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Consolidated Summary Report under Japanese GAAP for the first quarter of the fiscal year ending June 30, 2024

October 31, 2023

Company Name: AVANT GROUP 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: November 10, 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 Three Months Ended September 30, 2023

(1) Consolidated results of operations

(Percentages indicate year-on-year changes)

	Net sales		EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%		%
Three months ended										
September 30, 2023	5,646	12.3	798	12.5	681	10.8	679	13.0	482	30.2
September 30, 2022	5,025	24.2	709	36.7	614	33.2	601	36.1	370	41.5

Comprehensive income (loss) for the three months ended September 30, 2023 483 million yen (31.4%) for the three months ended September 30, 2022 367 million yen (35.4%)

	Net profit per share	Diluted net profit per share
Three months ended	yen	yen
September 30, 2023	12.86	-
September 30, 2022	9.86	-

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

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2023	17,942	11,797	65.8
June 30, 2023	18,705	12,328	65.9

(Reference) Net assets attributable to the company's shareholders As of September 30, 2023 11,797 million yen As of June 30, 2023 12,328 million yen

2. Dividends on Common Shares

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
Fiscal year ended June 30, 2023	yen	yen	yen	yen	yen
Fiscal year ending June 30, 2024	-	0.00	-	15.00	15.00
Fiscal year ending June 30, 2024 (Forecast)	-	0.00	-	19.00	19.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending June 30, 2024

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending June 30, 2024	24,000	12.0	3,850	17.0	3,850	17.9	2,500	19.4	66.89

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

Since the Company manages its operations on an annual basis, the consolidated earnings forecasts for the second quarter (cumulative) are not provided.

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: No

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

(iii) Changes in accounting estimates: No

(iv) Restatement: No

(4) Number of issued shares (common shares)

(i) Total number of issued shares including treasury shares

As of September 30, 2023	37,645,851 shares	As of June 30, 2023	37,645,851 shares
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(ii) Number of treasury shares held

As of September 30, 2023	326,398 shares	As of June 30, 2023	2,998 shares
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(iii) Average number of shares

Three months ended September 30, 2023	37,549,160 shares	Three months ended September 30, 2022	37,622,503 shares
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(Note) The Company has introduced the Employee Benefit Trust from the first quarter of the fiscal year ending June 30, 2024. Shares of the Company held by the Trusts are included in the number of treasury shares held and the average number of 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 three months ended September 30, 2023 are as follows.

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

	Three months ended September 30, 2022	Three months ended September 30, 2023	Year-on-Year Change	
			Amount	%
Net sales	5,025	5,646	620	12.3
Operating profit	614	681	66	10.8
Ordinary profit	601	679	78	13.0
Profit attributable to owners of parent	370	482	112	30.2

Consolidated net sales were 5,646 million yen (up 12.3% year-on-year) as a result of the Outsourcing Business maintaining its high growth rate, in addition to significant growth in the Digital Transformation Business in particular, against the background of 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.

From this first quarter, the Company has revised the method used to categorize its business segments to date and changed from the previous reportable segments of “Group Governance Business,” “Digital Transformation Business,” and “Outsourcing Business” to “Consolidated Financial Disclosure Business,” “Digital Transformation Promotion Business,” and “Corporate Management Solutions Business.” In light of this change, the results for each reportable segment for the first quarter of the previous fiscal year have been restated according to the reportable segments after the change.

The Consolidated Financial Disclosure Business supports value creation through the disclosure of corporate information with the development and maintenance of DivaSystem, a proprietary software package for consolidated management support and consolidated accounting, and providing outsourcing services for consolidated and non-consolidated financial results using DivaSystem. In terms of this segment's position within the Group, we aim to establish a business model that is a combination of its software and outsourcing businesses.

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

The Digital Transformation Promotion Business supports the promotion of companies' digital transformation and data-driven management by providing, through consulting and system development, everything from data platforms for utilising all kinds of data surrounding companies to AI and BI solutions for analysing, predicting and visualising data. From major cloud vendors to multi-cloud compatible software, you will learn about the latest information utilization methods and generation AI specializing in data utilization, as well as train engineers and develop your own data utilization platform products. We also aim to expand our group's products.

