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Consolidated Summary Report under Japanese GAAP for the second quarter of the fiscal year ending June 30, 2022

January 31, 2022

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Securities report issue date: February 14, 2022
 Dividend payment date: -
 Supplementary information for financial statements: Available
 Explanatory meeting to be held: Yes

1. Consolidated results for the second quarter of the fiscal year ending June 30, 2022

(Millions of yen, rounded down to the nearest unit)
 (Percentages indicate year-on-year changes)

(1) Consolidated results of operations

	Revenue		EBITDA		Operating income		Ordinary income		Profit attributable to shareholders of parent company	
		%		%		%		%		%
Second quarter of the fiscal year ending June 30, 2022	8,751	-	1,616	-	1,482	-	1,437	-	865	-
ended June 30, 2021	7,637	(1.2)	1,417	20.3	1,296	19.0	1,305	19.4	824	22.5

Comprehensive income (loss) for the 2Q of the fiscal year ending June 30, 2022 899 million yen (-%) for the 2Q of the fiscal year ended June 2021 844 million yen (17.6%)

	Net profit per share	Diluted net profit per share
Second quarter of the fiscal year ending June 30, 2022	yen 23.01	yen -
ended June 30, 2021	21.93	-

(Notes) EBITDA is derived by adding depreciation and amortization of goodwill to operating income.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the second quarter of the fiscal year ending June 30, 2022 are after the application of the said accounting standard, etc., so the percentage change from the same quarter of the previous year is not stated.

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity Ratios
As of	Unit: million yen	Unit: million yen	%
December 31, 2021	13,753	9,379	68.2
June 30, 2021	13,956	8,787	63.0

(Reference) Net assets attributable to the company's shareholders As of December 31, 2021 9,379 million yen As of June 30, 2021 8,787 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the second quarter of the fiscal year ending June 30, 2022 are the figures after the application of the said accounting standard, etc.

2. Dividends on common stock

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
Fiscal Year Ended	yen	yen	yen	yen	yen
June 30, 2021	-	0.00	-	11.00	11.00
June 30, 2022	-	0.00	-	-	-
June 30, 2022 (Forecast)	-	-	-	12.00	12.00

Revisions to the most recently announced dividend forecast: None

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2022

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent company		Net profit per share
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	yen
Fiscal Year ending June 30, 2022	17,820	-	2,860	-	2,830	-	1,905	-	50.66

(Notes) Revisions to the most recently announced earnings forecast: None

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the second quarter of the fiscal year ending June 30, 2022 are the figures after the application of the said

accounting standard, etc.

Notes

(1) Changes in significant subsidiaries during the period (changes in “Specified Subsidiaries” (Tokutei Kogaisha) accompanying changes in scope of consolidation): No

Newly added to the scope of consolidation: nil

Newly deleted from the scope of consolidation: nil

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements: none

(3) Changes in accounting policies, accounting estimates and correction of past errors:

(i) Changes in accounting policies due to revision of accounting standards: Yes

(ii) Changes in accounting policies due to reasons other than item (i) above: No

(iii) Changes in accounting estimates: No

(iv) Correction of past errors: No

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 15 of the attached materials.

(4) Number of shares outstanding (common stock)

(i) Total shares outstanding including treasury stock

(ii) Shares of treasury stock held

(iii) Average outstanding shares

As of December 31, 2021	37,625,501 shares	As of June 30, 2021	37,603,203 shares
As of December 31, 2021	2,951 shares	As of June 30, 2021	2,951 shares
Second quarter of the fiscal year ending June 30, 2022	37,606,311 shares	First quarter of the fiscal year ended June 30, 2021	37,590,859 shares

* This report is exempt from the audits of CPAs or Audit firms.

* Explanation of the appropriate use of earnings forecasts and other special notes

Forward-looking statements in this report, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements are not promised by the Company regarding future performance. Actual results may differ materially from the forecast depended on a range of factors. Please refer to "Earnings Forecasts" on page 8 for the assumptions for earnings forecasts and notes for using earnings forecasts.

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1. Qualitative Information on Financial Results for the Current Quarter

(1) Management's Discussion on Business Operations

Consolidated financial results for the second quarter of the current fiscal year are as follows.

Effective from the first quarter of the current fiscal year, the Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. As a result, comparisons with the same quarter of the previous year in the table for the second quarter of the current fiscal year are not shown.

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

	Fiscal Year ended June 30, 2021 Second quarter	Fiscal Year ending June 30, 2022 Second quarter	Year on Year Change	
			Amount	%
Revenue	7,637	8,751	-	-
Operating income	1,296	1,482	-	-
Ordinary income	1,305	1,437	-	-
Profit attributable to owners of parent company	824	865	-	-

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the second quarter of the fiscal year ending June 30, 2022 are the figures after the application of the said accounting standard, etc., so the year-on-year comparison is not stated.

