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Notes to Parent Company Financial Statements

(From July 1, 2021 to June 30, 2022)

Avant Corporation

The above matters are provided to shareholders by posting them on the Company's website in accordance with laws and regulations and the Articles of Incorporation. Our website https://www.avantcorp.com/

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

1. Matters related to the Company's shares (As of June 30, 2022)

(1) Total number of shares authorized 62,304,000 shares

(2) Total number of shares issued 37,625,501 shares(of which 2,998 shares are treasury stock)

(Note) The total number of shares issued increased by 8,705 shares due to the issuance of new shares as performance-linked stock compensation on November 12, 2021, and by 13,593 shares due to the issuance of new shares as restricted stock compensation on the same date.

(3) Number of shareholders 3,311 persons

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (shares)	Shareholding ratio (%)
Tetsuji Morikawa	9,764,000	25.95
The Master Trust Bank of Japan, Ltd.	3,067,700	8.15
Avant Employee Stock Ownership Plan	2,287,200	6.08
Tsuyoshi Noshiro	1,868,800	4.97
OBIC Business Consultant Co.	1,600,000	4.25
The Custody Bank of Japan, Ltd.	1,537,100	4.09
JP MORGAN CHASE BANK	1,146,900	3.05
SSBTC CLIENT OMNIBUS ACCOUNT	911,291	2.42
FCP SEXTANT AUTOUR DU MONDE	874,600	2.32
PCA Corporation	778,400	2.07

(Note) Shareholding ratio is calculated excluding treasury stock (2,998 shares).

(5) Shares issued to corporate officers as compensation for the execution of their duties during the fiscal year under review

	Number of shares (shares)	Number of grantees (persons)
Directors (excluding outside directors)	8,705	1
Outside Director	-	-
Auditor	-	-

(Note) The details of the Company's stock-based compensation are described on page 41 of the Notice of the 26th Ordinary General Meeting of Shareholders.

(6) Other important matters concerning shares

Not applicable.

2. Matters concerning stock acquisition rights, etc. of the Company

(1) Stock acquisition rights issued to the Company's Directors and Corporate Auditors as compensation for the execution of their duties

(As of June 30, 2022)
Not applicable.

(2) Stock acquisition rights issued to employees, etc. as compensation for the execution of duties during the fiscal year under review

Not applicable.

3. Accounting Auditors

(1) Name Deloitte Touche Tohmatsu LLC

(2) Amount of compensation

	Amount paid
Amount of compensation, etc. for services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (auditing services)	30 million yen
Total amount of monetary and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	32 million yen

(Note) 1. The audit contract between the Company and Deloitte Touche Tohmatsu LLC does not distinguish between compensation for audits based on the Companies Act and compensation for audits based on the Financial Instruments and Exchange Act, and such distinction is not practicable. Therefore, the above amounts include the amount of remuneration for the audit based on the Financial Instruments and Exchange Act.
2. The Audit & Supervisory Board of the Company received an explanation of the audit plan from the accounting auditor and, based on the details of the audit fee agreement, confirmed and reviewed the audit hours and personnel assignments, and as a result, gave its consent to the audit fee, as stipulated in Article 399, Paragraph 1 of the Companies Act.
3. In addition to the above, additional remuneration of 2 million yen was paid for the audit in the previous fiscal year.

(3) Non-audit services

The Company pays an accounting auditor for advisory services related to human rights due diligence, which are services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy on Dismissal or Non-reappointment of Accounting Auditor

The Board of Corporate Auditors shall make the dismissal or non-reappointment of the Accounting Auditor the purpose of the meeting of the General Meeting of Shareholders if it determines that such dismissal or non-reappointment is necessary, such as when there is a problem with the performance of duties by the Accounting Auditor.

In addition, the Board of Corporate Auditors will dismiss the accounting auditor based on the unanimous consent of the Corporate Auditors if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the corporate auditor selected by the Board of Corporate Auditors will report the dismissal of the accounting auditor and the reasons for the dismissal at the first general meeting of shareholders convened after the dismissal.

