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Consolidated Summary Report under Japanese GAAP for the Fiscal Year ended June 30, 2022

August 5, 2022

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Code Number: 3836
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Annual General Meeting of Shareholders date: September 27, 2022 Dividend payment date: September 28, 2022
Securities report issue date: September 22, 2022
Supplementary information for financial statements: Available
Explanatory meeting to be held: Yes (for analysts)

1. Consolidated results for the fiscal year ended June 30, 2022

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

(1) Consolidated results of operations

Fiscal Year	Revenue		EBITDA		Operating income		Ordinary income		Profit attributable to shareholders of parent company	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
ended June 30, 2022	18,703	—	3,582	—	3,247	—	2,988	—	2,045	—
ended June 30, 2021	16,236	3.5	3,038	21.2	2,796	22.7	2,808	23.1	1,888	22.8

Comprehensive income (loss) for the fiscal year ended June 30, 2022 2,117 million yen (-%) for the fiscal year ended June 2021 1,914 million yen (22.5%)

Fiscal Year	Net profit per share	Diluted net profit per share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Revenue
	yen	yen	%	%	%
ended June 30, 2022	54.37	-	21.1	19.6	17.4
ended June 30, 2021	50.24	-	23.6	21.8	17.2

(Reference) Share in profit of associated company for the fiscal year ended June 30, 2022: (269) million yen for the fiscal year ended June 30, 2021: (8) million yen
(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 third 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	Net Assets per Share
As of	Unit: million yen	Unit: million yen	%	Yen
June 30, 2022	16,617	10,597	63.8	281.68
June 30, 2021	13,956	8,787	63.0	233.70

(Reference) Net assets attributable to the company's shareholders As of June 30, 2022 10,597 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 fiscal year ended June 30, 2022 are the figures after the application of the said accounting standard, etc.

(3) Consolidated cash flows

Fiscal Year	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
ended June 30, 2022	3,026	(398)	(433)	10,002
ended June 30, 2021	2,561	(789)	(359)	7,786

2. Dividends on common stock

Fiscal Year Ended	Dividends per share					Total Dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
June 30, 2021	-	0.00	-	11.00	11.00	413	21.9	5.2
June 30, 2022	-	0.00	-	13.00	13.00	489	23.9	5.0
June 30, 2023 (Forecast)	-	0.00	-	15.00	15.00		27.8	

(Note) Breakdown of year-end dividend for the fiscal year ending June 30, 2022 Ordinary dividend: 12.00 yen Commemorative dividend: 1.00 yen (25th anniversary commemorative dividend)

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2023

(Percentages indicate year-on-year changes)

Fiscal Year ending June 30, 2023	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
	21,800	16.6	3,100	-4.5	3,100	3.7	2,030	-0.7	53.96

(Notes) Since the Company manages its operations on an annual basis, the consolidated business forecast for the second quarter (cumulative) is not provided. For details, please refer to "1. Quantitative Information on Financial Results (4) Earnings Forecasts" on page 10 of the attached document.

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 (5) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 19 of the attached materials.

(4) Number of shares outstanding (common stock)

(i) Total shares outstanding including treasury stock

As of June 30, 2022	37,625,501 shares	As of June 30, 2021	37,603,203 shares
As of June 30, 2022	2,998 shares	As of June 30, 2021	2,951 shares
Fiscal Year ended June 30, 2022	37,614,361 shares	Fiscal Year ended June 30, 2021	37,595,528 shares

(ii) Shares of treasury stock held

(iii) Average outstanding shares

* This report is exempt from the audits of certified public accountants 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 10 for the assumptions for earnings forecasts and notes for using earnings forecasts.

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1. Qualitative Information on Financial Results

(1) Management's Discussion on Business Operations for Current Fiscal Year

Consolidated financial results for 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 previous year in the table for the current fiscal year are not shown.

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

	Fiscal Year ended June 30, 2021	Fiscal Year ended June 30, 2022	Year on Year Change	
			Amount	%
Net sales	16,236	18,703	-	-
Operating income	2,796	3,247	-	-
Ordinary income	2,808	2,988	-	-
Profit attributable to owners of parent company	1,888	2,045	-	-

(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 fiscal year ended 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 current fiscal year were 18,703 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 397 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 296 million yen.

In other words, net sales before the application of the accounting standard for revenue recognition were 18,804 million yen, an increase of 15.8% year on year, and the impact of the change in accounting standards added negative 100 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 34.6%, down 1.4 percentage points from the previous fiscal year. The total amount increased by 10.7% compared to the previous year.

As for profits, operating income was 3,247 million yen, ordinary income was 2,988 million yen, and net income attributable to shareholders of the parent company was 2,045 million yen. Since operating income increased by 208 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 3,038 million yen, which is a 8.7% increase compared to 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.

Since the spread of the new coronavirus, the performance of Metapraxis in the U.K. and the U.S. has not recovered well, and its financial position is significantly lower than we had expected at the time of our investment. The financial position of the company has also fallen below a certain level, and the company has recorded an impairment loss on the shares of the company. As a result, ordinary income and net income attributable to owners of the parent decreased. On the other hand, we have been selling and introducing Metapraxis' products in Japan after converting them into Japanese, and the business is steadily growing.

