 3rd Floor Salt Lake City, UT 84108 USA	1,911,925	5.08

(7) [Status of voting rights]

(i) [Shares issued and outstanding]

As of June 30, 2021

Classification	Number of shares		Number of voting rights (units)	Details
Non-voting stock	-		-	-
Shares with Restricted Voting Right (Treasury Shares, etc.)	-		-	-
Shares with restricted voting rights (other)	-		-	-
Wholly Owned Voting Shares (Treasury Shares, etc.)	(Treasury stock) Common stock	2,900	-	-
Shares with full voting rights (Others)	Common stock	37,594,800	375,948	-
Shares less than 1 unit	Common stock	5,503	3,494 -	-
Number of issued shares		37,603,203	-	-
Voting rights of all shareholders	-		375,948	-

(Note) 51 shares of treasury stock owned by the Company are included in the "Shares less than 1 unit" column.

(ii) [Treasury stock, etc.]

As of June 30, 2021

Owner's name Or name	Address of the holder	Own name Number of shares held Co., Ltd.	Name of another person Number of shares held Co., Ltd.	Number of shares held Total Co., Ltd.	Percentage of shares held
(Treasury stock) AVANT CORPORATION	Konan, Minato-ku, Tokyo 15-2, 2-chome	2,900	-	2,900	0.01
Total	-	2,900	-	2,900	0.01

4-2 [Information on treasury stock]

[Type of shares] Acquisition of common shares as set forth in Item 7 of Article 155 of the Company Law

(1) [Acquisition by resolution of the shareholders' meeting]

Not applicable.

(2) [Acquisition by resolution of the Board of Directors]

Not applicable.

(3) [Details of items that are not based on the resolution at the general meeting of shareholders or the resolution at the meeting of the board of directors]

Classification	Number of shares	Total value (yen)
Treasury stock acquired during the current fiscal year	40	73,220
Treasury stock acquired during the period	-	-

(Note) The number of treasury shares repurchased during the period does not include the number of shares repurchased due to the purchase of odd-lot shares from September 1, 2021 to the filing date of this Annual Securities Report.

(4) [Status of disposal and holding of acquired treasury stock]

Classification	Current fiscal year		Current period	
	Number of shares	Total value disposed (Yen)	Number of shares	Total value disposed (Yen)
Treasury stock distributed to underwriters	-	-	-	-
Treasury stock retired	-	-	-	-
Treasury stock transferred related to mergers, share exchanges and corporate splits	-	-	-	-
Others (-)	-	-	-	-
Number of shares of treasury stock held	2,951	-	2,951	-

(Note) The number of treasury shares repurchased during the period does not include the number of shares repurchased due to the purchase of odd-lot shares from September 1, 2021 to the filing date of this Annual Securities Report.

4-3 [Dividend Policy]

We consider the payment of dividends from surplus to be an important part of our shareholder return policy. We pay attention to indicators such as the ratio of dividends to net assets and aim to maintain and improve the amount of dividends in a stable manner without being greatly influenced by the performance of each fiscal year.

Currently, we pay dividends from retained earnings once a year, and the decision-making body for the payment of dividends from retained earnings is the General Meeting of Shareholders.

For the fiscal year under review, the 25th Ordinary General Meeting of Shareholders scheduled to be held on September 28, 2021 will resolve to pay a dividend of 11 yen per share, based on the basic policy of continuous stable dividends.

The Company intends to use internal reserves effectively to develop and develop competitive and attractive products and services that meet market needs in order to respond to anticipated changes in the business environment.

In addition, we have adopted an interim dividend system based on Article 454, Paragraph 5 of the Companies Act. The Articles of Incorporation stipulate that each year the record date shall be December 31. The Board of Directors is the decision-making body for the interim dividend.

(Note) Dividends from retained earnings with record dates in the fiscal year under review are as follows.

Date of resolution	Total dividends (Millions of yen)	Dividend per share (Yen)
To be approved at the Annual General Meeting of Shareholders on September 28, 2021	413	11.00

4-4. [Information on Corporate Governance]

(1) Overview of corporate governance

(i) Basic policy on corporate governance

In fulfilling our social responsibilities as a company, we have made "Creating a 100-Year Company" our most important management goal, which is to support employees' self-realization through the realization of continuous business growth, and to contribute to all stakeholders, including customers, through the added value that we have created.

To this end, we have formulated the "Avant Group Basic Policy on Corporate Governance" and are working to enhance corporate governance by enhancing the transparency and soundness of management, carrying out business operations promptly based on accurate decision-making, and building a management system that enables appropriate oversight of these operations.

(ii) Scheme of corporate governance and reason for the election of the scheme

1. Overview of Corporate Governance Structure

- We are a company with Audit & Supervisory Board, with 5 directors (including 3 outside directors) and 3 auditors (including 2 outside auditors). The Company proposes five Directors (including three Outside Directors) and three Corporate Auditors (including two Outside Corporate Auditors) as agenda items (resolutions) for the 25th Ordinary General Meeting of Shareholders to be held on September 28, 2021.

- The Board of Directors makes decisions on important management issues and supervises the status of business execution. The term of office for directors is set at one year in order to improve the efficiency of decision-making, to reflect management policies in swift business activities, to respond swiftly to changes in the business environment, and to clarify management responsibilities for each fiscal year.

- The members of the Board of Directors are as follows:
  Representative Director: Tetsuji Morikawa, Director: Naoyoshi Kasuga, Outside Director: Naohisa Fukutani, Outside Director: Georges Ugeux, Outside Director: Jon Robertson

- The Company's business execution system is based on a system in which representative directors, directors in charge of finance, and executive officers appointed by the Board of Directors share responsibility for business execution. The representative directors and directors in charge of business management of each Group company, as executive officers of the Company, report on the status of business execution at the Group Management Committee chaired by the Group CEO, and the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO and Group CISO report on the execution of Group-wide strategies. In addition, the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO, and Group CISO report on the execution of Group-wide strategies in their respective areas of responsibility. The Group Management Committee discusses important issues with the aim of achieving sustainable growth and enhancing corporate value through Group management, and important matters are referred to the Board of Directors through the Group CEO and Group CFO.

- We have established the Compliance and Risk Management (CRM) Committee, which is composed of the persons responsible for compliance and risk management at each of our group companies appointed by the chairperson. The CRM Committee deliberates and examines important issues and responses related to corporate ethics, compliance, and risk management, and promptly reports them to the Board of Directors.

- The members of the CRM Committee are as follows:
  Chairman: Tetsuji Morikawa, Group CEO
  Members: Naoyoshi Kasuga, Group CFO, Takahiro Okabe, President & CEO, ZEAL CORPORATION, Hiroshi Takizawa, President, Internet Disclosure Co., Ltd., Hiroki Takemura, Vice President, DIVA CORPORATION, Gen Nagata, President, FIERTE CORPORATION

- For violations of laws and regulations and other acts of doubt in accordance with laws and regulations, a reporting system shall be established and operated with legal advisors and corporate auditors serving as contacts.

- In accordance with the auditing policies stipulated by Audit & Supervisory Board, corporate auditors audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and investigating the status of business execution.

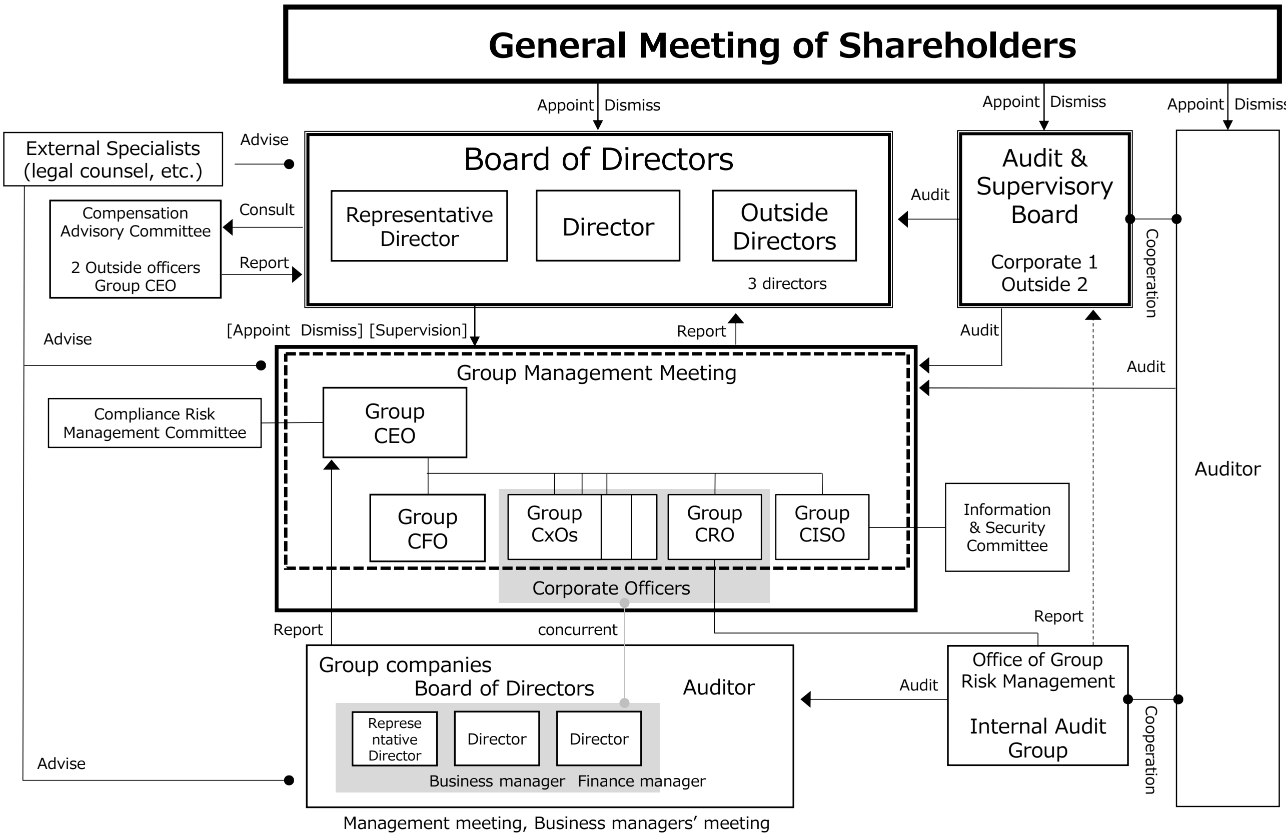
- Audit & Supervisory Board monitors the execution of duties by its directors from a fair and objective perspective in accordance with the auditing policies and the allocation of responsibilities established by the corporate auditors, as well as in accordance with the auditing plans.

- The members of Audit & Supervisory Board are as follows:
  Standing Audit & Supervisory Board Member: Tsuyoshi Noshiro, Outside Audit & Supervisory Board Member: Kunio Suzuki Outside Audit & Supervisory Board Member: Masanori Kobayashi

2. Reasons for Adopting a Corporate Governance System

The Board of Directors has the function of making management decisions and overseeing the execution of business operations, thereby ensuring the appropriateness of management decisions and the prompt execution of business operations.
We have also established Audit & Supervisory Board and have adopted audit system based on the judgment that the Audit and Supervisory Board members including outside auditors is effective as a management oversight function.

The corporate governance structure as of the date of filing of this Annual Securities Report is as follows.



CEO : Chief Executive Officer
CFO : Chief Financial Officer
CRO : Chief Risk-management Officer
CISO : Chief Information & Security Officer

(iii) Other matters related to corporate governance

1. Arrangements for ensuring the propriety of operations

We have established corporate behavior standards and established and promoted corporate ethics. The Board has decided on the basic policy for the improvement of internal control systems as follows.

2. Compliance system for Directors

(1) System to ensure that the execution of duties by directors conforms to laws and the Articles of Incorporation

(i) Directors shall comply with the "AVANT Code of Conduct", practice "AVANT Value", and execute business appropriately in accordance with laws and regulations, the Articles of Incorporation, the rules of the Board of Directors, and other internal rules.

(ii) Directors shall make decisions based on comprehensive considerations at the Board of Directors and various cross-organizational meetings when executing business.

(iii) Personnel responsible for compliance and risk management (CRM) of each Group company nominated by the chairman shall deliberate and review important issues and response regarding corporate ethics, compliance and risk management, and promptly report to the Board of Directors.

(iv) The Company will establish and operate a reporting system with legal advisors and corporate auditors as a contact point for legal violations and other legally suspicious acts.

(v) Corporate auditors shall audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and investigating the status of business execution under the audit policy established by the Audit & Supervisory Board.

(2) System to ensure that directors perform their duties efficiently

(i) The Board of Directors of the Company shall hold a regular Board of Directors meeting basically once a month and shall hold an ad hoc meeting whenever necessary to make decisions and quickly execute business operations and supervise directors' important management decision and status of execution.

(ii) Various conference bodies and committees, where directors or committee members are responsible, deliberate and decide on business execution within the scope of their authority.

(iii) We shall promote the decentralization of management through organization based on management policies and business plans.

(iv) In order to clarify management responsibilities and respond to changes in the management environment, the term of office for directors is set at one year.

(3) System for storage and management of information related to the execution of duties by directors

Information regarding the execution of duties by directors shall be appropriately stored and managed by the department in charge based on laws and regulations, the Board of Directors regulations, document management regulations, and other related regulations.

3. System to ensure the appropriateness of company operations

(1) Rules and other systems for managing risk of loss

(i) With regard to thorough progress management of business results and expense management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.

(ii) We shall manage risks related to compliance, information assets, and other business matters by developing and disseminating necessary regulations and manuals.
In addition, to ensure thorough compliance, the CRM Committee will strengthen management and response. Also, for intellectual properties management, the Information Security Committee will reinforce management and response.

(iii) The Company shall consult, receive advice and guidance from third parties with specialized knowledge such as lawyers, Accounting auditors, tax accountants, etc., as necessary for business execution.

(2) System to ensure that the execution of duties by employees complies with laws and the Articles of Incorporation

(i) Employees shall comply with the "AVANT Code of Conduct", practice "AVANT Value", and conduct business in accordance with laws and regulations, the Articles of Incorporation and internal rules.

(ii) In order to raise compliance awareness among employees and promote socially responsible behavior, the Company will prepare internal rules and conduct internal audits under the direction of the president.

(iii) Employees will report to or consult with the whistleblower hotline when they learn that somebodies are violating laws, the Articles of Incorporation, internal rules, or conduct that violates social conventions.

(iv) Directors shall respond promptly or make improvements at the CRM Committee in response to requests from the corporate auditors regarding the employee's compliance system and internal reporting system and requests for improvement.

(3) System to ensure the appropriateness of business in the corporate group consisting of the Company and its subsidiaries

(i) Our subsidiaries will comply with our management policy and "AVANT Code of Conduct", share the practice of "AVANT Value", and contribute to the improvement of the corporate value of the Group.

(ii) While respecting the independence of subsidiaries, the Company will support the development and improvement of internal control systems and promote in cooperation with subsidiaries.
(iii) The Company's subsidiaries enter into management guidance and management contracts with the Holding Company Avant, and the Company receives reports on important matters related to the execution of duties by directors. Although the board of directors of each operating company decides important matters, the following three areas need approval from Avant: (i) investment including office contracts, (ii) human resources, and (iii) financing including capital management policy
(iv) The Company's subsidiary shall hold a regular Board of Directors meeting basically once a month and holds an ad hoc Board of Directors meetings as needed to make decisions and quickly execute business operations. The office of Group General Affairs of the Company confirms the status of meetings.
(v) As part of building a compliance system for the entire Group, employees of our subsidiaries report to or consult with the whistleblowing system when they learn that laws, the Articles of Incorporation, other internal rules and other social conventions are violated.
(vi) The CRM Committee will provide support for legal violations and other compliance issues at subsidiaries.
(vii) With regard to the progress of the performance of our subsidiaries and thorough cost management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.
(viii) The appropriateness of the operations of the Company's subsidiaries will be observed as necessary by conducting regular internal audits by Internal Audit Group under the Office of Group Risk Management and reporting the results to the Company's directors and the Audit & Supervisory Board.

(4) System for ensuring appropriate financial reporting
Under the direction of the Board of Directors, the Company will establish a system for ensuring appropriate legal and financial reporting as well as operating system. Periodically the Company needs to conduct self-assessment and independent assessment of internal control over financial reporting. At the same time, it is audited by an Accounting Auditor.

(5) Basic approach to eliminate anti-social forces
In the AVANT Code of Conduct, we declare the exclusion of anti-social forces and the prohibition of anti-social acts that threaten the safety and order of society and the sound activities of companies. The basic idea is neither to have a relationship nor to respond to unjust and illegal requests.
In addition, we appoint the Prevention Officer for unfair requests, we endeavor to collect information from the beginning and check the business partners.
In the event of an incident, we are in close contact with relevant government agencies and attorneys and other specialists to deal with the issue promptly.

4. The audit system

(1) Matters related to the employee when the corporate auditor requests that the employee be assisted, and the independence of the employee from the director
(i) Although the Company does not have employees to assist the duties of corporate auditors, the Board of Directors can negotiate based on requests from corporate auditors and appoint and assign such employees.
(ii) During the period to be appointed by the corporate auditor, the command and order of the employee appointed as an assistant to the duties of the corporate auditor shall be transferred to the corporate auditor in order to ensure independence from the Directors. In addition, the evaluation of the employee is conducted after hearing the opinions of the corporate auditors.

