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

April 28, 2023

Company Name: AVANT GROUP CORPORATION (Formerly AVANT CORPORATION) Stock exchange listings: Tokyo  
 Code Number: 3836 URL: <https://www.avantcorp.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: May 12, 2023 Dividend payment date: -  
 Supplementary information for financial statements: Available  
 Explanatory meeting to be held: No

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

### 1. Consolidated Financial Results for the Nine Months Ended March 31, 2023

#### (1) Consolidated results of operations

(Percentages indicate year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
		%		%		%		%		%
Nine months ended										
March 31, 2023	16,187	17.4	3,244	13.0	2,920	11.4	2,910	13.5	1,871	19.0
March 31, 2022	13,786	-	2,871	-	2,622	-	2,565	-	1,572	-
Comprehensive income (loss)		for the nine months ended March 31, 2023		1,921 million yen (19.4%)		for the nine months ended March 31, 2022		1,609 million yen (-)		

	Net profit per share	Diluted net profit per share
Nine months ended	yen	yen
March 31, 2023	49.72	-
March 31, 2022	41.80	-

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

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 nine months ended March 31, 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	%
March 31, 2023	16,699	12,064	72.2
June 30, 2022	16,617	10,597	63.8
(Reference) Equity	As of March 31, 2023	12,064 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 June 30, 2022	yen	yen	yen	yen	yen
Fiscal year ending June 30, 2023	-	0.00	-	13.00	13.00
Fiscal year ending June 30, 2023 (Forecast)	-	0.00	-	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)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		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

(Note) 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 restatement:

(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) Restatement: 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 issued shares (common shares)

(i) Total number of issued shares including treasury shares

(ii) Number of treasury shares held

(iii) Average number of shares

As of March 31, 2023	37,645,851 shares	As of June 30, 2022	37,625,501 shares
As of March 31, 2023	2,998 shares	As of June 30, 2022	2,998 shares
Nine months ended March 31, 2023	37,634,014 shares	Nine months ended March 31, 2021	37,611,645 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 depending 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 nine months ended March 31, 2023 are as follows.

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

	Nine months ended March 31, 2022	Nine months ended March 31, 2023	Year-on-Year Change	
			Amount	%
Net sales	13,786	16,187	2,400	17.4
Operating profit	2,622	2,920	297	11.4
Ordinary profit	2,565	2,910	345	13.5
Profit attributable to owners of the parent	1,572	1,871	299	19.0

Consolidated net sales were 16,187 million yen (up 17.4% 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 34.4%, up 0.3 percentage points from the same period of the previous year, as the Outsourcing Business, where the recurring sales ratio is constantly maintained at around 90%, showed a high growth rate, resulting in an increase in the sales composition ratio for the entire Group. Also, total recurring sales continued to grow steadily, increasing 18.6% year-on-year.

As for profits, in addition to increases in fixed personnel expenses due to improved compensation and an increase in headcount following reinforced recruitment efforts to strengthen competitiveness for the purpose of securing human resources, and an increase in outsourced processing expenses in response to increased demand from customers, 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 profit of 2,920 million yen (up 11.4% year-on-year), ordinary profit of 2,910 million yen (up 13.5% year-on-year), and profit attributable to owners of the parent of 1,871 million yen (up 19.0% year-on-year).

The status of each reportable segment is as follows.

(i) Net sales

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

	Nine months ended March 31, 2022	Nine months ended March 31, 2023	Year-on-Year Change	
			Amount	%
Group Governance Businesses	6,806	7,824	1,018	15.0
Digital Transformation Business	5,273	6,174	900	17.1
Outsourcing Business	2,252	2,773	520	23.1
Elimination of inter-segment transactions	(545)	(584)	(38)	-
Consolidated Net sales	13,786	16,187	2,400	17.4

(ii) Operating profit

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

	Nine months ended March 31, 2022	Nine months ended March 31, 2023	Year-on-Year Change	
			Amount	%
Group Governance Businesses	1,554	1,517	(37)	(2.4)
Digital Transformation Business	981	1,241	259	26.5
Outsourcing Business	578	629	50	8.8
Corporate Expenses and Elimination of inter-segment transactions	(491)	(466)	24	-
Consolidated operating profit	2,622	2,920	297	11.4