The status of each reportable segment is as follows.

(i) Net sales

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

	Fiscal Year ended June 30, 2021	Fiscal Year ended June 30, 2022	Year on Year Change	
			Amount	%
Group Governance Businesses	8,160	9,372	-	-
Digital Transformation Business	6,250	7,015	-	-
Outsourcing Business	2,479	3,044	-	-
Elimination of inter-segment transactions	(654)	(729)	-	-
Consolidated net sales	16,236	18,703	-	-

(ii) Operating income

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

	Fiscal Year ended June 30, 2021	Fiscal Year ended June 30, 2022	Year on Year Change	
			Amount	%
Group Governance Businesses	1,935	2,060	-	-
Digital Transformation Business	811	1,244	-	-
Outsourcing Business	523	661	-	-
Corporate Expenses and Elimination of inter-segment transactions	(473)	(718)	-	-
Consolidated operating income	2,796	3,247	-	-

(Note) 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 ended June 30, 2022. As a result, the figures for the fiscal year ended June 30, 2022 are after the application of the said accounting standards, etc., and comparisons with the previous fiscal year are not stated.

For the Group Governance Business, net sales were 9,372 million yen. The effect of the application of the accounting standard for revenue recognition, etc. increased by 262 million yen, which would have been a 11.6% increase compared to 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 2,060 million yen (an increase of 144 million yen due to the impact of the change in accounting standards and decrease of 1.0% from 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 7,015 million yen (down 355 million yen due to the impact of the change in accounting standards, but up 17.9% from 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 1,244 million yen (an increase of 69 million yen due to the impact of the

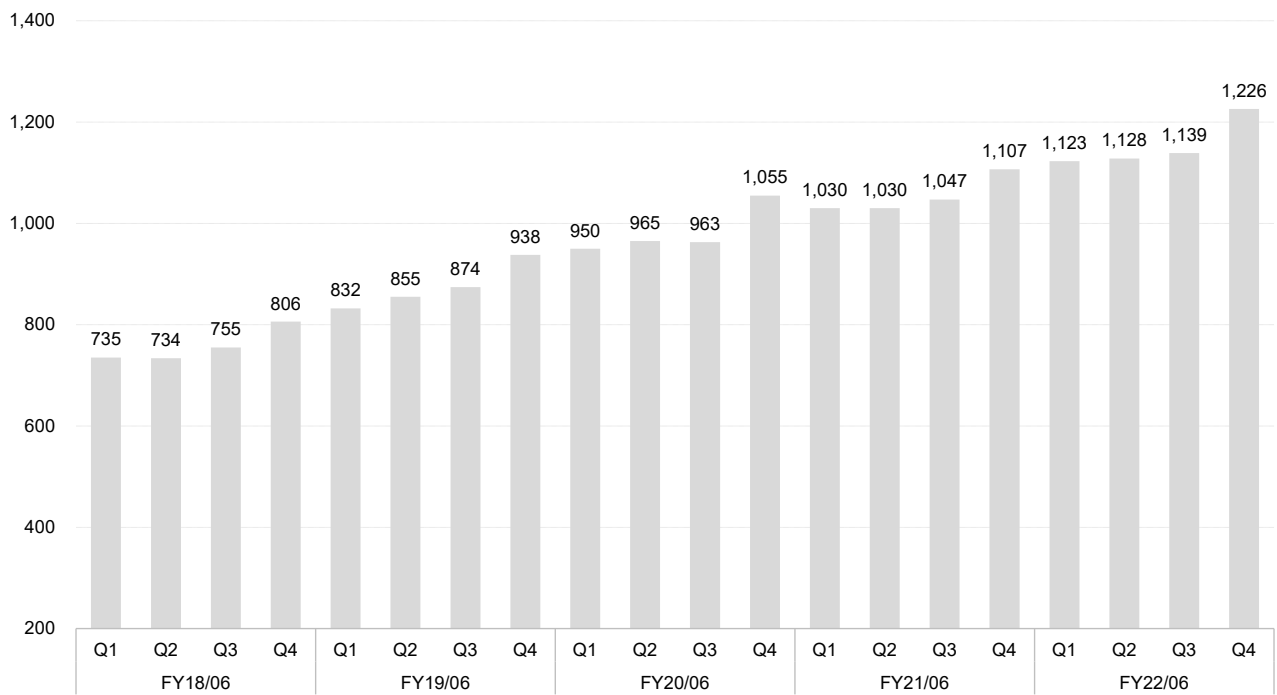
change in accounting standards, and a 44.8% increase compared to the previous year under the previous accounting standards), significantly higher than the previous year.