(2) System for directors and employees to report to corporate auditors and other systems for reporting to corporate auditors
(i) Corporate auditors attend meetings of the Board of Directors, attend important meetings, receive reports on the status of operations, and are able to attend any other meetings and committees or view minutes as necessary.
(ii) Corporate auditors can request directors and employees to report business and operations to corporate auditors regularly or at any time.

(3) System to ensure that those who report to the corporate auditors are not subject to unfavorable treatment because of the report
According to the compliance and risk management regulations stipulated in the Company's compliance hotline handling guidelines, we have stipulated and enforced that we will not be subject to adverse treatment.

(4) Matters related to the policies relating to the processing of expenses or obligations arising from the execution of duties by the corporate auditors

When a corporate auditor makes a request for prepayment or reimbursement of expenses incurred for the performance of his / her duties, the expenses or obligations will be processed promptly unless it is deemed unnecessary for the performance of the duties of the corporate auditors.

(5) Other systems to ensure that audits by corporate auditors are conducted effectively

(i) Corporate auditors are able to hold meetings for communication and exchange of opinions with the President and Representative Director.

(ii) The Company ensures to exchange opinions and information with accounting auditors and corporate auditors, and to request investigations and reports as necessary, while cooperating with them.

5. Operational status of the system to ensure the appropriateness of business

The Company has been continuously investigating the maintenance and operation status of the internal control system since the establishment of the system to ensure the appropriateness of the above operations and has reported the details of the investigation to the Board of Directors.

We have taken corrective actions for problems found as a result of the investigation and are working to build and operate a more appropriate internal control system.

(iv) Outline of Limitation of Liability Agreement

We have entered into an agreement with all of our outside directors and corporate auditors to limit liability for damage as set forth in Paragraph 1 of Article 423 of the Companies Act pursuant to the provisions of Paragraph 1 of Article 427 of the Companies Act. The limited amount of liability for damages under the applicable agreement is the amount specified in Paragraph 1 of Article 425 of the Company Law.

(v) Outline of the contents of the directors' and corporate auditors' liability insurance contract

The Company has entered into a liability insurance contract with an insurance company for directors and corporate auditors as provided for in Article 430-3, Paragraph 1 of the Companies Act. The contract names the directors, corporate auditors, executive officers and employees of the Company and its subsidiaries as the insured parties, and the Company bears all insurance premiums for all the insured parties. The insurance is designed to cover damages, including compensation, settlements, and costs of disputes and lawsuits to be paid by the insured in the event that the insured receives a claim for damages during the insurance period due to the performance of duties. However, claims for damages arising from breach of trust, criminal acts, fraud, willful violations, and insider trading are not covered by the policy.

(vi) Resolution of the general meeting of shareholders, which may be resolved by the Board of Directors

1. Purchase of treasury stock

The Articles of Incorporation provide that the Company may, by resolution of the Board of Directors, acquire treasury stock through market transactions, etc., in accordance with Article 165-2 of the Companies Act in order to enable the Company to implement flexible capital policies in response to changes in the business environment.

2. Interim dividends

In accordance with Article 454, Paragraph 5 of the Corporate Law, the Company's Articles of Incorporation provide that interim dividends may be paid on December 31 of each year as a base date, based on a resolution of the Board of Directors.

3. Quorum of directors

Our Articles of Incorporation provide that the number of Directors shall not exceed nine.

4. Selection of Directors

The Company's Articles of Incorporation provide that resolutions for the election of directors shall be adopted by a majority of the votes of shareholders present who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights at a general meeting of shareholders.

In addition, the Articles of Incorporation stipulates that resolutions for the election of directors shall not be made by cumulative voting.

5. Exemption of Officers from Liabilities

In order to enable corporate auditors (including former corporate auditors) to fully exercise their expected roles in the performance of their duties, the Company's Articles of Incorporation provide that they may be exempted from liability for damage as set forth in Paragraph 1 of Article 423 of the Company Law to the extent of the amount obtained by deducting the minimum liability amount stipulated in laws and regulations from the amount of liability for damage, provided that they satisfy the requirements stipulated in laws and regulations.

In addition, the Articles of Incorporation stipulates that, in order to enable directors (including those who were directors) in group management under the holding company system to fully exercise their expected roles in the performance of their duties, they may be exempted from liability for damages under Clause 1 of Article 423 of the Corporate Law to the extent of the amount obtained by deducting the minimum liability amount stipulated in laws and regulations from the amount of liability for damages, provided that they satisfy the requirements stipulated in laws and regulations.

6. Requirements for Extraordinary Resolution at General Meetings of Shareholders

The Company's Articles of Incorporation provide that resolutions pursuant to the provisions of Paragraph 2 of Article 309 of the Company Law shall be adopted by two-thirds or more of the voting rights of shareholders present who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights.

The purpose of this system is to facilitate the smooth operation of the General Meeting of Shareholders by reducing the number of shares subject to special resolutions at the General Meeting of Shareholders.

(2) [Information on Directors]

(i) Board of Directors and Auditors

1. Status of Directors and Corporate Auditors as of the date of submission of the Annual Securities Report

The status of directors and corporate auditors as of September 27, 2021 (the date of submission of the Annual Securities Report) is as follows.

8 Male, 0 Female (Ratio of Female Directors to Total Number of Directors -%)

Title	Name	Date of birth	Biographies		Term of Office	Number of shares held
President and Representative Director (Group CEO)	Tetsuji Morikawa	February 23, 1966	April 1990 May 1997 October 2013 October 2013 March 2017 September 2020	Joined Price Waterhouse Consultant Co., Ltd. Establishment of the Company President and Representative Director (to present) President and Representative Director, DIVA CORPORATION (to present) DIVA CORPORATION OF AMERICA CEO (to present) Outside Director of Kayak Co., Ltd. (to present) Group CEO (to present)	(Notes) 4	9,764,000
Director in charge of Finance (Group CFO)	Naoyoshi Kasuga	May 13, 1963	April 1987 August 1999 January 2005 October 2010 February 2011 September 2011 September 2020 March 2021	Joined Long-Term Credit Bank of Japan, Ltd. Joined New York Stock Exchange Asia Pacific Office New York Stock Exchange Corporate Officer Joining our company Our president's office manager Director in charge of Finance of the Company (to present) Group CFO (to present) Outside director, Metapraxis Limited (to present)	(Notes) 4	6,600
Director	Naohisa Fukutani	April 17, 1961	April 1987 July 2001 March 2005 September 2013 July 2015 July 2021	Joined The Mitsui Bank, Ltd. Daiwa Securities SMBC Singapore Pte. Ltd. General Manager of Corporate Finance and Asia-Pacific Joined Managing Director of GCA Co., Ltd. Director of the Company (to present) Joined PricewaterhouseCoopers Co., Ltd. (currently PwC Advisory LLC) as a partner Senior Advisor (to present)	(Notes) 4	53,100
Director	Georges Ugeux	April 20, 1945	September 1970 January 1985 October 1988 September 1992 September 1996 October 2003 September 2014	Joined Société General Bank (Belgium) Managing Director, Investment Banking, Morgan Stanley Chief Financial Officer, Société Générale Belgium Group President Kidder Peabody International New York Stock Exchange In charge of International Division and Research Division Chairman and CEO, Galileo Global Advisors, Inc. (to present) Director of the Company (to present)	(Notes) 4	2,000
Director	Jon Robertson	October 29,1968	January 1994 July 1996 July 1999 July 2002 January 2004 January 2007 January 2012 December 2014 March 2015 September 2020 March 2021	Sales Manager, M3i Systems, Inc. Sales Director, SAP America, Inc. Managing Director, EMC Corporation Senior Director, Reuters K.K. (now Thomson Reuters K. K.) EMC Corporation Vice President, Customer Operation, VMware K.K. Vice President and General Manager, ASEAN, VMware Singapore Pte. Ltd. Vice President, VMware K.K. President, VMware K.K. Director, Avant Corporation (to present) President, Asia Pacific & Japan, Snowflake Inc. (to present)	(Notes) 4	0

Corporate auditor	Tsuyoshi Noshiro	January 6, 1961	October 1985 April 1989 July 1989 February 1998 June 2000 September 2001 September 2011	Joined Aoyama Audit Corporation Became Certificated Public Accountant Joined SANYO FINANCE CO., LTD. Joining our company Our general manager of administration headquarters Our director of finance Our full-time corporate auditors (current)	(Notes) 5	1,868,800
Outside auditor	Kunio Suzuki	January 6, 1944	April, 1967 March 1997 January 2001 September 2001	Joined IBM Japan, Ltd. Director of IBM Japan, Ltd. Established 0 S Management Co., Ltd. Representative Director (to present) Outside Auditor of the Company (to present)	(Notes) 6	588,000
Outside auditor	Masanori Kobayashi	August 1, 1965	April 1988 September 1990 May 1994 October 2000 October 2002 October 2007 September 2013	Joined Mitsui Fudosan Co., Ltd. Joined Arthur Andersen & Company Eiwa Audit Corporation Became Certificated Public Accountant Joined Hayato International Law Office, registered as a lawyer Joined Shin-Tokyo Law Accounting Office Established Kobayashi Law Accounting Office (to present) Outside Auditor of the Company (to present)	(Notes) 7	0
Total						12,282,500

(Notes)

1. Directors Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Both auditors, Kunio Suzuki and Masanori Kobayashi, are external auditors as defined in Item 16 of Article 2 of the Company Act.
3. We have introduced a Corporate Officer system to expedite business execution and clarify accountability and authority. Corporate Officers consists of 12 members.
4. The term of office is from the close of the ordinary general meeting of shareholders for the year ending June 2020 to the close of the ordinary general meeting of shareholders for the year ending June 2021.
5. The term of office is from the end of the Ordinary General Meeting of Shareholders related to the fiscal year ended June 2019 to the end of the Ordinary General Meeting of Shareholders related to the fiscal year ended June 2023.
6. The term of office is from the end of the Ordinary General Meeting of Shareholders relating to the fiscal year ended June 2018 to the end of the Ordinary General Meeting of Shareholders relating to the fiscal year ending June 2022.
7. The term of office is from the close of the ordinary general meeting of shareholders for the year ended June 31, 2017 to the close of the ordinary general meeting of shareholders for the year ended June 31, 2021.

2. Status of Officers after the Ordinary General Meeting of Shareholders

The Company has proposed "Election of five directors" and "Election of one corporate auditor" as agenda items (matters to be resolved) for the 25th Ordinary General Meeting of Shareholders to be held on September 28, 2021. If this proposal is approved, the current five directors, two corporate auditors, and one newly appointed corporate auditor will be elected or reelected, respectively, and the status of the Company's officers will be as follows. The titles and brief biographies include the resolutions of the Board of Directors and the Board of Corporate Auditors scheduled to be held immediately after the 25th Ordinary General Meeting of Shareholders.

Male: 7 Female: 1 (Ratio of female to total number of directors: 12.5%)

Titlle	Name	Term
President and Representative Director (Group CEO)	Tetsuji Morikawa	(Notes 4)
Director (Group CFO)	Naoyoshi Kasuga	(Notes 4)
Director	Naohisa Fukutani	(Notes 4)
Director	Georges Ugeux	(Notes 4)
Director	Jon Robertson	(Notes 4)
Corporate auditor	Tsuyoshi Noshiro	(Notes 5)
Outside auditor	Kunio Suzuki	(Notes 6)
Outside auditor	Chie Goto	(Notes 7, 8)

(Notes)

1. Directors Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Both auditors, Kunio Suzuki and Chie Goto, are external auditors as defined in Item 16 of Article 2 of the Company Act.
3. We have introduced a Corporate Officer system to expedite business execution and clarify accountability and authority. Corporate Officers consists of 13 members as follows.
4. The term of office is from the close of the ordinary general meeting of shareholders for the year ending June 2021 to the close of the ordinary general meeting of shareholders for the year ending June 2022.
5. The term of office is from the end of the Ordinary General Meeting of Shareholders related to the fiscal year ended June 2019 to the end of the Ordinary General Meeting of Shareholders related to the fiscal year ended June 2023.
6. The term of office is from the end of the Ordinary General Meeting of Shareholders relating to the fiscal year ended June 2018 to the end of the Ordinary General Meeting of Shareholders relating to the fiscal year ending June 2022.
7. The term of office is from the close of the ordinary general meeting of shareholders for the year ended June 31, 2021 to the close of the ordinary general meeting of shareholders for the year ended June 31, 2025.
8. A brief biography of Mrs. Chie Goto, the newly appointed corporate auditor, is as follows

Title	Name	Birthday	Biography		Number of shares held
Outside auditor	Chie Goto	November 30, 1958	April 1984	Joined Societe World Co.	0
			April 1988	Joined Tokyo Student Career Resource Center Co.	
			September 1994	Joined Yamada & Partners Accounting Office	
			October 2006	Registered as an attorney at law, joined Sakura Kyodo Law Office Registered as a certified public accountant	
			January 2011	Partner, Sakura Kyodo Law Office (up to the present)	
			September 2021	Outside Auditor of the Company (to present)	

(ii) Status of Outside Directors

We have three outside directors and two outside auditors.

Outside Director Naohisa Fukutani and Outside Director Georges Ugeux have many years of experience and wide-ranging knowledge about finance, as well as their own experience in management. We believe that they will contribute to strengthening the overall supervision of Group management and corporate governance.

Kunio Suzuki, an outside auditor, has extensive experience and knowledge of management in the IT and information and communications industries.

Masanori Kobayashi, an outside auditor, is qualified as a lawyer and a certified public accountant and is familiar with the company's financial and legal services and has been involved in accounting and management through many specialized experiences to date and possesses specialized knowledge of company management.

Based on the above background and other factors, the Company believes that the Company will be able to properly perform its duties as an outside auditor, including providing useful advice, in making management decisions and making such decisions, based on a thorough understanding of the Company's management.

Outside Director Georges Ugeux is our shareholder, but his holding ratio is less than 1% and he is not a major shareholder, and there is no special interest between him and us. Therefore, we do not believe that there will be a conflict of interest with general shareholders.

Outside Director Naohisa Fukutani is a shareholder of our company, but the shareholding ratio is less than 1% and is not a major shareholder, and there is no special interest between Mr. Fukutani and us. Therefore, we do not believe that there will be a conflict of interest with general shareholders.

Kazuo Suzuki, an outside auditor, is the top 10 shareholders of the Company. However, the ownership ratio is less than 2% and is not a major shareholder, and there is no special interest between Mr. Suzuki and us. Therefore, we do not believe that there will be a conflict of interest with general shareholders.

We have appointed Outside Director Naohisa Fukutani, Outside Director Georges Ugeux and Outside Audit & Supervisory Board member Masanori Kobayashi as Independent Directors pursuant to the provisions of the Tokyo Stock Exchange and have notified the Tokyo Stock Exchange.

Furthermore, we have concluded a limited liability agreement with all outside directors and corporate auditors, and the outline of the agreement is the minimum liability amount as set forth in laws and regulations, provided that the liability for compensation for damages as set forth in Paragraph 1 of Article 423 of the Company Law is subject to the requirements set forth in laws and regulations.

In appointing outside directors and outside corporate auditors, the Company has established the following independence standards, which are based on the independence standards set forth in the Companies Act and the Financial Instruments and Exchange Law and focus on ensuring the independence of the persons who will become independent outside directors in terms of substance.

Outside directors and outside corporate auditors shall be deemed to be independent if, as a result of investigations conducted by the Company to the extent reasonably possible, it is determined that none of the following items apply to them.

(1) A person who has been an executive person (executive director, executive officer, corporate officer, employee, or employee) of the Company or its subsidiaries or affiliates (hereinafter collectively referred to as the "Group") at the present time or for the past 10 years; or
(2) A person who directly or indirectly holds 10% or more of the total number of voting rights of the Company, or a person who is an executive of such a person; or
(3) A person with whom the Group has a major business relationship (Note 1) or with whom the Group has a major business relationship (Note 1), or an executive officer of such a person; or
(4) A person or an executive of a person who receives a large amount (Note 2) of money or other financial benefits other than directors' remuneration as compensation for providing the Group with professional services by consultants, lawyers, certified public accountants, tax accountants, etc.
(5) A person who receives donations or subsidies exceeding 15 million yen per year from the Group, or a person who executes such donations or subsidies.
(6) A person who belongs to an audit corporation that is the accounting auditor of our group; or
(7) A person who belongs to an audit corporation that is the Group's accounting auditor; (7) A person who is an executive officer of a company that has appointed an executive officer of the Group as an executive officer; or
(8) Persons who have fallen under the above 2 to 7 for the past 3 years
(9) A spouse or a relative within the second degree of relationship of a person who falls under the above 1-8.

(Note 1) "Major transactions" means transactions involving the transfer of money exceeding 2% of annual consolidated net sales or loans exceeding 2% of consolidated total assets.

(Note 2) "Large amount" means, in the case of an individual who provides professional services, the profit received from the Group, excluding director's remuneration, exceeds 15 million yen per year for the most recent fiscal year, and in the case of an organization such as a corporation or partnership who provides professional services, the profit received from the Group exceeds 10 million yen per year for the most recent fiscal year. If the provider of professional services is a corporation, partnership, or other organization, the profit received from the Group must exceed 2% of the organization's total annual revenue or 15 million yen, whichever is higher, in the most recent fiscal year.

