

This is an unofficial translation. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

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

April 26, 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: May 14, 2024

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 third quarter of the fiscal year ending June 30, 2024

(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	
		%		%		%		%		%
Third quarter of the fiscal year ending June 30, 2024	17,806	10.0	3,470	7.0	3,075	5.3	3,091	6.2	1,974	5.5
ending June 30, 2023	16,187	17.4	3,244	13.0	2,920	11.4	2,910	13.5	1,871	19.0

Comprehensive income (loss) for the nine months ended March 31, 2024 2,017 million yen (5.0%) for the nine months ended March 31, 2023 1,921 million yen (19.4%)

	Net profit per share	Diluted net profit per share
Third quarter of the fiscal year ending June 30, 2024	yen 52.90	yen -
ending June 30, 2023	49.72	-

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

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratios
As of	Units: million yen	Units: million yen	%
March 31, 2024	18,981	12,867	67.8
June 30, 2023	18,705	12,328	65.9

(Reference) Equity As of March 31, 2024 12,867 million yen As of June 30, 2023 12,328 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, 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 the parent		Net profit per share
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: 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	67.14

(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) 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: Yes

(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 March 31, 2024	37,645,851 shares	As of June 30, 2023	37,645,851 shares
As of March 31, 2024	655,298 shares	As of June 30, 2023	2,998 shares
Nine months ended March 31, 2024	37,318,563 shares	Nine months ended March 31, 2023	37,634,014 shares

(ii) Number of treasury shares held

(iii) Average number of shares

Note:

* 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 for the assumptions for earnings forecasts and notes for using earnings forecasts.

Accompanying Materials – Table of Contents

1. Qualitative Information on Financial Results for the Current Quarter	2
(1) Management Comments on Business Operations	2
(2) Comments on Financial Position	6
(3) Earnings Forecasts	8
2. Quarterly Consolidated Financial Statements and Notes.....	9
(1) Quarterly Consolidated Balance Sheets.....	9
(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income.....	11
Quarterly Consolidated Statements of Income	11
Quarterly Consolidated Statements of Comprehensive Income	12
(3) Quarterly Consolidated Statements of Cash Flows	13
(4) Notes to Quarterly Consolidated Financial Statements	15
(Notes on the Going Concern Assumption)	15
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	15
(Changes in Accounting Policies)	15
(Additional Information)	15
(Segment Information)	16
(Revenue Recognition)	17
(Significant Subsequent Events)	17

1. Qualitative Information on Financial Results for the Current Quarter

(1) Management Comments on Business Operations

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

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

	Fiscal Year ended June 30, 2023 Third quarter	Fiscal Year ended June 30, 2024 Third quarter	Year-on-Year Change	
			Amount	%
Net sales	16,187	17,806	1,618	10.0
Operating profit	2,920	3,075	154	5.3
Ordinary profit	2,910	3,091	180	6.2
Profit attributable to owners of the parent	1,871	1,974	102	5.5

Consolidated net sales were 11,806 million yen (up 10.0% 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 3,075 million yen (up 5.3% year-on-year), ordinary profit was 3,091 million yen (up 6.2% year-on-year), and net income attributable to owners of the parent was 1,974 million yen (up 5.5% 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 Third quarter	Fiscal Year ended June 30, 2024 Third quarter	Change (YoY)	
			Amount	%
Consolidated Financial Disclosure Business	5,166	5,512	345	6.7
Digital Transformation Promotion Business	5,376	6,640	1,263	23.5
Management Solutions Business	6,116	6,049	(66)	(1.1)
Elimination of inter-segment transactions	(471)	(395)	76	-
Consolidated Net sales	16,187	17,806	1,618	10.0

(ii) Operating profit

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

	Fiscal Year ended June 30, 2023 Third quarter	Fiscal Year ended June 30, 2024 Third quarter	Change (YoY)	
			Amount	%
Consolidated Financial Disclosure Business	1,198	1,437	238	19.9
Digital Transformation Promotion Business	973	1,300	327	33.6
Management Solutions Business	1,185	845	(339)	(28.7)
Corporate Expenses and Elimination of inter-segment transactions	(436)	(507)	(70)	-
Consolidated operating profit	2,920	3,075	154	5.3