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 3,044 million yen (decrease of 8 million yen due to change in accounting standards, and up 23.1% from the previous fiscal year under the previous accounting standards) and operating income of 661 million yen (decrease of 6 million yen due to change in accounting standards, and up 27.5% from the previous fiscal year under the previous accounting standards). 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 1,226 at the end of the fiscal year, up 119 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 for 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 ended June 30, 2022		Year on Year Change	
					Amount	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders
Group Governance Businesses	8,510	2,349	10,155	3,132	-	-
Digital Transformation Business	6,639	1,244	6,902	1,131	-	-
Outsourcing Business	2,987	1,457	4,032	2,446	-	-
Elimination of inter-segment transactions	(735)	(290)	(1,017)	(578)	-	-
Total	17,401	4,761	20,073	6,131	-	-

The effect of applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the first quarter of the current fiscal year has decreased the order backlog in the Group Governance business by 262 million yen. In addition, orders received and order backlogs for the Digital Transformation Business decreased by 397 million yen and 42 million yen, respectively. In addition, the order backlog in the Outsourcing business increased by 8 million yen. The figures are after the application of the relevant accounting standards, etc., and comparisons with the previous year are not shown.

(ii) Net sales

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

	Fiscal Year ended June 30, 2021		Fiscal Year ended June 30, 2022		Year on Year Change	
					Amount	%
Group Governance Businesses	8,160		9,372		-	-
Digital Transformation Business	6,250		7,015		-	-
Outsourcing Business	2,479		3,044		-	-
Elimination of inter-segment transactions	(654)		(729)		-	-
Total	16,236		18,703		-	-

(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 fiscal year ended June 30, 2022 are the figures after the application of the said accounting standard, etc., so the year-on-year comparison is not stated.

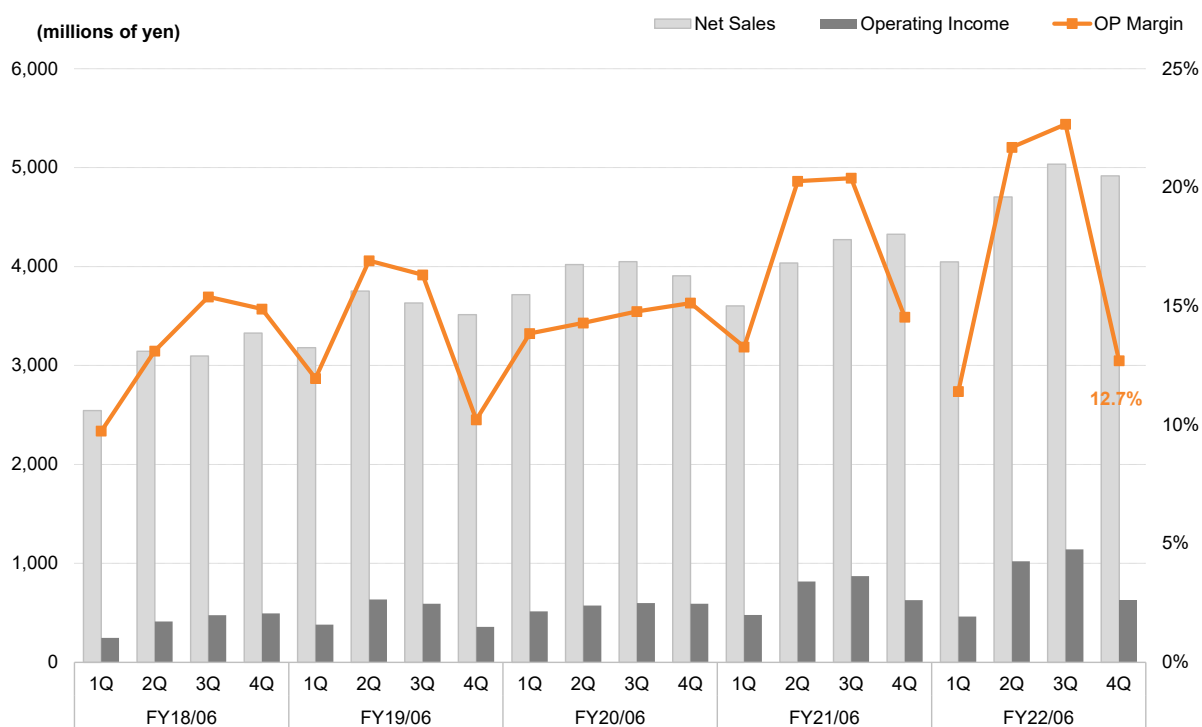
Quarterly trends in revenues and operating income are as follows:

Revenues and Operating Income for the Last four quarters

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

	Fiscal Year ended June 30, 2022			
	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales	4,047	4,703	5,035	4,916
Operating income	461	1,020	1,140	624
Operating income margin (%)	11.4	21.7	22.7	12.7

Quarterly trends of revenue, operating income and operating margins



(2) Discussion on Financial Position

Total assets at the end of the current consolidated fiscal year were 16,617 million yen (up 2,660 million yen from the end of the previous consolidated fiscal year). This was mainly due to a 2,205 million yen increase in cash and deposits, a 437 million yen increase in notes and accounts receivable-trade and contract assets, a 186 million yen increase in deferred tax assets, and a 267 million yen decrease in shares of affiliates.