(iii) Cooperation between supervision or audits by outside directors or outside auditors and internal audits, audits by corporate auditors and independent accounting auditors, and relationships with the internal control division

Outside Directors and outside auditors attend monthly meetings of the Board of Directors, where they ask questions, give advice, and give advice on the status of operation execution as appropriate, in order to strengthen governance.
Outside auditors, corporate auditors and internal auditors attend the accounting audit report meeting, and both the independent accounting auditors and internal auditors have opportunities to hear and discuss with each other to confirm the status of internal controls in business and finance.
Outside auditors, corporate auditors, and internal auditors cooperate with each other to request investigations and reports as necessary and verify that the status of management and business execution are conducted appropriately and efficiently.

(3) Information on Audits

(i) Information on audits by Audit and Supervisory Board

1. Organization, Personnel and Procedures of Audit by Audit and Supervisory Board

At Audit and Supervisory Board, two of our three members are outside auditors. They monitor and audit our management from their specialist knowledge and experience. They report on the status of their duties to each other at Audit and Supervisory Board to share the understanding of our auditing operations.
Two auditors are qualified as certified public accountants and have considerable knowledge of finance and accounting.

2. Activities of Auditors and Audit and Supervisory Board

We hold 14 Audit & Supervisory Board meeting during the fiscal year under review. The attendance of individual auditors is as follows.

Title	Name	Attendance/Number of meetings
Corporate Auditor	Tsuyoshi Noshiro	14 / 14 times
Outside Auditor	Kunio Suzuki	14 / 14 times
Outside Auditor	Masanori Kobayashi	14 / 14 times

Major items to be considered at Audit & Supervisory Board include the formulation of audit policies and audit plans, the development and operation of internal control systems, and the determination of the appropriateness of auditing methods and outcomes by the independent auditor.
In accordance with the auditing policies and the division of duties stipulated by Audit & Supervisory Board, Audit & Supervisory Board Members communicate with Directors, etc., attend meetings of the Board of Directors and other important meetings, inspect important approval documents, and investigate the business operations and asset status of the head office and major business sites. In addition, the Audit & Supervisory Board members communicate and exchange information with the Directors and Audit & Supervisory Board members of subsidiaries, confirm business reports from subsidiaries, and confirm the implementation status of audits and results reports from the Accounting Auditors.

(ii) Internal Audit Status
In our internal audits, the Internal Audit Department, which is comprised of 3 internal auditors, monitors the company's business activities from a fair standpoint and provides improvement and guidance to contribute to the proper execution of business and the proper disclosure of financial conditions. The department reports to the president on the results of its audits.

(iii) Independent Auditor
1. Name of the audit corporation
Deloitte Touche Tohmatsu LLC

2. Continuous Audit Period
21 years
The rotation of the managing partners is conducted appropriately, and in principle, they have not been involved in the auditing of the Company for more than seven consecutive accounting periods. In addition, the principal operating partner has not been involved in the audit of the Company for more than five consecutive accounting periods.

3. Certified Public Accountants leading the independent financial audit
Jun Kagawa : Designated Limited Liability Members, Executive Operating Partners
Jyoji Furukawa: Designated Limited Liability Members, Executive Operating Partners

4. Assistant to auditors
CPAs: 4
Others: 4
(Note) Others include those who pass the Certified Public Accountant Examination and those in charge of system audits.

5. Policy and Reason for Selection of Audit Corporation
Based on the "Practical Guidelines for Corporate Auditors, etc. Concerning the Evaluation of Accounting Auditors and Formulation of Selection Standards" published by the Japan Association of Corporate Auditors, etc., the Company has made selections based on comprehensive considerations such as quality control, independence, expertise, audit fees, communication with corporate auditors and management, and handling of fraudulent risks.
In addition, in the event an accounting auditor is deemed to fall under any of the items set forth in Paragraph 1 of Article

340 of the Companies Act, Audit and Supervisory Board shall dismiss such accounting auditor with the consent of all auditors.

6. Valuation of the auditing firm by corporate auditors and Audit and Supervisory Board

Our corporate auditors and Audit and Supervisory Board comprehensively evaluate the auditing system of the independent public accountants and the performance of their duties.

(iv) Details of audit fees

1. Compensation for Audit Certified Public Accountants

Classification	Previous Fiscal year		Current Fiscal year	
	Compensation for audit certification (Millions of yen)	Compensation for non-audit operations (Millions of yen)	Compensation for audit certification (Millions of yen)	Compensation for non-audit operations (Millions of yen)
Parent company	28	-	28	4
Consolidated subsidiaries	-	-	-	-
Total	28	-	28	4

Note: The Company's non-audit services for certified public accountants, etc. include advisory services regarding compliance with ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," etc.

2. Compensation for the same network as auditing certified public accountants, etc. (excluding 1)

Not applicable.

3. Details of compensation based on other important audit certification services

Not applicable.

4. Policy for determining audit fees

The Company's Articles of Incorporation stipulate that the Representative Director shall provide for the amount of compensation to certified public accountants, etc. with the consent of Audit & Supervisory Board, and the amount is determined after taking into account the number of days required for audits, etc.

5. Reasons why Audit & Supervisory Board agreed to the compensation, etc. of the independent auditor

Based on the "Practical Guidelines for Corporate Auditors, etc. Concerning the Evaluation of Accounting Auditors and Formulation of Selection Standards" published by the Japan Association of Corporate Auditors, Audit & Supervisory Board examines whether or not the content of reports on audit plans of auditing corporations, the status of performance of duties in the previous consolidated fiscal year, and the basis for calculation of compensation estimates are appropriate, and consents to Article 399(1) of the Companies Act have been obtained with respect to the compensation of auditing corporations, etc.

(4) Directors Compensation

1. Policy and method of determining the amount of compensation, etc. for directors and corporate auditors and the method of calculating such amount

(1) Process for Determining the Compensation System and Amount of Compensation

The policy and calculation method for determining the Company's compensation for directors and executive officers, and the criteria for the compensation system and the amount of compensation for directors and executive officers were decided at the meeting of the Board of Directors held on January 29, 2021 (an outline of the details is provided in (2) Compensation for Directors below and 2. The details are as follows: (2) Compensation for Directors and 2. (2) Compensation for Directors and 2.

Furthermore, at the Board of Directors meeting held on March 17, 2021, it was resolved to establish the Compensation Advisory Committee as a voluntary advisory body in order to strengthen the independence, objectivity and accountability of the decision-making process. The Compensation Advisory Committee will consist of three members: two independent directors and the Group CEO, and its chairman will be selected from independent outside directors. The committee strives to ensure objectivity by receiving advice from outside experts and taking into consideration the level of the market as a whole or the industry as a whole. The Compensation Advisory Committee deliberates on the following matters

(a) The Company's policy in determining the compensation, etc. of Directors and Executive Officers,
(b) The draft of the proposal on compensation, etc. for Directors, Corporate Auditors and Executive Officers to be submitted to the General Meeting of Shareholders,
(c) Decisions regarding the details of individual compensation, etc. of Directors and Executive Officers to be submitted to the Board of Directors,
(d) The proposed details of individual compensation, etc., of Directors and Corporate Officers to be submitted to the Board of Directors, and
(e) Other matters deemed necessary by the Board of Directors with respect to each of the preceding items.

(2) Compensation of Directors

The Company's compensation for directors is divided into fixed compensation (compensation of the same amount on a regular basis) and performance-linked compensation.

The standard amount of fixed compensation is paid to each position in consideration of the level commensurate with the required ability and responsibility. With respect to the maximum amount, the 5th Annual General Meeting of Shareholders held on September 27, 2001 approved that the annual amount of fixed compensation for directors of the Company shall be 150,000 thousand yen or less (the number of directors immediately after the said General Meeting of Shareholders was six).

The performance-linked compensation for directors excluding outside directors consists of (1) short-term performance-linked compensation, which is a bonus linked to the business results, etc. for each fiscal year, and (2) medium- to long-term performance-linked compensation, which is a bonus linked to changes in indicators over a three-year period (Note). The medium- to long-term performance-linked bonus is a stock-based compensation in which the Company's common stock is delivered to Directors for the purpose of providing them with incentives to enhance the Company's corporate value over the longer term and to promote greater value sharing between Directors and shareholders. The introduction of performance-linked compensation was approved at the 11th Annual General Meeting of Shareholders held on September 26, 2007, and the maximum amount of performance-linked compensation was approved at the 18th Annual General Meeting of Shareholders held on September 25, 2014, as an annual amount not exceeding 41,250 thousand yen per eligible director (the number of directors immediately after the said General Meeting of Shareholders was four). (The number of directors immediately after the 18th Annual General Meeting of Shareholders was four. In addition, the introduction of medium- to long-term performance-linked compensation as stock-based compensation was approved at the 22nd Annual General Meeting of Shareholders held on September 19, 2018, and the maximum amount of such compensation is 100,000 thousand yen for each applicable period, and the number of shares to be delivered by the Company to each eligible director under this plan is 60,000 shares per director per year The number of shares to be delivered by the Company to the eligible directors under this plan is 60,000 shares per director per year or less, and the total number of shares to be delivered by all directors per year is 100,000 shares or less (the number of directors immediately after the General Meeting of Shareholders is four (4), including two (2) outside directors).

As outside directors are independent from the execution of business, performance-linked compensation is not applied to them, and the above fixed compensation is paid to them.

Note: Three years from the month in which the date of the Company's annual general meeting of shareholders falls in each year. The initial eligibility period is from September 2018 to September 2021, and thereafter the eligibility period is from September of each year to September of the third year thereafter.

(3) Compensation of Corporate Auditors

The amount of compensation for corporate auditors is also fixed, and within the limit of the amount of compensation resolved at the General Meeting of Shareholders, it is determined through discussions among the corporate auditors, taking into consideration the distinction between full-time and part-time corporate auditors, between internal and external corporate auditors, and the division of duties. The maximum amount of compensation was resolved at the extraordinary general meeting of shareholders held in December 2003 to be within 30,000 thousand yen per year (the number of corporate auditors immediately after the said general meeting of shareholders was two).

2. Purpose of performance-linked compensation and performance-linked stock-based compensation, basis for indicators, and specific calculation method

(1) Short-term performance-linked compensation

Short-term performance-linked compensation is linked to the year-on-year increase or decrease in consolidated operating income, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan and annual business results, and is paid in cash. The amount is calculated by multiplying the base amount, which is determined according to the position, etc., by a short-term incentive coefficient, which is set in the range of 0% to 200% according to the change in consolidated operating income from the previous year. In the past, the coefficient took into account the Company's stock price, but since the rate of increase in the Company's stock price is reflected in medium- to long-term performance-linked compensation, the Board of Directors resolved at a meeting held on September 18, 2020 to use the rate of increase in consolidated operating income as the coefficient from the 24th fiscal year onward. Specifically, it will be calculated according to the following formula.

Short-term performance compensation = Short-term performance base amount × **Short-term incentive coefficient**

Short-term incentive coefficient

Rate is calculated under the following formula where (a) represent consolidated operating profit for the current year and (b) represents consolidated operating profit of previous fiscal year

(i) When (a) is (b) or less:	0
(ii) If (a) exceeds (b) and is less than (b) × 112%:	0.5×{1+((a)-(b))÷((b)×112%)}
(iii) When (a) is 112% or more of (b):	1+0.5×((a)-(b)×112%)÷((b)×6%)

※ The short-term incentive coefficient is limited to 2.0.

The short-term performance-linked remuneration for directors of subsidiaries of the Submitting Company is linked to the "sales growth rate plus operating profit margin (GPP)" and is paid in cash. The amount is calculated by multiplying the base amount, which is determined according to the position, etc., by the short-term incentive coefficient, which is set in the range of 0% to 200% according to the change in "sales growth rate + operating profit ratio (GPP).

(i) The Company
Consolidated operating income for the current fiscal year, which is a performance indicator, was 2,796 million yen, and the rate of change from consolidated operating income for the previous fiscal year (2,278 million yen) was 123%. As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.89 as shown below. Therefore, 189% of the standard amount of short-term performance-based compensation (26 million yen) was paid as short-term performance-based compensation.

Short-term incentive coefficient = 1 + 0.5 × (Consolidated operating income for the current fiscal year: 2,796 million yen - (Consolidated operating income for the previous fiscal year: 2,278 million yen × 112%)) ÷ (Consolidated operating income for the previous fiscal year: 2,278 million yen × 6%) = 1.89

(ii) Subsidiaries of the Company

The calculation method of the coefficient is as follows
(a) If the GPP is 15 points or less: 0
(b) If the GPP is more than 15 points but less than 20 points: (Current GPP - 15 points) ÷ 5 points
(c) If the GPP is more than 20 points but less than 25 points: 1 + ((Current GPP - 20 points) ÷ 10 points)
(d) If GPP is more than 25 points but less than 40 points: 1.5 + ((Current GPP - 25 points) ÷ 30 points)
(e) If GPP is more than 40 points: 2

A. DIVA CORPORATION
The GPP for the current consolidated fiscal year, which is a performance indicator, was 19.30 points.

GPP = ((Current fiscal year sales: 7,822 million yen ÷ Previous fiscal year sales: 8,159 million yen) - 1) + (Current fiscal year operating income: 1,832 million yen ÷ Current fiscal year sales: 7,822 million yen) × 100 = 19.30

As a result of applying this to the formula in (b) above, the short-term incentive coefficient was 0.86 as shown below. Therefore, 86% of the standard amount of short-term performance-based compensation (18 million yen) was paid as short-term performance-based compensation.

Short-term incentive coefficient = (GPP: 19.30 points - 15 points) ÷ 5 points = 0.86

B. ZEAL CORPORATION

The GPP for the current consolidated fiscal year, which is a performance indicator, was 21.30 points.

GPP = ((Current fiscal year sales: 6,250 million yen ÷ Previous fiscal year sales: 5,767 million yen) - 1) + (Current fiscal year operating income: 810 million yen ÷ Current fiscal year sales: 6,250 million yen) × 100 = 21.30

As a result of applying this to the above formula in (c) above, the short-term incentive coefficient was 1.13 as shown below. As a result, the Company paid 113% of the standard amount of short-term performance-based remuneration (19 million yen) as short-term performance-based remuneration.

Short-term incentive coefficient = (GPP: 21.30 points – 20 points) ÷ 10 points = 1.13

C. FIERTE CORPORATION

GPP for the current consolidated fiscal year, which is a performance indicator, was 42.01 points.

GPP = ((Current fiscal year sales: 2,479 million yen ÷ Previous fiscal year sales: 2,062 million yen) - 1) + (Current fiscal year operating income: 523 million yen ÷ Current fiscal year sales: 2,479 million yen) × 100 = 42.01

As a result of applying this to the formula in (e) above, the short-term incentive coefficient became 2.00, as shown below, and 200% of the standard amount of short-term performance-based compensation (16 million yen) was paid as short-term performance-based compensation.

Short-term incentive coefficient = GPP: 42.01 points (over 40 points) = 2.00

(2) Medium- to long-term performance-linked compensation

This is a performance share unit system under which common shares of the Company are granted as a performance-linked stock compensation plan for the purpose of providing directors with incentives to enhance the corporate value of the Company over the longer term and promoting further value sharing between directors and shareholders. The number of shares determined by the Company's Board of Directors (the base number of shares to be delivered) is multiplied by a share delivery ratio determined in accordance with the Company's stock growth rate, which is a representative indicator of the Company's corporate value. The Company's stock growth rate is calculated by dividing the Company's TSR (Total Shareholder Return) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period.

The base number of shares to be delivered will be calculated by dividing the base amount of short-term performance-based compensation (26 million yen) by the share price on the day before the Board of Directors' resolution. The growth rate of the Company's shares is calculated by dividing the Company's TSR (Total Shareholder Return) during the subject period by the growth rate of the TOPIX (Tokyo Stock Price Index) during the subject period.

After the end of the Relevant Period, the Company will pay monetary compensation claims to the Subject Directors, and the Company will deliver the Company's shares by having the Subject Directors contribute all of the monetary compensation claims in kind upon the issuance of shares or disposal of treasury shares by the Company.

Medium-to long-term compensation (number of shares delivered) = Standard number of shares × stock compensation ratio

Share issuance ratio

(i) If our equity growth rate (A) is less than 100% : 0
(ii) When A is between 100% and 112% : 33% × (A-100%) ÷ 12%
(iii) When A is 112% to 150% : 33% + 67% × (A-112%) ÷ 38%
(iv) When A exceeds 150% : 100%

A Our stock price growth rate

TSR during the period
Rate of increase in TOPIX

Our Total Shareholder Return/ total stockholder return (TSR)

Simple average of the closing prices of our shares for the month of the end of the applicable period (September in 3 years) plus the total amount of dividends per share related to dividends of surplus during the applicable period
Simple average of the closing prices of our shares in the month of the beginning of the period covered (September)

TOPIX Growth Rate

Simple mean of TOPIX at the end of the period (September after 3 years)
Simple averages of TOPIX for the beginning month (September of the year)

With respect to stock-based compensation for the President and Representative Director, in order to further clarify the President and Representative Director's responsibility for realizing the "BE GLOBAL" medium-term management plan, a restriction on granting stock-based compensation was approved at the 24th Annual General Meeting of Shareholders held on September 23, 2020, based on the "recurring sales ratio (ratio of ongoing sales to total sales)," which is an important quantitative indicator of the medium-term management plan, as follows

Recurring sales ratios that serve as the basis for granting stock-based compensation at the end of the term

Fiscal Years	Recurring sales ratio
June 2019	50% and over
June 2020	60% and over
June 2021	70% and over
June 2022	70% and over
June 2023	70% and over

The recurring sales ratio for the fiscal year ended March 31, 2012 was 36.0% (recurring sales for the fiscal year ended March 31, 2012: 5,852 million yen).
No medium- to long-term performance-linked remuneration was paid in the current consolidated fiscal year because the applicable period had not yet passed. Since the Company's stock growth rate and stock delivery ratio are calculated based on the stock price at the end of September, they have not been calculated for the fiscal year under review because the subject period has not yet passed. The number of shares to be granted in the current consolidated fiscal year is scheduled to be resolved at the Board of Directors' meeting to be held on October 15, 2021.