The Corporate Management Solutions Business has as its objective the visualization and maximization of companies' “invisible value,” with a focus on group management, consolidated accounting, and business administration, and offers one-stop support ranging from consulting to system planning, building, installation, and maintenance. In addition to developing software in-house, this business also combines such software with software developed by other companies. The role of this business is to make maximum use of the Group's assets to continuously generate solutions that will provide management information useful for the enhancement of corporate value.

As for profits, despite increases in fixed personnel expenses caused by an increase in headcount, outsourced processing expenses in response to increased demand from customers, and development expenses for new products that we plan to launch, due to the decline in temporary expenses accompanying the group reorganization in the previous fiscal year, effect of increased sales in the Digital Transformation Promotion Business, and other factors, we recorded operating profit of 681 million yen (up 10.8% year-on-year), ordinary profit of 679 million yen (up 13.0% year-on-year), and profit attributable to owners of parent of 482 million yen (up 30.2% year-on-year).

The status of each reportable segment is as follows.

(i) Net sales

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

	Three months September 30, 2022	Three months September 30, 2023	Year-on-Year Change	
			Amount	%
Consolidated Financial Disclosure Business	1,631	1,747	115	7.1
Digital Transformation Promotion Business	1,613	2,171	558	34.6
Corporate Management Solutions Business	1,851	1,863	11	0.6
Elimination of inter-segment transactions	(70)	(135)	(65)	-
Consolidated Net sales	5,025	5,646	620	12.3

(ii) Operating profit

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

	Three months September 30, 2022	Three months September 30, 2023	Year-on-Year Change	
			Amount	%
Consolidated Financial Disclosure Business	358	364	5	1.7
Digital Transformation Promotion Business	196	348	151	76.9
Corporate Management Solutions Business	309	148	(161)	(52.0)
Corporate Expenses and Elimination of inter-segment transactions	(249)	(180)	69	-
Consolidated operating profit	614	681	66	10.8

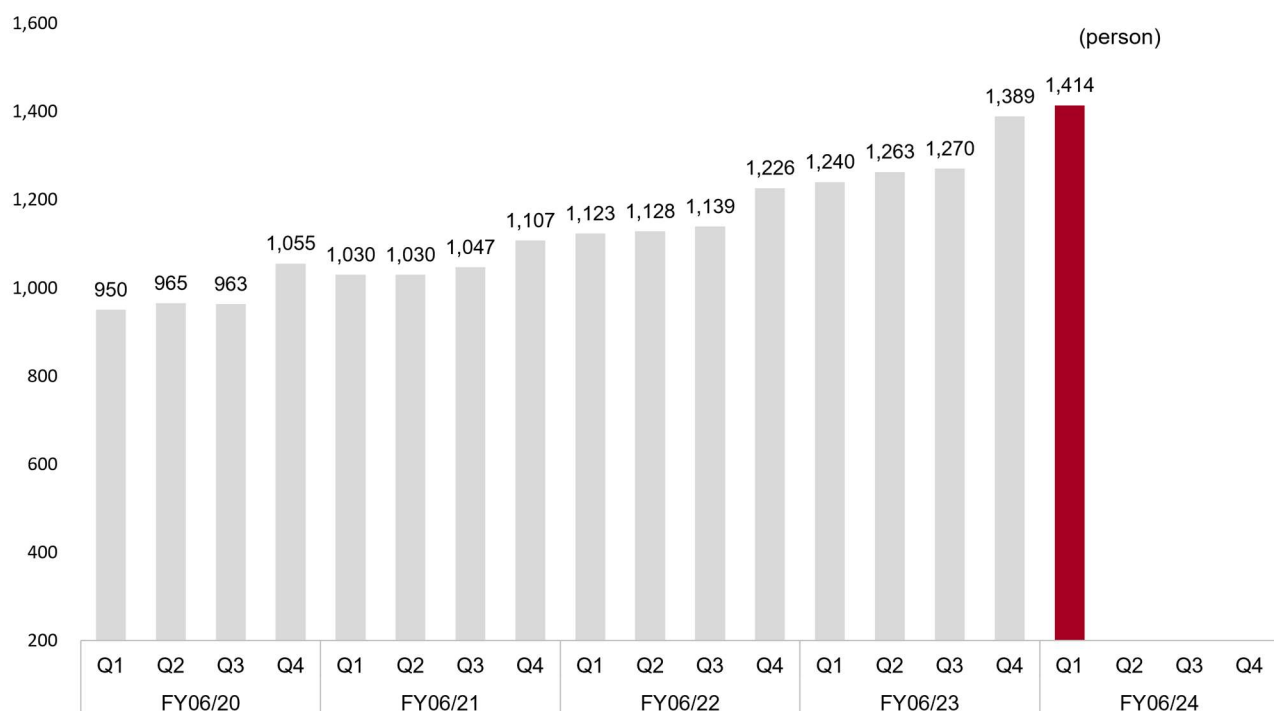
In the Consolidated Financial Disclosure Business, the software business is in the process of making improvements through the review of pricing strategies under the new organization, and while on the one hand, the outsourcing business has maintained its high growth rate, contributing to the increase in revenue. As a result, net sales increased to 1,747 million yen (up 7.1% year-on-year). In terms of profitability, as the pricing strategies in the software business are not yet at a stage in which they are reflected in profits, operating profit was 364 million yen (up 1.7% year-on-year), which was a limited increase compared with the increase in net sales.