On the other hand, total liabilities amounted to 6,019 million yen (up 849 million yen from the end of the previous fiscal year). This was mainly due to a 202 million yen increase in notes and accounts payable-trade, a 181 million yen increase in income taxes payable, and a 273 million yen increase in provision for bonuses.

Total net assets amounted to 10,597 million yen (up 1,810 million yen from the end of the previous fiscal year), reflecting net income attributable to parent company shareholders of 2,045 million yen, an increase in retained earnings brought forward of 71 million yen due to the application of the accounting standard for revenue recognition, etc., and payment of 413 million yen in dividends from surplus. As a result, the equity ratio was 63.8% (63.0% at the end of the previous fiscal year), an improvement of 0.8 percentage points from the previous fiscal year, and the Company believes it maintains a highly stable financial balance with low interest-bearing debt.

(3) Discussion on Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year increased by 2,216 million yen from the end of the previous fiscal year to 10,002 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 3,026 million yen. (2,561 million yen was earned in the same period of the previous year).

The main factors of increase were income before income taxes and minority interests of 2,988 million yen, depreciation and amortization of 349 million yen, increase/decrease in allowance for bonuses of 273 million yen, equity in earnings of affiliates of 269 million yen, and increase/decrease in accounts payable of 202 million yen, etc. The main factors of decrease were increase/decrease in accounts receivable and contract assets of 258 million yen and income taxes paid of 925 million yen.

<Cash flows from investing activities>

Net cash used in investing activities was 398 million yen. (789 million yen used for the same period of the previous year)

Major outflows included 89 million yen for the acquisition of tangible fixed assets for office expansion and network development, 317 million yen for the acquisition of intangible fixed assets for IT infrastructure development, and 181 million yen for lease and guarantee deposits for office relocation, while major inflows included 216 million yen for the collection of lease and guarantee deposits.

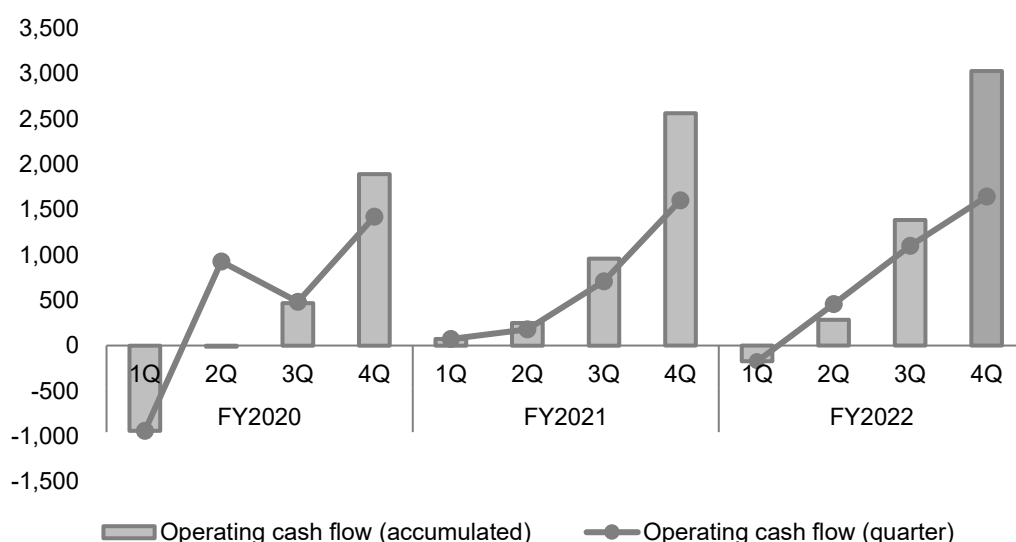
<Cash flows from financing activities>

Net cash used in financing activities was 433 million yen. (359 million yen used for the same period of the previous year)

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

Cash flow from operating activities is usually low in the first quarter due to payment of income taxes and performance-linked bonuses to executives and employees, and gradually increases from the second quarter onward, resulting in a positive cash flow for the full year. Cash flows from operating activities are usually positive for the full year. The maintenance fees in the Group Governance Business and commissions paid in the Outsourcing Business are paid in advance for the full year before the services are provided, making this a business model that requires almost no working capital from the outset. On the other hand, the Digital Transformation Business requires payment of outsourcing fees and other expenses in advance, which leads to an increase in working capital demand as sales grow. In addition, the Group as a whole has no cash flow concerns because it has established commitment lines totaling 3.5 billion yen with each bank with which it does business, in addition to its total cash holdings.

Quarterly trends of operating cash flow (millions of yen)



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

(4) Earnings Forecasts

In September 2018, we announced our new medium-term management plan, a five-year plan through the fiscal year ending June 30, 2023 (five-year target). Looking back on our progress up to the fiscal year ending June 30, 2022, we have achieved certain results, including sales, operating income, ROE, dividends, and other financial KPIs at an achievable level. However, the company has not achieved significant results in the transformation of its business model, as it has not developed software that will be the axis of future growth, and the stock sales ratio is well below the target level of 70%.

