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Consolidated Summary Report under Japanese GAAP for the second quarter of the fiscal year ending June 30, 2023

January 31, 2022

Company Name: AVANT GROUP CORPORATION (Formerly AVANT CORPORATION) Stock exchange listings: Tokyo
Code Number: 3836 URL: <https://www.avantgroup.com/>
Representative: (Title) President, Group CEO (Name) Tetsuji Morikawa
For inquiry: (Title) Director, Group CFO (Name) Naoyoshi Kasuga TEL: (03) 6388-6739

Securities report issue date: February 13, 2023 Dividend payment date: -
Supplementary information for financial statements: Available
Explanatory meeting to be held: Yes

1. Consolidated results for the Second quarter of the fiscal year ending June 30, 2023

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

(1) Consolidated results of operations

	Revenue		EBITDA		Operating income		Ordinary income		Profit attributable to shareholders of parent company	
		%		%		%		%		%
Second quarter of the fiscal year ending June 30, 2023	10,523	20.2	1,989	23.1	1,793	21.0	1,779	23.8	1,142	32.0
ended June 30, 2022	8,751	-	1,616	-	1,482	-	1,437	-	865	-

Comprehensive income (loss) for the 2Q of the fiscal year ending June 30, 2023 1,145 million yen (27.3%) for the 2Q of the fiscal year ended June 2022 899 million yen (-)

	Net profit per share	Diluted net profit per share
Second quarter of the fiscal year ending June 30, 2023	yen 30.35	yen -
ended June 30, 2022	23.01	-

(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 fiscal year ended June 30, 2022, and the figures for the second quarter of the fiscal year ending June 30, 2022 are after the application of the said accounting standard, etc., so the percentage change from the same quarter of the previous year is not stated.

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity Ratios
As of	Unit: million yen	Unit: million yen	%
December 31, 2022	15,937	11,288	70.8
June 30, 2022	16,617	10,597	63.8

(Reference) Net assets attributable to the company's shareholders As of December 31, 2022 11,288 million yen As of June 30, 2022 10,597 million yen

2. Dividends on common stock

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
Fiscal Year Ended	yen	yen	yen	yen	yen
June 30, 2022	-	0.00	-	13.00	13.00
June 30, 2023	-	0.00	-	-	-
June 30, 2023 (Forecast)	-	-	-	15.00	15.00

Revisions to the most recently announced dividend forecast: None

(Note) Breakdown of year-end dividend for the fiscal year ending June 30, 2022: ordinary dividend of 12.00 yen and commemorative dividend of 1.00 yen (25th anniversary of the Company's founding)

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

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent company		Net profit per share
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	yen
Fiscal Year ending June 30, 2023	21,800	16.6	3,100	-4.5	3,100	3.7	2,030	-0.7	53.93

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

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 Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 15 of the attached document.

(4) Number of shares outstanding (common stock)

(i) Total shares outstanding including treasury stock

(ii) Shares of treasury stock held

(iii) Average outstanding shares

As of December 31, 2022	37,645,851 shares	As of June 30, 2022	37,625,501 shares
As of December 31, 2022	2,998 shares	As of June 30, 2022	2,998 shares
Second quarter of the fiscal year ending June 30, 2023	37,629,691 shares	Second quarter of the fiscal year ended June 30, 2022	37,606,311 shares

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

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

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

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1. Qualitative Information on Financial Results for the Current Quarter

(1) Management's Discussion on Business Operations

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

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

	Fiscal Year ended June 30, 2022 Second quarter	Fiscal Year ending June 30, 2023 Second quarter	Year on Year Change	
			Amount	%
Net sales	8,751	10,523	1,771	20.2
Operating income	1,482	1,793	311	21.0
Ordinary income	1,437	1,779	342	23.8
Profit attributable to owners of parent company	865	1,142	276	32.0

Consolidated net sales were 10,523 million yen (up 20.2% year-on-year) as a result of steady growth in all three businesses: Group Governance, Digital Transformation, and Outsourcing, as we proactively responded to growing investment needs among Japanese companies, our customers, to maintain and strengthen competitiveness by "upgrading corporate management and activities using data and digital technology," which is becoming a mid- to long-term trend.

The ratio of recurring sales (sales that occur on an ongoing basis, such as software maintenance fees), which is one of the management indicators in the medium-term management plan, was 34.6%, down 0.2 percentage points from the same period of the previous year, due to factors such as large projects driving high consulting service sales growth at the large Group Governance Business and Digital Transformation Business, which exceeded the effect of increased sales from the Outsourcing Business, where the recurring sales ratio is constantly maintained at around 90%. On the other hand, total recurring sales continued to grow steadily, increasing 19.6% year-on-year.