Notes to Consolidated Financial Statements.

1. Basis of Presenting Consolidated Financial Statements

(1) Scope of consolidation

Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries	5 companies
Name of consolidated subsidiary	DIVA Corporation Internet Disclosure Co., Ltd. Zeal Corporation FIERTE Corporation DIVA CORPORATION OF AMERICA

(2) Application of equity method

Number of affiliates accounted for by the equity method and names of major affiliates

Number of affiliates accounted for by the equity method	1 company
Name of affiliated company	Metapraxis Limited

(3) Fiscal year of consolidated subsidiaries

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

(4) Matters related to accounting policies

(i) Valuation standards and methods for significant assets

1) Valuation standards and methods for securities

Held-to-maturity debt securities	Amortized cost method (straight-line method)
Other marketable securities	
Other than stocks and other securities with no market price	Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is determined by the moving-average method)
Non-marketable equity securities, etc.	Cost method based on the moving average method

For investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount equivalent to the Company's equity interest. The net amount equivalent to the Company's interest in the partnership is taken into account.

2) Valuation standards and methods for inventories

Work in process	Cost method based on the specific cost method (the amount on the balance sheet is calculated by writing down the book value of assets which decreased in profitability)
Raw materials	Cost method based on the first-in, first-out method (the amount on the balance sheet is calculated by writing down the book value of assets which decreased in profitability)
Supplies	Cost method based on the specific cost method (the amount on the balance sheet is calculated by writing down the book value of assets which decreased in profitability)

(ii) Depreciation and amortization method for significant depreciable assets

1) Tangible fixed assets (excluding leased assets)

Declining-balance method However, the straight-line method is used for buildings and accompanying facilities acquired on or after April 1, 2016. (Principal useful life)

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

2) Intangible assets Straight-line method

Software for sale in the market	Amortization based on estimated sales revenue within the estimated sales period (3 years)
Software for internal use	The useful life is the period of internal use (3 to 5 years).

3) Lease assets

Leased assets related to finance lease transactions that do not transfer ownership
Straight-line method over the lease term with a residual value of zero.

(iii) Basis for significant reserves

1) Allowance for doubtful accounts	The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on the estimated amount of uncollectible receivables based on a case-by-case determination of collectability for specific receivables such as doubtful receivables.
2) Allowance for bonuses	To provide for bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.
3) Allowance for bonuses to directors and corporate auditors	To provide for bonuses to directors and corporate auditors, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.
4) Allowance for loss on orders received	The Company records estimated losses from projects related to order contracts for which future losses are expected as of the end of the current fiscal year and for which the amount of such losses can be reasonably estimated.

(iv) Other important matters that serve as the basis for the preparation of the consolidated financial statements

1) Accounting for significant deferred assets

Share grant expenses The entire amount is expensed at the time of expenditure.

2) Significant hedge accounting methods

Hedge accounting method	Deferred hedge accounting is adopted.
Hedging instruments and hedged items	Hedging instrument...Foreign currency deposits Hedged items...Anticipated transactions denominated in foreign currencies
Hedging policy	Foreign currency deposits are used to hedge the risk of exchange rate fluctuations. The Company's policy is to use such transactions within the scope of actual demand and not to conduct transactions for speculative purposes.

Methods of evaluating the effectiveness of hedging	Since the material terms of the hedging instruments and hedged items are identical and the cash flow fluctuations can be offset after the inception of the hedge, the assessment of the effectiveness of the hedge is omitted at the consolidated balance sheet date.

3) Basis for recording significant revenues and expenses

The Group recognizes revenue for contracts with customers at the amount of consideration to which it expects to be entitled in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer, by applying the five-step approach described below.

Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) performance obligations are satisfied

In our group, we are engaged in group governance business, digital transformation promotion business, and outsourcing business.

The Group Governance Business provides license sales of DivaSystem, a proprietary software package for consolidated management and consolidated accounting, implementation consulting services, and ongoing maintenance services, including version upgrades after the product is put into operation. The company is a member of the DivaSystem Group.

