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

January 31, 2024

Company Name: AVANT GROUP CORPORATION

Listing: Tokyo Stock Exchange

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, 2024

Dividend payment date: -

Supplementary information for financial statements: Yes

Explanatory meeting to be held: Yes

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

### 1. Consolidated results for the second quarter of the fiscal year ending June 30, 2024

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of the fiscal year ending June 30, 2024	11,742	11.6	2,126	6.9	1,890	5.4	1,893	6.4	1,216	6.5
ending June 30, 2023	10,523	20.2	1,989	23.1	1,793	21.0	1,779	23.8	1,142	32.0

Comprehensive income (loss) for the 2Q of the fiscal year ending June 30, 2024: 1,272 million yen (11.1%) for the 2Q of the fiscal year ended June 30, 2023: 1,145 million yen (27.3%)

	Net profit per share	Diluted net profit per share
Second quarter of the fiscal year ending June 30, 2024	yen 32.51	yen -
ending June 30, 2023	30.35	-

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

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of December 31, 2023	18,557	12,587	67.8%
June 30, 2023	18,705	12,328	65.9%

(Reference) Net assets attributable to the company's shareholders As of December 31, 2023: 12,587 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 0.00	yen -	yen 15.00	yen 15.00
Fiscal year ending June 30, 2024	-	0.00	-	-	-
Fiscal year ending June 30, 2024 (Forecast)	-	-	-	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) resulting in change in scope of consolidation): No

Newly added to the scope of consolidation: nil Newly excluded 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 other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement: No

(4) Number of issued shares (common shares)

(i) Total number of shares issued including treasury shares

As of December 30, 2023	37,645,851 shares	As of June 30, 2023	37,645,851 shares
As of December 30, 2023	326,398 shares	As of June 30, 2023	2,998 shares
Second quarter of the fiscal year ending June 30, 2024	37,434,306 shares	Second quarter of the fiscal year ended June 30, 2023	37,629,691 shares

(ii) Number of treasury shares held

(iii) Average number of shares

(Note) The Company introduced the "Employee Stock Grant Trust" in the first quarter of the 28th consolidated fiscal year and the "Stock Grant Trust for Executive Officers" in the second quarter of the 28th consolidated fiscal year. Company shares held by the trust are included in the number of treasury stock at the end of the period and the average number of treasury stock during the period.

\* 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 do not represent any guarantee 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 regarding 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 Comments 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, 2023 Second quarter	Fiscal Year ending June 30, 2024 Second quarter	Year-on-Year Change	
			Amount	%
Net sales	10,523	11,742	1,219	11.6
Operating profit	1,793	1,890	97	5.4
Ordinary profit	1,779	1,893	113	6.4
Profit attributable to owners of parent	1,142	1,216	74	6.5

Consolidated net sales were 11,742 million yen (up 11.6% year-on-year) due to strong growth in the Digital Transformation Promotion business in particular, against a backdrop of investment needed to maintain and enhance competitiveness through improvements to corporate management and business activities using data and digital technology. This is turning into a medium- to long-term trend among Japanese companies (our customers). In addition, the Outsourcing business also maintained high growth.

From the first quarter of this fiscal year, the Company revised the categorizations for its business segments and changed the previous reportable segments of “Group Governance Business,” “Digital Transformation Business,” and “Outsourcing Business” to the “Consolidated Financial Disclosure Business,” the “Digital Transformation Promotion Business,” and the “Corporate Management Solutions Business.” In light of this change, results for each reportable segment for the first quarter of the previous fiscal year were restated in line with the new reportable segments.

The Consolidated Financial Disclosure Business supports value creation through development and maintenance of our proprietary software “DivaSystem” for consolidated management support and consolidated accounting, as well as the provision of outsourcing of consolidated and non-consolidated financial statements using this software. With regards the segment’s position within the Group, we aim to establish a business model that combines both software and outsourcing businesses.

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

The Digital Transformation Promotion Business supports the promotion of digital transformation at companies and data-driven management through consulting and system development services, including the provision of a data platform for utilizing all kinds of data related to companies, to AI and BI solutions that can analyze, predict and enable data visualization. From major cloud vendors to multi-cloud compatible software, customers can find out about the latest data utilization methods and generative AI specializing in data utilization, as well as train engineers and develop their own data utilization platform products. The suite of products offered is also slated for expansion.