As for profits, in addition to increases in fixed personnel expenses due to improved compensation and an increase in headcount to strengthen competitiveness for the purpose of securing human resources, and an increase in outsourced processing expenses in response to an increase in orders, due to the group reorganization there were also rebranding expenses reorganization, and costs due to product rationalization and improvement of development environment at the operating companies. However, these factors were offset by the effect of increased sales in each business segment, resulting in operating income of 1,793 million yen (up 21.0% year-on-year), ordinary income of 1,779 million yen (up 23.8% year-on-year), and net income attributable to shareholders of the parent company of 1,142 million yen (up 32.0% year-on-year).

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, 2022 Second quarter	Fiscal Year ending June 30, 2023 Second quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	4,279	5,151	871	20.4
Digital Transformation Business	3,370	3,940	569	16.9
Outsourcing Business	1,466	1,816	350	23.9
Elimination of inter-segment transactions	(365)	(385)	(19)	-
Consolidated Net sales	8,751	10,523	1,771	20.2

(ii) Operating income

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

	Fiscal Year ended June 30, 2022 Second quarter	Fiscal Year ending June 30, 2023 Second quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	885	1,020	134	15.2
Digital Transformation Business	552	718	166	30.1
Outsourcing Business	356	418	61	17.3
Corporate Expenses and Elimination of inter-segment transactions	(312)	(363)	(51)	-
Consolidated operating income	1,482	1,793	311	21.0

In the Group Governance Business, net sales were 5,151 million yen, up 20.4% from the same period of the previous year. In addition to consolidated accounting and disclosure solutions, growth in solutions that contribute to group management information control drove growth, with the increase in sales of consulting services the main reason for the rise in sales during the quarter. Due to factors such as costs for product rationalization and improvement of the development environment, margins declined from the same period of the previous year, but due to the forementioned increase in net sales, profits grew, resulting in operating income of 1,020 million yen (up 15.2% year-on-year).

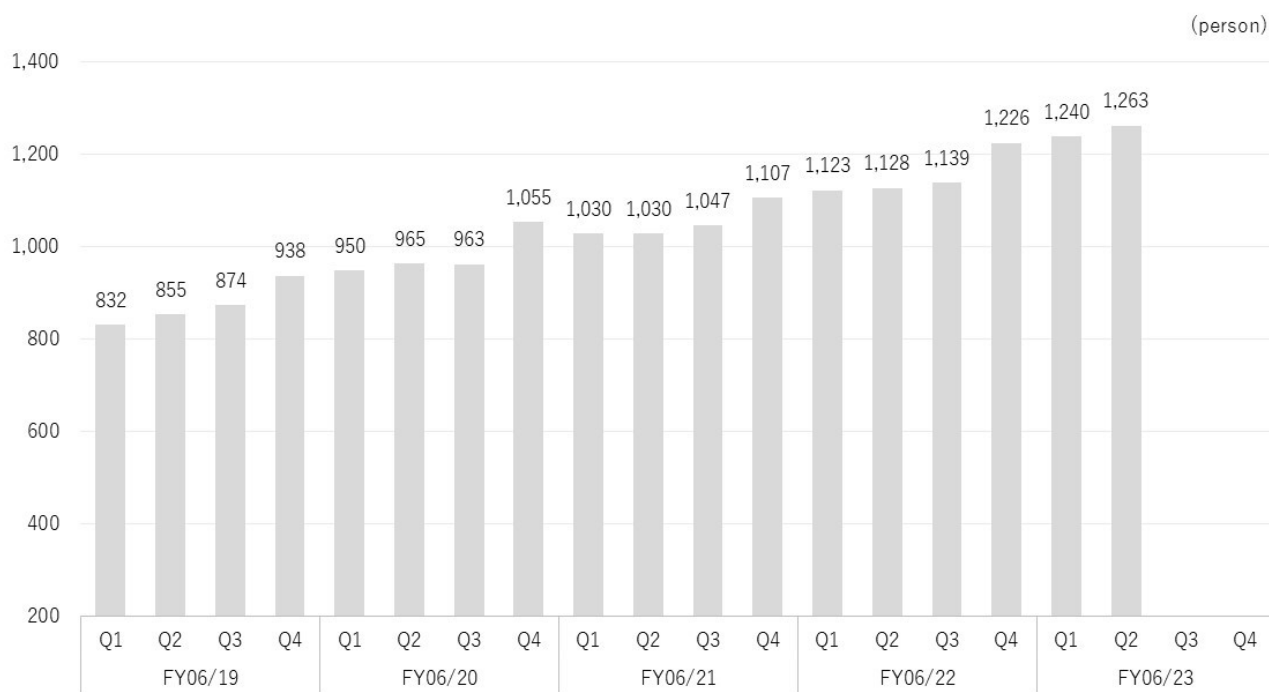
In the Digital Transformation Business, the need among customers to utilize data for decision making related to management and business promotion continues to accelerate and has shifted to a focus on provision of cloud data platforms and ever larger projects. On the other hand, the business intelligence-related development, the traditional core of the business also grew was also strong, resulting in an increase in net sales to 3,940 million yen (up 16.9% year-on-year). An increase in personnel expenses due to higher compensation levels intended to strengthen competitiveness in order to secure personnel was offset by the effect of higher sales, and operating income was 718 million yen (up 30.1% year-on-year), significantly higher than the same period a year earlier.