In license sales, the performance obligation is deemed to be satisfied when the license is granted to the customer, and revenue is recognized as goods or services that are transferred at a single point in time.

In the case of implementation consulting services, the performance obligation is deemed to be satisfied based on the degree of progress in implementing DivaSystem to the customer, and revenue is recognized based on the percentage of progress.

For maintenance services, the Company recognizes revenue over the contract period based on the judgment that the performance obligation will be satisfied over the contract period.

The Digital Transformation Business mainly provides system integration services for the utilization of information called BI (Business Intelligence), support services for the introduction of cloud data platforms, and sales and maintenance of software licenses and hardware.

In the sale of software licenses, the performance obligation is deemed to be satisfied when the license is granted to the customer, and revenue is recognized on a net basis as an agency transaction at the time the license is granted.

For system development services, the Company recognizes revenue based on the percentage of progress in determining that performance obligations are satisfied based on the degree of progress of development.

For maintenance services, the Company recognizes revenue over the contract period based on the judgment that the performance obligation will be satisfied over the contract period.

The outsourcing business mainly provides outsourcing services for consolidated financial statements and consolidated tax payments.

Since control over the service is transferred to the customer upon delivery of the service, the Company recognizes revenue over the contract period based on the determination that the performance obligation is satisfied in proportion to the progress of service delivery.

The consideration for the transaction is received within one year of satisfaction of the performance obligation and does not include a significant financial component.

4) Standards for translation of significant foreign currency-denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses.

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the consolidated balance sheet date, while revenues and expenses are translated into yen at the average exchange rate during the period.

(5) Application of consolidated tax payment system

The Company and its domestic consolidated subsidiaries apply the consolidated tax payment system.

(6) Application of tax effect accounting for the transition from a consolidated tax payment system to a group totalization system

The Company and its domestic consolidated subsidiaries will shift from the consolidated taxation system to the group totalization system from the next consolidated fiscal year. However, with respect to the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, the Company and its domestic consolidated subsidiaries will be required to change from the consolidated tax payment system to the group totalization system from the next consolidated fiscal year. The items which were revised in accordance with the transition to the group-totaling system and the transition to the non-consolidated tax payment system along with the transition to the group-totaling system are treated in accordance with Paragraph 3 of "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Titling System" (PITF No. 39, March 31, 2020) and Paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). (February 16, 2018) paragraph 44 is not applied, the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the next consolidated fiscal year, the Company plans to apply the "Treatment of Accounting and Disclosure for Group Taxes" (Practical Issues Task Force No. 42 (August 12, 2021) will be applied.

2. Notes on Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition

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

As a result of this change, the Company now recognizes revenue over a certain period of time based on the estimated degree of completion of performance obligations, except for contracts with a very short period of time, in which the Company previously recognized revenue upon acceptance of the contract based on the acceptance inspection method. In the past, the Group recognized as revenue the gross amount of consideration received from customers, but for transactions in which the Group's role in providing goods or services to customers constitutes that of an agent, the Group now recognizes revenue on a net basis, i.e., the amount received from customers less the amount paid to suppliers.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. The new accounting policy is applied from the balance at the beginning of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or subtracted from retained earnings at the beginning of the current fiscal year. The cumulative effect of these changes is added to or deducted from retained earnings at the beginning of the current fiscal year.

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

Due to the adoption of the revenue recognition accounting standard, "Notes and accounts receivable," which were included in "Current assets" in the consolidated balance sheet in the previous fiscal year, are included in "Notes and accounts receivable-trade and contract assets" in the current fiscal year, and "Unearned revenue," which were included in "Current liabilities" and "Other current liabilities" in the Advance received," which had been included in "Current liabilities," is now included in "Contract liabilities," respectively, from this consolidated fiscal year.

(2) Application of accounting standards for calculation of fair value

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. is applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard is to be applied prospectively. There was no effect of this change on the consolidated financial statements for the fiscal year ended March 31, 2012.