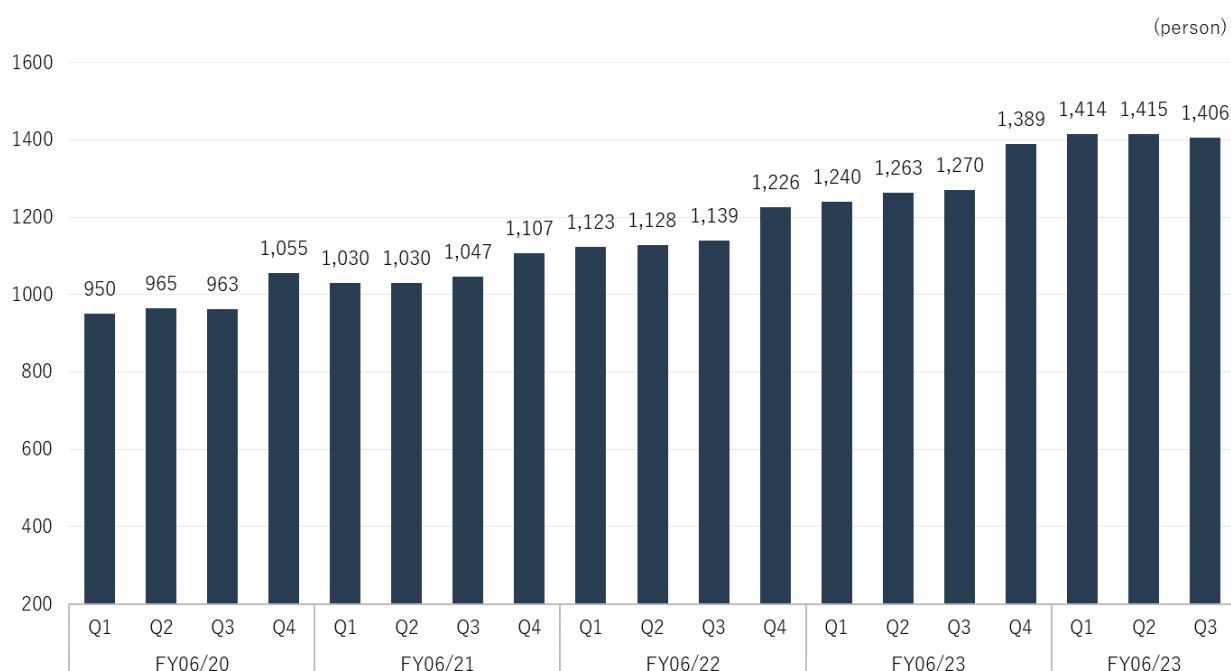
In the Consolidated Financial Disclosure business, the software business has been improving under the new structure through a review of pricing strategies and strategically reducing intra-group contract development transactions for product maintenance and other operational support, while the outsourcing business continued to maintain high growth and contributed to revenue growth. As a result, net sales increased to 5,512 million yen (up 6.7% year-on-year). In terms of profitability, the outsourcing business drove growth, resulting in an increase in operating profit to 1,437 million yen (up 19.9% 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-scale projects and the expansion of the scale of ongoing projects was a significant driver of revenue growth. As a result, net sales increased 23.5% year on year to 6,640 million yen (up 23.5% year-on-year). Although personnel costs increased to secure human resources to provide services along with ongoing rises in requisite subcontracting expenses, this was offset by the increased revenue, and operating profit was 1,300 million yen (up 33.6% year-on-year), significantly higher than the same period of the previous year.

In the Management Solutions Business, net sales were 6,049 million yen (down 1.1% year-on-year). Although sales in the software business increased, the qualitative shift in business areas due to organizational restructuring has not yet been fully realized and sales of consulting services stagnated as growth did not surpass the level of large projects won in the previous year. As a result, sales of consulting services stagnated, resulting in a decline in overall segment sales. In addition to the decrease in revenue due to the above factors, operating profit decreased to 845 million yen (down 28.7% year-on-year) due to higher personnel expenses to secure personnel to drive future growth, and an increase in expenses for system development and amortization associated with software investments.

The number of employees on a consolidated basis was 1,406 at the end of the third quarter, up 17 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, 2023 Third quarter		Fiscal Year ending June 30, 2024 Third quarter		Change (YoY)	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Amount	
					Orders Received	Outstanding Orders
Consolidated Financial Disclosure Business	5,294	3,544	5,398	3,835	104	291
Digital Transformation Promotion Business	5,472	1,154	6,466	1,531	993	376
Management Solutions Business	5,179	2,060	5,609	2,674	430	613
Elimination of inter-segment transactions	(392)	(1,782)	(324)	(1,676)	67	106
Total	15,554	4,976	17,149	6,364	1,595	1,387

(ii) Net Sales

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

	Fiscal Year ended June 30, 2023 Third quarter	Fiscal Year ending June 30, 2024 Third quarter	Change (YoY)	
			Amount	%
Consolidated Financial Disclosure Business	5,166	5,512	345	6.7
Digital Transformation Promotion Business	5,376	6,640	1,263	23.5
Management Solutions Business	6,116	6,049	(66)	(1.1)
Elimination of inter-segment transactions	(471)	(395)	76	—
Total	16,187	17,806	1,618	10.0