The current social and economic environment surrounding Japan is stimulating the need for "data-driven management and decision-making", and the needs for the Group's products and services are expanding while transforming into more advanced ones. As a result, the Group's products and services are also expanding and changing into more sophisticated ones, and the existing segment names are no longer able to properly indicate the nature of our business. For this reason, from the first quarter of the current fiscal year, we have changed the name of our reporting segments from "Consolidated Accounting Related Business" to "Group Governance Business" and from "Business Intelligence Business" to "Digital Transformation Business. This change has no impact on segment information, as the change is only in the segment name.

Consolidated net sales for the Second quarter of the current fiscal year were 8,751 million yen. Effective from the first quarter of the current fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), and for transactions that are deemed to be arrangements for goods, etc. to be provided by another party, the Company has changed its accounting method from recording the gross amount of sales as net sales and the purchase amount as expenses to recording the difference between net sales and purchase amount as net sales as commissions. The effect of this change was a 202 million yen decrease in net sales compared to the previous standard. In addition, for most of our services, which were previously recorded as sales upon completion of the project and acceptance by the customer, we have changed to recording sales according to the progress of the project, rather than waiting for the completion of the project. The effect of this change was to increase net sales by 225 million yen.

In other words, net sales before the application of the accounting standard for revenue recognition were 8,728 million yen, an increase of 14.3% year on year, and the impact of the change in accounting standards added another 23 million yen. The increase in sales was due to significant growth in Digital Transformation Business and Outsourcing Business.

The ratio of recurring sales (ongoing sales, such as software maintenance fees, for example) to total sales, which is one of the management targets in the mid-term management plan, decreased in the Digital Transformation Business due to the application of revenue recognition accounting standards. However, the ratio increased to 34.8%, down 2.1 percentage points from the same quarter of the previous fiscal year. The total amount increased by 8.0% compared to the same quarter of the previous year.

As for profits, operating income was 1,482 million yen, ordinary income was 1,437 million yen, and net income attributable to shareholders of the parent company was 865 million yen. Since operating income increased by 126 million yen due to the impact of the application of the revenue recognition accounting standard, etc., operating income calculated under the previous accounting standard would have been 1,355 million yen, which is a 4.6% increase compared to the same quarter of the previous year if the difference in accounting standards is excluded.

In the Group Governance Business, there was an increase in expenses due to the upfront cost of significantly

reinforcing the development system to promote software development for future growth and improved profitability, and the establishment of a division to pursue group synergies as a company-wide expense and the reinforcement of the system for this purpose. On the other hand, the Digital Transformation Business saw a significant increase in profits due to sales growth accompanied by improved profitability, and this was a major factor in the increase in profits.

The status of each reportable segment is as follows.

(i) Revenues

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

	Fiscal Year ended June 30, 2021 Second quarter	Fiscal Year ending June 30, 2022 Second quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	3,897	4,279	-	-
Digital Transformation Business	2,878	3,370	-	-
Outsourcing Business	1,179	1,466	-	-
Elimination of inter-segment transactions	(317)	(365)	-	-
Consolidated Revenues	7,637	8,751	-	-

(ii) Operating income

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

	Fiscal Year ended June 30, 2021 Second quarter	Fiscal Year ending June 30, 2022 Second quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	843	885	-	-
Digital Transformation Business	341	552	-	-
Outsourcing Business	295	356	-	-
Corporate Expenses and Elimination of inter-segment transactions	(185)	(312)	-	-
Consolidated operating income	1,296	1,482	-	-

(Note) The above tables (i) and (ii) show the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current first quarter. The above tables (i) and (ii) are prepared in accordance with the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., which was applied from the beginning of the first quarter of the fiscal year ending June 30, 2008. As a result, the figures for the second quarter of the fiscal year ending June 30, 2022 are after the application of the said accounting standards, etc., and comparisons with the same quarter of the previous fiscal year are not stated.

For the Group Governance Business, net sales were 4,279 million yen. The effect of the application of the accounting standard for revenue recognition, etc. increased by 186 million yen, which would have been a 5.0% increase compared to the same quarter of the previous year if the previous accounting standard had been used. The main reason for this increase was an increase in orders related to the accelerating trend among domestic companies to restructure their businesses in order to strengthen their competitiveness. On the other hand, expenses increased due to the significant strengthening of the development system to promote software development for future growth and profitability. As a result, operating income was 885 million yen (an increase of 106 million yen due to the impact of the change in accounting standards, and a decrease of 7.6% from the same quarter of the previous year under the previous accounting standards).