The Management Solutions Business has a focus on group management, consolidated accounting, and business administration and aims to identify and maximize hidden value at companies, and offers one-stop support services from consulting to system planning, building, installation, and maintenance. In addition to in-house development, it is also possible to develop in combination with software from other companies. The role of this business is to maximize the Group’s assets and continue to generate solutions that will provide management data that is useful for the enhancement of corporate value.

Profits were boosted by a decrease in one-time expenses incurred in the previous fiscal year as a result of group reorganization and sales growth in the Digital Transformation Promotion business, set against increased fixed personnel expenses due to higher headcount, outsourced processing expenses as a result of the increase in orders, and investment-related expenses to realize future growth, Operating profit was 1,890 million yen (up 5.4% year-on-year), ordinary profit was 1,893 million yen (up 6.4% year-on-year), and net income attributable to owners of the parent was 1,216 million yen (up 6.5% 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, 2023 Second quarter	Fiscal Year ending June 30, 2024 Second quarter	Change (YoY)	
			Amount	%
Consolidated Financial Disclosure Business	3,414	3,606	191	5.6
Digital Transformation Promotion Business	3,387	4,365	977	28.8
Management Solutions Business	4,011	4,018	6	0.2
Elimination of inter-segment transactions	(291)	(247)	44	-
Consolidated Net sales	10,523	11,742	1,219	11.6

(ii) Operating profit

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

	Fiscal Year ended June 30, 2023 Second quarter	Fiscal Year ending June 30, 2024 Second quarter	Change (YoY)	
			Amount	%
Consolidated Financial Disclosure Business	784	858	72	9.3
Digital Transformation Promotion Business	557	758	201	36.2
Management Solutions Business	785	576	(208)	-26.6
Corporate Expenses and Elimination of inter-segment transactions	(333)	(302)	31	-
Consolidated operating profit	1,793	1,890	97	5.4

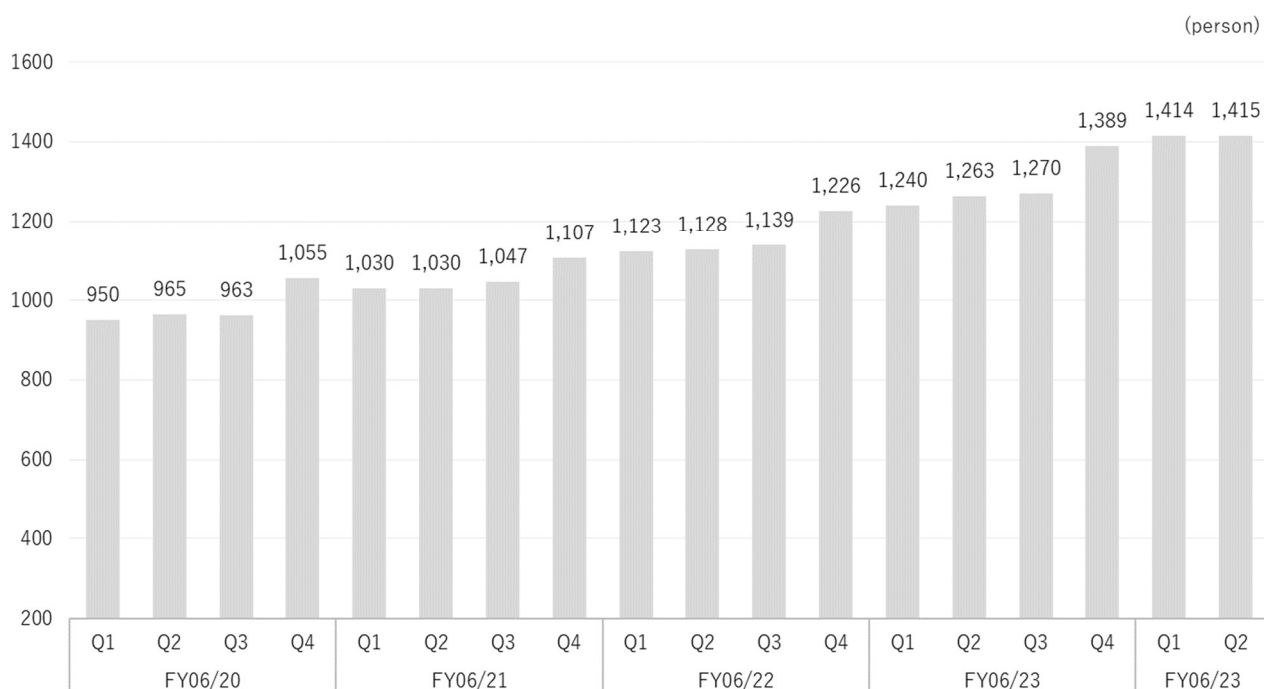
In the Consolidated Financial Disclosure Business, an improved pricing model for the Consolidated Accounts Software business is currently being rolled out under the new structure, but the outsourcing business continues to maintain high growth and contribute to revenue growth. As a result, sales rose 5.6% year-on-year to 3,606 million yen and net sales increased to 3,606 million yen (up 5.6% year-on-year). In terms of profitability, the Outsourcing business drove growth, resulting in operating profit of 857 million yen (up 9.3% year-on-year).