In the Outsourcing Business, while continuing to maintain high net sales growth rates, recurring sales continued to build steadily, resulting in net sales increasing to 1,816 million yen (up 23.9% year-on-year). In terms of profitability, factors that increased costs, such as an increase in office space due to increasing headcount, led to margins declining from the year earlier period, but due to sales growth operating income increased to 418 million yen (up 17.3% year-on-year).

The number of employees on a consolidated basis was 1,263 at the end of the second quarter, up 37 from the end of the previous fiscal year.

The number of consolidated employees for the first quarter of the fiscal year ending June 30, 2023, included the number of temporary employees, and has been revised to exclude the number of temporary employees to maintain consistency with the previous figures.

Quarterly Trends of Number of Employees of the Group



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

(i) Orders Received

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

	Fiscal Year ended June 30, 2022		Fiscal Year ending June 30, 2023		Year on Year Change	
	Second quarter		Second quarter		Amount	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders
Group Governance Businesses	4,516	2,586	5,432	3,397	915	810
Digital Transformation Business	3,374	1,247	4,212	1,403	838	155
Outsourcing Business	1,946	1,937	1,393	2,023	(552)	85
Elimination of inter-segment transactions	(402)	(327)	(155)	(332)	247	(5)
Total	9,434	5,444	10,882	6,490	1,448	1,046

(ii) Net Sales

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

	Fiscal Year ended June 30, 2022		Fiscal Year ending June 30, 2023		Year on Year Change	
	Second quarter		Second quarter		Amount	%
Group Governance Businesses	4,279		5,151		871	20.4
Digital Transformation Business	3,370		3,940		569	16.9
Outsourcing Business	1,466		1,816		350	23.9
Elimination of inter-segment transactions		(365)		(385)	(19)	—
Total		8,751		10,523	1,771	20.2

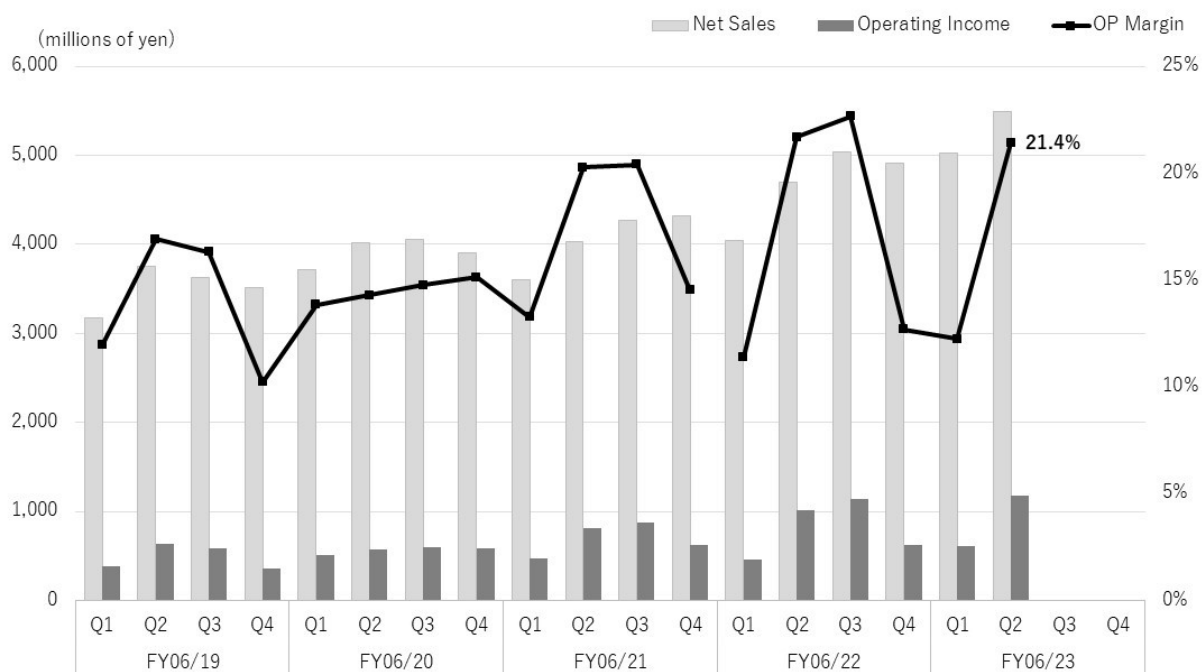
Quarterly trends in net sales and operating income are as follows:

Net Sales and Operating Income for the Last four quarters

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

	Fiscal Year ended June 30, 2022		Fiscal Year ending June 30, 2023	
	Third quarter	Fourth quarter	First quarter	Second quarter
Net sales	5,035	4,916	5,025	5,497
Operating income	1,140	624	614	1,178
Operating income margin (%)	22.7	12.7	12.2	21.4

Quarterly trends of net sales, operating income and operating margins



(2) Discussion on Financial Position

(i) Financial position

Total assets at the end of the second quarter were 15,937 million yen (down 679 million yen from the end of the previous fiscal year). This was mainly due to a 1,111 million yen decrease in current assets, which was mainly attributable to a 1,841 million yen decrease in cash and deposits and a 166 million yen increase in prepaid expenses, and a 534 million yen increase in notes, accounts receivable - trade and contract assets, while non-current assets increased by 432 million yen, which was mainly attributable to increased office space, with a 112 million yen increase in property, plant and equipment, and a 120 million yen increase in leasehold and guarantee deposits.

On the other hand, total liabilities amounted to 4,649 million yen (down 1,370 million yen from the end of the previous fiscal year). This was mainly due to a decrease of 586 million yen in income taxes payable, a 262 million yen decrease in contract obligations, and a 434 million yen decrease in provision for bonuses.

Total net assets amounted to 11,288 million yen (up 690 million yen from the end of the previous fiscal year) due to the recording of 1,142 million yen in net income attributable to parent company shareholders and payment of 489 million yen in dividends from retained earnings. As a result, the equity ratio was 70.8% (63.8% at the end of the previous fiscal year), an improvement of 7.0 percentage points from the end of the previous fiscal year, and the Company believes it maintains a highly stable financial balance with low interest-bearing debt.

(ii) Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first quarter decreased by 1,842 million yen from the end of the previous fiscal year to 8,160 million yen. The status of each cash flow and their factors are as follows.

< Net cash provided by (used in) operating activities >

Funds used in operating activities totaled 717 million yen. (284 million yen used in the same period of the previous year)

The main factor of increase was income before income taxes and minority interests of 1,779 million yen, while the main factors of decrease were decrease in provision for bonuses of 434 million yen, increase in notes, accounts receivable - trade and contract assets of 534 million yen, decrease in accounts payable - other and accrued expenses of 142 million yen, a decrease in contract obligations of 262 million yen and income taxes paid of 880 million yen.

< Net cash provided by (used in) investing activities >

Funds used in investing activities totaled 622 million yen. (254 million yen used in the same period of the previous year)

The main accounts of cash outflow were 113 million yen for purchase of property, plant and equipment, 375 million yen for purchase of intangible assets, and 120 million yen for payment of leasehold and guarantee deposits, while the main accounts of cash inflow were 90 million yen for proceeds from redemption of marketable securities.