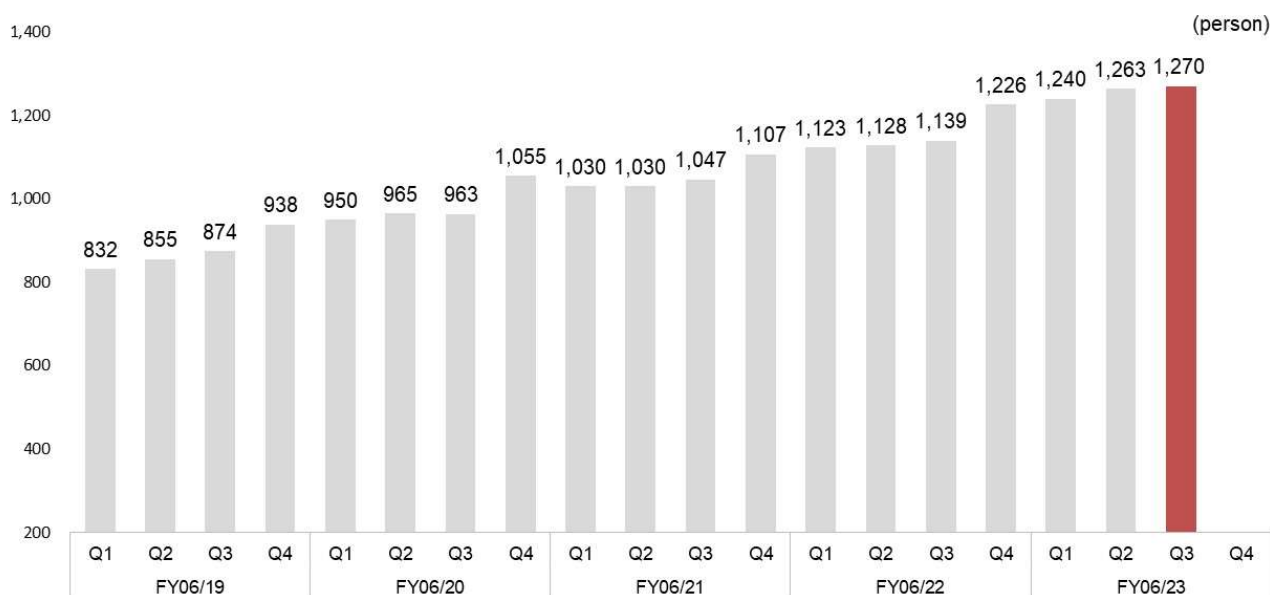
In the Group Governance Business, net sales increased to 7,824 million yen, up 15.0% from the same period of the previous year. In addition to the core business of consolidated accounting and disclosure solutions, growth in solutions that contribute to group management information control drove growth, with the increase in sales of consulting services being the main reason for the rise in sales during the quarter. Meanwhile, aside from an increase in outsourced processing expenses to meet rising demand, expenses increased for product rationalization and development environment improvement that were conducted simultaneously with the reorganization, resulting in a year-on-year decline of margins and a decrease in the amount of profit. As a result, operating profit was 1,517 million yen (up 2.4% 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 the 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 6,174 million yen (up 17.1% year-on-year). Although personnel expenses increased due to higher compensation levels intended to strengthen competitiveness in order to secure staff, this was offset by the effect of higher sales, and operating profit was 1,241 million yen (up 26.5% 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 2,773 million yen (up 23.1% year-on-year). In terms of profitability, factors that increased costs, such as the promotion of personnel hiring and increased office space to achieve sustainable growth in the future, led to margins declining from the year earlier period, but due to sales growth operating profit increased to 629 million yen (up 8.8% year-on-year).

The number of employees on a consolidated basis was 1,270 at the end of the third quarter, up 44 from the end of the previous fiscal year.