3. Compensation, etc. of Directors and Corporate Auditors

The ratio of fixed compensation and performance-linked compensation for directors is as follows, with the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

Composition of Directors' Compensation

	Fixed compensation	Short term performance-based compensation	Long term performance-based compensation
Directors	50 - 55%	15% - 20%	30%

The amount of remuneration, etc. for Directors and Corporate Auditors for the consolidated fiscal year under review is as follows. Of this amount, with respect to the remuneration, etc. of individual Directors, the Board of Directors has confirmed that the method of determining the details of remuneration, etc. and the details of remuneration, etc. determined are in line with the relevant determination policy by receiving explanations of the calculation process described in 1 and 2 above.

(iii) Total amount of compensation, etc. by officer category, total amount by type of compensation, etc. and the number of applicable officers

Director category	Total amount of compensation (millions of yen)	Total compensation by type (millions of yen)		Number of officers concerned (People)
		Basic compensation	Performance-based compensation	

Director (excluding outside directors)	148	84	64	2
Auditors (Excluding Outside Auditors)	11	11	-	1
Outside Directors	36	36	-	3
Outside Auditors	11	11	-	2

(Note) The total amount of non-monetary compensation, etc. to Directors (excluding Outside Directors) is 13 million yen.

(iv) Total amount of consolidated compensation, etc. for each director
This information is omitted because there are no persons with total consolidated compensation, etc. of 100 million yen or more.

(v) Important salaries for employees who are concurrently serving as an employee and serving as an officer
Not applicable.

(5) [Information on investment stocks]

(i) Concept and classification of investment stocks
We classify investment stocks held for pure investment purposes and investment stocks held for other than pure investment purposes into those held solely for the purpose of receiving incomes from changes in the value of stocks or dividends on stocks, and those held for other purposes.

(ii) Investment shares held for purposes other than pure investment
Not applicable.

(Issues for which the number of shares has increased in the current business year)
Not applicable.

(issues for which the number of shares decreased in the current fiscal year)
Not applicable.

(iii) Investments in stocks for which the purpose of holding is net investment

Classification	Current fiscal year		Previous fiscal year	
	Number of issues	Amount recognized on balance sheet (millions of yen)	Number of issues (Stock)	Amount recognized on balance sheet (millions of yen)
Unlisted stocks	1	0	1	0
Stocks other than unlisted stocks	1	170	1	141

Classification	Current fiscal year		
	Total dividends income (millions of yen)	Total gains or losses on sales of stocks (millions of yen)	Total appraisal gains or loss (millions of yen)
Unlisted stocks	0	-	-
Stocks other than unlisted stocks	3	-	80

5. [Financial Statements]

1. Basis of Presenting Consolidated Financial Statements and Financial Statements

(1) Our consolidated financial statements have been prepared in accordance with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance ordinance No. 28, 1976; hereinafter referred to as the "Regulations Concerning Consolidated Financial Statements").

(2) Our financial statements have been prepared in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements, etc.").

We also fall under the category of a company that submits special financial statements and prepare financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, Etc.

2. About Audit Certification

We have been audited by Deloitte Touche Tohmatsu LLC, a limited liability auditor, in accordance with the provisions of Article 2, Clause 1 of Article 193 of the Fiscal Product Trading Law for the consolidated fiscal year (from July 1, 2020 to June 30, 2021) and for the fiscal year (from July 1, 2020 to June 30, 2021).

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements

We make special efforts to ensure the appropriateness of our consolidated financial statements.
Specifically, the Company participates in the Financial Accounting Standards Organization in order to develop a system that enables it to appropriately understand the content of accounting standards, etc. and to respond appropriately to changes, etc. in accounting standards, etc.

5-1. Consolidated Financial Statements and Accompanying Notes

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(thousands of yen)

	End of previous fiscal year (As of June 30, 2020)	End of current fiscal year under review (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	6,335,623	7,238,708
Notes and accounts receivable - trade	2,343,601	2,586,194
Securities	10,783	500,000
Work in process	※1 140,960	※1 82,666
Raw materials and supplies	15,587	49,336
Prepaid expenses	552,356	541,037
Other	111,927	53,313
Allowance for doubtful accounts	(5,610)	(3,425)
Total current assets	9,505,230	11,047,830
Non-current assets		
Property, plant and equipment		
Buildings	501,574	352,082
Accumulated depreciation	(201,938)	(120,833)
Buildings, net	299,636	231,248
Vehicles	440	843
Accumulated depreciation	(146)	(574)
Vehicles, net	293	268
Tools, furniture and fixtures	733,399	637,957
Accumulated depreciation	(563,937)	(462,175)
Tools, furniture and fixtures, net	169,462	175,782
Total property, plant and equipment	469,392	407,299
Intangible assets		
Software	190,781	607,818
Other	744	639
Total intangible assets	191,526	608,458
Investments and other assets		
Investment securities	428,261	491,381
Shares of subsidiaries and associates	-	※2 267,890
Long-term prepaid expenses	21,088	12,101
Leasehold and guarantee deposits	674,355	614,316
Deferred tax assets	369,737	382,214
Other	121,013	125,473
Total investments and other assets	1,614,455	1,893,377
Total non-current assets	2,275,373	2,909,135
Total assets	11,780,604	13,956,966

(thousands of yen)

	End of previous fiscal year (As of June 30, 2020)	End of current fiscal year under review (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	428,418	459,394
Lease obligations	14,299	14,212
Accounts payable - other, and accrued expenses	333,436	397,920
Income taxes payable	122,303	404,668
Unearned revenue	2,075,741	2,278,978
Provision for bonuses	719,089	776,735
Provision for bonuses for directors (and other officers)	120,998	140,213
Provision for loss on order received	※1 15,887	※1 74
Other	483,988	471,227
Total current liabilities	4,314,163	4,943,427
Non-current liabilities		
Lease obligations	45,297	30,752
Asset retirement obligations	226,810	195,579
Total non-current liabilities	272,107	226,331
Total liabilities	4,586,270	5,169,758
Net assets		
Shareholders' equity		
Share capital	303,271	311,568
Capital surplus	240,071	248,368
Retained earnings	6,618,666	8,169,386
Treasury shares	(476)	(549)
Total shareholders' equity	7,161,533	8,728,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,859	58,114
Deferred gains or losses on hedges	6	27
Foreign currency translation adjustment	(3,065)	291
Total accumulated other comprehensive income	32,800	58,433
Total net assets	7,194,333	8,787,207
Total liabilities and net assets	11,780,604	13,956,966

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated income statement

(thousands of yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Net sales	15,691,533	16,236,129
Cost of sales	※2 8,525,446	※2 8,572,079
Gross profit	7,166,086	7,664,050
Selling, general and administrative expenses		
Compensation for directors (and other officers)	312,705	333,793
Employees' salaries and bonuses	1,288,199	1,253,099
Provision for bonuses	714,902	771,246
Provision for bonuses for directors (and other officers)	120,998	140,429
Legal welfare expenses	195,932	194,512
Outsourcing expenses	66,538	47,424
Rent expenses on land and buildings	268,049	267,942
Utilities expenses	95,883	89,689
Commission expenses	480,165	555,904
Depreciation	159,639	186,716
Research and development expenses	※1 409,398	※1 445,049
Other	774,982	582,157
Total selling, general and administrative expenses	4,887,396	4,867,964
Operating profit	2,278,690	2,796,085
Non-operating income		
Interest income	421	340
Dividend income	5,376	7,346
Gain on investments in investment partnerships	371	3,042
Foreign exchange gains	-	6,251
Subsidy income	2,220	7,334
Reversal of allowance for doubtful accounts	462	2,185
Other	474	1,519
Total non-operating income	9,326	28,019
Non-operating expenses		
Interest expenses	744	1,001
Share of loss of entities accounted for using equity method	-	8,732
Commission expenses	4,755	5,657
Foreign exchange losses	17	-
Share issuance costs	413	424
Other	3	72
Total non-operating expenses	5,934	15,889
Ordinary profit	2,282,082	2,808,216
Extraordinary income		
Gain on sale of non-current assets	-	※3 641
Total extraordinary income	-	641
Profit before income taxes	2,282,082	2,808,858
Income taxes - current	727,521	947,797
Income taxes - deferred	16,666	(27,916)
Total income taxes	744,188	919,881
Profit	1,537,894	1,888,976
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,537,894	1,888,976

Consolidated Statements of Comprehensive Income

(thousands of yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Profit	1,537,894	1,888,976
Other comprehensive income		
Valuation difference on available-for-sale securities	24,791	22,255
Deferred gains or losses on hedges	2	21
Foreign currency translation adjustment	(69)	3,140
Share of other comprehensive income of entities accounted for using equity method	-	216
Total other comprehensive income	※1 24,724	※1 25,633
Comprehensive income	1,562,619	1,914,609
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,562,619	1,914,609
Comprehensive income attributable to non-controlling interests	-	-

(iii) Consolidated Statement of Changes in Net Assets

Previous Fiscal year (period from July 1, 2019 to June 30, 2020)

(thousands of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	295,525	232,325	5,362,527	(404)	5,889,973
Changes for the year					
Issue of new shares	7,746	7,746			15,492
Dividends			(281,755)		(281,755)
Net income attributable to shareholders of parent company			1,537,894		1,537,894
Purchase of treasury stock				(71)	(71)
Net changes of items other than shareholders' equity					
Total changes for the year	7,746	7,746	1,256,139	(71)	1,271,559
Balance at the end of the year	303,271	240,071	6,618,666	(476)	7,161,533

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the beginning of the year	11,067	3	(2,995)	8,075	5,898,048
Changes for the year					
Issue of new shares					15,492
Dividends					(281,755)
Net income attributable to shareholders of parent company					1,537,894
Purchase of treasury stock					(71)
Net changes of items other than shareholders' equity	24,791	2	(69)	24,724	24,724
Total changes for the year	24,791	2	(69)	24,724	1,296,284
Balance at the end of the year	35,859	6	(3,065)	32,800	7,194,333

Current Fiscal year (period from July 1, 2020 to June 30, 2021)

(thousands of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	303,271	240,071	6,618,666	(476)	7,161,533
Changes for the year					
Issue of new shares	8,297	8,297			16,594
Dividends			(338,256)		(338,256)
Net income attributable to shareholders of parent company			1,888,976		1,888,976
Purchase of treasury stock				(73)	(73)
Changes in the scope of application of the equity method					-
Net changes of items other than shareholders' equity					
Total changes for the year	8,297	8,297	1,550,720	(73)	1,567,241
Balance at the end of the year	311,568	248,368	8,169,386	(549)	8,728,774

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the beginning of the year	35,859	6	(3,065)	32,800	7,194,333
Changes for the year					
Issue of new shares					16,594
Dividends					(338,256)
Net income attributable to shareholders of parent company					1,888,976
Purchase of treasury stock					(73)
Changes in the scope of application of the equity method			216	216	216
Net changes of items other than shareholders' equity	22,255	21	3,140	25,416	25,416
Total changes for the year	22,255	21	3,356	25,633	1,592,874
Balance at the end of the year	58,114	27	291	58,433	8,787,207

(iv) Consolidated Statements of Cash Flows

(thousands of yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,282,082	2,808,858
Depreciation	227,944	254,152
Share-based payment expenses	8,623	14,063
Increase (decrease) in allowance for doubtful accounts	(9,277)	(2,185)
Increase (decrease) in provision for bonuses	(4,501)	57,646
Increase (decrease) in provision for bonuses for directors (and other officers)	(17,779)	19,214
Increase (decrease) in provision for loss on order received	(44,171)	(15,812)
Interest and dividend income	(5,797)	(7,686)
Interest expenses	744	1,001
Loss (gain) on sale of property, plant and equipment	-	(641)
Commission expenses	4,755	5,657
Share issuance costs	413	424
Share of loss (profit) of entities accounted for using equity method	-	8,732
Loss (gain) on investments in investment partnerships	(371)	(3,042)
Subsidy income	(2,220)	(7,334)
Decrease (increase) in trade receivables	182,057	(242,567)
Decrease (increase) in inventories	38,307	24,545
Decrease (increase) in prepaid expenses	(66,011)	4,961
Increase (decrease) in trade payables	(83,085)	30,945
Increase (decrease) in accounts payable - other, and accrued expenses	(10,031)	(83,370)
Increase (decrease) in accrued consumption taxes	152,446	(71,765)
Increase (decrease) in unearned revenue	218,453	203,236
Increase (decrease) in deposits received	(24,823)	5,897
Increase in long-term accounts receivable	(34,706)	-
Other, net	(15,847)	192,804
Subtotal	2,797,203	3,197,736
Interest and dividends received	6,021	8,063
Interest paid	(744)	(1,001)
Subsidies received	2,220	7,334
Income taxes paid	(913,944)	(650,444)
Net cash provided by (used in) operating activities	1,890,755	2,561,689

(thousands of yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Cash flows from investing activities		
Proceeds from redemption of securities	-	10,274
Purchase of property, plant and equipment	(236,147)	(114,360)
Proceeds from sale of property, plant and equipment	-	641
Payments for asset retirement obligations	-	(47,038)
Purchase of intangible assets	(121,077)	(429,414)
Purchase of investment securities	(10,837)	(21,308)
Purchase of shares of subsidiaries and associates	-	(269,335)
Proceeds from refund of leasehold and guarantee deposits	89,687	107,000
Payments of leasehold and guarantee deposits	(138,666)	(30,247)
Purchase of insurance funds	(4,459)	(4,459)
Other, net	1,071	8,461
Net cash provided by (used in) investing activities	(420,430)	(789,786)
Cash flows from financing activities		
Repayments of finance lease obligations	(8,771)	(15,547)
Commission fee paid	(3,696)	(5,212)
Purchase of treasury shares	(71)	(73)
Dividends paid	(281,755)	(338,256)
Other, net	(413)	(424)
Net cash provided by (used in) financing activities	(294,708)	(359,514)
Effect of exchange rate change on cash and cash equivalents	105	2,974
Net increase (decrease) in cash and cash equivalents	1,175,722	1,415,363
Cash and cash equivalents at beginning of period	5,195,137	6,370,860
Cash and cash equivalents at end of period	※1 6,370,860	※1 7,786,223

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

We consolidate all subsidiaries

Consolidated subsidiaries: 5 companies

DIVA CORPORATION

Internet Disclosure Co., Ltd.

ZEAL CORPORATION

FIERTE CORPORATION

DIVA CORPORATION OF AMERICA

2. Application of the equity method

Number of affiliated companies to which the equity method was applied: One company

Name of company

Metapraxis Limited

The Company acquired shares in Metapraxis Limited during the fiscal year under review and included in the scope of application of the equity method.

3. Accounting periods of consolidated subsidiaries

The fiscal year-end of all consolidated subsidiaries is the same as the consolidated fiscal year-end date.

4. Significant Accounting Policies

(1) Valuation standards and methods for important assets

(i) Marketable securities

Held-to-maturity debt securities

Amortized cost (straight-line method)

Other securities

With market value

Market value method based on market prices, etc. as of the closing date (Valuation difference is included directly in net assets, and cost of securities sold is calculated by the moving average method.)

Without market value

Cost determined by the moving-average method

Investments in limited partnerships for investment (deemed as securities pursuant to Article 2(2) of the Financial Instruments and Exchange Law) are based on the latest financial statements available according to the closing report date stipulated in the partnership agreement, and the amount equivalent to equity is included in the net amount.

(ii) Evaluation criteria and method of inventories

I. Work in process

Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)

II. Raw materials

Stated at cost determined by the first-in, first-out method. (The carrying value on the balance sheet is written down to reflect the decline in profitability.)

III. Supplies

Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)

(2) Depreciation methods for material depreciable assets

(i) Property, plant and equipment (Excluding leased assets)

Declining balance method

However, the straight-line method is applied to facilities attached to buildings acquired on or after April 1, 2016.

Principal useful lives

Buildings	3 to 10 years
Tools, furniture and fixtures	2 to 8 years

(ii) Intangible assets

Straight-line method

Software

I Software for sale

Amortization based on projected sales revenue within the estimated selling period (3 years)

II Software for internal use

The useful lives are the estimated useful lives (3 to 5 years).

(iii) Leased assets

Lease assets related to finance lease transactions that do not transfer ownership of the leased property to the lessee

Straight line method over the periods of these capital leases, assuming no remaining value

(3) Accounting method of deferred assets

(i) Stock issuance cost

All costs are booked as expenses as incurred.

(4) Basis of material allowances

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on an estimate of the uncollectible amount for specific receivables such as doubtful receivables.

(ii) Accrued bonuses

In order to prepare for bonuses paid to employees, the amount to be borne in the current consolidated fiscal year is recorded based on the estimated amount to be paid.

(iii) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, the Company records the amount of bonuses to be borne in the current fiscal year based on the estimated amount of bonuses to be paid.