In the Digital Transformation Promotion Business, the need to utilize data for decision-making related to management and business promotion continues to accelerate, and the number of projects related to cloud data platform construction is on the rise, with an increase in large-scale projects and in the scale of ongoing projects. The increase in the number of large projects and the scale of ongoing projects was a significant driver of revenue growth. As a result, net sales increased to 4,365 million yen (up 28.8% year-on-year). Although personnel costs for human resources to provide services and increased along with ongoing rises in requisite subcontracting expenses, this was offset by the increased revenue, and operating profit was 758 million yen (up 36.2% year-on-year), significantly higher than the same period of the previous year.

In the Management Solutions Business, net sales were 4,018 million yen (up 0.2% year-on-year). Although the CPM solutions business increased revenues, the qualitative shift in business areas following the reorganization has not yet been fully realized, and sales growth stagnated, resulting in the segment as a whole remaining virtually unchanged compared to the previous year. Operating profit decreased to 576 million yen (down 26.6% year-on-year) due to the low sales growth as a result of these factors, as well as an increase in personnel expenses to secure personnel to drive future growth and an increase in amortization expenses associated with software investments.

The number of employees on a consolidated basis was 1,415 at the end of the second quarter, up 26 from the end of the previous fiscal year.

### Number of Employees of the Group (quarterly)



The status of orders received and sales by segment for 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, 2023 Second quarter		Fiscal Year ending June 30, 2024 Second quarter		Change (YoY)	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Amount	
					Orders Received	Outstanding Orders
Consolidated Financial Disclosure Business	3,604	3,606	3,561	3,904	(43)	297
Digital Transformation Promotion Business	3,488	1,159	4,105	1,445	616	285
Management Solutions Business	3,425	2,411	3,618	2,713	192	302
Elimination of inter-segment transactions	(468)	(1,579)	(161)	(1,661)	307	(81)
Total	10,050	5,598	11,123	6,402	1,072	804

#### (ii) Net Sales

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

	Fiscal Year ended June 30, 2023 Second quarter		Fiscal Year ending June 30, 2024 Second quarter		Change (YoY)	
					Amount	%
Consolidated Financial Disclosure Business		3,414		3,606	191	5.6
Digital Transformation Promotion Business		3,387		4,365	977	28.8
Management Solutions Business		4,011		4,018	6	0.2
Elimination of inter-segment transactions		(291)		(247)	44	-
Total		10,523		11,742	1,219	11.6