### Quarterly Trends of Number of Employees of the Group



The status of orders received and sales by segment in the third 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 Third quarter		Fiscal Year ending June 30, 2023 Third quarter		Year-on-Year Change	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Amount	
					Orders Received	Outstanding Orders
Group Governance Businesses	6,814	2,358	7,217	2,529	402	171
Digital Transformation Business	4,838	809	6,397	1,354	1,559	545
Outsourcing Business	2,511	1,716	2,022	1,695	(489)	(21)
Elimination of inter-segment transactions	(575)	(319)	(128)	(123)	446	196
Total	13,589	4,563	15,508	5,455	1,919	891

#### (ii) Net Sales

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

	Fiscal Year ended June 30, 2022 Third quarter		Fiscal Year ending June 30, 2023 Third quarter		Year-on-Year Change	
					Amount	%
Group Governance Businesses	6,806	7,824	1,018	15.0		
Digital Transformation Business	5,273	6,174	900	17.1		
Outsourcing Business	2,252	2,773	520	23.1		
Elimination of inter-segment transactions	(545)	(584)	(38)	—		
Total	13,786	16,187	2,400	17.4		

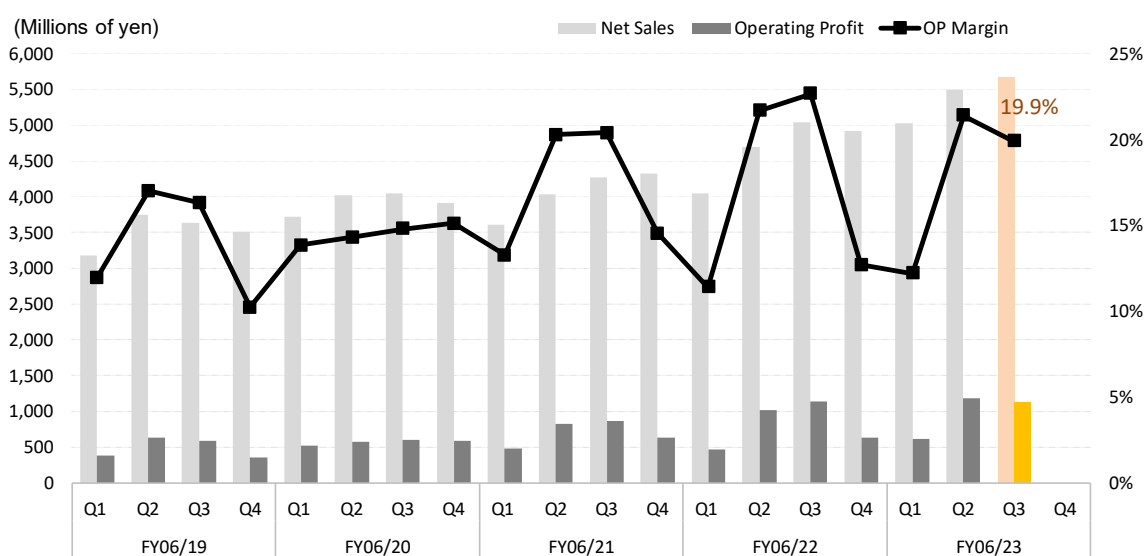
Quarterly trends in net sales and operating profit are as follows:

Net sales and operating profit 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		
	Fourth quarter	First quarter	Second quarter	Third quarter
Net sales	4,916	5,025	5,497	5,664
Operating profit	624	614	1,178	1,127
Operating profit margin (%)	12.7	12.2	21.4	19.9

Quarterly trends of net sales, operating profit and operating profit margins



## **(2) Discussion on Financial Position**

### **(i) Financial position**

Total assets at the end of the third quarter were 16,699 million yen (up 82 million yen from the end of the previous fiscal year). This was mainly due to a 410 million yen decrease in current assets, which was mainly attributable to a 1,271 million yen decrease in cash and deposits and a 553 million yen increase in notes, accounts receivable - trade and contract assets, while non-current assets increased by 493 million yen, which was mainly attributable to increased software for sale, with a 279 million yen increase in intangible assets.

On the other hand, total liabilities amounted to 4,635 million yen (down 1,384 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 398 million yen decrease in contract obligations, and a 399 million yen decrease in provision for bonuses.