In addition, in "Notes to Consolidated Financial Statements, 7. Notes on Financial Instruments," the Company has decided to provide notes on items such as the breakdown of the market value of financial instruments by level.

3. Notes to Accounting Estimates

Not applicable.

4. Notes to Consolidated Balance Sheets

(1) Receivables arising from contracts with customers and contract assets

The balances of receivables and contract assets arising from contracts with customers are presented in "Notes to Consolidated Financial Statements, 8. Notes to Revenue Recognition (3) Information for understanding the amount of revenue in the current and subsequent fiscal years (i) Balance of contract assets and contract liabilities, etc.".

(2) Loan commitment contracts

The Company has entered into loan commitment contracts with three correspondent banks for the efficient procurement of working capital.

The following are unused lines of credit related to loan commitments as of the end of the current fiscal year.

Total amount of loan commitments	3,500,000	thousand yen
Loan balance	-	thousand yen
balance (of an account)	3,500,000	thousand yen

5. Notes to Consolidated Statements of Income

(1) Revenue from contracts with customers

The amount of revenue from contracts with customers is presented in "Notes to Consolidated Financial Statements, 8. Revenue Recognition, (1) Information disaggregating revenue from contracts with customers".

(2) Impairment loss on equity method investments

Regarding the goodwill amount of 181,221 thousand yen related to Metapraxis, an equity-method affiliate, the entire unamortized balance of the goodwill amount is recorded as "Equity in losses of affiliates" because the excess earning capacity is no longer expected as projected in the business plan at the time of acquisition.

6. Notes to Consolidated Statement of Changes in Net Assets

(1) Matters related to the total number of shares issued and outstanding

Type of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased in the current consolidated fiscal year	Decrease in the number of shares during the current consolidated fiscal year	Number of shares at the end of the current fiscal year
Common stock	37,603,203 shares	22,298 shares	- shares	37,625,501 shares

(Note) The increase of 22,298 shares in the current consolidated fiscal year is due to the increase of 8,705 shares from the issuance of new shares as performance-linked stock-based compensation and the increase of 13,593 shares from the issuance of new shares as restricted stock compensation.

(2) Number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased in the current consolidated fiscal year	Decrease in the number of shares during the current consolidated fiscal year	Number of shares at the end of the current fiscal year
Common stock	2,951 shares	47 shares	- shares	2,998 shares

(3) Matters related to dividends from surplus

(i) Dividends paid, etc.

Resolution	Type of shares	Total amount of dividends (Thousand yen)	Dividend per share (yen)	Base date	Effective date
September 28, 2021 Ordinary General Meeting of Shareholders	Common stock	413,602	11.00	June 30, 2021	September 29, 2021

(ii) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividend per share (yen)	Base date	Effective date
September 27, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	489,092	13.00	June 30, 2022	September 28, 2022

(Note) The dividend amount per share at the Ordinary General Meeting of Shareholders held on September 27, 2022 includes a commemorative dividend of 1.00 yen per share for the 25th anniversary of the Company's founding.

7. Notes to Financial Instruments

(1) Matters Concerning the Status of Financial Instruments

(i) Policy for financial instruments

The Group raises necessary funds (mainly through bank loans and bond issues) based on management policies and business plans. Temporary surplus funds are invested in financial assets with high liquidity and safety in accordance with internal investment rules, and short-term working capital is procured through bank loans. In addition, the Company uses foreign currency deposits to avoid foreign exchange fluctuation risks. For details on hedging instruments and hedged items, hedging policy, and methods for evaluating the effectiveness of hedging activities, please refer to the aforementioned section "(4) Matters Concerning Accounting Policies, 4) Other Important Matters that Form the Basis for Preparing Consolidated Financial Statements, 2) Important Hedge Accounting Methods. Please refer to "2) Hedge accounting methods" in "(4) Other significant matters underlying the preparation of consolidated financial statements.

(ii) Description of financial instruments, their risks and risk management systems

Trade notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. However, the Company manages this risk by strictly managing credit for each customer and regularly monitoring collection due dates and balances in order to early identify and mitigate concerns about collection due to deterioration of financial conditions and other factors.