In the Digital Transformation Promotion Business, the need among customers to utilize data for decision-making related to management and business promotion continues to accelerate, and a marked increase in projects focused on the provision of cloud data platforms significantly pushed up revenue. As a result, net sales increased to 2,171 million yen (up 34.6% year-on-year). Although personnel expenses to secure service provision staff increased and there was a continuing trend of outsourcing expenses to supplement them remaining high, this was offset by the effect of higher sales, and operating profit was 348 million yen (up 76.9% year-on-year), significantly higher than the same period in the previous fiscal year.

In the Corporate Management Solutions Business, net sales were 1,863 million yen (up 0.6% year-on-year). Although sales growth was constrained by the impact of temporary restraints on sales activities accompanying the reorganization, the increase in revenue in the CPM solutions business resulted in a small year-on-year increase for the segment as a whole. As a result of the increase in net sales remaining at the low-growth level due to the aforementioned factors, and in addition, the increase in personnel expenses due to headcount increases and an increase in depreciation costs accompanying software investments, operating profit decreased to 148 million yen (down 52.0% year-on-year).

The number of employees on a consolidated basis was 1,414 at the end of the first quarter, up 25 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 for the first 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, 2023 First quarter		Fiscal Year ending June 30, 2024 First quarter		Year-on-Year Change	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Amount	
					Orders Received	Outstanding Orders
Consolidated Financial Disclosure Business	1,697	3,482	1,821	4,023	124	541
Digital Transformation Promotion Business	1,676	1,121	2,026	1,560	350	439
Corporate Management Solutions Business	1,492	2,638	1,623	2,873	130	234
Elimination of inter-segment transactions	(125)	(1,457)	(48)	(1,659)	77	(202)
Total	4,741	5,785	5,423	6,798	682	1,012

(ii) Net Sales

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

	Fiscal Year ended June 30, 2023 First quarter		Fiscal Year ending June 30, 2024 First quarter		Year-on-Year Change	
					Amount	%
Consolidated Financial Disclosure Business	1,631		1,747		115	7.1
Digital Transformation Promotion Business	1,613		2,171		558	34.6
Corporate Management Solutions Business	1,851		1,863		11	0.6
Elimination of inter-segment transactions	(70)		(135)		(65)	-
Total	5,025		5,646		620	12.3