Total net assets amounted to 12,064 million yen (up 1,466 million yen from the end of the previous fiscal year) due to the recording of 1,871 million yen in profit attributable to owners of the parent and payment of 489 million yen in dividends from retained earnings. As a result, the equity ratio was 72.2% (63.8% at the end of the previous fiscal year), an improvement of 8.4 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 "net cash") at the end of the third quarter decreased by 1,271 million yen from the end of the previous fiscal year to 8,730 million yen. The status of each cash flow and its factors are as follows.

#### < Cash flows from operating activities >

Net cash used in operating activities totaled 93 million yen. (1,384 million yen provided in the same period of the previous year)

The main factor of increase was profit before income taxes of 2,910 million yen, while the main factors of decrease were decrease in provision for bonuses of 399 million yen, increase in notes, accounts receivable - trade and contract assets of 553 million yen, a decrease in contract obligations of 398 million yen and income taxes paid of 1,554 million yen.

#### < Cash flows from investing activities >

Net cash used in investing activities totaled 674 million yen. (313 million yen used in the same period of the previous year)

The main accounts of cash outflow were 184 million yen for purchase of property, plant and equipment, 466 million yen for purchase of intangible assets, 126 million yen for purchase of investment securities, 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 and 139 million yen for proceeds from refund of leasehold and guarantee deposits.

#### < Cash flows from financing activities >

Net cash used in financing activities totaled 502 million yen. (428 million yen used in the same period of the previous year)

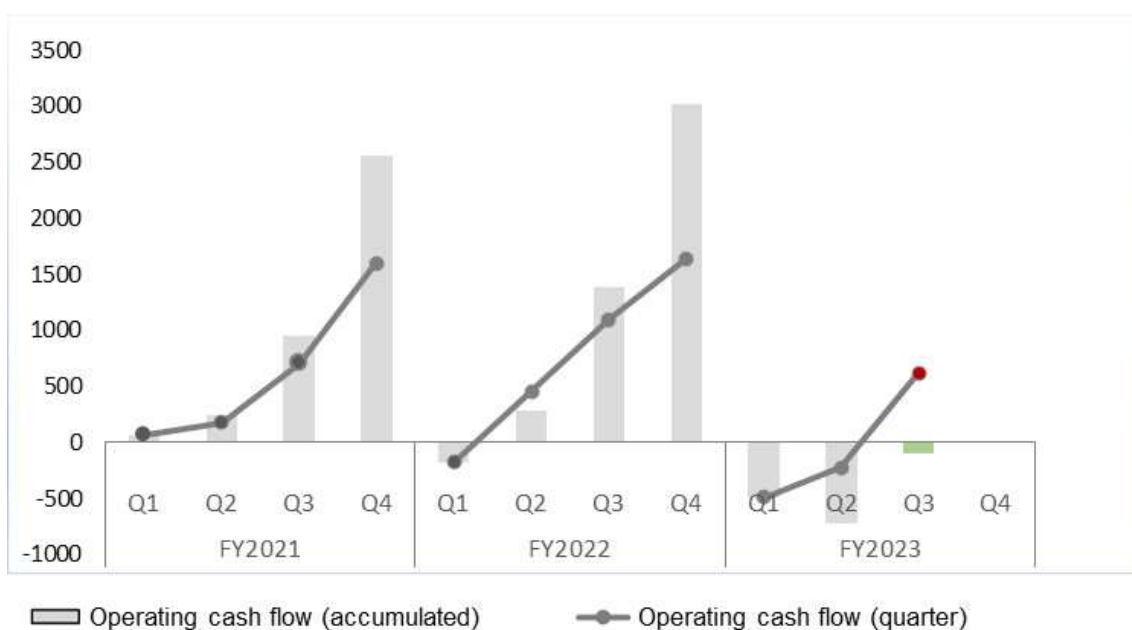
The main component of cash outflow was 489 million yen in dividends paid.



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 fiscal year under review, operating cashflow has been different from previous years due to factors such as increases in sales of consulting services, which require working capital upfront, and income taxes paid, 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 been developing business activities as the new Avant Group on October 1, 2022.