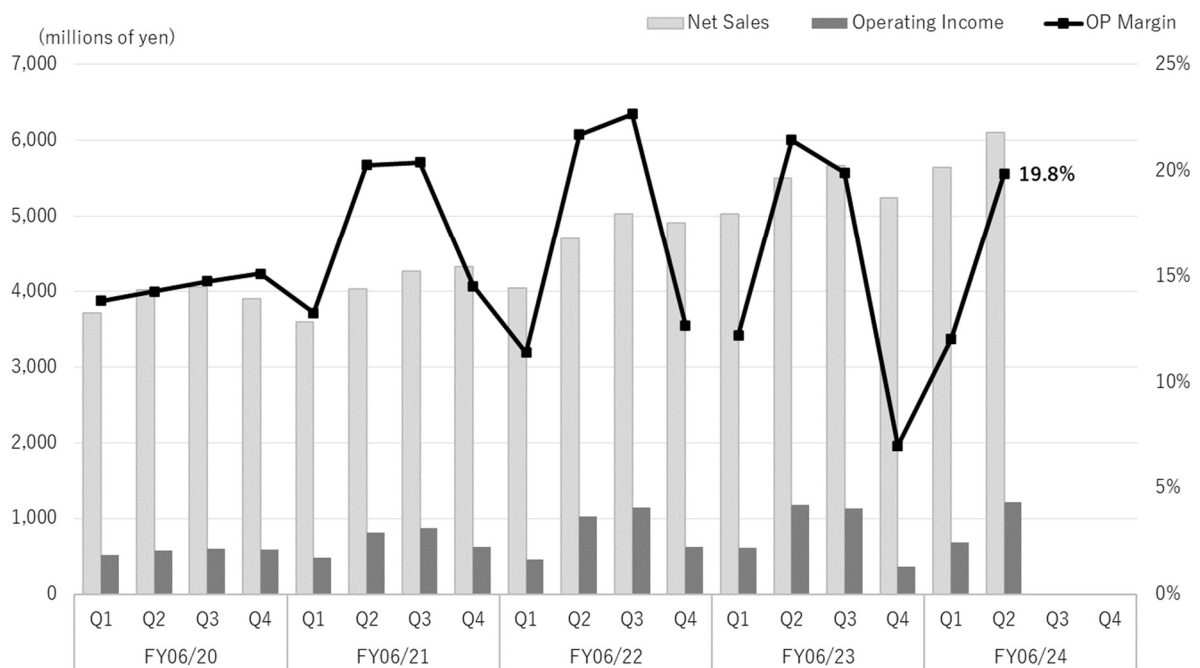
Quarterly trends in net sales and operating profit are as follows.

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	
	Third quarter	Fourth quarter	First quarter	Second quarter
Net sales	5,664	5,236	5,646	6,096
Operating profit	1,127	368	681	1,209
Operating profit margin (%)	19.9	7.0	12.1	19.8

Net sales, operating profit and operating profit margin (quarterly)



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

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

Total assets at the end of the second quarter were 18,557 million yen (down 148 million yen from the end of the previous fiscal year). This was mainly due to a 762 million yen increase in notes and accounts receivable-trade and contract assets, and a 252 million yen increase in prepaid expenses, while cash and deposits decreased by 917 million yen.

On the other hand, total liabilities amounted to 5,969 million yen (down 407 million yen from the end of the previous fiscal year). This was mainly due to a 205 million yen increase in income taxes payable, offset by a 359 million yen decrease in contract liabilities, and a 253 million yen decrease in provision for bonuses.

Total net assets were 12,587 million yen (up 258 million yen from the end of the previous fiscal year), reflecting net income attributable to parent company shareholders of 1,216 million yen for the quarter, purchase of treasury stock of 449 million yen and payment of dividends from surplus of 564 million yen. As a result, the equity ratio was 67.8% (65.9% at the end of the previous fiscal year), an improvement of 1.9 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 period under review decreased 917 million yen from the end of the previous fiscal year to 9,964 million yen. The status of various cash flows and relevant factors are as follows.

#### < Cash flows from operating activities >

Net cash provided by operating activities was 349 million yen.  
(717 million yen used in the same period of the previous year)

The main positive factors were profit before income taxes and minority interests of 1,893 million yen and refund of income taxes of 539 million yen, while the main negative factors were increases in accounts receivable and contract assets of 762 million yen, a decrease in contract liabilities of 359 million yen, a decrease in allowance for bonuses of 253 million yen and income taxes paid of 671 million yen.

#### < Cash flows from investing activities >

Funds used in investing activities totaled 239 million yen.  
(622 million yen used in the same period of the previous year)

Major expenditures included 111 million yen for the purchase of property, plant and equipment, 42 million yen for the purchase of intangible fixed assets and 57 million yen for the purchase of investment securities.