(iv) Accrual for losses on contracts

In order to prepare for future losses on contracts for which future losses are expected and the amount of such losses can be reasonably estimated at the end of the fiscal year under review, the Company records an estimated amount of such losses.

(5) The standards for recognition of significant sales and expenses

Standard for recording sales and cost of sales related to made-to-order software

(i) Contracts for which the outcome is certain with respect to the portion of progress up to the end of the current consolidated fiscal year

Percentage-of-completion method (contract progress rate is estimated using the cost-to-cost method)

(ii) Other Contracts

Acceptance Criteria

(6) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

The sales and expense accounts of the overseas consolidated subsidiaries and their balance sheet accounts, are translated into yen at the rates of exchange in effect at the balance sheet date.

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date. Sales and expense accounts are translated into Japanese yen at the average exchange rates prevailing during the fiscal year. Translation adjustments are included in foreign currency translation adjustments in net assets.

(7) Significant hedge accounting method

(i) Hedge accounting method

In principle, the Company uses deferral hedge accounting.

(ii) Hedging instruments and hedged items

Hedging instruments: Foreign currency deposits

Hedged items: Forecast transactions denominated in foreign currencies

(iii) Hedging policy

Foreign currency deposits are used to hedge foreign currency fluctuation risk. The Company's policy is to use these instruments within the scope of actual demand and not to enter into transactions for speculative purposes.

(iv) Hedging evaluation

Evaluation of the effectiveness of the hedging instrument at the consolidated balance sheet date is omitted because the important conditions for the hedging instrument and the hedged item are the same, and cash flow fluctuations after the hedge's inception can be offset.

(8) The amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over 5 years.

(9) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, bank deposits that can be withdrawn on demand, and short-term investments with original maturities of 3 months or less that are readily convertible to cash and are exposed to insignificant risk of changes in value.

(10) Other significant matters for preparing Consolidated Financial Statements

(i) Accounting for consumption tax

Consumption taxes are subject to the net of tax method.

(ii) Consolidated tax return system

We and our domestic consolidated subsidiaries have adopted the consolidated taxation system.

(iii) Application of tax effect accounting for the transition from the consolidated taxation system to the group-wide calculation system

With respect to items for which the non-consolidated tax payment system was reviewed in line with the transition to the group accounting system established under the Act for Partial Amendment to the Income Tax Act (Act No. 8 of 2020), in accordance with the provisions of paragraph 3 of the "Handling of Application of Tax Effect Accounting for Transition from the Consolidated Tax Payment System to the Group Accounting System" (Practical Response Report No. 39, March 31, 2020), we and our domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the Guidelines for Application of Accounting Standards for Tax Effect Accounting (Guidelines No. 28, February 16, 2018) and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the Tax Act prior to the revision.

(Significant accounting estimates)

Not applicable.

(Unapplied accounting standards, etc.)

1. Revenue Recognition Standards, etc.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)
- "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following 5 steps:

Step 1: Identify the customer contract.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when performance obligations are satisfied or satisfied.

(2) Expected date of application

It is scheduled to be applied from the beginning of the fiscal year ending June 2022.

(3) Impact of adoption of the new accounting standard

The impact is being evaluated at the time of preparing the consolidated financial statements.

2. Accounting Standard for Calculation of Market Values

- "Criteria for the Calculation of Market Values" (corporate accounting standard No. 30, July 4, 2019)
- "Guidance on Accounting Standard for Calculation of Fair Value" (ASBJ Guidance No. 31, June 17, 2021)
- "Criteria for the Evaluation of Inventories" (corporate accounting standard No. 9, July 4, 2019)
- "Accounting Standards for Financial Products" (corporate accounting standard No. 10, July 4, 2019)
- Implementation Guidance on Disclosure of Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

In order to improve comparability with international accounting standards, the "Accounting Standards for Calculation of Market Value" and the "Guidelines for Application of Accounting Standards for Calculation of Market Value" (hereinafter referred to as "Market Value Accounting Standards") were developed, and guidance on methods of calculating Market Value was established. Current value accounting standards are applied to the following items:

・ Financial instruments under "Accounting Standard for Financial Instruments"

・ Inventories held for trading purposes under the Accounting Standard for Valuation of Inventories

In addition, the "Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments" was revised to provide notes to the breakdown of the fair value of financial instruments by level.

(2) Expected date of application

It is scheduled to be applied from the beginning of the fiscal year ending June 2022.

(3) Impact of adoption of the new accounting standard

The impact is being evaluated at the time of preparing the consolidated financial statements.

(Changes in Basis of Presentation)

<Related to Consolidated Statements of Income>

Reversal of allowance for doubtful accounts," which was included in "Other" under "Non-operating income" in the previous consolidated fiscal year, is presented as a separate item from the current consolidated fiscal year due to its increased monetary importance. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 937 thousand yen presented as "Other" under "Non-operating income" in the Consolidated Statements of Income for the previous fiscal year has been reclassified as 462 thousand yen of "Reversal of allowance for doubtful accounts" and 474 thousand yen of "Other."

(Additional information)

(Accounting estimates for new coronavirus infections)

There is a great deal of uncertainty regarding the impact of the new coronavirus infection. Although it is difficult to predict the future status of the spread of the disease and the timing of its cessation, we estimate that the impact of the disease will be negligible in terms of accounting estimates such as the recoverability of deferred tax assets. However, depending on future conditions, results based on actual results in the future may differ from these estimates.

(Notes to Consolidated Balance Sheets)

※ 1. Work in process and allowance for loss on order received related to contracts for which losses are expected are not offset.

Provision for loss on orders received of work in process for contracts with expected losses

(thousands of yen)

	Previous fiscal year (As of June 30, 2020)	Current fiscal year (As of June 30, 2021)
Work in process	12,581	74

2. Items related to affiliated companies are as follows.

(thousands of yen)

	Previous fiscal year (As of June 30, 2020)	Current fiscal year (As of June 30, 2021)
Work in process	-	267,890

3. The Company has concluded loan commitment agreements with 3 banks with the aim of efficiently procuring working funds.

Undisbursed balances of loan commitments as of the end of the consolidated fiscal year are as follows.

(thousands of yen)

	Previous fiscal year (As of June 30, 2020)	Current fiscal year (As of June 30, 2021)
Total loan commitments	3,500,000	3,500,000
Loan balance	-	-
Balance	3,500,000	3,500,000

(Notes to Consolidated Statements of Income)

※ 1. Total R&D expenditure

(thousands of yen)

	Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
R & D expenditures included in general and administrative expenses	409,398	445,049

※ 2. Provision (or reversal of provision) for loss on order received included in cost of sales

(thousands of yen)

Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
(44,171)	(15,812)

※ 2. The details of gain on sales of fixed assets

(thousands of yen)

Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
–	641

(Notes to Consolidated Statements of Comprehensive Income)

※ 1. Reclassification adjustments and tax effects relating to other comprehensive income

(thousands of yen)

	Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
Valuation difference on securities		
Arising during the year	31,279	36,390
Reclassification adjustments	(63)	(104)
Before-tax	31,216	36,286
Income tax effect	(6,424)	(14,031)
Valuation difference on securities	24,791	22,255
Deferred gains or losses on hedges		
Arising during the year	(0)	32
Re-arranged	-	-
Before-tax	(0)	32
Income tax effect	3	(11)
Deferred gains or losses on hedges	2	21
Foreign currency translation adjustments		
Arising during the year	(69)	3,140
Foreign currency translation adjustments	(69)	3,140
Share of other comprehensive income of equity method affiliates		
Arising during the year	-	216
Share of other comprehensive income of equity method affiliates	-	216
Total other comprehensive income	24,724	25,633

(Notes to Consolidated Statements of Changes in Net Assets)

Previous fiscal year (July 1, 2019, to June 30, 2020)

1. Type and total number of issued shares and type and number of treasury shares

(Number of shares)

	Beginning of the fiscal year	Increase during the year	Decrease during the year	End of the fiscal year
Issued shares Common stock (Notes 1, 2)	18,785,094	18,801,888	-	37,586,982
Total	18,785,094	18,801,888	-	37,586,982
Treasury stock Common stock (Notes 1, 3)	1,421	1,490	-	2,911
Total	1,421	1,490	-	2,911

(Notes) 1. On December 1, 2019, the Company conducted a 2-for-1 stock split.

2. Increase in shares outstanding

Increase due to stock split: 18,785,094 shares

Increase due to issuance of new shares as restricted stock compensation: 16,794 shares

3. Increase in treasury stock

Increase due to stock split: 1,421 shares

Increase due to request for purchase of odd-lot shares 69 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (thousand yen)	Cash dividends per share (yen)	Record Date	Effective date
September 27, 2019 Annual Meeting of Shareholders	Common stock	281,755	15.00	June 30, 2019	September 30, 2019

(2) Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution	Class of shares	Source of dividend	Total dividends (thousand yen)	Per share Dividends (yen)	Record Date	Effective date
September 23, 2020 Annual Meeting of Shareholders	Common stock	Retained earnings	338,256	9.00	June 30, 2020	September 24, 2020

Current fiscal year (From July 1, 2020 to June 30, 2021)

1. Type and total number of issued shares and type and number of treasury shares

(Number of shares)

	Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	At the end of the fiscal year
Issued shares Common stock (Notes 1)	37,586,982	16,221	-	37,603,203
Total	37,586,982	16,221	-	37,603,203
Treasury shares Common stock (Notes 2, 3)	2,911	40	-	2,951
Total	2,911	40	-	2,951

(Notes) 1. Increase in shares outstanding

Increase due to issuance of new shares as restricted stock compensation: 16,221 shares

2. Increase in treasury stock

Increase due to request for purchase of odd-lot shares 40 shares

2. Dividends from surplus

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (thousand yen)	Per share Dividends (yen)	Record date	Effective date
September 23, 2020 Annual Meeting of Shareholders	Common stock	338,256	9.00	June 30, 2020	September 24, 2020

(2) Dividends for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Scheduled to be resolved	Class of shares	Source of dividend	Total dividends (thousand yen)	Per share Dividends (yen)	Record date	Effective date
September 28, 2021 Annual Meeting of Shareholders	Common stock	Retained earnings	413,602	11.00	June 30, 2021	September 29, 2021

(Notes to Consolidated Statements of Cash Flows)

※1. Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

(thousands of yen)

	Previous fiscal year (From July 1, 2019 To June 30, 2020	Current fiscal year (From July 1, 2020 To June 30, 2021)
Cash and deposits	6,335,623	7,238,708
Other current assets (deposits paid)	157	213
Marketable securities (negotiable certificates of deposit)	-	500,000
Investment securities (MMFs)	35,079	47,301
Cash and cash equivalents	6,370,860	7,786,223

(Notes to lease transactions)

Finance leases (lessees)

Finance lease transactions without transfer of ownership

1. Contents of lease assets

Property, plant and equipment

Office equipment (tools, furniture and fixtures)

2. Depreciation method for leased assets

Depreciation is computed by the straight-line method, assuming the lease period to be the useful life and the residual value to be zero.

(Notes on Financial Instruments)

1. Matters relating to financial instruments

(1) Policy for Financial Instruments

Our Group procures the necessary funds (mainly bank loans and bond issues) based on our management policies and business plans. Temporary surplus funds are invested in highly liquid and safe financial assets in accordance with internal management regulations, and short-term working capital is procured through bank loans. In addition, foreign currency deposits are used to hedge foreign currency fluctuation risk. Regarding hedging instruments and hedged items, hedging policies, and methods of evaluating the effectiveness of hedging, please refer to "(iv) Matters concerning accounting policies, (iv) Other important matters that form the basis for preparing the consolidated financial statements, 2) Significant hedge accounting methods."

(2) Description of financial instruments, related risks, and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. However, by thoroughly managing the credit of each business partner and regularly managing the collection date and balance, we aim to quickly identify and mitigate collection concerns due to deterioration in financial conditions, etc.

Investment securities classified as held-to-maturity are exposed to foreign exchange risk and interest rate fluctuation risk, although credit risk is insignificant, as they cover only highly rated securities. Available-for-sale securities are exposed to market price fluctuation risk and foreign currency exchange fluctuation risk. However, the Company is continually reviewing their holdings in light of market value and other factors. With regard to investment in limited partnerships, the Group is exposed to the risk of falling below the investment principal due to changes in the management and financial conditions of the issuer of the shares incorporated in the partnership. The Group manages risk by regularly obtaining the financial statements of the partnership and ascertaining the financial status and management status of the partnership.

Lease and guarantee deposits are guarantee deposits in the lease contracts of the head office, branches and subsidiaries, which are exposed to the credit risk of the lessee. At the time of the contract, credit risk is checked to reduce such risk.

Notes and accounts payable-trade and accounts payable-other, which are trade payables, are mostly due within 1 year. Lease obligations related to finance lease transactions are primarily for the purpose of procuring funds for capital expenditures. The maximum term end is 4 years and 9 months after the balance sheet date. These risks are exposed to liquidity risk (the risk of being unable to make payments on the due date), but our Group manages these risks by checking and managing monthly cash schedules and account balances.

(3) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since variable factors are included in the calculation of the value, the value may change if different assumptions, etc. are adopted.

2. Fair Value of Financial Instruments

Balance sheet amounts, fair values and differences as of June 30, 2021 are as follows: The following table does not include financial instruments whose fair values are deemed extremely difficult to determine (see Note 2).

Previous fiscal year (June 30, 2020)

	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
(i) Cash and deposits	6,335,623	6,335,623	-
(ii) Notes and accounts receivable	2,343,601	2,343,601	-
(iii) Marketable and investment securities			
Held-to-maturity debt securities	101,343	101,379	36
Other securities	319,797	319,797	-
(iv) Lease deposits and guarantee deposits (including those scheduled to be collected within 1 year)	739,556	738,983	(573)
Total assets	9,839,922	9,839,385	(536)
(i) Notes and accounts payable-trade	428,418	428,418	-
(ii) Accrued expenses	333,436	333,436	-
(iii) Income taxes payable	122,303	122,303	-

(iv) Lease liability (including current portion of 1 year)	59,597	59,786	189
Total liabilities	943,754	943,944	189

Current fiscal year (June 30, 2021)

	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
(i) Cash and deposits	7,238,708	7,238,708	-
(ii) Notes and accounts receivable	2,586,194	2,586,194	-
(iii) Marketable and investment securities			
Held-to-maturity debt securities	590,289	590,289	-
Other securities	366,129	366,129	-
(iv) Lease deposits and guarantee deposits (including those scheduled to be collected within 1 year)	614,316	614,131	(184)
Total assets	11,395,637	11,395,453	(184)
(i) Notes and accounts payable-trade	459,394	459,394	-
(ii) Accrued expenses	397,920	397,920	-
(iii) Income taxes payable	404,668	404,668	-
(iv) Lease liability (including current portion of 1 year)	44,965	45,024	59
Total liabilities	1,306,949	1,307,008	59

(Notes) 1. Calculation method for fair value of financial instruments

Assets

(i) Cash and deposits, (ii) Notes and accounts receivable-trade

Since these instruments are settled in a short period of time, their fair values approximate their carrying amounts.

(iii) Marketable and investment securities

The fair values of these securities are based on quoted market prices for stocks and those for bonds are based on quoted market prices from financial institutions.

(iv) Lease deposits and guarantee deposits (including those scheduled to be collected within 1 year)

The fair value of lease and guarantee deposits is calculated using the present value discounted at an appropriate rate, such as the yield on government bonds, based on reasonably estimated collection periods of lease and guarantee deposits.

Liabilities

(i) Notes and accounts payable-trade, (ii) Accounts payable-other and accrued expenses, and (iii) Income taxes payable

Since these instruments are settled in a short period of time, their fair values approximate their carrying amounts.

(iv) Lease liability (including current portion of 1 year)

The fair value of these instruments is calculated based on the present value of the total amount of principal and interest discounted by the interest rate that would be applied to similar new leases.

2. Carrying amount of financial instruments whose fair value is deemed extremely difficult to determine

(thousands of yen)

Classification	June 30, 2020	June 30, 2021
Unlisted stocks	0	0
Investments in investment limited partnership	17,904	34,962
Share in affiliates	-	267,890

These instruments are not included in "(iii) Marketable securities and investment securities" because they do not have quoted market prices and it is extremely difficult to determine their fair values.

3. Maturity profile of monetary receivables and securities with contractual maturities subsequent to the fiscal year-end date

End of previous fiscal year (June 30, 2020)

	Within one year (thousand yen)	Due after one year through five years (thousand yen)	Due after five years through ten years (thousand yen)	Due after ten years (thousand yen)
Cash and deposits	6,335,623	-	-	-
Notes and accounts receivable	2,343,601	-	-	-
Marketable securities and Investment securities (Note)				
Held-to-maturity debt securities (Corporate bonds)	10,783	90,559	-	-
Total	8,690,008	90,559	-	-

(Note) The redemption schedule is stated at the amount recorded on the consolidated balance sheet.

Current Consolidated fiscal year (June 30, 2021)

	Within one year (thousand yen)	Due after one year through five years (thousand yen)	Due after five years through ten years (thousand yen)	Due after ten years (thousand yen)
Cash and deposits	7,238,708	-	-	-
Notes and accounts receivable	2,586,194	-	-	-
Marketable securities and Investment securities (Note)				
Held-to-maturity debt securities (Corporate bonds)	500,000	90,289	-	-
Total	10,324,902	90,289	-	-

(Note) The redemption schedule is stated at the amount recorded on the consolidated balance sheet.