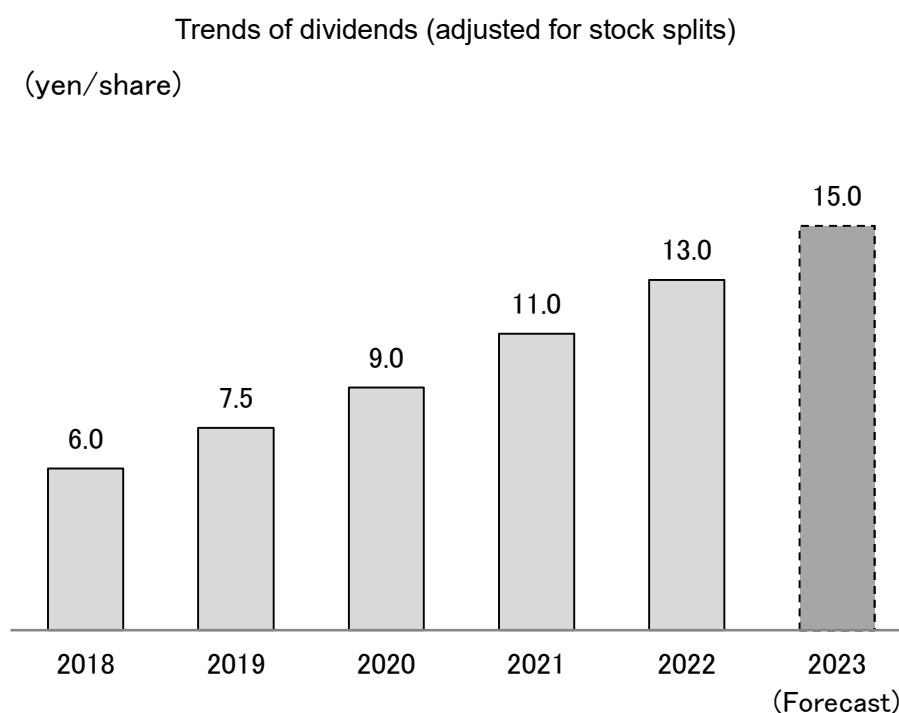
The reorganization of the group will also clarify the direction of each operating company and expand the means of response, thereby enabling us to respond to growing needs better than ever before and achieve sustainable sales growth. At the same time, in order to maximize the effects of the reorganization,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

Although there is a risk that future trends associated with the new coronavirus infection and inflation caused by soaring raw material prices may affect the Group's performance, we believe that demand for the Group's business will continue to increase, as more companies seek to strengthen data-driven management and group governance.

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

Profits were higher than in the same period of the previous year as of the end of the third quarter. However, in preparation for the start of the next medium-term management plan, we will continue to aggressively recruit human resources that will be needed by the operating companies after Group reorganization to execute and accelerate their growth strategies, and we will also continue our fundamental revision and implementation of our product strategy in the next quarter, in order "to become a software company that helps enhance corporate value." Accordingly, at present, we are maintaining our full-year earnings forecast unchanged based on our maximum estimate of the total amount of expenses to be incurred in connection with these activities.

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 Fiscal Year (June 30, 2022)	Third Quarter of the Fiscal Year ending June 30, 2023 (March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	9,444,021	8,172,405
Notes, accounts receivable – trade, and contract assets	3,024,049	3,577,808
Marketable securities	590,019	500,000
Work in progress	18,100	19,836
Raw materials and supplies	82,827	122,317
Prepaid expenses	539,637	663,785
Other	46,346	278,596
Allowance for doubtful accounts	(3,685)	(4,157)
Total current assets	13,741,316	13,330,593
Non-current assets		
Property, plant and equipment	398,117	473,047
Intangible assets		
Software	676,429	955,455
Other	521	225
Total intangible assets	676,951	955,681
Investments and other assets		
Investment securities	511,133	696,898
Long-term prepaid expenses	29,713	68,421
Leasehold and guarantee deposits	560,883	575,243
Deferred tax assets	568,997	465,448
Other	129,933	134,393
Total investments and other assets	1,800,661	1,940,405
Total non-current assets	2,875,730	3,369,134
Total assets	16,617,046	16,699,727

(Unit: thousand yen)