There are two reasons for this lack of progress. First, there has not been sufficient communication with the executive team of the Group's management strategy regarding the background and goals of the business model transformation that we aimed to achieve. Another reason is that the Group companies were required to simultaneously accelerate the growth of existing businesses and create new growth businesses, both of which were not achieving their lofty goals.

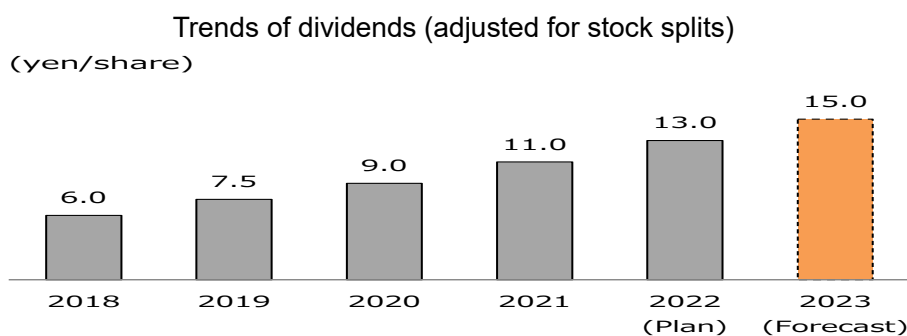
For this reason, we began formulating the next medium-term management plan as early as the second half of 2021, reconfirmed the group management strategy executive team and the group management philosophy, and summarized what the group should do to realize the vision as the Avant Group's materiality: "Become a software company that helps increase corporate value. To realize this materiality, the Group has set the following goals. Through discussions among the Group's executive management strategy team and the Board of Directors on specific measures to realize this materiality, we have come to the conclusion that it is effective to reorganize the Group into separate organizations to accelerate the growth of existing businesses and create new growth businesses, and have decided to reorganize the Group effective October 1, 2022. The reorganization will take effect on October 1, 2022, and the new Avant Group will be responsible for the business activities of the Group.

Although there is a risk that the spread of coronavirus infection, which has yet to be resolved, and the situation in Ukraine may indirectly affect our group's performance, we believe that the needs of our group's business are increasing, as more and more companies are looking to strengthen data-based management and group governance. We believe that the needs of the Group's business are increasing. By clarifying the direction of each operating company and expanding the means of response through the Group's reorganization, we will be able to respond to these growing needs better than ever before, and we aim to realize further sales growth. At the same time, in order to maximize the benefits of the reorganization, we plan to aggressively implement future-oriented expenditures, including a review of the Group's branding and a fundamental revision of our product development strategy, including the liquidation of low-margin products.

As a result, we expect to achieve net sales of 21,800 million yen and operating income of 3,100 million yen for the fiscal year ending June 30, 2023.

In accordance with our existing dividend policy, we will raise the ratio of dividends to net assets, always being conscious of exceeding the average of all listed companies, while at the same time striving to maintain stable dividends (in principle, dividends per share should not fall below the level of the previous fiscal year). The Company plans to propose a resolution at the general meeting of shareholders to be held on September 27, 2022, to pay an ordinary dividend of 12 yen plus a commemorative dividend of 1 yen for the 25th anniversary of the Company's founding, amounting to 13 yen.

Regarding dividends for the next fiscal year, there is no change in the above policy itself, and while remaining conscious of the average of all listed companies and the results of the current fiscal year with respect to the ratio of dividends to net assets, we forecast dividends of 15 yen per share to achieve one of the targets set in the current medium-term management plan for the final year.



2. Basic Policy on Selection of Accounting Standards

For the time being, the Group's policy is to prepare consolidated financial statements in accordance with Japanese GAAP. The Group's policy is to adopt IFRS as appropriate, taking into consideration various circumstances in Japan and overseas.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(thousands of yen)

	End of previous fiscal year (As of June 30, 2021)	End of current fiscal year under review (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	7,238,708	9,444,021
Notes and accounts receivable - trade	2,586,194	—
Notes and accounts receivable - trade, and contract assets	—	3,024,049
Securities	500,000	590,019
Work in process	82,666	18,100
Raw materials and supplies	49,336	82,827
Prepaid expenses	541,037	539,637
Other	53,313	46,346
Allowance for doubtful accounts	(3,425)	(3,685)
Total current assets	11,047,830	13,741,316
Non-current assets		
Property, plant and equipment		
Buildings	352,082	364,191
Accumulated depreciation	(120,833)	(156,239)
Buildings, net	231,248	207,952
Vehicles	843	843
Accumulated depreciation	(574)	(843)
Vehicles, net	268	0
Tools, furniture and fixtures	637,957	684,626
Accumulated depreciation	(462,175)	(494,461)
Tools, furniture and fixtures, net	175,782	190,165
Total property, plant and equipment	407,299	398,117
Intangible assets		
Software	607,818	676,429
Other	639	521
Total intangible assets	608,458	676,951
Investments and other assets		
Investment securities	491,381	511,133
Shares of subsidiaries and associates	267,890	—
Long-term prepaid expenses	12,101	29,713
Leasehold and guarantee deposits	614,316	560,883
Deferred tax assets	382,214	568,997
Other	125,473	129,933
Total investments and other assets	1,893,377	1,800,661
Total non-current assets	2,909,135	2,875,730
Total assets	13,956,966	16,617,046