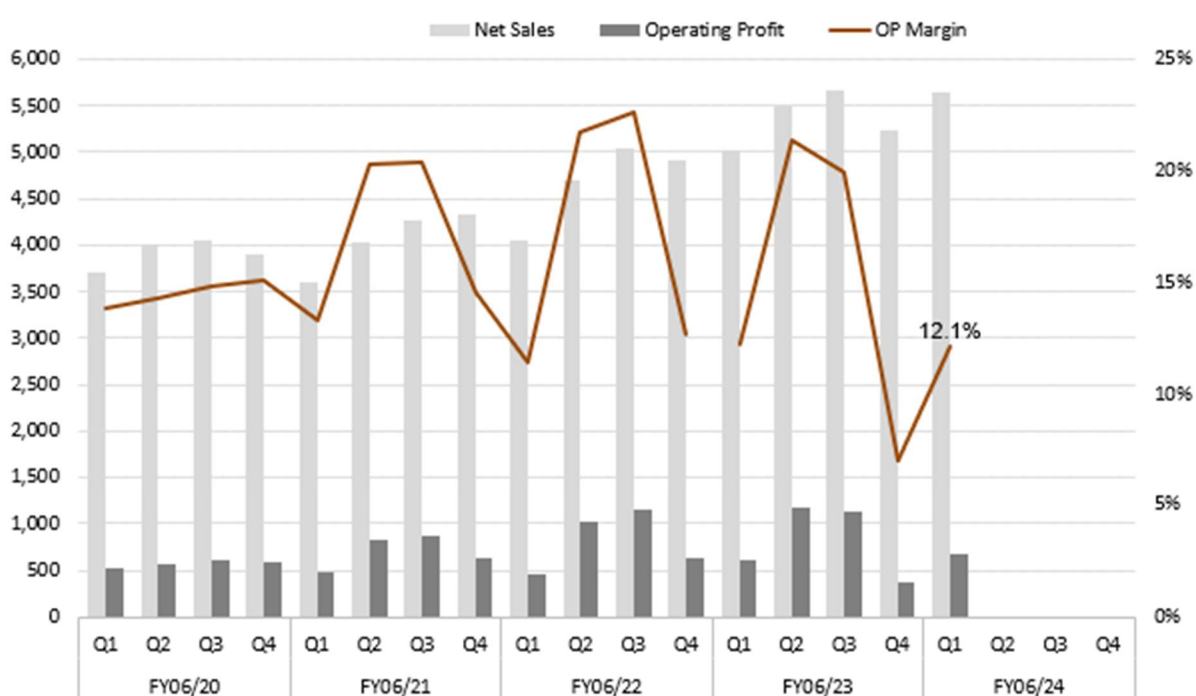
Quarterly trends in net sales and operating profit are as follows.

Net sales and operating profit for the last four quarters

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

	Fiscal Year ended June 30, 2023			Fiscal Year ending June 30, 2024
	Second quarter	Third quarter	Fourth quarter	First quarter
Net sales	5,497	5,664	5,236	5,646
Operating profit	1,178	1,127	368	681
Operating profit margin (%)	21.4	19.9	7.0	12.1

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



(2) Discussion on Financial Position

(i) Financial position

Total assets at the end of the first quarter were 17,942 million yen (down 763 million yen from the end of the previous fiscal year). This was mainly due to a 551 million yen decrease in current assets, which was mainly attributable to a 1,241 million yen decrease in cash and deposits and a 189 million yen increase in prepaid expenses.

On the other hand, total liabilities amounted to 6,144 million yen (down 232 million yen from the end of the previous fiscal year). This was mainly due to a 621 million yen decrease in provision for bonuses.

Total net assets amounted to 11,797 million yen (down 530 million yen from the end of the previous fiscal year), mainly due to the recording of 482 million yen in profit attributable to owners of parent, 449 million yen in purchase of treasury shares, and the payment of 564 million yen in dividends of surplus. As a result, the equity ratio was 65.8% (65.9% at 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 first quarter decreased by 1,238 million yen from the end of the previous fiscal year to 9,642 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 128 million yen (491 million yen used in the same period of the previous year).

The main factors of increase were profit before income taxes of 679 million yen, an increase in accounts payable - other, and accrued expenses of 408 million yen, and increase in deposits received of 611 million yen, while the main factors of decrease were a decrease in provision for bonuses of 621 million yen, decrease in provision for bonuses for directors (and other officers) of 142 million yen, increase in notes and accounts receivable - trade and contract assets of 266 million yen, decrease in contract liabilities of 208 million yen, increase in prepaid expenses of 188 million yen, and income taxes paid of 670 million yen.

< Cash flows from investing activities >

Net cash used in investing activities totaled 93 million yen (111 million yen used in the same period of the previous year).

The main accounts of cash outflow were 43 million yen for purchase of property, plant and equipment, 17 million yen for purchase of investment securities, and 27 million yen for payment of leasehold and guarantee deposits.