	Previous Fiscal Year (June 30, 2022)	Third Quarter of the Fiscal Year ending June 30, 2023 (March 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	662,316	644,068
Lease obligations	12,428	12,042
Accounts payable – other, and accrued expenses	392,568	551,714
Income taxes payable	586,626	-
Contract obligations	2,355,344	1,956,842
Asset retirement obligations	15,606	-
Provision for bonuses	1,050,315	650,604
Provision for bonuses to directors and other officers	170,813	116,610
Allowance for loss on orders received	17,743	39,356
Other	556,718	417,748
<b>Total current liabilities</b>	<b>5,820,483</b>	<b>4,388,986</b>
Non-current liabilities		
Lease obligations	18,324	9,289
Asset retirement obligations	180,576	210,801
Deferred tax liabilities	-	26,143
<b>Total non-current liabilities</b>	<b>198,900</b>	<b>246,235</b>
<b>Total liabilities</b>	<b>6,019,383</b>	<b>4,635,222</b>
Net assets		
Shareholders' equity		
Share capital	329,128	345,113
Capital surplus	265,928	281,913
Retained earnings	9,872,031	11,256,495
Treasury shares	(608)	(608)
<b>Total shareholders' equity</b>	<b>10,466,479</b>	<b>11,882,913</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103,126	154,287
Deferred gains or losses on hedges	236	210
Foreign currency translation adjustments	27,820	27,092
<b>Total accumulated other comprehensive income</b>	<b>131,183</b>	<b>181,591</b>
<b>Total net assets</b>	<b>10,597,663</b>	<b>12,064,505</b>
<b>Total liabilities and net assets</b>	<b>16,617,046</b>	<b>16,699,727</b>

**(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income**  
**Quarterly Consolidated Statements of Income**  
**Nine months ended March 31**

(Unit: thousand yen)

	Nine Months Ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	Nine Months Ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Net sales	13,786,664	16,187,646
Cost of sales	7,095,963	8,855,221
Gross profit	6,690,700	7,332,424
Selling, general and administrative expenses	4,067,792	4,411,618
Operating profit	2,622,908	2,920,805
Non-operating income		
Interest income	196	96
Dividend income	3,268	4,048
Gain on investments in investment partnerships	7,478	-
Subsidy income	2,127	531
Miscellaneous income	563	3,736
Other	148	88
Total non-operating income	13,782	8,500
Non-operating expenses		
Interest expense	581	386
Share of loss of entities accounted for using equity method	64,529	-
Loss on investments in investment partnerships	-	2,581
Commission expenses	4,270	4,233
Foreign exchange loss	779	28
Share issuance expenses	281	228
Compensation for damages	-	10,831
Other	647	289
Total non-operating expenses	71,089	18,581
Ordinary profit	2,565,601	2,910,725
Profit before income taxes	2,565,601	2,910,725
Income taxes – current	1,105,964	934,910
Income taxes – deferred	(112,465)	104,490
Total income taxes	993,499	1,039,401
Profit	1,572,101	1,871,324
Profit attributable to noncontrolling interests	-	-
Profit attributable to owners of the parent	1,572,101	1,871,324

**Quarterly Consolidated Statements of Comprehensive Income**  
**Six months ended March 31**

(Unit: thousand yen)

	Nine Months Ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	Nine Months Ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Profit	1,572,101	1,871,324
Other comprehensive income		
Valuation difference on available-for-sale securities	23,361	51,160
Deferred gains or losses on hedges	94	(25)
Foreign currency translation adjustments	13,363	(2,501)
Share of other comprehensive income of affiliates accounted for by the equity method	708	1,773
Total other comprehensive income	37,528	50,407
Comprehensive income	1,609,630	1,921,731
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,609,630	1,921,731
Comprehensive income attributable to noncontrolling interests	-	-