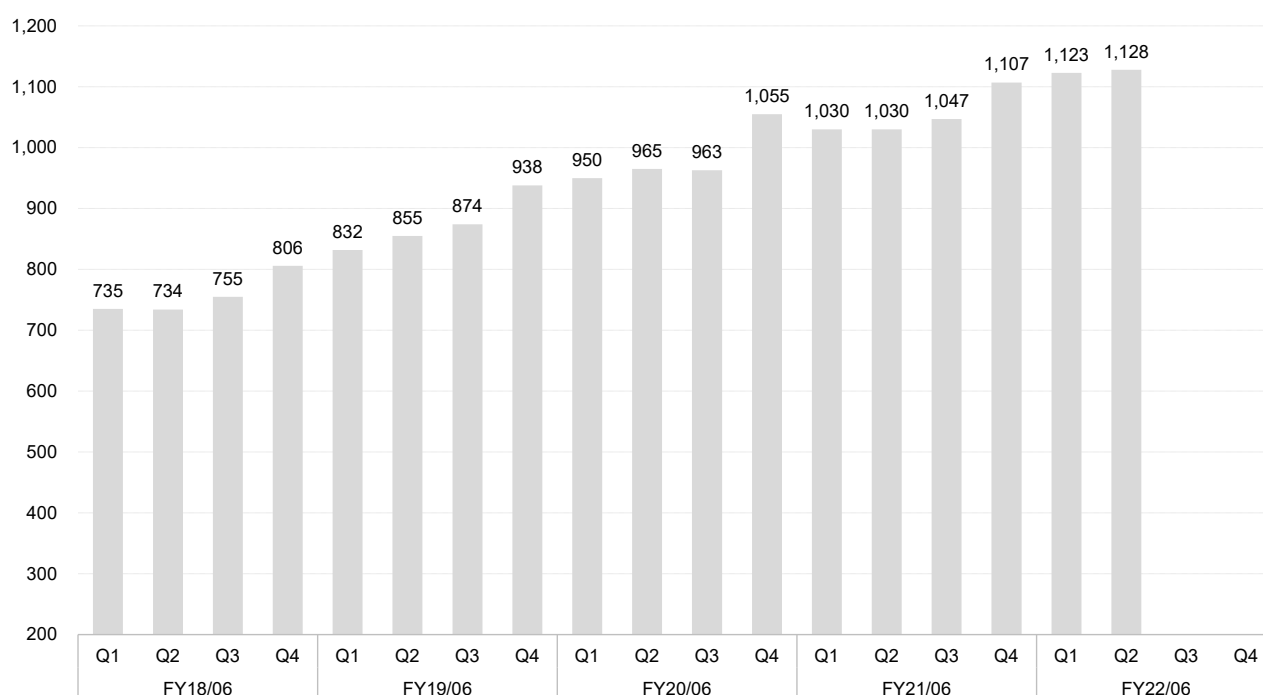
In the Digital Transformation Business, the need to utilize data for decision-making in management and business promotion is accelerating, and the projects we receive are changing from the traditional "development related to business intelligence" to "provision of cloud data platforms. As a result, net sales increased to 3,370 million yen (down 163 million yen due to the impact of the change in accounting standards, but up 22.8% from the same quarter of the previous year under the previous accounting standards). The change in the quality of orders received has also led to improved profitability, and operating income was 552 million yen (an increase of 20 million yen due to the impact of the change in accounting standards, and a 55.6% increase compared to the same quarter of the previous year under the previous accounting standards), significantly higher than the same quarter of the previous year.

In the Outsourcing Business, companies that had been cautious in making final decisions due to the uncertainty caused by the new coronavirus infection are now starting to move forward, and orders from new customers are increasing. As a result, we achieved a significant increase in both sales and profit, with net sales of 1,466 million yen (up 24.3% year on year) and operating income of 356 million yen (up 20.7% year on year). There was no impact from the application of accounting standards for revenue recognition in the Outsourcing Business.

The number of employees on a consolidated basis was 1,128 at the end of the Second quarter, up 21 from the end of the previous fiscal year.

Quarterly Trends of Number of Employees of the Group

(person)



The status of orders received and sales by segment in the second quarter of the fiscal year under review is as follows.

(i) Orders Received

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

	Fiscal Year ended June 30, 2021		Fiscal Year ending June 30, 2022		Year on Year Change	
	Second quarter		Second quarter		Amount	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders
Group Governance Businesses	3,667	1,769	4,516	2,586	-	-
Digital Transformation Business	3,462	1,438	3,374	1,247	-	-
Outsourcing Business	1,237	1,008	1,946	1,937	-	-
Elimination of inter-segment transactions	(351)	(242)	(402)	(327)	-	-
Total	8,016	3,974	9,434	5,444	-	-

Due to the impact of applying the revenue recognition accounting standard, etc., the order backlog in the Group Governance Business decreased by 186 million yen. In addition, orders received and order backlogs for the Digital Transformation Business decreased by 202 million yen and 39 million yen, respectively. The figures are after the application of the relevant accounting standards, etc., and comparisons with the same quarter of the previous year are not shown.

(ii) Sales

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

	Fiscal Year ended June 30, 2021 Second quarter	Fiscal Year ending June 30, 2022 Second quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	3,897	4,279	-	-
Digital Transformation Business	2,878	3,370	-	-
Outsourcing Business	1,179	1,466	-	-
Elimination of inter-segment transactions	(317)	(365)	-	-
Total	7,637	8,751	-	-

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year, and the figures for the second quarter of the fiscal year ending June 30, 2022 are the figures after the application of the said accounting standard, etc., so the year-on-year comparison is not stated.