< Cash flows from financing activities >

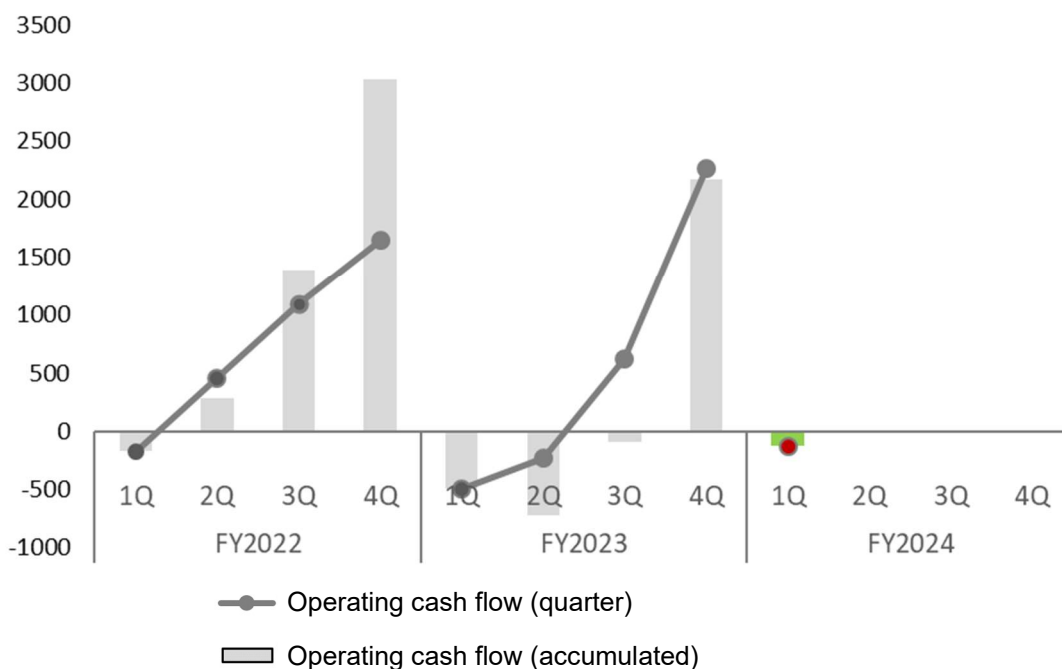
Net cash used in financing activities totaled 1,019 million yen. (493 million yen used in the same period of the previous year)

The main components of cash outflow were 564 million yen in dividends paid and 449 million yen in purchase of treasury shares.

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

Maintenance fees in the Corporate Management Solutions Business and commissions paid in the Consolidated Financial Disclosures 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 Promotion 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