4. Maturity profile of bonds, long-term borrowings, lease obligations and other interest-bearing debt subsequent to the fiscal year-end date

Previous fiscal year (June 30, 2020)

	Within one year (thousand yen)	Over one year Within 2 years (thousand yen)	Over 2 years Within 3 years (thousand yen)	More than 3 years Within 4 years (thousand yen)	Due after 4 years Within 5 years (thousand yen)	Over five years (thousand yen)
Lease obligations	14,299	14,502	12,499	12,020	6,275	-

Current fiscal year (June 30, 2021)

	Within one year (thousand yen)	Over one year Within 2 years (thousand yen)	Over 2 years Within 3 years (thousand yen)	More than 3 years Within 4 years (thousand yen)	Due after 4 years Within 5 years (thousand yen)	Over five years (thousand yen)
Lease obligations	14,212	12,455	12,021	6,275	-	-

(Notes to Securities)

1. Held-to-maturity debt securities

Previous fiscal year (July 1, 2019, to June 30, 2020)

Classification	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
Securities whose fair value exceeds their carrying amount			
Corporate bonds	101,343	101,379	36
Others	-	-	-
Sub-total	101,343	101,379	36
Market value is less than carrying amount			
Corporate bonds	-	-	-
Others	-	-	-
Sub-total	-	-	-
Total	101,343	101,379	36

Current fiscal year (From July 1, 2020 to June 30, 2021)

Classification	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
Securities whose fair value exceeds their carrying amount			
Corporate bonds	-	-	-
Others	-	-	-
Sub-total	-	-	-
Market value is less than carrying amount			
Corporate bonds	90,289	90,289	-
Others	500,000	500,000	-
Sub-total	590,289	590 289	-
Total	590,289	590,289	-

2. Other securities

Previous fiscal year (July 1, 2019, to June 30, 2020)

Classification	Carrying amount (thousand yen)	Acquisition cost (thousand yen)	Difference (thousand yen)
Securities whose carrying value exceeds their acquisition cost			
Equity securities	141,912	90,554	51,357
Others	51,185	47,532	3,652
Subtotal	193,097	138,087	55,010
Securities whose acquisition cost exceeds their carrying value			
Equity securities	-	-	-
Others	126,699	133,814	(7,114)
Subtotal	126,699	133,680	(7,114)
Total	319,797	271,902	47,895

(Note) Investments in unlisted shares (consolidated balance sheet value: 0 yen) and investment in limited partnerships (consolidated balance sheet value: 17,904 thousand yen) are not included in "Available-for-sale securities" in the above table, as they do not have market prices and it is extremely difficult to determine their fair values.

Current fiscal year (From July 1, 2020 to June 30, 2021)

Classification	Carrying amount (thousand yen)	Acquisition cost (thousand yen)	Difference (thousand yen)
Securities whose carrying value exceeds their acquisition cost			
Equity securities	170,910	90,554	80,355
Others	101,194	94,165	7,028
Subtotal			
Securities whose acquisition cost exceeds their carrying value			
Equity securities	-	-	-
Others	94,025	97,123	(3,097)
Subtotal	94,025	97,123	(3,097)
Total	366,129	281,843	84,285

(Note) Investments in unlisted shares (consolidated balance sheet value: 0 yen) and investment in limited partnerships (consolidated balance sheet value: 267,890 thousand yen) are not included in "Available-for-sale securities" in the above table, as they do not have market prices and it is extremely difficult to determine their fair values.

(Derivative Transactions)

The Group Companies do not use derivative financial instruments, and therefore there are no derivative transactions.

(Retirement Benefits)

The Companies do not have any retirement benefit plans, so there are no applicable items.

(Stock options)

Not applicable.

(Deferred tax accounting)

1. Breakdown of principal origins of deferred tax assets and liabilities

(thousands of yen)

	Previous fiscal year (As of June 30, 2020)	Current fiscal year (As of June 30, 2021)
(Deferred tax assets)		
Tax loss carryforwards	39,139	60,236
Accrued enterprise tax	43,184	66,561
Accrued business office taxes	6,916	7,119
Accrued expenses	2,026	-
Provision for bonuses	247,177	267,007
Provision for directors' bonuses	1,882	2,465
Accrual for losses on contracts	5,496	25
Advances received	1,012	1,049
Allowance for doubtful accounts	1,941	1,185
Charges for stock compensation	4,187	8,956
Depreciation and amortization	44,330	48,931
Loss on valuation of investment securities	3,062	3,062
Asset retirement obligations	72,618	65,165
Valuation difference on securities	2,302	1,002
Research and development costs	1,177	749
Others	3,417	485
Gross deferred tax assets	479,873	534,003
Valuation allowance for operating loss carryforwards	(39,139)	(60,236)
Valuation allowance for deductible temporary differences	(23,195)	(13,725)
Total valuation allowance	(62,334)	(73,961)
Total of deferred tax assets	417,539	460,041
Deferred tax liabilities		
Deferred gains or losses on hedges	1	15
Facilities attached to buildings (asset retirement cost)	34,162	51,133
Valuation difference on securities	13,637	26,678
Total deferred tax liabilities	47,802	77,827
Net deferred tax assets	369,737	382,214

(Note) The valuation allowance increased by 11,627 thousand yen. This increase was mainly due to an increase in the valuation allowance related to tax loss carryforwards.

2. Reconciliation of the statutory tax rate to the effective income tax rate

	Previous fiscal year (As of June 30, 2020)	Current fiscal year (As of June 30, 2021)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible for income tax purposes	1.8%	1.6%
Per capita inhabitant tax	0.2%	0.1%
Tax credit	-5.8%	-4.9%
Valuation allowance	0.8%	0.4%
Difference in tax rates applied to consolidated subsidiaries, etc.	4.6%	4.6%
Others	0.5%	0.3%
Effective income tax rate	32.6%	32.7%

(Notes to asset retirement obligations)

Asset retirement obligations reported on the consolidated balance sheet

(1) Summary of asset retirement obligations

This is an obligation to restore an office to its original state in accordance with a real estate lease agreement for the headquarters office and other offices.

(2) Calculation method of asset retirement obligations

Asset retirement obligations are calculated using the risk-free rate as the discount rate, assuming that the main estimated period of use is 10 years after acquisition.

(3) Increase (decrease) in asset retirement obligations

(thousands of yen)

	Previous fiscal year (July 1, 2019 To June 30, 2020)	Current fiscal year (July 1, 2020 To June 30, 2021)
Balance at beginning of year	162,262	226,810
Liabilities incurred due to the acquisition of property, plant and equipment	63,516	-
Accretion expense	1,031	986
Decrease due to fulfillment of asset retirement obligations	-	(32,217)
Balance at end of year	226,810	195,579

(Segment Information and Others)

1. Summary of reportable segments

(1) Reason to determine the report segment

The Group's reportable segments was set up so that the Board of Directors can monitor regularly the separate financial information among our constituent units and make decisions on allocation of management resources and evaluate results of operations.

The Group is working to make management information “usable (Consolidated Accounting Business),” “visible (Business Intelligence Business)” and “reliable (Outsourcing Business)” and thus measures performance of the three business portfolios; “Consolidated Accounting Business”, “Business Intelligence Business” and “Outsourcing Business” as reportable segments.

(2) Products and services included in each reportable segment

In Consolidated Accounting Business, DIVA CORPORATION sells licenses and offer consulting service to implement the packaged software called “DivaSystem”, an internally developed package software for consolidated management and consolidated accounting. After the implementation, the Company also provide maintenance services, including software upgrades. Its consulting services also includes solutions related to IFRS, advanced management solutions, and budget management / management accounting solutions.

Consolidated Accounting Business also reflects results of Internet Disclosure Co., Ltd. which offers search engines on disclosure information to audit corporations.

In the Business Intelligence Business, ZEAL CORPORATION offers system integration services for effective management of various information among corporations, which is generally called Business Intelligence (BI). Through integration and organization of a large amount of data in a company’s operating system, the Company can offer that information in reports and graphs and the management of the company can make decisions. In another words, the Company’s system integration service is designed to help customers improve their ability to use information.

In the Outsourcing Business, FIERTE CORPORATION offers outsourcing services on consolidated accounting and consolidated tax payment operations. While acting on behalf of the customers, the Company’s solution can promote task diversification among employees and eliminate bottleneck, so that customers can devote more time on value-creating operations such as analysis and utilization of various information, and thus create value to their operations and management.

2. Formula to calculate revenue, profit or loss, assets, liabilities and other items by reportable segment

The reported method of accounting for operating segments is the same as formula generally used in the preparation of consolidated financial statements.

Profits for reportable segments are based on operating income.

Intersegment sales and transfers are based on market prices.

3. Information on ordinary revenue, income or loss, assets and liabilities, and others by reporting segment

Previous fiscal year (July 1, 2019 to June 30, 2020)

(thousands of yen)

	Reportable segments			Total
	Consolidated Accounting	Business Intelligence	Outsourcing	
Sales				
Sales to customers	8,464,307	5,741,190	1,486,035	15,691,533
Intersegment sales	21,383	26,070	576,665	624,118
Total	8,485,690	5,767,260	2,062,700	16,315,651
Segment profit	1,616,772	692,060	364,277	2,673,110
Segment Assets	5,331,424	2,127,672	1,091,494	8,550,591
Segment Liabilities	3,668,253	1,199,389	648,376	5,516,019
Other items				
Depreciation	102,561	20,035	29,182	151,779
Increase in tangible fixed assets and intangible fixed assets	273,732	78,206	61,600	413,539
Investment in equity method affiliates	-	-	-	-

Current fiscal year (July 1, 2020 to June 30, 2021)

(thousands of yen)

	Reportable segments			Total
	Consolidated Accounting	Business Intelligence	Outsourcing	
Sales				
Sales to customers	8,127,742	6,248,132	1,860,254	16,236,129
Intersegment sales	33,012	1,991	619,641	654,645
Total	8,160,755	6,250,123	2,479,896	16,890,775
Segment profit	1,935,419	811,271	523,288	3,269,980
Segment Assets	5,874,027	2,564,167	1,366,424	9,804,619
Segment Liabilities	3,967,444	1,588,853	778,294	6,334,592
Other items				
Depreciation	121,815	40,068	21,448	183,332
Increase in tangible fixed assets and intangible fixed assets	240,733	7,137	15,459	263,330
Investment in equity method affiliates	269,335	-	-	269,335

4. The difference between the total amount of reportable segments and the amount recorded in consolidated financial statements and the main contents of the difference (differences related to adjustments)

(thousands of yen)

Sales	Previous fiscal year	Current fiscal year
Total amount of reportable segments	16,315,651	16,890,775
Elimination of transaction between the Company and segment	(624,118)	(654,645)
Sales reported in consolidated financial statements	15,691,533	16,236,129

(thousands of yen)

Profits	Previous fiscal year	Current fiscal year
Total amount of reportable segments	2,673,110	3,269,980
Elimination of transaction between the Company and segment	707,124	741,541
Corporate expenses (Note)	(1,102,601)	(1,214,769)
Others	1,056	(666)
Operating Income reported in consolidated financial statements	2,278,690	2,796,085

(Note) Corporate expenses mainly consist of general and administrative expenses not attributable to the reporting segments.

(thousands of yen)

Assets	Previous fiscal year	Current fiscal year
Total amount of reportable segments	8,550,591	9,804,619
Elimination of transaction between the Company and segment	(1,762,798)	(2,322,587)
Corporate assets (Note)	5,051,100	6,500,363
Others	(58,289)	(25,429)
Total assets reported in consolidated financial statements	11,780,604	13,956,966

(Note) Corporate assets mainly consist of assets not attributable to the reporting segments.

(thousands of yen)

Liabilities	Previous fiscal year	Current fiscal year
Total amount of reportable segments	5,516,019	6,334,592
Elimination of transaction between the Company and segment	(1,323,020)	(1,704,465)
Corporate liabilities (Note)	447,756	562,249
Others	(54,485)	(22,618)
Total liabilities reported in consolidated financial statements	4,586,270	5,169,758

(Note) Corporate liabilities mainly consist of liabilities not attributable to the reporting segments.

(thousands of yen)

Other items	Reported segments		Adjustments (Notes)		Amounts reported in consolidated financial statements	
	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year
Depreciation	151,779	183,332	76,164	70,820	227,944	254,152
Increase in tangible fixed assets and intangible fixed assets	413,539	263,330	43,484	280,445	457,024	543,775
Investment in equity method affiliates	-	269,335	-	-	-	269,335

(Notes) Adjustment for depreciation and amortization mainly refers to depreciation and amortization for assets not attributable to the reportable segments.
Adjustments to increases in tangible fixed assets and intangible fixed assets mainly relate to assets not attributable to reporting segments.

[Related Information]
For the previous fiscal year (from July 1, 2019 to June 30, 2020) and current fiscal year (from July 1, 2020 to June 30, 2021)

1. Information for each product and service
This information is omitted because the same information is disclosed in Segment Information.

2. Information for each region
(1) Net sales
This information is omitted because net sales to external customers in Japan account for more than 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment
This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information for each major customer
Not applicable because no customer accounts for more than 10% of net sales on the consolidated statements of income.

[Information on impairment loss on fixed assets by reportable segment]
Not applicable.

[Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment]
Not applicable.

[Information on gain on negative goodwill by reportable segment]
Not applicable.

[Related party information]
Not applicable.

(Per-share Information)

	Previous fiscal year (period from July 1, 2019 to June 30, 2020)	Current fiscal year (period from July 1, 2020 to June 30, 2021)
Net assets per share	191.42 yen	233.70 yen
Net income per share	40.92 yen	50.24 yen

Note 1. Diluted net income per share is not provided as there are no potential shares.

2. The stock split was conducted on December 1, 2019, at a ratio of 2 shares of common stock per 1 share of common stock. net assets per share and net income per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

3. The basis for calculating net assets per share is as follows

Items	Previous Fiscal Year (As of June 30, 2020)	Current Fiscal Year (As of June 30, 2021)
Total of net assets (thousands of yen)	7,194,333	8,787,207
Amount deducted from total of net assets (thousands of yen)	- -	- -
Net assets attributable to common stock (thousands of yen)	7,194,333	8,787,207
Number of common stock outstanding for calculating net assets per share (shares)	37,584,071	37,600,252

4. The basis for calculating net income per share is as follows

Items	Previous Fiscal Year (Period from July 1, 2019 to June 30, 2020)	Current Fiscal Year (Period from July 1, 2020 to June 30, 2021)
Net income attributable to shareholders of parent company (thousands of yen)	1,537,894	1,888,976
Amounts not attributable to shareholders of common stock (thousands of yen)	- -	- -
Net income attributable to shareholders of common stock of parent company (thousands of yen)	1,537,894	1,888,976
Average number of common stock outstanding (shares)	37,579,157	37,595,528

(Subsequent Events)

Not applicable

(v) [Consolidated supplementary schedules]

[Schedule of bonds]

Not applicable.

[Specification of borrowing]

Classification	Opening balance (thousand yen)	Closing balance (thousand yen)	Average interest rate (%)	Maturity date
Current portion of long-term debt	-	-	-	-
Lease obligations due within 1 year	14,299	14,212	2.4	-
Long-term borrowings (excluding those due within 1 year)	-	-	-	-
Lease obligations (excluding those due within 1 year)	45,297	30,752	2.6	From July 2021 to March 2025
Other interest-bearing debt	-	-	-	-
Total	59,597	44,965	-	-

(NOTE) 1. The average interest rate is the weighted average interest rate based on the outstanding balance at the end of the fiscal year.