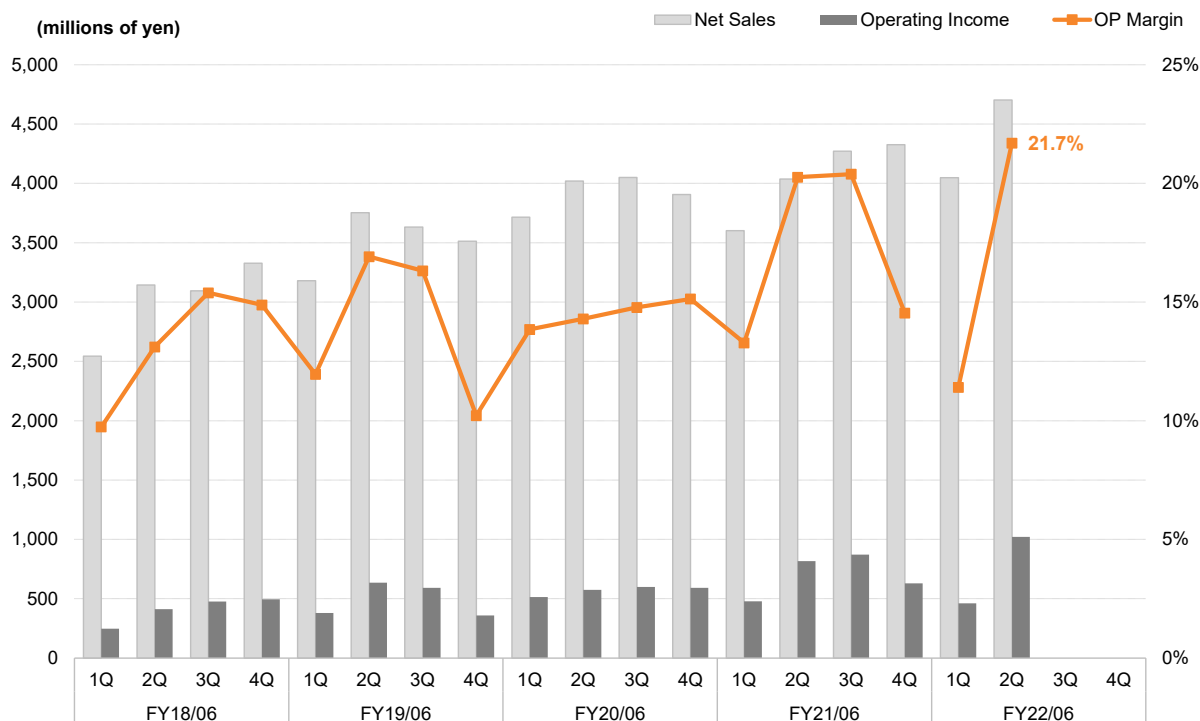
Quarterly trends in revenues and operating income are as follows:

Revenues and Operating Income for the Last four quarters

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

	Fiscal Year ended June 30, 2021		Fiscal Year ending June 30, 2022	
	Third quarter	Fourth quarter	First quarter	Second quarter
Revenue	4,271	4,326	4,047	4,703
Operating income	871	629	461	1,020
Operating income margin (%)	20.4	14.5	11.4	21.7

Quarterly trends of revenue, operating income and operating margins



(2) Discussion on Financial Position

(i) Financial position

Total assets at the end of the second quarter of the current fiscal year were 13,753 million yen (down 203 million yen from the end of the previous fiscal year). This was mainly due to a decrease of 206 million yen in current assets, resulting from a 389 million yen decrease in cash and deposits, a 74 million yen decrease in prepaid expenses, and a 263 million yen increase in notes and accounts receivable-trade and contract assets.

On the other hand, total liabilities amounted to 4,374 million yen (down 795 million yen from the end of the previous consolidated fiscal year). This was mainly due to a decrease of 133 million yen in income taxes payable, a decrease of 480 million yen in unearned revenue, a decrease of 88 million yen in provision for bonuses, and a decrease of 86 million yen in provision for directors' bonuses.

Total net assets were 9,379 million yen (up 592 million yen from the end of the previous fiscal year) due to the posting of 865 million yen in net income attributable to shareholders of the parent company, an increase of 71 million yen in retained earnings brought forward due to the application of the revenue recognition accounting standard, etc., and the payment of 413 million yen in dividends from retained earnings. As a result, the equity ratio improved by 5.2 percentage points from the previous fiscal year to 68.2% (63.0% 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.

(ii) Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter decreased by 387 million yen from the end of the previous fiscal year to 7,398 million yen. The status of each cash flow and their factors are as follows.

<Cash flows from operating activities>

Net cash used by operating activities amounted to 284 million yen. (250 million yen used for the same quarter of the previous year)

The main reasons for the increase were income before income taxes and minority interests of 1,437 million yen, an increase in notes and accounts payable-trade of 88 million yen, and an increase in accounts payable-other and accrued expenses of 136 million yen, while the main reasons for the decrease were a decrease in provision for bonuses of 88 million yen, an increase in notes and accounts receivable-trade and contract assets of 84 million yen, a decrease in unearned revenue of 480 million yen, and income taxes paid of 710 million yen.