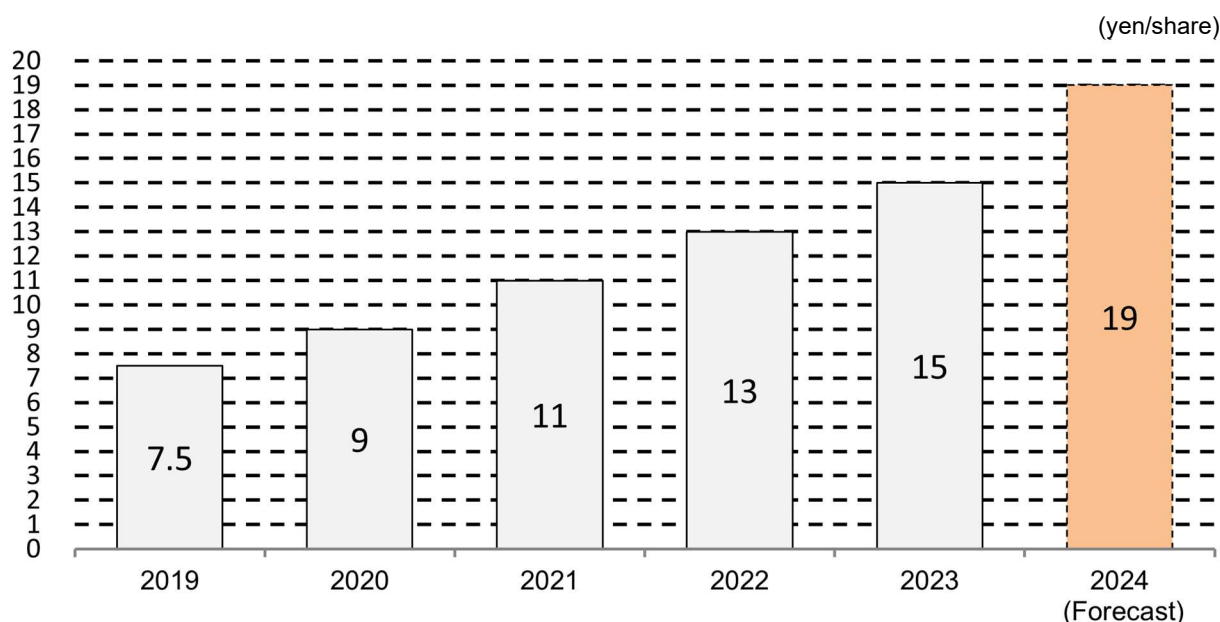
In August 2023, the Company announced a five-year plan (target to be achieved in five years), which ends in the fiscal year ending June 2028, as its new Medium-Term Management Plan, and the fiscal year ending June 2024 is the first year of the plan. Ahead of the start of the new Medium-Term Management Plan, we have defined the materiality of the Avant Group as “to become a software company that helps enhance corporate value.” As a concrete measure to clarify what we aim to become during the period of the new Medium-Term Management Plan and realize this materiality, we have reorganized the group and been developing business activities as the new Avant Group on October 1, 2022. Through such initiatives, we have clarified the direction of each operating company. At the same time, by positioning each operating company in growth markets, we have created a structure that will enable us to achieve sustainable sales growth. On the other hand, we do not believe that we are at the stage of reaping the full benefits of the Group's reorganization in the early stage of the period of the new Medium-Term Management Plan. Rather, we expect that the effects will gradually become apparent over a period of five years. In addition, while the restructuring associated with the Group's reorganization has been completed, it is our policy to continuously and flexibly make growth investment that is required for realization of materiality.

Unstable factors such as inflation caused by soaring raw material prices and a concern over economic slowdown on the back of financial tightening pose a risk of affecting the Group's performance, which, on the contrary, is considered to lead to more companies seeking to strengthen data-driven management and group governance, and therefore we believe that demand for the Group's business will continue to increase over the medium to long term.

As a result, the Company expects to achieve net sales of 24,000 million yen and operating profit of 3,850 million yen in the current fiscal year.

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). There will be no change to the policy itself, and we forecast a dividend of 19 yen per share for the current fiscal year, in the hope of achieving the target of a ratio of dividends to net assets of 8% that we have set to achieve within the period of the new Medium-Term Management Plan.

Trends of dividends (adjusted for stock splits)



2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	10,317,243	9,075,590
Notes and accounts receivable - trade, and contract assets	2,963,130	3,230,098
Securities	500,000	500,000
Work in process	13,620	6,949
Raw materials and supplies	112,676	102,202
Prepaid expenses	824,824	1,014,368
Other	623,801	874,658
Allowance for doubtful accounts	(3,622)	(3,953)
Total current assets	15,351,673	14,799,915
Non-current assets		
Property, plant and equipment	487,466	445,299
Intangible assets		
Software	728,306	655,298
Other	225	46,297
Total intangible assets	728,532	701,596
Investments and other assets		
Investment securities	772,046	787,091
Long-term prepaid expenses	66,028	91,008
Leasehold and guarantee deposits	575,243	602,353
Deferred tax assets	590,209	380,595
Other	134,393	134,393
Total investments and other assets	2,137,920	1,995,441
Total non-current assets	3,353,919	3,142,337
Total assets	18,705,593	17,942,253