#### < Cash flows from financing activities >

Net cash used in financing activities was 1,025 million yen.  
(499 million yen used in the same period of the previous year)

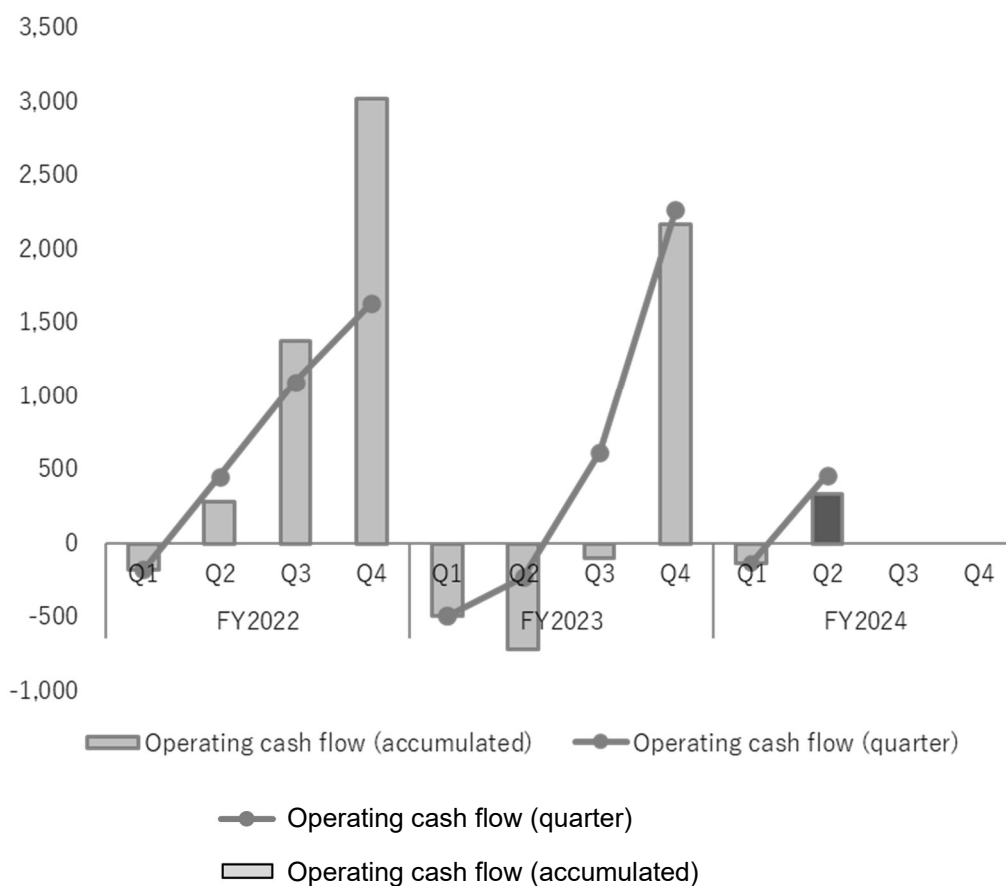
The main component of cash outflow was 564 million yen in cash dividends paid and 449 million yen for purchase of treasury stock.



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 Management Solutions Business and commissions paid in the Consolidated Financial Disclosures Business are prepaid a 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 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.

Operating cash flow (Quarterly, Millions of yen)