2. The aggregate annual maturities of lease obligations (excluding current portion) for the 5 years following the consolidated fiscal year-end are as follows:

Classification	Due in 1-2 years (thousand yen)	Due after 2 years through 3 years (thousand yen)	Due after 3 years through 4 years (thousand yen)	Due after 4 years through 5 years (thousand yen)
Lease obligations	12,455	12,021	6,275	-

[Schedule of asset retirement obligations]

Classification	Opening balance (thousand yen)	Increased during current term (thousand yen)	Decreased during current term (thousand yen)	Closing balance (thousand yen)
Obligation to restore property to its original state in accordance with the real estate lease agreement	226,810	986	32,217	195,579

(2) [Others]

Quarterly information for the current consolidated fiscal year

(cumulative period)		1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales	(thousand yen)	3,601,888	7,637,964	11,909,637	16,236,129
Quarterly (current) net income before income taxes	(thousand yen)	482,492	1,306,491	2,186,583	2,808,858
Quarterly (current) net income attributable to owners of parent companies	(thousand yen)	303,613	824,542	1,371,398	1,888,976
Quarterly (current) net income per share	(yen)	8.08	21.93	36.48	50.24

(Accounting Period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Net profit per share	(yen)	8.08	13.86	14.54	13.77

5-2. Parent Company Financial Statements

(1) Financial statements

(i) Balance Sheets

(thousands of yen)

	Previous fiscal year (June 30, 2020)	Current fiscal year (June 30, 2021)
Assets		
Current assets		
Cash and deposits	3,673,619	4,488,881
Notes and accounts receivable - trade	※1 73,979	※1 79,170
Securities	10,783	500,000
Supplies	13,187	6,223
Prepaid expenses	76,381	70,432
Advance payment	※1 512,433	※1 568,319
Accounts receivable	※1 406,906	※1 753,203
Consumption tax receivable	62,114	-
Other	※1 65,839	※1 14,939
Total current assets	4,895,247	6,481,169
Non-current assets		
Property, plant and equipment		
Buildings	241,373	115,677
Accumulated depreciation	(166,011)	(55,539)
Buildings, net	75,362	60,137
Tools, furniture and fixtures	292,037	280,182
Accumulated depreciation	(48,995)	(206,251)
Tools, furniture and fixtures, net	43,041	73,930
Total property, plant and equipment	118,404	134,068
Intangible assets		
Trademark	82	44
Software	62,499	277,904
Other	595	595
Total intangible assets	63,177	274,544
Investments and other		
Investment securities	410,357	456,419
Investments in subsidiaries	1,043,737	1,320,145
Long-term prepaid expenses	4,651	3,083
Leasehold and guarantee deposits	345,973	139,267
Insurance policies	46,132	50,591
Deferred tax assets	38,930	9,916
Others	※1 28,015	※1 30,306
Total investments and other	1,917,798	2,009,730
Total non-current assets	2,099,379	2,418,342
Total assets	6,994,627	8,899,512

(thousands of yen)

	Previous fiscal year (June 30, 2020)	Current fiscal year (June 30, 2021)
Liabilities		
Current liabilities		
	3,315	3,461
Accounts payable	※1 62,478	※1 112,243
Accrued expenses	68,447	73.957
Income tax payable	-	149,711
Deposits	83,632	90,111
Provision for bonuses	39,296	43,002
Provision for bonuses for directors	31,668	66,977
Affiliates company deposit	1,483,000	2,069,000
Ohers	8,521	-
Total current liabilities	1,780,360	2,608,466
Non-current liabilities		
	12,307	8,845
Asset retirement obligations	147,179	62,635
Total non-current liabilities	159,486	71,481
Total liabilities	1,939,847	2,679,947
Net assets		
Shareholders' equity		
Share capital	303,271	311,568
Capital surplus		
Capital reserve	240,071	248,368
Capital surplus	240,071	248,368
Retained earnings		
Legal reserve	374	374
Other retained earnings		
Retained earnings carried forward	4,475,673	5,601,661
Total retained earnings	4,476,047	5,602,035
Treasury shares	(476)	(549)
Total shareholders' equity	5,018,914	6,161,423
Evaluation and conversion difference		
Valuation difference on available for sale securities	35,859	58,114
Deferred gains or losses on hedges	6	17
Total evaluation and conversion difference	35,865	58,141
Total net assets	5,054,779	6,219,564
Total liabilities and net assets	6,994,627	8,899,512

(ii) Profit and loss statements

(thousands of yen)

		Previous fiscal year (from July 1, 2019 to June 30, 2020)		Current fiscal year (from July 1, 2020 to June 30, 2021)
Operating revenue				
Management fee	※1	803,761	※1	851,616
Dividend income from affiliates companies		1,552,016		1,810,267
Total operating revenue		2,355,778		2,661,884
Operating expenses	※1, ※2	1,214,118	※1, ※2	1,326,077
Operating income		1,141,659		1,335,806
Non-operating income				
Interest income		1,127		894
Dividend income		5,376		7,346
Foreign exchange gains		163		6,612
Subsidy income		1,890		2,370
Other	※1	517	※1	1,197
Total non-operating income		9,075		18,421
Non-operating expenses				
Interest expenses	※1	107	※1	22
Commission expenses		4,755		5,657
Share issuing costs		413		424
Others		3		-
Total non-operating expenses		5,280		6,104
Ordinary income		1,145,455		1,348,123
Extraordinary income				
Profit on sales of fixed assets	※1	17,894		-
Total extraordinary income		17,894		-
Profit before income taxes		1,163,349		1,348,123
Income tax – current		(79,380)		(131,093)
Income tax – deferred		(9,424)		14,972
Total income tax		(88,805)		(116,120)
Profit		1,252,154		1,464,244

(iii) [Statement of Changes in Net Assets]

Previous fiscal year (from July 1, 2019 to June 30, 2020)

(thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Capital reserve	Total Capital surplus	Legal reserve	Other reserve	Total Retained Earnings
					Amount carried forward	
Balance at the beginning of the year	295,525	232,325	232,325	374	3,505,273	3,505,647
Changes for the year						
Issue of new shares	7,746	7,746	7,746			
Dividends					(281,755)	(281,755)
Net income					1,252,154	1,252,154
Purchase of treasury stock						
Net changes of items other than shareholders' equity						
Total changes for the year	7,746	7,746	7,746	-	970,399	970,399
Balance at the end of the year	303,271	240,071	240,071	374	4,475,673	4,476,047

	Shareholders' equity		Valuation and conversion difference			Total net assets Valuation difference on available-for-sale securities
	Own shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Own shares	Total shareholders' equity	
Balance at the beginning of the year	(404)	4,033,093	11,067	3	11,070	4,044,164
Changes for the year						
Issue of new shares		15,492				15,492
Dividends		(281,755)				(281,755)
Net income		1,252,154				1,252,154
Purchase of treasury stock	(71)	(71)				(71)
Net changes of items other than shareholders' equity			24,791	2	24,794	24,794
Total changes for the year	(71)	985,820	24,791	2	24,794	1,010,614
Balance at the end of the year	(476)	5,018,914	35,859	6	35,865	5,054,779

Current fiscal year (from July 1, 2020 to June 30, 2021)

(thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Capital reserve	Capital stock	Legal reserve	Other reserve: Amount carried forward	Total Retained Earnings
Balance at the beginning of the year	303,271	240,071	240,071	374	4,475,673	4,476,047
Changes for the year						
Issue of new shares	8,297	8,297	8,297			
Dividends					(338,256)	(338,256)
Net income					1,464,244	1,464,244
Purchase of treasury stock						
Net changes of items other than shareholders' equity						
Total changes for the year	8,297	8,297	8,297	-	1,125,987	1,125,987
Balance at the end of the year	311,568	248,368	248,368	374	5,601,661	5,602,035

	Shareholders' equity		Valuation and conversion difference			Total net assets Valuation difference on available-for-sale securities
	Own shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Own shares	Total shareholders' equity	
Balance at the beginning of the year	(476)	5,018,914	35,859	6	35,865	5,054,779
Changes for the year						
Issue of new shares		16,594				16,594
Dividends		(338,256)				(338,256)
Net income		1,464,244				1,464,244
Purchase of treasury stock	(73)	(73)				(73)
Net changes of items other than shareholders' equity			22,255	21	22,276	22,276
Total changes for the year	(73)	1,142,508	22,255	21	22,276	1,164,785
Balance at the end of the year	(549)	6,161,423	58,114	27	58,141	6,219,564

Notes to Parent Company Financial Statements

(Summary of significant accounting policies)

1. Valuation basis and method for assets

(1) Marketable securities

・Held-to-maturity debt securities

Amortized cost (straight-line method)

・Subsidiaries' stocks

Cost determined by the moving-average method

・Other securities

With market value

Market value method based on market prices, etc. as of the closing date (Valuation difference is included directly in net assets, and cost of securities sold is calculated by the moving average method.)

Without market value

Cost determined by the moving-average method

(2) Evaluation criteria and method of inventories

・Supplies

Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)

2. Depreciation method of fixed assets

(1) Property, plant and equipment

Declining balance method

The straight-line method is applied to facilities attached to buildings acquired on or after April 1, 2016.

Principal useful lives

Buildings	3 to 10 years
Tools, furniture and fixtures	2 to 8 years

(2) Intangible assets

Straight-line method

Software

Software for internal use

Useful lives are the estimated useful lives (5 years)

3. Accounting method of deferred assets

(1) Stock issuance cost

All costs are charged to income as incurred.

4. Accounting for reserves

(1) Accrued bonuses

To prepare for the payment of bonuses to employees, the amount to be borne in the current fiscal year is recorded based on the estimated amount to be paid.

(2) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, the amount of bonuses to be borne in the current fiscal year is recorded based on the estimated amount of bonuses to be paid.

5. Other basic items for preparation of calculation documents

(1) Significant hedge accounting method

・Hedge accounting method

In principle, the Company uses deferral hedge accounting.

・Hedging instruments and hedged items

Hedging instruments: Foreign currency deposits

Hedged items: Forecast transactions denominated in foreign currencies

・Hedging policy

Foreign currency deposits are used to hedge foreign currency fluctuation risk. The Company's policy is to use these instruments within the scope of actual demand and not to enter into transactions for speculative purposes.

・Hedging evaluation

Evaluation of hedging instruments and hedged items is omitted because they have the same important terms and conditions and can offset cash flow fluctuations after the hedge's inception.

(2) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the balance sheet date, and translation adjustments are recognized as profit or loss.

(3) Accounting for consumption tax

Consumption taxes are subject to the net of tax method.

(4) Consolidated tax return system

We and our domestic consolidated subsidiaries have adopted the consolidated taxation system.

(5) Application of tax effect accounting for the transition from the consolidated taxation system to the group-wide calculation system

With respect to items for which the non-consolidated tax payment system was reviewed in line with the transition to the group accounting system established under the Act for Partial Amendment to the Income Tax Act (Act No. 8 of 2020), in accordance with the provisions of paragraph 3 of the "Handling of Application of Tax Effect Accounting for Transition from the Consolidated Tax Payment System to the Group Accounting System" (Practical Response Report No. 39, March 31, 2020), we and our domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the Guidelines for Application of Accounting Standards for Tax Effect Accounting (Guidelines No. 28, February 16, 2018) and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the Tax Act prior to the revision

(Significant accounting estimates)

Not applicable.

(Notes to the Balance Sheet)

※1. Monetary claims and liabilities to affiliated companies (excluding those presented separately)

(thousands of yen)

	Previous fiscal year June 30, 2020	Current fiscal year June 30, 2021
Short-term monetary claims	992,704	1,399,532
Short-term loans payable	9,370	12,800
Long-term monetary receivables	28,015	30,306

2. The Company has concluded loan commitment agreements with 3 banks with the aim of efficiently procuring working funds. The balance of unused loan commitments at the end of the fiscal year under review is as follows.

(thousands of yen)

	Previous fiscal year June 30, 2020	Current fiscal year June 30, 2021
Total loan commitments	3,500,000	3,500,000
Loan balance	-	-
Balance	3,500,000	3,500,000

(Notes pertaining to profit-and-loss statement)

※1. Transactions with affiliated companies (excluding those classified)

(thousands of yen)

	Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
Turnover with business transaction	918,634	964,695
Excluding operating transactions with subsidiary	18,917	597

※ 2. Major items and amounts of operating expenses are as follows. The entire amount is included in general and administrative expenses.

(thousands of yen)

	Previous fiscal year (From July 1, 2019 To June 30, 2020)	Current fiscal year (From July 1, 2020 To June 30, 2021)
Directors' compensation	129,255	143,198
Employees' salaries and bonuses	241,046	281,974
Provision for bonuses	39,296	43,002
Provision for directors' bonuses	31,668	66,977
Depreciation and amortization	77,683	72,338
Commissions paid	269,406	333,030

(Notes to Securities)

Previous fiscal year (June 30, 2020)

The fair value of shares of subsidiaries (1,043,737 thousand yen recorded on the balance sheet) is not presented because they do not have market prices and it is extremely difficult to determine their fair value.

Current fiscal year (June 30, 2021)

The fair values of shares of subsidiaries (balance sheet amount: 1,043,737 thousand yen) and affiliates (balance sheet amount: 276,407 thousand yen) are not stated because they do not have market prices and it is extremely difficult to determine their fair values.

(Notes to tax effect accounting)

1. Breakdown of principal origins of deferred tax assets and liabilities

(thousands of yen)

	Previous fiscal year (June 30, 2020)	Current fiscal year (June 30, 2021)
(Deferred tax assets)		
Accrued enterprise tax	295	220
Accrued business office taxes	307	389
Provision for bonuses	9,169	10,601
Provision for directors' bonuses	206	710
Tax loss carryforwards	39,139	60,236
Depreciation and amortization	14,562	14,468
Loss on valuation of investment securities	3,062	3,062
Loss on valuation of affiliated companies	-	15,441
Asset retirement obligations	34,343	763
Valuation difference on securities	1,754	1,236
Others	252	220
Gross deferred tax assets	103,093	107,127
Valuation allowance for operating loss carryforwards	(39,139)	(60,236)
Valuation allowance for deductible temporary differences	(3,062)	(3,062)
Allowance for valuation	(42,201)	(63,298)
Total of deferred tax assets	60,892	43,831
(Deferred tax liabilities)		
Facilities attached to buildings (asset retirement cost)	8,322	7,221
Valuation difference on securities	13,637	26,678
Others	1	15
Total deferred tax liabilities	21,961	33,914
Net deferred tax assets	38,930	9,916

2. Reconciliation of the statutory tax rate to the effective income tax rate

	Previous fiscal year (June 30, 2020)	Current fiscal year (June 30, 2021)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible for income tax purposes	0.8%	1.6%
Non-taxable dividend income	-40.9%	-41.1%
Valuation allowance	1.6%	0.8%
Valuation allowance	0.2%	-0.4%
Effective income tax rate	-7.6%	-8.6%

(Notes to Material subsequent events)

Not applicable.

(iv) [Supplementary schedules]

Tangible fixed assets list

(thousands of yen)

Classification	Type of asset	Opening balance	Increased during current term	Decreased during current term	Amortization of goodwill	Closing balance	Depreciation Accumulated amount
Tangible Fixed assets	Buildings	75,362	-	-	15,224	60,137	55,539
	Tools, instruments and Fixtures	43,041	60,103	-	29,214	73,930	206,251
	Total	118,404	60,103	-	44,439	134,068	261,790
Intangible Fixed assets	Trademark Rights	82	-	-	38	44	-
	Software	62,499	246,416	7,150	27,861	273,904	-
	Others	595	-	-	-	595	-
	Total	63,177	246,416	7,150	27,899	274,544	-

(Note 1) Major increases are as follows:

Tools, furniture and fixtures	Network development	60,103	thousands of yen
Software	Management software	109,225	thousands of yen
Software	Software for sale	129,690	thousands of yen

[Schedule of allowances]

(thousands of yen)

Classification	Opening balance	Increased during current term	Decreased during current term	Closing balance
Provision for bonuses	39,296	43,002	39,296	43,002
Provision for directors' bonuses	31,668	66,977	31,668	66,977

(2) [Details of main assets and liabilities]

This information is omitted because the consolidated financial statements have been prepared.

(3) [Others]

Not applicable.

6 [Overview of Share Administration of the Company]

Business Year	From July 1 to June 30	
Annual Shareholders' Meeting	Within 3 months from the day following the last day of the fiscal year	
Record Date	June 30	
Base Day for Payment of Dividends on Retained Earnings	December 31 June 30	
Number of shares per unit	100 shares	
Purchase of fractional unit shares		
Place of Handling	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo	
Administrator of Shareholder Registry	Sumitomo Mitsui Trust and Banking Corporation, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo	
Agency	------	
Purchase commission	Free	
Posting of Public Notices	Electronic Public Notice (https://www.avantcorp.com/)	(Provided, however, that public notices in the event that electronic public notices cannot be made due to an accident or other unavoidable reason shall be made by posting them in the Nihon Keizai Shimbun.)
Shareholder benefits	Not applicable.	

7 [Reference Information for the Company]

7-1 [Information of parent company of the company]

We do not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Law.

7-2 [Other Reference Information]

Between the commencement date of the current business year and the filing date of the securities report, the following documents were submitted.

(1) Annual Securities Report and its Attached Documents and Confirmation Documents
Fiscal year (24th fiscal period) (from July 1, 2019 to June 30, 2020)
Submitted to Director-General of Kanto Finance Bureau on September 23, 2020

(2) Internal Control Report and Attached Documents
Submitted to Director-General of Kanto Finance Bureau on September 23, 2020

(3) Quarterly Reports and Certification
(First Quarter of the 25th Fiscal Year) (From July 1, 2020 to September 30, 2020)
Submitted to Director-General of Kanto Finance Bureau on November 12, 2020
(Second Quarter of the 25th Fiscal Year) (From October 1, 2020 to December 31, 2020)
Submitted to Director-General of Kanto Finance Bureau on February 12, 2021
(Third Quarter of the 25th Fiscal Year) (from January 1, 2021 to March 31, 2021)
Submitted to Director-General of Kanto Finance Bureau on May 13, 2021

(4) Extraordinary Report
An extraordinary report under Article 24-5(4) of the Financial Instruments and Exchange Act and Article 19(2)(ix)-2 (Result of Voting Rights Exercised at Shareholders Meeting) of the Cabinet Office Ordinance Concerning Disclosure of Corporate Contents, etc.
Submitted to Director-General of Kanto Finance Bureau on September 30, 2020

(5) Amendment Report and Confirmation of Annual Securities Report
Business year (24th Fiscal Year) (July 1, 2019 to June 30, 2020)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 12, 2021

Part II [Information on Guarantee Companies, etc. of the Company]

Not applicable.

Independent Accounting Auditors' Report and Internal Control Audit Report

September 27, 2021

AVANT CORPORATION
To the Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner Executive Partner	Certified Public Accountant	Jun Kagawa
Designated Limited Liability Partner Executive Partner	Certified Public Accountant	Jyoji Furukawa

<Audit of Financial Statements>

Audit Opinion

For the purpose of the audit certification pursuant to the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the "Accounting" for AVANT CORPORATION for the fiscal year from July 1, 2020 to June 30, 2021: the consolidated balance sheet, the consolidated statement of income, comprehensive income, changes in net assets, the consolidated statement of cash flows, the significant items forming the basis for the preparation of the consolidated financial statements, other related notes, and the consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AVANT CORPORATION and its consolidated subsidiaries as of June 30, 2021, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities in accordance with auditing standards are set forth in "Auditor's Responsibility in Auditing Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the provisions on occupational ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the consolidated financial statements for the current fiscal year. Key audit matters are those that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming the audit opinion, and we do not express individual opinions on these matters.