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	634,758	771,381
Lease liabilities	12,257	11,136
Accounts payable - other, and accrued expenses	512,708	894,987
Income taxes payable	354,192	-
Contract liabilities	2,796,086	2,587,586
Provision for bonuses	1,038,329	417,175
Provision for bonuses for directors (and other officers)	172,380	30,258
Provision for loss on orders received	61,594	32,063
Provision for share awards	-	15,325
Other	539,812	1,164,262
Total current liabilities	6,122,119	5,924,176
Non-current liabilities		
Lease liabilities	6,039	3,598
Asset retirement obligations	210,900	216,758
Deferred tax liabilities	38,016	-
Total non-current liabilities	254,956	220,357
Total liabilities	6,377,076	6,144,533
Net assets		
Shareholders' equity		
Share capital	345,113	345,113
Capital surplus	281,913	281,913
Retained earnings	11,477,458	11,395,785
Treasury shares	(608)	(449,780)
Total shareholders' equity	12,103,876	11,573,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	183,925	179,168
Deferred gains or losses on hedges	302	338
Foreign currency translation adjustment	40,411	45,181
Total accumulated other comprehensive income	224,639	224,688
Total net assets	12,328,516	11,797,719
Total liabilities and net assets	18,705,593	17,942,253

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
Three months ended September 30

(Thousands of yen)

	Three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)	Three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)
Net sales	5,025,971	5,646,570
Cost of sales	2,776,438	3,273,146
Gross profit	2,249,533	2,373,424
Selling, general and administrative expenses	1,634,571	1,692,330
Operating profit	614,962	681,094
Non-operating income		
Interest income	57	44
Dividend income	511	1,031
Gain on investments in investment partnerships	-	2,183
Subsidy income	220	-
Miscellaneous income	1,270	663
Other	33	50
Total non-operating income	2,092	3,975
Non-operating expenses		
Interest expenses	144	87
Loss on investments in investment partnerships	1,538	3,181
Commission expenses	1,423	2,097
Foreign exchange losses	1,660	523
Compensation for damage	10,831	-
Other	289	-
Total non-operating expenses	15,888	5,889
Ordinary profit	601,165	679,179
Profit before income taxes	601,165	679,179
Income taxes - current	(32,530)	22,506
Income taxes - deferred	262,798	173,703
Total income taxes	230,267	196,210
Profit	370,898	482,969
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	370,898	482,969

Quarterly Consolidated Statements of Comprehensive Income
Three months ended September 30

(Thousands of yen)

	Three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)	Three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)
Profit	370,898	482,969
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,286)	(4,757)
Deferred gains or losses on hedges	64	36
Foreign currency translation adjustment	9,011	4,769
Share of other comprehensive income of entities accounted for using equity method	1,773	-
Total other comprehensive income	(3,437)	48
Comprehensive income	367,461	483,017
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	367,461	483,017
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)	Three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	601,165	679,179
Depreciation	101,795	117,629
Share-based payment expenses	4,457	5,279
Increase (decrease) in allowance for doubtful accounts	218	330
Increase (decrease) in provision for bonuses	(712,122)	(621,153)
Increase (decrease) in provision for bonuses for directors (and other officers)	(127,172)	(142,122)
Increase (decrease) in provision for loss on orders received	(2,474)	(29,530)
Increase (decrease) in provision for share awards	-	15,325
Interest and dividend income	(568)	(1,076)
Interest expenses	144	87
Commission expenses	1,423	2,097
Loss (gain) on investments in investment partnerships	1,538	997
Subsidy income	(220)	-
Decrease (increase) in notes and accounts receivable- trade and contract assets	25,116	(266,917)
Decrease (increase) in inventories	(895)	17,145
Decrease (increase) in prepaid expenses	(66,554)	(188,371)
Increase (decrease) in trade payables	(29,720)	136,623
Increase (decrease) in accounts payable - other, and accrued expenses	128,193	408,484
Increase (decrease) in accrued consumption taxes	(85,244)	17,863
Increase (decrease) in contract liabilities	(128,946)	(208,500)
Increase (decrease) in deposits received	691,949	611,346
Other, net	(958)	(13,328)
Subtotal	401,125	541,388
Interest and dividends received	759	1,076
Interest paid	(144)	(87)
Subsidies received	220	-
Income taxes paid	(893,709)	(670,642)
Net cash provided by (used in) operating activities	(491,747)	(128,264)
Cash flows from investing activities		
Proceeds from redemption of securities	90,019	-
Purchase of property, plant and equipment	(16,518)	(43,162)
Purchase of intangible assets	(50,717)	(6,385)
Purchase of investment securities	(13,935)	(17,500)
Payments of leasehold and guarantee deposits	(120,775)	(27,109)
Other, net	371	331
Net cash provided by (used in) investing activities	(111,554)	(93,826)
Cash flows from financing activities		
Repayments of finance lease liabilities	(3,392)	(3,561)
Commission fee paid	(1,500)	(2,177)
Purchase of treasury shares	-	(449,172)
Dividends paid	(489,092)	(564,642)
Net cash provided by (used in) financing activities	(493,985)	(1,019,554)
Effect of exchange rate change on cash and cash equivalents	6,161	3,202
Net increase (decrease) in cash and cash equivalents	(1,091,126)	(1,238,443)
Cash and cash equivalents at beginning of period	10,002,870	10,881,311
Cash and cash equivalents at end of period	8,911,744	9,642,868