<Cash flows from investing activities>

Net cash used in investing activities was 254 million yen. (102 million yen used for the same quarter of the previous year)

The main accounts of cash outflow were payments for purchase of property, plant and equipment of 82 million yen, payments for purchase of intangible assets of 197 million yen, and payments for lease and guarantee deposits of 181 million yen, while the main accounts of cash inflow were proceeds from collection of lease and guarantee deposits of 216 million yen.

<Cash flows from financing activities>

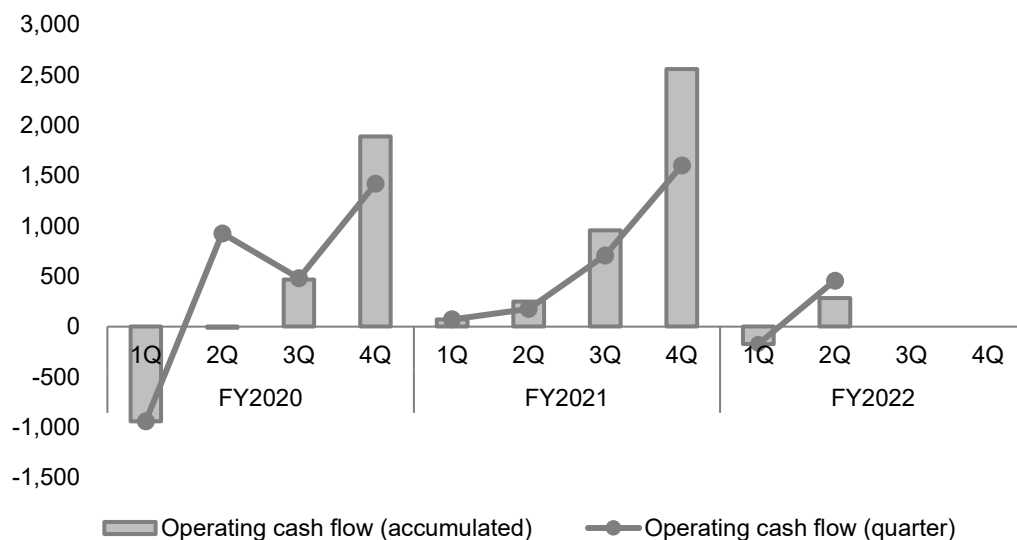
Net cash used in financing activities was 422 million yen. (351 million yen used for the same quarter of the previous year)

The main components of cash outflow were cash dividends paid of 413 million yen.

In our group, cash flow from operating activities in the second quarter was at a low level due to the payment of income taxes and the payment of performance-based bonuses to officers and employees, and it gradually increases from the second quarter onward, and is typically positive for the full fiscal year.

Maintenance fees and commissions paid for the outsourcing business in the consolidated accounting-related business are prepaid for the year in advance of the provision of services. As a result, the business model has almost no need for working capital than the original. In the business intelligence business, on the other hand, as outsourcing costs and other expenses are paid in advance, working capital demand will increase as sales grow. However, by concentrating the excess funds of the Group as a whole in the holding company, the Group is able to smoothly extend funds across the Group. In addition to the total amount of cash held, the Group has established a commitment line totaling 3.5 billion yen with each bank with which it does business. Accordingly, at present there are no concerns about funding, and rather, we intend to use the excess funds for strategic investment in the future.

Quarterly trends of operating cash flow (millions of yen)



Accumulated cash flow from operation for the first quarter of fiscal year ending June 30, 2021 was 72 million yen.
 Accumulated cash flow from operation for the second quarter of fiscal year ending June 30, 2020 was use of 13 million yen.

(3) Earnings Forecasts

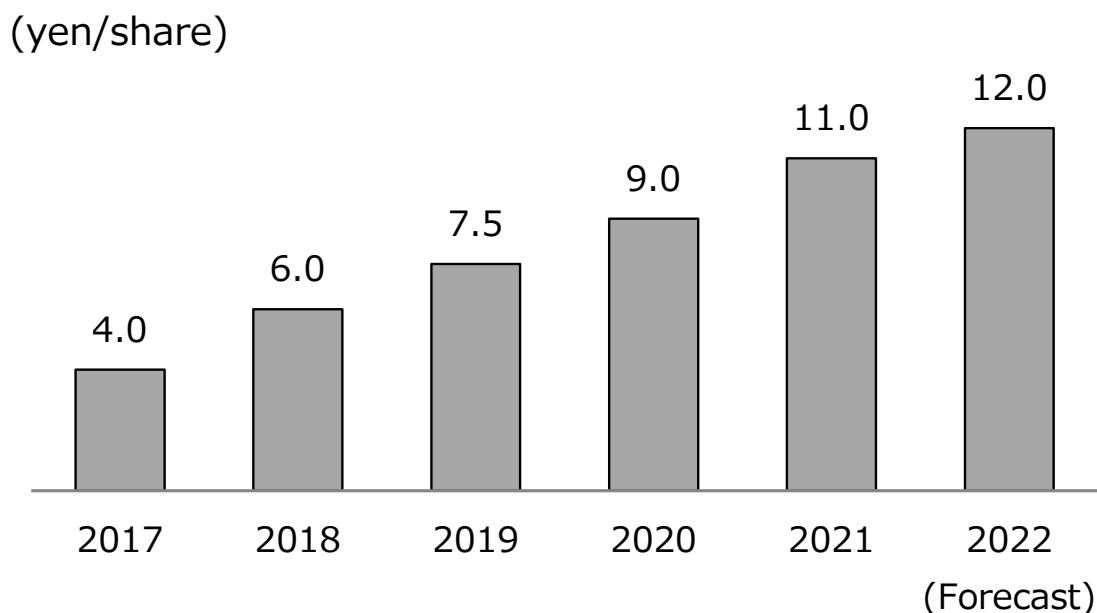
In September 2018, we announced our new medium-term management plan, a five-year plan for the year ending June 2023. In Fiscal Year ending June 2022, the fourth year of the plan, we plan to sustainably grow our three existing businesses while also promoting a variety of activities aimed at dramatically improving recurrent revenue ratio, which is one of the key goals of our medium-term management plan.