Held-to-maturity debt securities are exposed to foreign exchange and interest rate risk, although credit risk is minimal because only highly rated debt securities are included in the investment securities. Available-for-sale securities are exposed to market price fluctuation risk and foreign exchange fluctuation risk, but the Company reviews its holdings on an ongoing basis, taking into account market prices and other factors. Investments in limited liability investment partnerships are exposed to the risk of a decline in the principal amount invested due to changes in the business and financial conditions of the issuer of the incorporated shares. However, the Company manages this risk by periodically obtaining the financial statements of the partnerships and monitoring their financial conditions and operations.

Lease and guarantee deposits are security deposits under lease contracts for head office, branch offices, and subsidiaries, and are exposed to credit risk of the lessee. However, the Company confirms the credit risk at the time of contract to mitigate such risk.

Trade payables, such as notes and accounts payable and accounts payable-other, are mostly due within one year. Lease obligations related to finance lease transactions are mainly for the purpose of financing capital investment, and the longest term of payment is 2 years and 9 months after the balance sheet date. These are exposed to liquidity risk (risk of being unable to make payments when due), but the Group manages this risk by confirming and managing cash schedules and payment account balances on a monthly basis.

(iii) Supplementary Explanation on Matters Concerning Fair Value, etc. of Financial Instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors.

(2) Fair value of financial instruments

Consolidated balance sheet amount, fair value and their differences as of June 30, 2022 are as follows. Stocks and other securities with no market price are not included in the following table (please refer to Note 1). (See Note 1.) (1). Cash and deposits," "notes and accounts receivable," "marketable securities," "notes and accounts payable," "accounts payable and accrued expenses," and "income taxes payable" are omitted because the fair values approximate their book values due to cash and short term settlements.

	Consolidated Balance Sheet Amount (Thousand yen)	Market value (Thousands of yen)	Difference (Thousands of yen)
(1) Investment securities			
Available-for-sale securities	430,143	430,143	-
(2) Lease and guarantee deposits (including current portion)	594,259	593,970	-289
Total Assets	1,024,403	1,024,114	-289
(1) Lease obligations (including current portion)	30,752	30,757	5
Total liabilities	30,752	30,757	5

(Notes) 1. Non-marketable equity securities, etc.

classification	Consolidated Balance Sheet Amount
unlisted stocks	0 thousand yen

These are not included in "(1) Investment securities.

2. Investments in partnerships and other similar entities in which the net amount of equity interest is recorded on the consolidated balance sheets are omitted. The amount of the said investment on the consolidated balance sheet is 80,989 thousand yen.

(3) Matters concerning the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is calculated that are formed in an active market among the inputs for the calculation of observable fair value.
Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs for the calculation of observable fair value
Level 3 fair value: Fair value calculated using inputs for calculating unobservable fair value

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(i) Financial instruments carried on the consolidated balance sheet at fair value

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investments in securities				
Available-for-sale securities				
stock (company)	245,268	-	-	245,268
Other	-	184,875	-	184,875
total assets	245,268	184,875	-	430,143

(ii) Financial instruments other than those recorded on the consolidated balance sheets at fair value

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	total amount
Lease and guarantee deposits (including current portion)	-	593,970	-	593,970
total assets	-	593,970	-	593,970
Lease obligations (including current portion)	-	30,757	-	30,757
Total liabilities	-	30,757	-	30,757

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investments in securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value.

On the other hand, the Company's holdings of mutual funds, etc., are classified as Level 2 fair value because they are not frequently traded in the market and are not considered quoted prices in active markets.

Lease and guarantee deposits

The fair value of security deposits and guarantee money is classified as Level 2 fair value, which is calculated based on the present value of future cash flows discounted by an appropriate index such as the yield of government bonds, classified by a certain period of time.

Lease obligations

The fair value of lease obligations is determined using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair value.