< Net cash provided by (used in) financing activities >

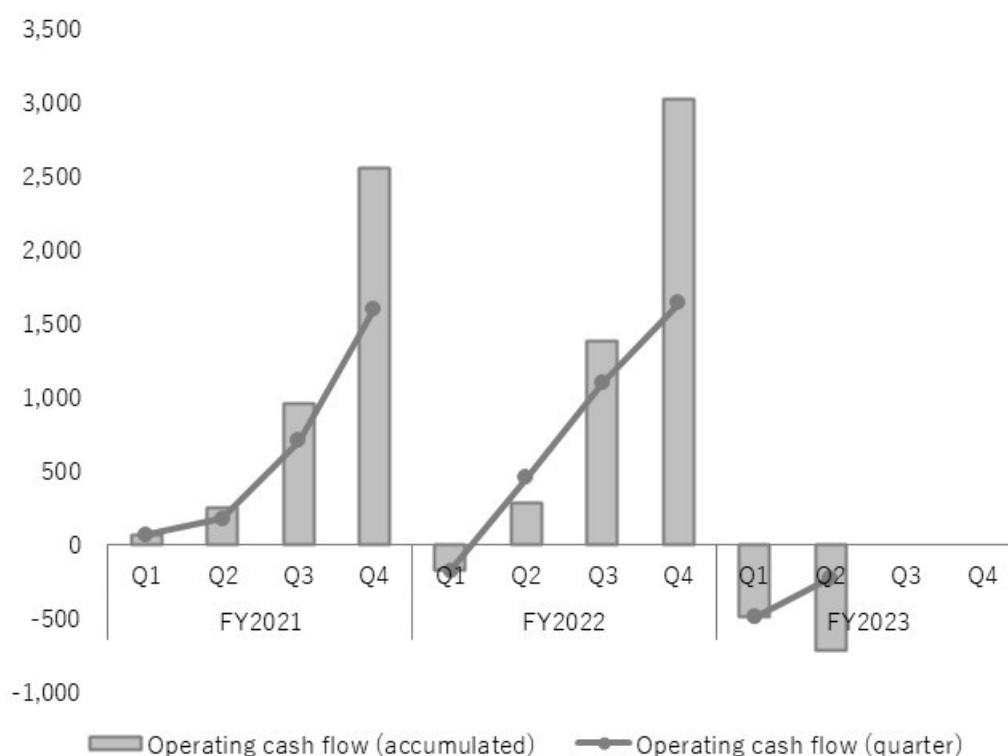
Net cash used in financing activities totaled 499 million yen. (422 million yen used in the same period of the previous year)

The main component of cash outflow was 489 million yen in cash dividends paid.

In our group, cash flow from operating activities in the first quarter are at a low level due to the payment of income taxes and the payment of performance-based bonuses to officers and employees, and it gradually increases from the second quarter onward, and is typically positive for the full fiscal year (In the second quarter of this fiscal year, cashflow has been different from previous years due to factors such as an increase in sales of consulting services, which require working capital upfront, but for the full year cashflow is expected to turn positive as in previous years).

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

Quarterly trends of Operating cash flow (millions of yen)



(3) Earnings Forecasts

In September 2018, the Company announced a five-year plan (target to be achieved in five years) as its Medium-Term Management Plan, and the fiscal year ending June 2023 is the final year of the plan. Ahead of finalizing our next medium term management plan commencing in the fiscal year ending June 2024, we have defined the materiality of the Avant Group as "to become a software company that helps enhance corporate value," and have clarified what we aim to become during the period of the next medium-term plan. As a concrete measure to realize this materiality, we have reorganized the group and started business activities as the new Avant Group on October 1, 2022.

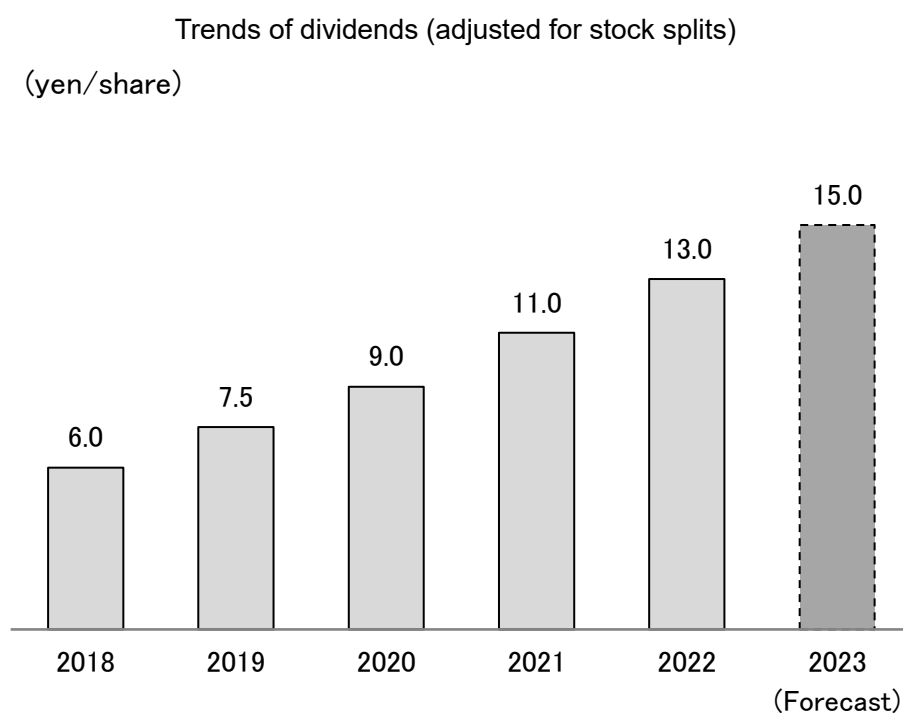
The reorganization of the group will also clarify the direction of each operating company and expand the means of response, thereby enabling us to respond to growing needs better than ever before and achieve sustainable sales growth. At the same time, in order to maximize the effects of the reorganization, we plan to aggressively implement expenditures for the future, including a review of the Group's branding and a fundamental revision of our product development strategy, including a rationalization of our low-profit products.