While the spread of the new coronavirus infection has had a significant impact on the activities of domestic companies, more and more companies are looking to strengthen their management and group governance through the use of data, and to improve business continuity by externalizing business processes such as accounting and disclosure. However, the number of companies that want to improve business continuity by utilizing data, strengthening group governance, and externalizing business processes such as accounting and disclosure is on the rise.

As a result of these developments, the Company expects to achieve net sales of 17,820 million yen and operating income of 2,860 million yen for the current consolidated fiscal year.

This forecast is based on the assumption that the spread of the new coronavirus disease will not cause a greater stagnation in the economic activities of domestic companies than is currently the case. This forecast is based on the assumption that the spread of the new coronavirus will not cause a greater stagnation in the economic activities of domestic companies than is currently the case. In the event that the spread of the new coronavirus becomes more severe in the future, the business results of the Group may be worse than expected. The Group's operating results may be worse than expected if the situation becomes more severe.

With regard to dividends, in accordance with our previous policy, we will raise the dividend on equity ratio while always keeping in mind that it will always exceed the average for all listed companies. At the same time, we will strive to pay a stable dividend (in principle, dividends per share will not fall below the level of the previous fiscal year). In accordance with this policy, the Company forecasts a dividend of 12 yen per share for the fiscal year under review.



2. Quarter Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(thousands of yen)	
	End of previous fiscal year (As of June 30, 2021)	End of second quarter of the fiscal year under review (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	7,238,708	6,848,791
Notes and accounts receivable - trade	2,586,194	—
Notes and accounts receivable - trade, and contract assets	—	2,849,472
Securities	500,000	590,153
Work in process	82,666	23,269
Raw materials and supplies	49,336	43,839
Prepaid expenses	541,037	466,965
Other	53,313	23,469
Allowance for doubtful accounts	(3,425)	(4,319)
Total current assets	11,047,830	10,841,640
Non-current assets		
Property, plant and equipment	407,299	428,049
Intangible assets		
Software	607,818	689,725
Other	639	620
Total intangible assets	608,458	690,346
Investments and other assets		
Investment securities	491,381	453,912
Shares of subsidiaries and associates	267,890	228,496
Long-term prepaid expenses	12,101	20,102
Leasehold and guarantee deposits	614,316	627,098
Deferred tax assets	382,214	338,743
Other	125,473	125,473
Total investments and other assets	1,893,377	1,793,825
Total non-current assets	2,909,135	2,912,220
Total assets	13,956,966	13,753,861

(thousands of yen)

	End of previous fiscal year (As of June 30, 2021)	End of second quarter of the fiscal year under review (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	459,394	547,877
Lease obligations	14,212	13,537
Accounts payable - other, and accrued expenses	397,920	318,767
Income taxes payable	404,668	270,721
Unearned revenue	2,278,978	1,798,022
Provision for bonuses	776,735	688,484
Provision for bonuses for directors (and other officers)	140,213	53,798
Provision for loss on order received	74	—
Other	471,227	445,886
Total current liabilities	4,943,427	4,137,096
Non-current liabilities		
Lease obligations	30,752	24,353
Asset retirement obligations	195,579	209,514
Deferred tax liabilities	—	3,386
Total non-current liabilities	226,331	237,254
Total liabilities	5,169,758	4,374,351
Net assets		
Shareholders' equity		
Share capital	311,568	329,128
Capital surplus	248,368	265,928
Retained earnings	8,169,386	8,692,377
Treasury shares	(549)	(549)
Total shareholders' equity	8,728,774	9,286,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,114	87,287
Deferred gains or losses on hedges	27	63
Foreign currency translation adjustment	291	5,274
Total accumulated other comprehensive income	58,433	92,625
Total net assets	8,787,207	9,379,509
Total liabilities and net assets	13,956,966	13,753,861

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated income statement for the quarter