### (3) Earnings Forecasts

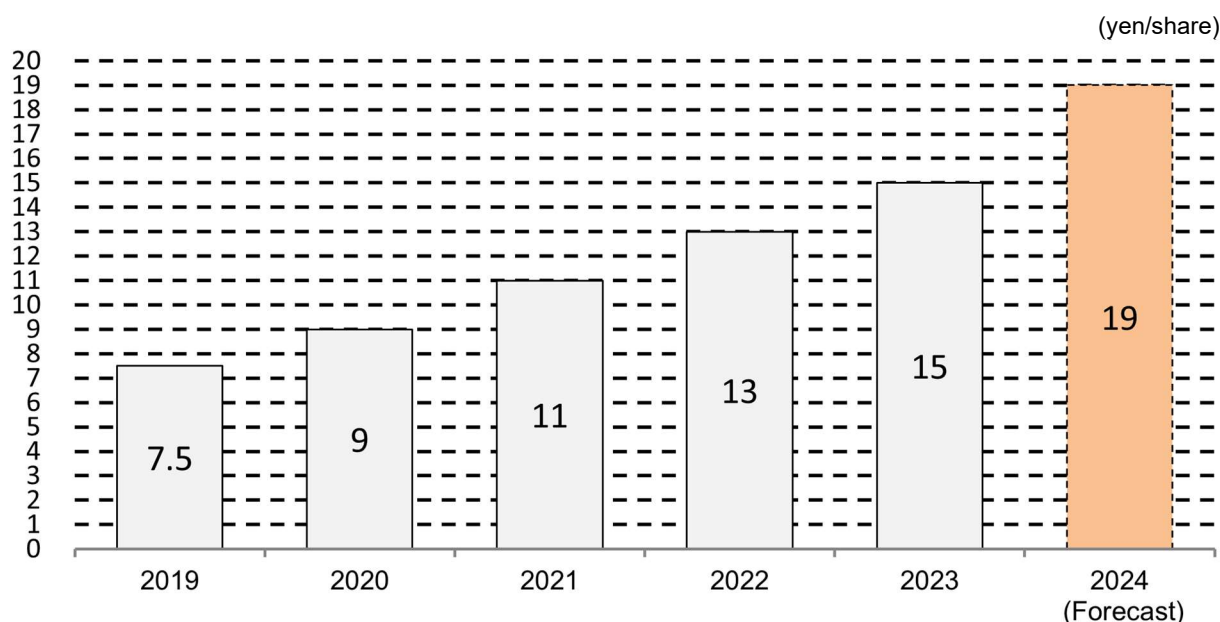
In August 2023, the Company announced a five-year plan (including targets to be achieved in five years), which ends in the fiscal year ending June 2028, as its new Medium-Term Management Plan, with the fiscal year ending June 2024 as the first year of the plan. Ahead of the start of the new Medium-Term 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 reorganized the group on October 1, 2022 and have been developing business activities as the new Avant Group since that time. 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. However, we do not believe that we will reap the full benefits of the Group's reorganization in the early stages of the new Medium-Term Management Plan. Rather, we expect the effects will gradually emerge over the five-year period. 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 this materiality.

Unstable factors such as inflation caused by soaring raw material prices and concerns over economic slowdown due to 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.

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 December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,317,243	9,399,642
Notes and accounts receivable - trade, and contract assets	2,963,130	3,725,854
Securities	500,000	500,000
Work in process	13,620	24,512
Raw materials and supplies	112,676	89,893
Prepaid expenses	824,824	1,077,480
Other	623,801	379,162
Allowance for doubtful accounts	(3,622)	(3,888)
Total current assets	15,351,673	15,192,657
Non-current assets		
Property, plant and equipment	487,466	490,059
Intangible assets		
Software	728,306	694,973
Other	225	45,115
Total intangible assets	728,532	740,089
Investments and other assets		
Investment securities	772,046	915,262
Long-term prepaid expenses	66,028	82,552
Leasehold and guarantee deposits	575,243	602,353
Deferred tax assets	590,209	399,757
Other	134,393	134,393
Total investments and other assets	2,137,920	2,134,318
Total non-current assets	3,353,919	3,364,468
Total assets	18,705,593	18,557,125

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	634,758	719,809
Lease liabilities	12,257	10,641
Accounts payable - other, and accrued expenses	512,708	577,747
Income taxes payable	354,192	560,039
Contract liabilities	2,796,086	2,436,262
Provision for bonuses	1,038,329	785,168
Provision for bonuses for directors (and other officers)	172,380	79,500
Provision for loss on orders received	61,594	174
Provision for share awards	-	30,650
Other	539,812	534,127
<b>Total current liabilities</b>	<b>6,122,119</b>	<b>5,734,120</b>
Non-current liabilities		
Lease liabilities	6,039	1,147
Asset retirement obligations	210,900	234,517
Deferred tax liabilities	38,016	-
<b>Total non-current liabilities</b>	<b>254,956</b>	<b>235,664</b>
<b>Total liabilities</b>	<b>6,377,076</b>	<b>5,969,784</b>
Net assets		
Shareholders' equity		
Share capital	345,113	345,113
Capital surplus	281,913	281,913
Retained earnings	11,477,458	12,129,640
Treasury shares	(608)	(449,780)
<b>Total shareholders' equity</b>	<b>12,103,876</b>	<b>12,306,886</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	183,925	243,267
Deferred gains or losses on hedges	302	277
Foreign currency translation adjustment	40,411	36,909
<b>Total accumulated other comprehensive income</b>	<b>224,639</b>	<b>280,453</b>
<b>Total net assets</b>	<b>12,328,516</b>	<b>12,587,340</b>
<b>Total liabilities and net assets</b>	<b>18,705,593</b>	<b>18,557,125</b>