### (3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Nine Months Ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	Nine Months Ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,565,601	2,910,725
Depreciation	258,436	317,753
Share-based payment expenses	12,182	14,982
Increase (decrease) in allowance for doubtful accounts	658	471
Increase (decrease) in provision for bonuses	(23,220)	(399,711)
Increase (decrease) in provision for bonuses for directors (and other officers)	(42,292)	(47,580)
Increase (decrease) in provision for loss on orders received	22,725	21,612
Interest and dividend income	(3,464)	(4,145)
Interest expenses	581	386
Commission expenses	4,270	4,233
Share issuance expenses	281	228
Share of loss (profit) of entities accounted for using equity method	64,529	-
Loss (gain) on investments in investment partnerships	(7,478)	2,581
Subsidy income	(2,127)	(531)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(242,458)	(553,789)
(Increase) decrease in inventories	12,194	(41,225)
Increase (decrease) in notes and accounts payable - trade	168,735	(18,248)
Increase (decrease) in accounts payable and accrued expenses	329,660	(53,305)
Increase (decrease) in accrued consumption taxes	69,978	(66,038)
Increase (decrease) in contract obligations	(736,877)	(398,502)
Increase (decrease) in deposits received	(66,720)	(78,710)
Other, net	1,274	(154,905)
Subtotal	2,386,471	1,456,283
Interest and dividends received	3,576	4,336
Interest payments	(581)	(386)
Amount of subsidies received	2,127	531
Income taxes paid	(1,007,487)	(1,554,377)
Net cash provided by (used in) operating activities	1,384,107	(93,613)

(Unit: thousand yen)

	Nine Months Ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	Nine Months Ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
<b>Cash flows from investing activities</b>		
Proceeds from redemption of marketable securities	-	90,019
Purchase of property, plant and equipment	(84,721)	(184,462)
Payments for asset retirement obligations	(13,810)	(12,269)
Purchase of intangible assets	(236,949)	(466,570)
Purchase of investment securities	(11,413)	(126,846)
Payment of leasehold and guarantee deposits	(181,170)	(120,775)
Proceeds from refund of leasehold and guarantee deposits	216,875	139,792
Purchase of insurance funds	(4,459)	(4,459)
Other, net	1,776	11,532
Net cash provided by (used in) investing activities	(313,873)	(674,041)
<b>Cash flows from financing activities</b>		
Repayment of finance lease obligations	(10,635)	(9,419)
Disbursement of commissions paid	(3,922)	(4,131)
Dividends paid	(413,602)	(489,092)
Other, net	(281)	(228)
Net cash provided by (used in) financing activities	(428,441)	(502,872)
Effect of exchange rate change on cash and cash equivalents	10,834	(1,457)
Net increase (decrease) in cash and cash equivalents	652,627	(1,271,985)
Cash and cash equivalents at beginning of period	7,786,223	10,002,870
Cash and cash equivalents at end of period	8,438,850	8,730,885



#### **(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 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)

Nine months ended March 31, 2022 (From July 1, 2021 to March 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	6,781,129	5,247,275	1,758,259	13,786,664
Intersegment sales	25,057	26,207	494,579	545,844
Total	6,806,187	5,273,482	2,252,839	14,332,509
Segment profit	1,554,657	981,217	578,278	3,114,153

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	3,114,153
Elimination of transactions between the Company and segments	563,814
Corporate expenses (Note)	(1,055,599)
Others	540
Operating profit in the quarterly consolidated statements of income	2,622,908

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

Nine months ended March 31, 2023 (From July 1, 2022 to March 31, 2023)

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	7,785,553	6,171,090	2,231,002	16,187,646
Intersegment sales	39,111	3,130	542,349	584,590
Total	7,824,664	6,174,221	2,773,351	16,772,236
Segment profit	1,517,624	1,241,035	629,058	3,387,718

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	3,387,718
Elimination of transactions between the Company and its segments	625,710
Corporate expenses (Note)	(1,099,072)
Others	6,448
Operating profit in the quarterly consolidated statements of income	2,920,805

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

(Revenue Recognition)

Breakdown of net sales from contracts with customers

Nine months ended March 31, 2022 (From July 1, 2021 to March 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	401,820	61,449	131,376	594,646
Goods or services that are transferred over a period of time	6,379,308	5,185,825	1,626,883	13,192,018
Net sales to external customers	6,781,129	5,247,275	1,758,259	13,786,664

Nine months ended March 31, 2023 (From July 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	183,513	286,764	115,960	586,238
Goods or services that are transferred over a period of time	7,602,039	5,884,326	2,115,041	15,601,407
Net sales to external customers	7,785,553	6,171,090	2,231,002	16,187,646