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2020 to December 31, 2020)	Second quarter of fiscal year under review (From July 1, 2021 to December 31, 2021)
Net sales	7,637,964	8,751,335
Cost of sales	4,111,324	4,603,233
Gross profit	3,526,640	4,148,102
Selling, general and administrative expenses	2,230,618	2,666,089
Operating profit	1,296,022	1,482,012
Non-operating income		
Interest income	214	122
Dividend income	2,997	2,949
Gain on investments in investment partnerships	3,899	—
Subsidy income	3,280	1,787
Reversal of allowance for doubtful accounts	2,393	—
Other	1,195	659
Total non-operating income	13,981	5,517
Non-operating expenses		
Interest expenses	533	403
Share of loss of entities accounted for using equity method	—	43,559
Loss on investments in investment partnerships	—	1,133
Commission expenses	2,747	2,869
Foreign exchange losses	377	855
Share issuance costs	424	508
Other	71	647
Total non-operating expenses	4,154	49,978
Ordinary profit	1,305,849	1,437,551
Extraordinary income		
Gain on sale of non-current assets	641	—
Total extraordinary income	641	—
Profit before income taxes	1,306,491	1,437,551
Income taxes - current	380,747	575,862
Income taxes - deferred	101,200	(3,690)
Total income taxes	481,948	572,171
Profit	824,542	865,379
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	824,542	865,379

Quarter Consolidated Statements of Comprehensive Income

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2020 to December 31, 2020)	Second quarter of fiscal year under review (From July 1, 2021 to December 31, 2021)
Profit	824,542	865,379
Other comprehensive income		
Valuation difference on available-for-sale securities	25,336	29,173
Deferred gains or losses on hedges	(38)	35
Foreign currency translation adjustment	(4,947)	4,878
Share of other comprehensive income of entities accounted for using equity method	—	104
Total other comprehensive income	20,349	34,192
Comprehensive income	844,892	899,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	844,892	899,572
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(thousands of yen)

	Second quarter of previous fiscal year (From July 1, 2020 to December 31, 2020)	Second quarter of fiscal year under review (From July 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,306,491	1,437,551
Depreciation	126,480	140,912
Share-based payment expenses	6,339	7,724
Increase (decrease) in allowance for doubtful accounts	(2,393)	894
Increase (decrease) in provision for bonuses	(275,786)	(88,251)
Increase (decrease) in provision for bonuses for directors (and other officers)	(68,594)	(72,704)
Increase (decrease) in provision for loss on order received	(12,288)	(74)
Interest and dividend income	(3,212)	(3,071)
Interest expenses	533	403
Loss (gain) on sale of property, plant and equipment	(641)	—
Commission expenses	2,747	2,869
Share issuance costs	424	508
Share of loss (profit) of entities accounted for using equity method	—	43,559
Loss (gain) on investments in investment partnerships	(3,899)	1,133
Subsidy income	(3,280)	(1,787)
Decrease (increase) in trade receivables	251,723	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	—	(84,358)
Decrease (increase) in inventories	(95,011)	(5,129)
Increase (decrease) in trade payables	18,884	88,469
Increase (decrease) in accounts payable - other, and accrued expenses	(14,177)	136,675
Increase (decrease) in accrued consumption taxes	(157,809)	(19,130)
Increase (decrease) in unearned revenue	(357,264)	(480,956)
Increase (decrease) in deposits received	8,485	25,137
Other, net	(4,431)	(139,736)
Subtotal	723,319	990,641
Interest and dividends received	3,347	3,067
Interest paid	(533)	(403)
Subsidies received	3,280	1,787
Income taxes paid	(479,054)	(710,250)
Net cash provided by (used in) operating activities	250,358	284,842

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2020 to December 31, 2020)	Second quarter of fiscal year under review (From July 1, 2021 to December 31, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(78,064)	(82,701)
Proceeds from sale of property, plant and equipment	641	—
Purchase of intangible assets	(90,911)	(197,311)
Purchase of investment securities	(10,463)	(11,230)
Payments of leasehold and guarantee deposits	(330)	(181,170)
Proceeds from refund of leasehold and guarantee deposits	68,583	216,875
Other, net	8,239	929
Net cash provided by (used in) investing activities	<u>(102,306)</u>	<u>(254,608)</u>
Cash flows from financing activities		
Repayments of finance lease obligations	(8,537)	(7,073)
Commission fee paid	(4,132)	(1,117)
Dividends paid	(338,256)	(413,602)
Other, net	(424)	(508)
Net cash provided by (used in) financing activities	<u>(351,351)</u>	<u>(422,302)</u>
Effect of exchange rate change on cash and cash equivalents	(4,187)	4,087
Net increase (decrease) in cash and cash equivalents	<u>(207,486)</u>	<u>(387,980)</u>
Cash and cash equivalents at beginning of period	6,370,860	7,786,223
Cash and cash equivalents at end of period	<u>6,163,373</u>	<u>7,398,242</u>

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the first quarter of the current fiscal year and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

As a result, for contracts whose performance obligations are to be satisfied over a certain period of time, except for contracts with very short periods of time, the Company has changed to a method of estimating the degree of progress toward satisfaction of performance obligations and recognizing revenue based on that degree of progress over a certain period of time. However, for transactions in which the Group's role in providing goods or services to customers falls under the category of agent, the Group has decided to recognize revenue at the net amount received from the customer less the amount paid to the supplier.