Although there is a risk that the spread of the new coronavirus infection, which has yet to subside, and the situation in Ukraine may indirectly affect the Group's performance, we believe that demand for the Group's business, such as the increasing number of companies that want to utilize data for management and strengthen group governance, will rather continue to grow. However, we believe that the needs of the Group's business will continue to increase in the future.

As a result, the Company expects to achieve net sales of 21,800 million yen and operating income of 3,100 million yen in the current fiscal year.

This forecast is based on the assumption that the spread of the new coronavirus infection will not cause a greater stagnation in the economic activities of domestic companies than the current situation. If this becomes greater in the future, the Group's operating results may be worse than expected.

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). In accordance with this policy, we forecast a dividend of 15 yen per share for the current fiscal year.



2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (June 30, 2022)	Second Quarter of the Fiscal Year ending June 30, 2023 (December 31, 2022)
Assets		
Current assets		
Cash and deposits	9,444,021	7,602,605
Notes, accounts receivable – trade, and contract assets	3,024,049	3,558,419
Marketable securities	590,019	500,000
Work in progress	18,100	28,086
Raw materials and supplies	82,827	81,947
Prepaid expenses	539,637	706,246
Other	46,346	156,478
Allowance for doubtful accounts	(3,685)	(4,150)
Total current assets	13,741,316	12,629,633
Non-current assets		
Property, plant and equipment	398,117	510,438
Intangible assets		
Software	676,429	921,740
Other	521	225
Total intangible assets	676,951	921,966
Investments and other assets		
Investment securities	511,133	617,395
Long-term prepaid expenses	29,713	78,142
Leasehold and guarantee deposits	560,883	681,507
Deferred tax assets	568,997	368,499
Other	129,933	129,933
Total investments and other assets	1,800,661	1,875,477
Total non-current assets	2,875,730	3,307,882
Total assets	16,617,046	15,937,516

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (June 30, 2022)	Second Quarter of the Fiscal Year ending June 30, 2023 (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	662,316	619,157
Lease obligations	12,428	12,064
Accounts payable – other, and accrued expenses	392,568	543,419
Income taxes payable	586,626	-
Contract obligations	2,355,344	2,093,078
Asset retirement obligations	15,606	-
Provision for bonuses	1,050,315	615,416
Provision for bonuses to directors and other officers	170,813	75,321
Allowance for loss on orders received	17,743	8,495
Other	556,718	449,765
Total current liabilities	5,820,483	4,416,718
Non-current liabilities		
Lease obligations	18,324	12,289
Asset retirement obligations	180,576	210,141
Deferred tax liabilities	-	10,024
Total non-current liabilities	198,900	232,455
Total liabilities	6,019,383	4,649,173
Net assets		
Shareholders' equity		
Share capital	329,128	345,113
Capital surplus	265,928	281,913
Retained earnings	9,872,031	10,527,287
Treasury shares	(608)	(608)
Total shareholders' equity	10,466,479	11,153,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103,126	108,782
Deferred gains or losses on hedges	236	204
Foreign currency translation adjustments	27,820	25,649
Total accumulated other comprehensive income	131,183	134,636
Total net assets	10,597,663	11,288,342
Total liabilities and net assets	16,617,046	15,937,516