**(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income**  
**Quarterly Consolidated Statements of Income**  
**Second Quarter of the Current Fiscal Year**

(Thousands of yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2022 to December 31, 2022)	Second Quarter of the Previous Fiscal Year (From July 1, 2023 to December 31, 2023)
Net sales	10,523,013	11,742,720
Cost of sales	5,680,573	6,569,620
Gross profit	4,842,439	5,173,100
Selling, general and administrative expenses	3,049,115	3,282,659
Operating profit	1,793,323	1,890,441
Non-operating income		
Interest income	57	45
Dividend income	3,200	5,258
Gain on investments in investment partnerships	—	8,789
Subsidy income	531	202
Other	1,577	1,423
Total non-operating income	5,366	15,719
Non-operating expenses		
Interest expenses	273	154
Loss on investments in investment partnerships	2,707	6,663
Commission expenses	2,843	3,458
Foreign exchange losses	1,574	2,240
Stock issuance expenses	228	—
Compensation for damage	10,831	—
Other	289	—
Total non-operating expenses	18,784	12,516
Ordinary profit	1,779,941	1,893,644
Profit before income taxes	1,779,941	1,893,644
Income taxes - current	431,800	550,130
Income taxes - deferred	206,024	126,689
Total income taxes	637,824	676,819
Profit	1,142,116	1,216,824
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,142,116	1,216,824

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

(Thousands of yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2022 to December 31, 2022)	Second Quarter of the Previous Fiscal Year (From July 1, 2023 to December 31, 2023)
Profit	1,142,116	1,216,824
Other comprehensive income		
Valuation difference on available-for-sale securities	5,655	59,341
Deferred gains or losses on hedges	(31)	(25)
Foreign currency translation adjustment	(3,944)	(3,502)
Share of other comprehensive income of entities accounted for using equity method	1,773	-
Total other comprehensive income	3,452	55,813
Comprehensive income	1,145,568	1,272,638
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,145,568	1,272,638
Comprehensive income attributable to non-controlling interests	-	-

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

(Thousands of yen)

	Second Quarter of the Previous Fiscal Year (From July 1, 2022 to December 31, 2022)	Second Quarter of the Previous Fiscal Year (From July 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,779,941	1,893,644
Depreciation	203,130	242,303
Share-based payment expenses	9,637	9,175
Increase (decrease) in allowance for doubtful accounts	464	266
Increase (decrease) in provision for bonuses	△434,899	△253,160
Increase (decrease) in provision for bonuses for directors (and other officers)	△88,868	△92,880
Increase (decrease) in provision for loss on orders received	△9,248	△61,419
Increase (decrease) in provision for share awards	—	30,650
Interest and dividend income	△3,257	△5,303
Interest expenses	273	154
Commission expenses	2,843	3,458
Stock issuance expenses	228	—
Loss (gain) on investments in investment partnerships	2,707	(2,126)
Subsidy income	(531)	(202)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(534,395)	(762,752)
Decrease (increase) in inventories	(9,105)	11,891
Increase (decrease) in trade payables	(43,159)	85,051
Increase (decrease) in accounts payable - other, and accrued expenses	(142,351)	(15,384)
Increase (decrease) in accrued consumption taxes	(136,592)	(33,456)
Increase (decrease) in contract liabilities	(262,266)	(359,824)
Increase (decrease) in deposits received	25,770	30,788
Other, net	(291,544)	(245,088)
Subtotal	158,77	475,784
Interest and dividends received	3,448	5,303
Interest paid	(273)	(154)
Subsidies received	531	202
Income taxes paid	(880,110)	(671,250)
Income taxes refunded	—	539,970
Net cash provided by (used in) operating activities	(717,626)	349,855
Cash flows from investing activities		
Proceeds from redemption of securities	90,019	—
Purchase of property, plant and equipment	(113,390)	(111,907)
Payments for asset retirement obligations	(269)	—
Purchase of intangible assets	(375,342)	(42,861)
Purchase of investment securities	(114,152)	(57,086)
Payments of leasehold and guarantee deposits	(120,775)	(27,109)
Proceeds from refund of leasehold and guarantee deposits	151	—
Other, net	11,657	(824)
Net cash provided by (used in) investing activities	(622,102)	(239,788)