For the application of the revenue recognition accounting standard, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the revenue recognition accounting standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current first quarter has been added to or deducted from retained earnings at the beginning of the current first quarter, and the relevant opening balance The new accounting policy has been applied from the beginning of the current fiscal year. However, the Company has applied the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition and has not applied the new accounting policy retrospectively to contracts in which almost all of the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method prescribed in Paragraph 86, Paragraph 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter of the current fiscal year. The cumulative effect of this change was added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales for the second quarter of the current fiscal year increased by 23,230,000 yen, cost of sales decreased by 103,599,000 yen, and operating income, ordinary income, and income before income taxes and minority interests each increased by 126,829,000 yen. In addition, the balance of retained earnings at the beginning of the period decreased by 71,213,000 yen.

Due to the application of the revenue recognition accounting standard, "Notes and accounts receivable-trade," which was presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Notes, accounts receivable-trade and contract assets" from the first quarter of the current fiscal year. In addition, "Decrease (increase) in notes and accounts receivable-trade," which was presented in "Cash flows from operating activities" in the quarterly consolidated statements of cash flows for the second quarter of the previous fiscal year, is now included in "Decrease (increase) in notes and accounts receivable-trade and contract assets" from the first quarter of the current fiscal year. (Increase) decrease in notes and accounts receivable-trade. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the previous fiscal year and the second quarter of the previous fiscal year have not been reclassified using the new presentation method. In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not presented disaggregated information on revenues from contracts with customers for the second quarter of the previous fiscal year.

(Application of Accounting Standard for Measurement of Fair Value, etc.)

The Company has applied "Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Accounting Standard")" etc. from the beginning of the first quarter of the current fiscal year, and will apply the new accounting policies set forth by the Accounting Standard for

Measurement of Fair Value, prospectively in accordance with the transitional treatments set forth in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (Corporate Accounting Standard No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Accounting estimates related to the spread of new coronavirus infections)

There has been no significant change in the assumptions regarding the impact of the new coronavirus infection described in (Additional Information) (Accounting Estimates Regarding the Spread of the New Coronavirus Infection) in the Annual Securities Report for the previous fiscal year.

(Segment information)

Previous quarter (From July 1, 2020 to December 31, 2020)

1. Information on revenues and profits or losses by reported segment

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Net sales				
Sales to customers	3,883,251	2,876,507	878,205	7,637,964
Intersegment sales	14,067	1,751	301,430	317,250
Total	3,897,319	2,878,259	1,179,635	7,955,214
Segment profit	843,897	341,821	295,501	1,481,221

2. Difference between the total amount of income (loss) of reportable segments and the amount recorded in the quarterly consolidated statements of income, and major details of said difference (matters related to difference reconciliation)

(thousands of yen)

Profit	Amount
Reportable segments total	1,481,221
Elimination of transactions between the Company and segments	375,211
Corporate expenses (Note)	(558,775)
Others	(1,634)
Operating income in the quarterly consolidated statements of income	1,296,022

(Note) Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

Current quarter (From July 1, 2021 to December 31, 2021)

1. Information on net sales and profits or losses by reported segment

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Net sales to external customers	4,263,835	3,355,173	1,132,326	8,751,335
Intersegment sales and transfers	16,143	15,682	333,878	365,704
Total	4,279,979	3,370,855	1,466,204	9,117,040
Segment profit	885,631	552,488	356,607	1,794,727

2. Difference between the total amount of income (loss) of reportable segments and the amount recorded in the quarterly consolidated statements of income, and major details of said difference (matters related to difference reconciliation)

(thousands of yen)

Profit	Amount
Reportable segments total	1,794,727
Elimination of transactions between the Company and its segments	373,842
Corporate expenses (Note)	(687,076)
Others	519
Operating income in the quarterly consolidated statements of income	1,482,012

(Note) Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

3. Matters concerning changes in reportable segments, etc.

Effective from the first quarter of the current fiscal year, the Company has changed the names of its reportable segments from "Consolidated Accounting Related Business" and "Business Intelligence Business" to "Group Governance Business" and "Digital Transformation Business" in order to properly present the nature of its business. This change has no impact on segment information as it is a change in segment name. The segment information for the second quarter of the previous fiscal year is also presented using the names after the change.

As stated in the "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, so the method for calculating profit or loss in the business segment has been changed as well.

As a result of this change, net sales and segment income in the Group Governance Business for the second quarter of the current fiscal year increased by 186,434,000 yen and 106,225,000 yen, respectively, and net sales and segment income in the Digital Transformation Business decreased by 163,204,000 yen and increased by 20,604,000 yen, respectively, compared with those calculated using the previous method.

(Revenue recognition)

Breakdown of revenue from contracts with customers

Cumulative period for Consolidated Second Quarter (from July 1, 2021 to December 31, 2021)

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	230,384	27,620	86,649	344,655
Goods or services that are transferred over a period of time	4,033,451	3,327,552	1,045,677	8,406,680
Net sales to external customers	4,263,835	3,355,173	1,132,326	8,751,335