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

**Consolidated Quarterly Statements of Income
Second Quarter of the Current Fiscal Year**

(Unit: thousand yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2021 to December 31, 2021)	Second Quarter of the Current Fiscal Year (From July 1, 2022 to December 31, 2022)
Net sales	8,751,335	10,523,013
Cost of sales	4,603,233	5,680,573
Gross profit	4,148,102	4,842,439
Selling, general and administrative expenses	2,666,089	3,049,115
Operating profit	1,482,012	1,793,323
Non-operating income		
Interest income	122	57
Dividend income	2,949	3,200
Subsidy income	1,787	531
Miscellaneous income	563	1,517
Other	95	60
Total non-operating income	5,517	5,366
Non-operating expenses		
Interest expense	403	273
Share of loss of entities accounted for using equity method	43,559	-
Loss on investments in investment partnerships	1,133	2,707
Commission expenses	2,869	2,843
Foreign exchange loss	855	1,574
Share issuance expenses	508	228
Compensation for damages	-	10,831
Other	647	289
Total non-operating expenses	49,978	18,748
Ordinary profit	1,437,551	1,779,941
Income before income taxes	1,437,551	1,779,941
Income taxes – current	575,862	431,800
Income taxes – deferred	(3,690)	206,024
Total income taxes	572,171	637,824
Profit	865,379	1,142,116
Profit attributable to noncontrolling interests	-	-
Profit attributable to owners of the parent	865,379	1,142,116

Consolidated Quarterly Statements of Comprehensive Income
Second Quarter of the Current Fiscal Year

(Unit: thousand yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2021 to December 31, 2021)	Second Quarter of the Current Fiscal Year (From July 1, 2022 to December 31, 2022)
Profit	865,379	1,142,116
Other comprehensive income		
Valuation difference on available-for-sale securities	29,173	5,655
Deferred gains or losses on hedges	35	(31)
Foreign currency translation adjustments	4,878	(3,944)
Share of other comprehensive income of affiliates accounted for by the equity method	104	1,773
Total other comprehensive income	34,192	3,452
Comprehensive income	899,572	1,145,568
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	899,572	1,145,568
Comprehensive income attributable to noncontrolling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2021 to December 31, 2021)	Second Quarter of the Current Fiscal Year (From July 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,437,551	1,779,941
Depreciation	140,912	203,130
Share-based payment expenses	7,724	9,637
Increase (decrease) in allowance for doubtful accounts	894	464
Increase (decrease) in provision for bonuses	(88,251)	(434,899)
Increase (decrease) in provision for bonuses for directors (and other officers)	(72,704)	(88,868)
Increase (decrease) in provision for loss on orders received	(74)	(9,248)
Interest and dividend income	(3,071)	(3,257)
Interest expenses	403	273
Commission expenses	2,869	2,843
Share issuance expenses	508	228
Share of loss (profit) of entities accounted for using equity method	43,559	-
Loss (gain) on investments in investment partnerships	1,133	2,707
Subsidy income	(1,787)	(531)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(84,358)	(534,395)
(Increase) decrease in inventories	(5,129)	(9,105)
Increase (decrease) in notes and accounts payable - trade	88,469	(43,159)
Increase (decrease) in accounts payable and accrued expenses	136,675	(142,351)
Increase (decrease) in accrued consumption taxes	(19,130)	(136,592)
Increase (decrease) in contract obligations	(512,304)	(262,266)
Increase (decrease) in deposits received	25,137	25,770
Other, net	(108,387)	(201,544)
Subtotal	990,641	158,777
Interest and dividends received	3,067	3,448
Interest payments	(403)	(273)
Amount of subsidies received	1,787	531
Income taxes paid	(710,250)	(880,110)
Net cash provided by (used in) operating activities	284,842	(717,626)
Cash flows from investing activities		
Proceeds from redemption of marketable securities	-	90,019
Purchase of property, plant and equipment	(82,701)	(113,390)
Payments for asset retirement obligations	-	(269)
Purchase of intangible assets	(197,311)	(375,342)
Purchase of investment securities	(11,230)	(114,152)
Payment of leasehold and guarantee deposits	(181,170)	(120,775)
Proceeds from refund of leasehold and guarantee deposits	216,875	151
Other, net	929	11,657
Net cash provided by (used in) investing activities	(254,608)	(622,102)

(Unit: thousand yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2021 to December 31, 2021)	Second Quarter of the Current Fiscal Year (From July 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Repayment of finance lease obligations	(7,073)	(6,398)
Disbursement of commissions paid	(1,117)	(4,131)
Dividends paid	(413,602)	(489,092)
Other, net	(508)	(228)
Net cash provided by (used in) financing activities	(422,302)	(499,851)
Effect of exchange rate change on cash and cash equivalents	4,087	(3,039)
Net increase (decrease) in cash and cash equivalents	(387,980)	(1,842,620)
Cash and cash equivalents at beginning of period	7,786,223	10,002,870
Cash and cash equivalents at end of period	7,398,242	8,160,250

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

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

Not applicable.