	(Thousands of yen)	
	Second Quarter of the Previous Fiscal Year (From July 1, 2022 to December 31, 2022)	Second Quarter of the Previous Fiscal Year (From July 1, 2023 to December 31, 2023)
<b>Cash flows from financing activities</b>		
Repayments of finance lease liabilities	(6,398)	(6,507)
Commission fee paid	(4,131)	(5,126)
	—	(449,172)
Purchase of treasury shares	(489,092)	(564,642)
Dividends paid	(228)	—
Net cash provided by (used in) financing activities	(499,851)	(1,025,449)
Effect of exchange rate change on cash and cash equivalents	(3,039)	(1,793)
Net increase (decrease) in cash and cash equivalents	(1,842,620)	(917,176)
Cash and cash equivalents at beginning of period	10,002,870	10,881,311
Cash and cash equivalents at end of period	8,160,250	9,964,135



#### **(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 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)

Previous second 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
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Management Solutions Business	
Net sales				
Net sales to external customers	3,147,881	3,386,324	3,988,807	10,523,013
Inter-segment net sales or transfers	266,515	1,620	23,170	291,306
Total	3,414,397	3,387,944	4,011,978	10,814,319
Segment profit	784,684	557,114	785,082	2,126,880

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

(Thousands of yen)

Profit	Amount
Total amounts of reportable segments	2,126,880
Elimination of transactions between the Company and its segment	392,372
Corporate expenses (Note)	(731,668)
Others	5,738
Operating profit reported in quarterly consolidated statements of income	1,793,323

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

Current second quarter (From July 1, 2023 to December 31, 2023)

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

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Management Solutions Business	
Net sales				
Net sales to external customers	3,403,720	4,354,902	3,984,098	11,742,720
Inter-segment net sales or transfers	202,437	10,344	34,473	247,255
Total	3,606,157	4,365,246	4,018,572	11,989,975
Segment profit	857,385	758,864	576,299	2,192,549

2. Difference between the total amount of profit (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	2,192,549
Elimination of transactions between the Company and its segment	450,733
Corporate expenses (Note)	(749,461)
Others	(3,380)
Operating profit reported in quarterly consolidated statements of income	1,890,441

(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 the first quarter of this fiscal year, the Company has revised the categorizations of its business segments 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 “Management Solutions Business.” Segment information for the six months ended December 31, 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 classification of reportable segments has been changed from the first quarter of the current consolidated fiscal year, and the classification of reportable segments has been changed from the second quarter of the previous consolidated fiscal year.

Figures for the quarterly consolidated cumulative period are based on the classification after the change.

Previous second quarter (From July 1, 2022 to December 31, 2022)

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Management Solutions Business	
Goods or services transferred at a point in time	117,275	28,302	143,411	288,989
Goods or services that are transferred over a period of time	3,030,606	3,358,021	3,845,395	10,234,023
Net sales to external customers	3,147,881	3,386,324	3,988,807	10,523,013

Current second quarter (From July 1, 2023 to December 31, 2023)

(Thousands of yen)

	Reportable segments			Total
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Management Solutions Business	
Goods or services transferred at a point in time	74,085	27,994	82,687	184,767
Goods or services that are transferred over a period of time	3,329,634	4,326,907	3,901,411	11,557,952
Net sales to external customers	3,403,720	4,354,902	3,984,098	11,742,720

(Significant Subsequent Events)

Not applicable.