(thousands of yen)

	End of previous fiscal year (As of June 30, 2021)	End of current fiscal year under review (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	459,394	662,316
Lease obligations	14,212	12,428
Accounts payable - other, and accrued expenses	397,920	392,568
Income taxes payable	404,668	586,626
Unearned revenue	2,278,978	—
Contract liabilities		2,355,344
Asset retirement obligations		15,606
Provision for bonuses	776,735	1,050,315
Provision for bonuses for directors (and other officers)	140,213	170,813
Provision for loss on order received	74	17,743
Other	471,227	556,718
Total current liabilities	4,943,427	5,820,483
Non-current liabilities		
Lease obligations	30,752	18,324
Asset retirement obligations	195,579	180,576
Total non-current liabilities	226,331	198,900
Total liabilities	5,169,758	6,019,383
Net assets		
Shareholders' equity		
Share capital	311,568	329,128
Capital surplus	248,368	265,928
Retained earnings	8,169,386	9,872,031
Treasury shares	(549)	(608)
Total shareholders' equity	8,728,774	10,466,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,114	103,126
Deferred gains or losses on hedges	27	236
Foreign currency translation adjustment	291	27,820
Total accumulated other comprehensive income	58,433	131,183
Total net assets	8,787,207	10,597,663
Total liabilities and net assets	13,956,966	16,617,046

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

Consolidated Statements of Income

	(thousands of yen)	
	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Net sales	16,236,129	18,703,387
Cost of sales	8,572,079	9,782,137
Gross profit	7,664,050	8,921,250
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	333,793	356,348
Employees' salaries and bonuses	1,253,099	1,527,471
Provision for bonuses	771,246	1,047,472
Provision for bonuses for directors (and other officers)	140,429	170,813
Legal welfare expenses	194,512	224,193
Outsourcing expenses	47,424	55,071
Rent expenses on land and buildings	267,942	239,805
Utilities expenses	89,689	81,375
Commission expenses	555,904	615,796
Depreciation	186,716	263,488
Research and development expenses	445,049	382,473
Other	582,157	709,749
Total selling, general and administrative expenses	4,867,964	5,674,060
Operating profit	2,796,085	3,247,189
Non-operating income		
Interest income	340	240
Dividend income	7,346	6,563
Gain on investments in investment partnerships	3,042	9,043
Foreign exchange gains	6,251	—
Subsidy income	7,334	2,127
Reversal of allowance for doubtful accounts	2,185	—
Other	1,519	1,102
Total non-operating income	28,019	19,077
Non-operating expenses		
Interest expenses	1,001	742
Share of loss of entities accounted for using equity method	8,732	269,244
Commission expenses	5,657	5,682
Foreign exchange losses	—	695
Share issuance costs	424	281
Other	72	647
Total non-operating expenses	15,889	277,294
Ordinary profit	2,808,216	2,988,973
Extraordinary income		
Gain on sale of non-current assets	641	—
Total extraordinary income	641	—
Profit before income taxes	2,808,858	2,988,973
Income taxes - current	947,797	1,186,181
Income taxes - deferred	(27,916)	(242,241)
Total income taxes	919,881	943,939
Profit	1,888,976	2,045,033
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,888,976	2,045,033

Consolidated Statements of Comprehensive Income

(thousands of yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Profit	1,888,976	2,045,033
Other comprehensive income		
Valuation difference on available-for-sale securities	22,255	45,012
Deferred gains or losses on hedges	21	208
Foreign currency translation adjustment	3,140	29,518
Share of other comprehensive income of entities accounted for using equity method	216	(1,989)
Total other comprehensive income	25,633	72,750
Comprehensive income	1,914,609	2,117,784
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,914,609	2,117,784
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Net Assets

Previous 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

Current Fiscal Year (period from July 1, 2021 to June 30, 2022)

(thousands of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	311,568	248,368	8,169,386	(549)	8,728,774
Cumulative effect of a change in accounting policy			71,213		71,213
Balance at beginning of current period reflecting change in accounting policy	311,568	248,368	8,240,600	(549)	8,799,988
Changes for the year					
Issue of new shares	17,559	17,559			35,119
Dividends			(413,602)		(413,602)
Net income attributable to shareholders of parent company			2,045,033		2,045,033
Purchase of treasury stock				(58)	(58)
Net changes of items other than shareholders' equity					
Total changes for the year	17,559	17,559	1,631,430	(58)	1,666,491
Balance at the end of the year	329,128	265,928	9,872,031	(608)	10,466,479