8. Notes to Revenue Recognition

(1) Information that disaggregates revenue from contracts with customers

(Unit: thousand yen)

	Reportable Segment			Total amount
	Group Governance Business	Digital Transformation Promotion Business	Outsourcing Business	
Goods or services transferred at a point in time	577,390	86,456	153,377	817,224
Goods or services transferred over a period of time	8,754,217	6,902,673	2,229,272	17,886,162
Revenue from contracts with 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

(2) Information that provides a basis for understanding revenues arising from contracts with customers

Basis for understanding revenues is as described in "1. Basis of Presenting Consolidated Financial Statements, (4) Accounting Policies, 4) Other Significant Accounting Policies, 3) Basis for Reporting Significant Revenues and Expenses.

(3) Information to understand the amount of revenue in the current and subsequent fiscal years

(i) Balance of contract assets and contract liabilities, etc.

(Unit: thousand yen)

	Current Consolidated Fiscal Year
Receivables arising from contracts with customers (beginning balance)	2,586,194
Receivables arising from contracts with customers (ending balance)	2,512,036
Contract assets (beginning balance)	169,951
Contract assets at end of period	512,013
Contract liabilities (beginning balance)	2,328,731
Contract liabilities at end of period	2,355,344

Contract assets mainly relate to the Group's rights to unclaimed consideration in revenues recognized as it progresses in satisfying its performance obligations. Contract assets are transferred to receivables arising from contracts with customers when the Group's rights to the consideration become unconditional.

Contract liabilities primarily relate to unearned revenues from customers. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the period was 2,057,917 thousand yen.

(ii) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows

(Unit: thousand yen)

	Current Consolidated Fiscal Year
Within 1 year	2,309,274
More than 1 year	46,070
total amount	2,355,344

9. Notes to Per Share Information

(1) Net assets per share 281.68 yen

(2) Net income per share 54.37 yen

10. Notes to Significant Subsequent Events

Not applicable.

11. Other notes

Amounts are rounded down to the nearest unit.

Notes to Parent Company Financial Statements

1. Matters Related to Significant Accounting Policies

(1) Valuation standards and methods for assets

(i) Valuation standards and methods for securities

Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of subsidiaries and affiliated companies	Cost method based on the moving average method
Other marketable securities	
Other than stocks and other securities with no market price	Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is determined by the moving-average method)
Non-marketable equity securities, etc.	Cost method based on the moving average method

(ii) Valuation standards and methods for inventories

Supplies	Stated at cost determined by the specific identification method (the amount stated in the balance sheet was calculated by writing down the book value of assets which decreased in profitability)

(2) Accounting for significant deferred assets

Share grant expenses	The entire amount is expensed at the time of expenditure.

(3) Depreciation method for fixed assets

(i) Property, plant and equipment	Declining-balance method However, the straight-line method is used for buildings and accompanying facilities acquired on or after April 1, 2016. (Principal useful life)	
	Building	3 to 10 years
	Tools, furniture and fixtures	2 to 8 years
(ii) Intangible fixed assets	Straight-line method	
Software for internal use	The useful life is the period of internal use (5 years).	

(4) Basis for reserves

(i) Allowance for bonuses to employees	To provide for bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.
(ii) Allowance for bonuses to directors and corporate auditors	To provide for bonuses to directors and corporate auditors, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.

(5) Basis for recording revenues and expenses

The Company's revenues consist of management guidance fees and outsourcing fees from subsidiaries.

The performance obligation is to provide contracted services to the subsidiary in accordance with the terms of the contract, and the Company's performance obligation is fulfilled when the services are provided, and thus revenue and expenses are recognized at that time.

(6) Other basic items for the preparation of financial statements

(i) Significant hedge accounting methods

Hedge accounting method	Deferred hedge accounting is adopted.
Hedging instruments and hedged items	Hedging instrument...Foreign currency deposits Hedged items...Anticipated transactions denominated in foreign currencies
Hedging policy	Foreign currency deposits are used to hedge the risk of exchange rate fluctuations. The Company's policy is to use such transactions within the scope of actual demand and not to conduct transactions for speculative purposes.
Methods of evaluating the effectiveness of hedging	Since the material terms of the hedging instruments and hedged items are the same and the cash flow fluctuations can be offset after the inception of the hedge, the assessment of effectiveness at the balance sheet date is omitted.