(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.

(Additional Information)

<Transaction for the Delivery of Company Shares to Employees through a Trust >

The Company has introduced a benefit trust as a welfare benefit for employees and as an incentive for the enhancement of the Company's corporate value.

1. Overview of transaction

Under this scheme, pursuant to the Stock Delivery Regulations established by the Company in advance, employees who satisfy certain requirements are granted points, and shares of the Company are delivered to those employees to whom points have been granted and who satisfy the requirements for beneficiaries set forth in the Stock Delivery Regulations according to the number of points those beneficiaries have been granted. The shares to be granted, including those to be granted in future, will be acquired using money in a trust established in advance by the Company, and the trust's assets will be administered separately.

2. Company shares remaining in the trust

The Company shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding associated costs). In this first quarter, there were 323,400 such treasury shares with a book value of 449,172 thousand yen.

(Segment Information)

Three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)

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

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Corporate Management Solutions Business	
Net sales				
Net sales to external customers	1,565,592	1,613,636	1,846,741	5,025,971
Inter-segment net sales or transfers	65,862	25	4,582	70,470
Total	1,631,454	1,613,662	1,851,324	5,096,441
Segment profit	358,287	196,836	309,647	864,771

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
Total amounts of reportable segments	864,771
Elimination of transactions between the Company and its segment	207,106
Corporate expenses (Note)	(457,295)
Others	379
Operating profit reported in quarterly consolidated statements of income	614,962

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

Three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)

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

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Corporate Management Solutions Business	
Net sales				
Net sales to external customers	1,638,348	2,169,415	1,838,807	5,646,570
Inter-segment net sales or transfers	108,934	2,513	24,424	135,872
Total	1,747,283	2,171,929	1,863,231	5,782,443
Segment profit	364,223	348,264	148,641	861,129

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
Total amounts of reportable segments	861,129
Elimination of transactions between the Company and its segment	207,020
Corporate expenses (Note)	(388,141)
Others	1,086
Operating profit reported in quarterly consolidated statements of income	681,094

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

3. Matters concerning changes to the reportable segments, etc.

From this first quarter, the Company has revised the method used to categorize its business segments to date and changed from the previous reportable segments of “Group Governance Business,” “Digital Transformation Business,” and “Outsourcing Business” to “Consolidated Financial Disclosure Business,” “Digital Transformation Promotion Business,” and “Corporate Management Solutions Business.” The segment information for the three months ended September 30, 2022 has been prepared according to the categorization method after the change.

(Revenue Recognition)

Breakdown of net sales from contracts with customers

As described in (Segment Information), the categories of reportable segments have been changed from this first quarter, and the figures for the three months ended September 30, 2022 have been prepared according to the categorization method after the change.

Three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Corporate Management Solutions Business	
Goods or services transferred at a point in time	90,478	20,902	81,889	193,270
Goods or services that are transferred over a period of time	1,475,114	1,592,734	1,764,852	4,832,701
Net sales to external customers	1,565,592	1,613,636	1,846,741	5,025,971

Three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Corporate Management Solutions Business	
Goods or services transferred at a point in time	44,997	9,285	13,026	67,309
Goods or services that are transferred over a period of time	1,593,351	2,160,129	1,825,780	5,579,261
Net sales to external customers	1,638,348	2,169,415	1,838,807	5,646,570

(Significant Subsequent Events)

Not applicable.