	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	58,114	27	291	58,433	8,787,207
Cumulative effect of a change in accounting policy					71,213
Balance at beginning of current period reflecting change in accounting policy	58,114	27	291	58,433	8,858,421
Changes for the year					
Issue of new shares					35,119
Dividends					(413,602)
Net income attributable to shareholders of parent company					2,045,033
Purchase of treasury stock					(58)
Net changes of items other than shareholders' equity	45,012	208	27,529	72,750	72,750
Total changes for the year	45,012	208	27,529	72,750	1,739,241
Balance at the end of the year	103,126	236	27,820	131,183	10,597,663

(4) Consolidated Statements of Cash Flows

(thousands of yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	2,808,858	2,988,973
Depreciation	254,152	349,494
Share-based payment expenses	14,063	16,640
Increase (decrease) in allowance for doubtful accounts	(2,185)	260
Increase (decrease) in provision for bonuses	57,646	273,579
Increase (decrease) in provision for bonuses for directors (and other officers)	19,214	44,311
Increase (decrease) in provision for loss on order received	(15,812)	17,669
Interest and dividend income	(7,686)	(6,804)
Interest expenses	1,001	742
Loss (gain) on sale of property, plant and equipment	(641)	—
Commission expenses	5,657	5,682
Share issuance costs	424	281
Share of loss (profit) of entities accounted for using equity method	8,732	269,244
Loss (gain) on investments in investment partnerships	(3,042)	(9,043)
Subsidy income	(7,334)	(2,127)
Decrease (increase) in trade receivables	(242,567)	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	—	(258,725)
Decrease (increase) in inventories	24,545	(38,948)
Decrease (increase) in prepaid expenses	4,961	4,913
Increase (decrease) in trade payables	30,945	202,862
Increase (decrease) in accounts payable - other, and accrued expenses	(83,370)	105,245
Increase (decrease) in accrued consumption taxes	(71,765)	105,396
Increase (decrease) in unearned revenue	203,236	—
Increase (decrease) in contract liabilities	—	26,613
Increase (decrease) in deposits received	5,897	22,829
Other, net	192,804	(175,457)
Subtotal	3,197,736	3,943,635
Interest and dividends received	8,063	6,804
Interest paid	(1,001)	(742)
Subsidies received	7,334	2,127
Income taxes paid	(650,444)	(925,207)
Net cash provided by (used in) operating activities	2,561,689	3,026,616

	(thousands of yen)	
	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Cash flows from investing activities		
Proceeds from redemption of securities	10,274	—
Purchase of property, plant and equipment	(114,360)	(89,885)
Proceeds from sale of property, plant and equipment	641	—
Payments for asset retirement obligations	(47,038)	(13,810)
Purchase of intangible assets	(429,414)	(317,336)
Purchase of investment securities	(21,308)	(23,682)
Purchase of shares of subsidiaries and associates	(269,335)	—
Payments of leasehold and guarantee deposits	(30,247)	(181,170)
Proceeds from refund of leasehold and guarantee deposits	107,000	216,875
Purchase of insurance funds	(4,459)	(4,459)
Other, net	8,461	14,511
Net cash provided by (used in) investing activities	(789,786)	(398,957)
Cash flows from financing activities		
Repayments of finance lease obligations	(15,547)	(14,212)
Commission fee paid	(5,212)	(5,044)
Purchase of treasury stocks	(73)	(58)
Dividends paid	(338,256)	(413,602)
Other, net	(424)	(281)
Net cash provided by (used in) financing activities	(359,514)	(433,200)
Effect of exchange rate change on cash and cash equivalents	2,974	22,188
Net increase (decrease) in cash and cash equivalents	1,415,363	2,216,647
Cash and cash equivalents at beginning of period	6,370,860	7,786,223
Cash and cash equivalents at end of period	7,786,223	10,002,870

(5) Notes to Consolidated Financial Statements

(Note on the Going Concern Assumption)

Not applicable.

(Note on Change in Accounting Policies)

(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 current fiscal year decreased by 100,655 thousand yen, cost of sales decreased by 309,255 thousand yen, and operating income, ordinary income, and income before income taxes and minority interests each increased by 208,600 thousand yen. In addition, the balance of retained earnings at the beginning of the period increased by 71,213 thousand 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 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 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 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 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.

(Revenue Recognition)

Breakdown of revenue from contracts with customers

Cumulative period for the fiscal year (from July 1, 2021 to June 30, 2022)

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	577,390	86,456	153,377	817,224
Goods or services that are transferred over a period of time	8,754,217	6,902,673	2,229,272	17,886,162
Net sales to external customers	9,331,607	6,989,129	2,382,650	18,703,387
Other income	—	—	—	—
Sales to external customers	9,331,607	6,989,129	2,382,650	18,703,387

(Segment Information)

1. Overview of reportable segments

(1) Method of determining reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group is working on "making management information usable (Group Governance Business)," "making it visible (Digital Transformation Business)," and "delegating it (Outsourcing Business)," and is managing performance in its business portfolio in three areas. The three reportable segments are "Group Governance Business," "Digital Transformation Business," and "Outsourcing Business."

(2) Products and services in each reportable segment

In the "Group Governance Business," DIVA Corporation sells licenses of DivaSystem, a proprietary software package for consolidated management and consolidated accounting, and provides consulting services for its introduction. After the system is up and running, the company also provides ongoing maintenance services, including support for version upgrades.