(ii) Standards for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the balance sheet date, with translation differences recognized as gains or losses.

(iii) Application of consolidated tax payment system

The Company and its domestic consolidated subsidiaries apply the consolidated tax payment system.

(iv) Application of tax effect accounting for the transition from a consolidated tax payment system to a group totalization system

The Company will transition from a consolidated tax payment system to a group totalization system from the following fiscal year. However, with respect to the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, the treatment is as follows The items which were revised in accordance with the transition to the group-totaling system and the transition to the non-consolidated tax payment system along with the transition to the group-totaling system are treated in accordance with the treatment in Paragraph 3 of "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Titling System" (PITF No. 39, March 31, 2020) and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 2, 2018). Guidance No. 28, February 16, 2018), the provisions of Paragraph 44 are not applied, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the next fiscal year, the Company will apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group totalization system is applied. The Company plans to apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 42, August 12, 2021).

2. Notes to Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning 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 promised goods or services is transferred to the customer.

The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year. The new accounting policy is applied from the balance at the beginning of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, there is no effect of this change on the financial statements for the current fiscal year.

(2) Application of accounting standards for calculation of fair value

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. is applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard, etc., will be applied prospectively. There was no impact of this change on the financial statements for the fiscal year under review.

3. Notes to Accounting Estimates

Not applicable.

4. Notes to Balance Sheet

(1) Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding those presented separately)

Short-term monetary claims	1,426,018 thousand yen
Short-term monetary obligations	21,639 thousand yen
Long-term monetary claims	23,770 thousand yen

(2) Loan commitment contracts

The Company has entered into loan commitment contracts with three correspondent banks for the efficient procurement of working capital.

The following are unused lines of credit related to loan commitments as of the end of the current fiscal year.

Total amount of loan commitments	3,500,000 thousand yen
Loan balance	-Thousands of yen
balance (of an account)	3,500,000 thousand yen

5. Notes to Statements of Income

Transactions with subsidiaries and affiliates (excluding those shown separately)

Transaction volume from business transactions987,154 thousand yen

Non-operating transactions 41 thousand yen

6. Notes to Non-consolidated Statement of Changes in Net Assets

Matters related to the number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at the end of the current fiscal year
common stock	2,951 shares	47 shares	-stock	2,998 shares

7. Notes to Tax Effect Accounting

(1) Significant components of deferred tax assets and liabilities

deferred tax asset	
Tax loss carryforwards	100,564 thousand yen
Enterprise tax payable	407 thousand yen
Business office tax payable	498 thousand yen
Allowance for bonuses	14,989 thousand yen
Allowance for bonuses to directors and corporate auditors	10,747 thousand yen
Depreciation and amortization	15,752 thousand yen
Loss on valuation of investment securities	3,062 thousand yen
Loss on valuation of stocks of subsidiaries and affiliates	84,635 thousand yen
Asset retirement obligations	14,384 thousand yen
Net unrealized gains (losses) on available-for-sale securities, net of taxes	4,848 thousand yen
Other	1,657 thousand yen
Subtotal of deferred tax assets	251,548 thousand yen
Valuation allowance for net operating loss carryforwards for tax purposes	-100,564 thousand yen
Valuation allowance for total future deductible temporary differences, etc.	-87,697 thousand yen
Total deferred tax assets	63,286 thousand yen
deferred tax liabilities	
Buildings and accompanying facilities (asset retirement costs)	6,121 thousand yen
Net unrealized gains (losses) on available-for-sale securities, net of taxes	52,051 thousand yen
Other	104 thousand yen
Total deferred tax liabilities	58,277 thousand yen
Net deferred tax assets	5,009 thousand yen

(2) Breakdown of the main causes for the difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting

Statutory effective tax rate	30.6%
(Adjustment)	
Entertainment expenses and other items not permanently deductible for income tax purposes	1.1%
Dividends received and other items not permanently includable in income	-95.0%
Valuation allowance	21.7%
Other	-0.6%
Effective tax rate after application of tax effect accounting	-42.1%

8. Notes on Transactions with Related Parties

(1) Subsidiaries

(Unit: thousand yen)

Name of Company, etc.	Percentage of voting rights, etc. held	Relationship with related parties	Transaction details	Amount of transaction	Subject	Balance at end of year
DIVA Corporation	100% direct	Management guidance and outsourced administration Fund management Guarantee of debt Concurrently serving as director	Management services outsourced (Note 1)	426,243	accounts receivable	39,173
			Outsourced accounting services (Note 1)	2,362	accounts receivable	400,307
			Deposit of funds (Note 2)	1,689,000	(cash) advance	552,161
		Outsourced accounting services	Repayment of funds (Note 2)	682,000	affiliated company deposit (received)	2,576,000
			Interest payments (Note 2)	30	Long-term accounts receivable	7,696
Internet Disclosure Co., Ltd.	100% direct	Management guidance Fund management Concurrently serving as directors	Management services outsourced (Note 1)	2,000	accounts receivable	550
			Interest payments (Note 2)	3	accounts receivable	38,410
					affiliated company deposit (received)	200,000
					Long-term accounts receivable	1,737
ZEAL Corporation	100% direct	Management guidance and outsourced administrative services Loan of fund	Management services outsourced (Note 1)	304,828	accounts receivable	28,195

		management funds Concurrent directors	Deposit of funds (Note 2)	750,000	accounts receivable	203,468
			Repayment of funds (Note 2)	150,000	affiliated company deposit (received)	900,000
			Interest payments (Note 2)	7	Long-term accounts receivable	6,881
FIERTE Corporation	100% direct	Outsourcing of management guidance and outsourced accounting services Concurrent directors	Management services outsourced (Note 1)	139,522	accounts receivable	13,044
			Outsourced accounting services (Note 1)	88,626	accounts receivable	121,385
					arrears	8,272
					Long-term accounts receivable	7,454

Transaction amounts do not include consumption taxes, and year-end balances include consumption taxes.

Terms and conditions of transactions and policy for determining terms and conditions of transactions, etc.

(Notes) 1. Transaction terms and conditions for outsourcing administrative and accounting services are determined appropriately, taking into consideration incurred costs and other factors.
2. Interest rates for loans in the loan of funds and deposits in the group fund management are determined rationally, taking market interest rates into consideration.

(2) Directors and principal individual shareholders, etc.

(Unit: thousand yen)

type	identity	Percentage of voting rights, etc. held (held)	Relationship with related parties	Transaction details	Amount of transaction	(school) subject	Balance at end of year
officer	Naoyoshi Kasuga	Owned directly 0.0%	Director of the Company	Delivery of common stock in connection with contribution in kind of monetary compensation claims	13,710	long vowel mark (usually only used in katakana)	long vowel mark (usually only used in katakana)

(Note) Contribution in kind of monetary compensation receivable in connection with the medium- to long-term performance-linked stock compensation plan. The delivery of such common stock will be made with the monetary claims provided to the allottee as the invested assets, and the payment price is set at 1,575 yen, which is the closing price of our common stock on the Tokyo Stock Exchange on October 14, 2021 (the business day before the date of resolution by the Board of Directors), in order to make the price arbitrary. The price was set at 1,575 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on October 14, 2021 (the business day immediately preceding the date of the Board of Directors resolution).

9. Notes to Revenue Recognition

Notes have been omitted because the same information that forms the basis for understanding revenue is presented in "Notes to Non-Consolidated Financial Statements, 1. Significant Accounting Policies, (5) Basis for Recognition of Revenue and Expenses.

10. Notes to Per Share Information

(1) Net assets per share	173.63 yen
(2) Net income per share	17.18 yen

11. Notes to Significant Subsequent Events

Not applicable.

12. Other Notes

Amounts are rounded down to the nearest unit.