Adequacy of sales related to made-to-order software for which the acceptance inspection standard is applied	
Details of major audit considerations and reasons for decisions	Audit response
As described in "Notes" (Segment Information, etc.), sales in the Consolidated Accounting-Related Business and the Business Intelligence Business were 14,410,878 thousand yen, accounting for 85.3% of the net sales in the consolidated statements of income. The sales of both businesses mainly consist of license sales of packaged software, made-to-order software development, and maintenance services. In the made-to-order software development business, since the output is an intangible asset and the customer's requirements and specifications vary from transaction to transaction, the Company executes the work after clarifying the requirements and specifications	In order to verify the appropriateness of sales related to made-to-order software to which the acceptance inspection standard is applied, the auditor mainly performed the following audit procedures. (Assessment of internal control) To verify the appropriateness of sales related to made-to-order software for which the acceptance inspection standard is applied, the auditor performed the following audit procedures: • Confirmation of purchase orders and acceptance inspection forms for each transaction, and approval of the recording of sales.

by concluding a contract with the customer at the time of receiving the order and receives acceptance inspection from the customer upon completion of the work. As stated in (5) Significant Accounting Policies for the Preparation of Consolidated Financial Statements, the Company applies the percentage-of-completion method for contracts whose outcome can be estimated reliably for the portion completed by the end of the fiscal year under review, and the acceptance inspection method for other contracts, but the majority of revenue is recorded based on the acceptance inspection method because many transactions have relatively short delivery periods. As stated above, the Company determined that the appropriateness of revenue related to made-to-order software to which the acceptance inspection standard is applied is a major audit consideration because the deliverables are intangible assets, the amount is significant, and any error would have a significant impact on the consolidated financial statements.	(Examination of whether sales are recorded appropriately) • Reviewed the consistency of sales in the sales management system and sales in the accounting system for each month. • For transactions that were more expensive than other transactions recorded in the past or in the same fiscal year, we reviewed related documents and asked questions to the person in charge to understand the details of the transaction and checked the details against related vouchers such as order forms, acceptance inspection forms, invoices, and payment vouchers. In addition, we confirmed the occurrence of costs related to the relevant transactions by inspecting the attendance management system. • In addition to the above, auditor checked several randomly selected transactions against related vouchers, such as purchase orders, inspection receipts, invoices, and payment vouchers.

Responsibilities of Management, Auditors and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the appropriateness of preparing the consolidated financial statements based on the going concern assumptions and disclosing matters in accordance with accounting principles generally accepted in Japan.

Auditors and Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in the development and operation of financial reporting processes.

Responsibility of the auditor in auditing the consolidated financial statements

Our responsibility is to express an opinion on these consolidated financial statements on an independent basis, based on our audits, on our audit reports, with reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error. Misstatements are deemed to be material if they are likely to be due to fraud or error and, if aggregated or individually, they are reasonably expected to affect the decision-making of the users of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, auditors make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, perform the following.

- Identify and evaluate the risk of material misstatement due to fraud or error. Develop and implement audit procedures to address the risk of material misstatement. The selection and application of audit procedures is based on the judgment of the auditor. In addition, obtain sufficient and appropriate audit evidence supporting the expressions of opinion.
- The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but the auditor considers internal control relevant to the audit in making the risk assessment in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the relevance of related notes.
- Conclude whether it is appropriate for the management to prepare the consolidated financial statements on a going concern basis, and whether, based on the audit evidence obtained, significant uncertainty is recognized with respect to the event or situation that raises material doubt about the going concern assumption. If there is material uncertainty about the premise of a going concern, the auditor is required to draw attention to the notes to the consolidated financial statements in the audit report or to express an opinion on the consolidated financial statements with an exception if the notes to the consolidated financial statements regarding material uncertainty are not appropriate. The auditor's conclusion is based on the audit evidence obtained prior to the date of the audit report, but future events and circumstances may make the enterprise unable to survive as a going concern.
- Assess whether the accompanying consolidated financial statements are presented in conformity with

accounting principles generally accepted in Japan, and the presentation, composition and composition of the consolidated financial statements, including related notes, and the fair presentation of the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence about the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The auditor is responsible for the audit of the consolidated financial statements, as well as for the supervision and implementation of the audit. The auditor is solely responsible for the audit opinion.

The auditor reports to the auditors and Audit & Supervisory Board on the scope and timing of the planned audit, important findings in the audit, including significant deficiencies in internal control identified in the audit process, and other matters required by the audit criteria. The auditor shall report to the auditors and Audit & Supervisory Board the fact that he/she has complied with the provisions on professional ethics in Japan regarding independence and that he/she has implemented safeguards in order to eliminate or mitigate factors that may reasonably affect the independence of the auditor.

Among the matters discussed with the Corporate Auditors and the Audit & Supervisory Board, the Corporate Auditors shall determine those matters that they consider to be particularly significant in the audit of the consolidated financial statements for the current fiscal year as major audit considerations and state them in the audit report. However, if such matters are prohibited by laws and regulations, or if the auditor judges that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest, albeit in an extremely limited manner, such matters shall not be included in the auditor's report.

<Internal Control Audit>

Audit Opinion

We have audited AVANT CORPORATION's report on internal control as of June 30, 2020, in order to provide an audit certification under Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the report on internal control referred to above, which represents that the internal control over financial reporting of the Company and its consolidated subsidiaries as of June 30, 2021 is effective, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for the audit opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities in auditing internal control over financial reporting are set out in the section "Auditor's responsibilities in auditing internal control." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the provisions on occupational ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Auditors, and Audit & Supervisory Board for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Auditors and Audit & Supervisory Board are responsible for monitoring and verifying the design and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility in Internal Control Audits

The responsibility of the auditor is to obtain reasonable assurance about whether the internal control report is free from material misstatement, based on the internal control audit conducted by the auditor, and to express an opinion on the internal control report based on an independent standpoint.

In accordance with auditing standards of internal control over financial reporting generally accepted in Japan, auditors shall make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, and perform the following:

- Conduct audit procedures to obtain audit evidence about the results of assessment of internal control over financial reporting in the internal control report. The procedures selected depend on the auditor's judgment, including the materiality of the impact on the reliability of financial reporting.
- Consider the presentation of the overall internal control report, including statements made by management regarding the scope, procedures and results of assessment of internal control over financial reporting.
- Obtain sufficient and appropriate audit evidence on the results of the assessment of internal control over financial reporting in the Internal Control Report. Auditor
  Is responsible for the direction, oversight and implementation of the audit of the internal control report. The auditor is solely responsible for the audit opinion.

The auditor reports to the auditors and Audit & Supervisory Board on the scope and timing of the planned audit of internal control, the results of the audit of internal control, the material deficiencies to be disclosed in the identified internal control, the results of the correction, and other matters required under the audit standard of internal control.
The auditor shall report to the auditors and Audit & Supervisory Board the fact that he/she has complied with the provisions on professional ethics in Japan regarding independence and that he/she has implemented safeguards in order to eliminate or mitigate factors that may reasonably affect the independence of the auditor.

Interests
The Company and its Consolidated Subsidiaries have no interest in the Company or the Operating Partner that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ends

(Notes) 1. The above is a digitized version of the original audit report, and the original copy is stored separately by our company (the company filing the securities report).
2. XBRL data is not included in the scope of auditing.

Independent accounting auditors' Report

September 27, 2021

AVANT CORPORATION
To the Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partners Executive Partner	Certified Public Accountant	Jun Kagawa	Seal
Designated Limited Liability Partners Executive	Certified Public Accountant	Joji Furukawa	Seal

Audit Opinion

For the purpose of the audit certification pursuant to the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the "Accounting" for the 25th Fiscal Year from July 1, 2020 to June 30, 2021: the balance sheet, income statement, statement of changes in net assets, significant accounting policies, other notes, and supplementary schedules.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AVANT CORPORATION as of June 30, 2021 and its consolidated results of operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities in accordance with auditing standards are set out in the section "Auditor's Responsibility in Auditing Financial Statements." We are independent of the Company and fulfill other ethical responsibilities as an auditor in accordance with the provisions on occupational ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the financial statements for the current fiscal year. Key audit matters are those that were addressed in the course of performing the audit of the financial statements as a whole and in forming the audit opinion, and we do not express an opinion on those matters individually.

Adequacy of valuation of stocks of subsidiaries and affiliates	
Details of major audit considerations and reasons for decisions	Audit response
As stated in the balance sheet, the company has recorded 1,320,145 thousand yen of stocks of subsidiaries and affiliates as of June 30, 2021, and this amount accounts for about 14.8% of total assets. As stated in Note (Significant Accounting Policies) 1. Valuation Standards and Methods for Assets, (1) Valuation Standards and Methods for Securities, the Company uses the acquisition cost as the balance sheet value for stocks of subsidiaries and affiliates. However, if the actual value of the shares declines significantly due to deterioration in the financial condition of the issuing company and the possibility of recovery is not supported by sufficient evidence, a substantial impairment loss is required. As for the necessity of impairment of stocks of subsidiaries and affiliates in the current year's audit, as a result of assessing the status of the real value of each stock of subsidiaries and affiliates, which is calculated based on the acquisition cost and the net assets per share of the issuing company, there is no situation where the risk of material	The Audit Firm conducted the following audit procedures in order to examine the appropriateness of the valuation of the shares of subsidiaries and affiliates. • In addition to examining whether the actual value of the shares of subsidiaries and affiliates is appropriately calculated based on the net assets per share of the issuing company, we compared the acquisition cost of the shares of subsidiaries and affiliates with their actual value and assessed the appropriateness of management's judgment as to whether impairment is required. • With respect to the financial information of each issuer, which is the basis for the calculation of net assets per share, we evaluated the reliability of the financial information based on the review and audit procedures conducted as part of the audit of consolidated financial statements and the results of those procedures.

misstatement is assessed to be high. However, since the stocks of subsidiaries and affiliates have a high monetary importance in the balance sheet, the appropriateness of the valuation of such stocks of subsidiaries and affiliates is particularly important in the audit of the financial statements for the current fiscal year, and we have determined that it falls under the category of "major audit considerations.	

Responsibilities of Management, Auditors and Audit & Supervisory Board to the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan. This includes designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for evaluating the appropriateness of the preparation of financial statements based on the going concern assumptions and disclosing matters in accordance with accounting principles generally accepted in Japan where necessary.

Auditors and Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in the development and operation of financial reporting processes.

Responsibility of the auditor in the audit of the financial statements

The responsibility of the auditor is to express an opinion on these financial statements based on our audits as independent accounting auditors, with reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error. Misstatements are deemed to be material when fraud or errors can occur and, when aggregated or individually, it is reasonably expected to affect the decision-making of users of the financial statements.

In accordance with auditing standards generally accepted in Japan, auditors make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, perform the following.

・ Identify and evaluate the risk of material misstatement due to fraud or error. Develop and implement audit procedures to address the risk of material misstatement. The selection and application of audit procedures is based on the judgment of the auditor. In addition, obtain sufficient and appropriate audit evidence supporting the expressions of opinion.

・ The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making the risk assessment, the auditor considers internal control relevant to the audit to design audit procedures that are appropriate in the circumstances.

・ Evaluate the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the relevance of related notes.

・ Conclude whether it is appropriate for management to prepare financial statements based on going concern, and whether, based on the audit evidence obtained, significant uncertainty exists with respect to events or circumstances that give rise to material doubts about the assumptions of the going concern. If there is material uncertainty about the premise of a going concern, the auditor is required to draw attention to the notes to the financial statements in the audit report or to express an opinion on the financial statements with an exception if the notes to the financial statements regarding material uncertainty are not appropriate. The auditor's conclusion is based on the audit evidence obtained prior to the date of the audit report, but future events and status may make the enterprise unable to survive as a going concern.

・ Assess whether the financial statements are presented in conformity with accounting principles generally accepted in Japan, and the presentation, composition and composition of the financial statements, including related notes, and the fair presentation of the underlying transactions and accounting events.

The auditor shall report to the corporate auditors and the Board of Corporate Auditors on the scope and timing of the planned audit, significant findings in the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor shall report to the corporate auditors and the board of corporate auditors on the auditor's compliance with the Japanese rules of professional ethics regarding independence, as well as on matters that may reasonably be considered to affect the auditor's independence and on safeguards, if any, taken to remove or mitigate any disincentive.

Among the matters discussed with the Statutory Auditors and the Board of Statutory Auditors, the Statutory Auditors shall determine those matters that they consider to be particularly significant in the audit of the financial statements for the fiscal year under review as major audit considerations and state them in the auditor's report. However, if such matters are prohibited from public disclosure by laws and regulations, or if the auditor determines that such matters should not be reported in the auditor's report because the disadvantages of reporting such matters in the auditor's report, although extremely limited, could reasonably be expected to outweigh the public interest, such matters shall not be included.

Interests

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Ends

(Notes) 1. The above is a digitized version of the original audit report, and the original copy is stored separately by our company (the company filing the securities report).
2. XBRL data is not included in the scope of auditing.

[Cover]

[Filing]	Report on Internal Control
[Governing laws and regulations]	Article 24-4-4(1) of the Financial Instruments and Exchange Act
[Submitted To]	Kanto Finance Bureau
[Submission date]	September 27, 2021
[Company name]	AVANT CORPORATION
[English translation]	AVANT CORPORATION
[Title of Representative]	Tetsuji Morikawa, President and Group CEO
[Title of Chief Financial Officer]	Naoyoshi Kasuga, Director and Group CFO
[Location of Head Office]	15-2, Konan 2-chome, Minato-ku, Tokyo
[Location for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 [Matters Regarding the Basic Framework of Internal Control over Financial Reporting]

Tetsuji Morikawa, President and Representative Director, and Naoyoshi Kasuga, Director in charge of Finance, are responsible for the design and operation of our internal control over financial reporting. We have developed and implemented internal control over financial reporting in accordance with the basic framework of internal control outlined in the "Standards for the Evaluation and Audit of Internal Control over Financial Reporting and Standards for the Implementation of Evaluation and Audit of Internal Control over Financial Reporting" (Opinion) issued by the Business Accounting Deliberation Council.

Internal controls aim to achieve their objectives within a reasonable range by organically linking each basic element of internal controls and functioning together. As a result, internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

2 [Matters concerning the scope, base date, and evaluation procedures of evaluation]

The assessment of internal control over financial reporting was made on June 30, 2020, the last day of the fiscal year under review, and the assessment was made in accordance with generally accepted standards for the assessment of internal control over financial reporting.

In this evaluation, we have evaluated internal controls (company-wide internal controls) that have a material impact on overall financial reporting for us and our consolidated subsidiaries, and based on the results, we have selected the business processes to be evaluated.

We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

The scope of the assessment of internal control over financial reporting was determined from the viewpoint of the significance of the impact on the reliability of financial reporting for us and our consolidated subsidiaries.

The materiality of the impact on the reliability of financial reporting was determined by considering the materiality of monetary and qualitative impacts and based on the results of the evaluation of company-wide internal controls, it was reasonably determined as the scope of evaluation of internal controls related to business processes.

Regarding the scope of assessment of internal control over business processes, business locations that accounted for approximately 2-thirds of consolidated net sales for the previous fiscal year were selected as "significant business locations."

At selected significant locations of operation, business processes ranging from sales, accounts receivable, work in process, cost of sales, and accounts payable were subject to evaluation as accounting items significantly involved in the business objectives of the company. In addition, the business processes related to significant accounts for which material misstatements are probable and involve estimates and forecasts have been added to the scope of assessment as business processes that are significant in importance in consideration of their impact on financial reporting.

With regard to the business processes subject to the evaluation, after analyzing each process, we selected key control points that would have a material impact on the reliability of financial reporting and evaluated the design and operation of these key points by performing procedures such as inspecting related documents, questioning appropriate personnel related to such internal controls, observing operations, and verifying records of implementation of internal controls.

3 [Matters concerning evaluation results]

Based on the above evaluation, Tetsuji Morikawa, President and Representative Director, and Naoyoshi Kasuga, Director in charge of Finance, concluded that our internal control over financial reporting was effective as of June 30, 2021.

4 [Additional Notes]

Not applicable.

5 [Special Notes]

Not applicable.

[Cover]

[Filing]	Certificate
[Governing laws and regulations]	Article 24-4-2(1) of the Financial Instruments and Exchange Act
[Submitted To]	Kanto Finance Bureau
[Submission date]	September 27, 2021
[Company name]	AVANT CORPORATION
[English translation]	AVANT CORPORATION
[Title of Representative]	Tetsuji Morikawa, President and Group CEO
[Title of Chief Financial Officer]	Naoyoshi Kasuga, Director and Group CFO
[Location of Head Office]	15-2, Konan 2-chome, Minato-ku, Tokyo
[Location for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 [Matters concerning the appropriateness of the contents of the annual securities report]

Tetsuji Morikawa, President and Representative Director, and Naoyoshi Kasuga, Director in charge of Finance, confirmed that the contents of the securities report on 25th Fiscal Year (from July 1, 2020 to June 30, 2021) are properly stated in accordance with the Financial Instruments and Exchange Act.

2 [Special Notes]

There are no noteworthy items for confirmation.