In addition, we provide consulting services and solutions related to IFRS compliance, business management sophistication, budgeting, and management accounting.

The Group Governance Business also includes information retrieval services for disclosure documents provided mainly to audit firms by Internet Disclosure, Inc.

In the "Digital Transformation Business," Zeal Co., Ltd. provides system integration services for the use of information called BI (Business Intelligence). This is a system development service that integrates and organizes the vast amount of corporate data accumulated in business systems, etc., so that it can be analyzed in reports and graphs and used for corporate decision-making, thereby helping customers improve their "information utilization capabilities."

In the "outsourcing business," Fierce Corporation provides outsourcing services for consolidated financial closing and consolidated tax payment. The company provides a portion of the client's operations on behalf of the client, thereby eliminating the need for outsourcing and eliminating operational bottlenecks.

(3) Changes in Reporting Segments

Effective from the current consolidated fiscal year, the Company changed the names of its reporting segments from "Consolidated Accounting Related Business" and "Business Intelligence Business" to "Group Governance Business" and "Digital Transformation Business" in order to properly present its business activities. This change in segment names has no impact on segment information. The segment information for the previous fiscal year is also presented under the new names.

2. Method of calculating net sales, income or loss, assets, liabilities and other items by reportable segment

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 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 of the "Group Governance Business" increased 262,729 thousand yen and 144,653 thousand yen, respectively, while net sales and segment income of the "Digital Transformation Business" decreased 355,250 thousand yen and increased 69,979 thousand yen, net sales in the "Outsourcing Business" decreased 8,133 thousand yen and segment income decreased 6,033 thousand yen respectively, in the current consolidated cumulative period compared with the figures calculated using the previous method.

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

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

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	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

Current fiscal year (From July 1, 2021 to June 30, 2022)

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	9,331,607	6,989,129	2,382,650	18,703,387
Intersegment sales and transfers	41,041	26,233	661,941	729,215
Total	9,372,648	7,015,362	3,044,591	19,432,603
Segment profit	2,060,552	1,244,346	661,069	3,965,969
Segment Assets	7,059,005	3,369,494	1,585,235	12,013,735
Segment Liabilities	4,342,310	1,863,904	878,899	7,085,114
Other items				
Depreciation	157,857	20,267	34,992	213,117
Increase in tangible fixed assets and intangible fixed assets	160,260	688	56,315	217,264
Investment in equity method affiliates	—	—	—	—

4. Differences between the sum of the reportable segments and the amounts reported in the consolidated financial statements, and the main contents of such differences (matters related to adjustments for differences)

(thousands of yen)

Revenue	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	16,890,775	19,432,603
Elimination of transaction between the Company and segment	(654,645)	(729,215)
Revenue reported in consolidated financial statements	16,236,129	18,703,387

(thousands of yen)

Profits	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	3,269,980	3,965,969
Elimination of transaction between the Company and segment	741,541	756,918
Corporate expenses (Note)	(1,214,769)	(1,476,259)
Others	(666)	561
Operating Income reported in consolidated financial statements	2,796,085	3,247,189

(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	9,804,619	12,013,735
Elimination of transaction between the Company and segment	(2,322,587)	(3,994,187)
Corporate assets (Note)	6,500,363	8,605,252
Others	(25,429)	(7,754)
Total assets reported in consolidated financial statements	13,956,966	16,617,046

(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	6,334,592	7,085,114
Elimination of transaction between the Company and segment	(1,704,465)	(1,781,292)
Corporate liabilities (Note)	562,249	718,514
Others	(22,618)	(2,953)
Total liabilities reported in consolidated financial statements	5,169,758	6,019,383

(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	183,332	213,117	70,820	136,376	254,152	349,494
Increase in tangible fixed assets and intangible fixed assets	263,330	217,264	280,445	168,412	543,775	385,677
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.

(Per-share Information)

	Previous Fiscal Year (period from July 1, 2020 to June 30, 2021)	Current Fiscal Year (period from July 1, 2021 To June 30, 2022)
Net assets per share	233.70 yen	281.68 yen
Net income per share	50.24 yen	54.37 yen

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

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

Items	Previous Fiscal Year (As of June 30, 2021)	Current Fiscal Year (As of June 30, 2022)
Total of net assets (thousands of yen)	8,787,207	10,597,663
Amount deducted from total of net assets (thousands of yen)	—	—
Net assets attributable to common stock (thousands of yen)	8,787,207	10,597,663
Number of common stock outstanding for calculating net assets per share (shares)	37,600,252	37,622,503

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

Items	Previous Fiscal Year (Period from July 1, 2020 to June 30, 2021)	Current Fiscal Year (Period from July 1, 2021 to June 30, 2022)
Net income attributable to shareholders of parent company (thousands of yen)	1,888,976	2,045,033
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)	1,888,976	2,045,033
Average number of common stock outstanding (shares)	37,595,528	37,614,361

(Subsequent Events)

Not applicable