(Changes in Accounting Policies)

<Application of the "Guidance on Accounting Standard for Measurement of Fair Value">

The Company adopted the "Guidance on Accounting Standard for Measurement of Fair Value (ASBJ Guidance No. 31, June 17, 2021). Hereafter referred to as the "Guidance on Accounting Standard for Fair Value Calculation)" from the beginning of the first quarter of the current consolidated fiscal year and will apply the new accounting policy in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

<Application of the "Treatment of Accounting and Disclosure for Application of the Group Totalization System">

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group totalization system. In accordance with this change, the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting are in accordance with "Treatment of Accounting and Disclosure for Application of the Group Totalization System (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42"). In addition, in accordance with Paragraph 32 (1) of the PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy upon the application of PITF No. 42.

<Accounting estimates related to the spread of new coronavirus infections>

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

(Segment Information)

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

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

(thousands of yen)

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

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

(thousands of yen)

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

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

Current quarter (From July 1, 2022 to December 31, 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				
Sales to customers	5,122,048	3,938,740	1,462,223	10,523,013
Intersegment sales	29,304	1,620	354,179	385,103
Total	5,151,353	3,940,360	1,816,403	10,908,117
Segment profit	1,020,066	718,696	418,344	2,157,107

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

(thousands of yen)

Profit	Amount
Reportable segments total	2,157,107
Elimination of transactions between the Company and its segments	392,372
Corporate expenses (Note)	(761,895)
Others	5,738
Operating income in the quarterly consolidated statements of income	1,793,323

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

(Business Combinations, etc.)

(Transactions under common control, etc.)

At a meeting of the Board of Directors held on June 22, 2022, the Company's Board of Directors resolved a policy of reorganization (corporate separation among consolidated subsidiaries) of the Group, and on July 15, 2022, DIVA CORPORATION, a consolidated subsidiary of the Company agreed that it will succeed to the development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX") by way of an absorption-type company split (hereinafter referred to as "Absorption-Type Company Split No. 1") and ZEAL CORPORATION, a consolidated subsidiary of the Company agreed that it will succeed to the business under the jurisdiction of the Corporate Performance Management Unit through an absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 2"). These agreements were executed on October 1, 2022. In conjunction with this reorganization, the trade names of the Company and its consolidated subsidiaries were changed as follows on October 1, 2022.

After	Before
AVANT GROUP CORPORATION	AVANT CORPORATION
AVANT CORPORATION	DIVA CORPORATION
DIVA CORPORATION	FIERTE CORPORATION

Absorption-type Split No. 1

(1) Outline of the Transaction

- (i) Name and description of the business subject to the transaction
Development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX")
- (ii) Date of business combination
October 1, 2022
- (iii) Legal form of business combination
DIVA CORPORATION will be the splitting company and FIERTE CORPORATION will be the successor company.
- (iv) Name of the company after the business combination
DIVA CORPORATION
AVANT CORPORATION
- (v) Other matters related to the outline of the transaction
In order to realize the materiality of our group, we will accelerate the growth of existing businesses and create new growth businesses through reorganization.

(2) Outline of Accounting Procedures Implemented

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction will be treated as a transaction under common control.

2nd Absorption-type Split

(1) Outline of the transaction

- (i) Name and description of the business subject to the transaction
Business under the jurisdiction of Corporate Performance Management Unit
- (ii) Date of business combination
October 1, 2022
- (iii) Legal form of business combination
A corporate split in which ZEAL CORPORATION will be the splitting company and DIVA CORPORATION will be the successor company

(iv) Name of the company after the combination

AVANT CORPORATION

ZEAL CORPORATION

(v) Other matters related to the outline of the transaction

In order to realize the materiality of our group, we will accelerate the growth of existing businesses and create new growth businesses through reorganization.

(2) Outline of Accounting Procedures Implemented

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction will be treated as a transaction under common control.

(Revenue Recognition)

Breakdown of net sales from contracts with customers

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

(thousands of yen)

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

Current quarter (From July 1, 2022 to December 31, 2022)

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	143,959	31,790	113,238	288,989
Goods or services that are transferred over a period of time	4,978,089	3,906,949	1,348,984	10,234,023
Net sales to external customers	5,122,048	3,938,740	1,462,223	10,523,013