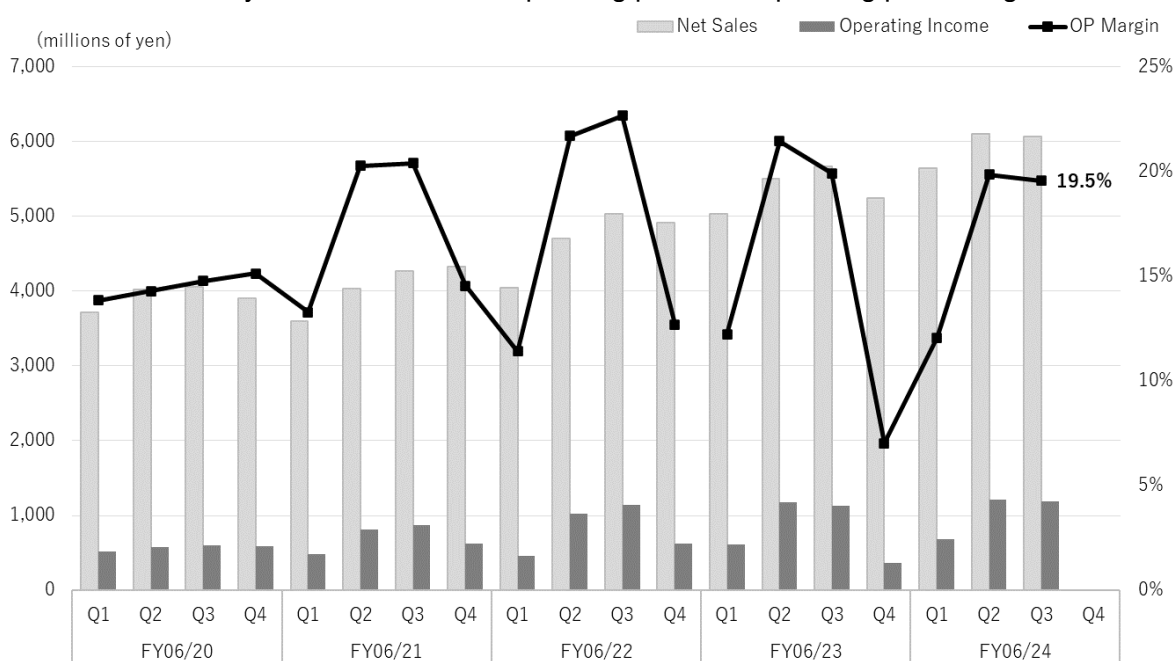
Quarterly trends in net sales and operating profit are as follows:

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		
	Fourth quarter	First quarter	Second quarter	Third quarter
Net sales	5,236	5,646	6,096	6,063
Operating profit	368	681	1,209	1,185
Operating profit margin (%)	7.0	12.1	19.8	19.5

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



(2) Comments on Financial Position

(i) Financial position

Total assets at the end of the third quarter were 18,981 million yen (up 275 million yen from the end of the previous fiscal year). This was mainly due to a 1,082 million yen increase in notes and accounts receivable-trade and contract assets, a 111 million yen increase in prepaid expenses, and a 213 million yen increase in investment securities, while cash and deposits decreased by 843 million yen and other current assets decreased by 227 million yen.

On the other hand, total liabilities amounted to 6,114 million yen (down 262 million yen from the end of the previous fiscal year). This was mainly due to a 542 million yen decrease in contract liabilities and a 208 million yen decrease in provision for bonuses, offset by a 263 million yen increase in income taxes payable and a 246 million yen increase in accounts payable and accrued expenses.

Total net assets amounted to 12,867 million yen (up 538 million yen from the end of the previous fiscal year), mainly due to net income attributable to parent company shareholders of 1,974 million yen, purchase of treasury stock of 918 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 "net cash") at the end of the third quarter decreased by 837 million yen from the end of the previous fiscal year to 10,043 million yen. The status of various cash flows and relevant factors are as follows.

< Cash flows from operating activities >

Net cash used in operating activities totaled 1,260 million yen. (93 million yen provided in the same period of the previous year)

The main positive factors were profit before income taxes and minority interests of 3,091 million yen, depreciation and amortisation of 407 million yen and refund of income taxes of 565 million yen. The main negative factors were an increase in trade receivables and contract assets of 1,082 million yen, a decrease in contract liabilities of 542 million yen, a decrease in provision for bonuses of 208 million yen and a payment of corporate income tax of 1,206 million yen.

< Cash flows from investing activities >

Funds used in investing activities totaled 605 million yen. (vs. 674 million yen used in the same period of the previous year)

Major expenditures included 155 million yen for the purchase of property, plant and equipment, 271 million yen for the purchase of intangible assets, and 144 million yen for the purchase of investment securities.

< Cash flows from financing activities >

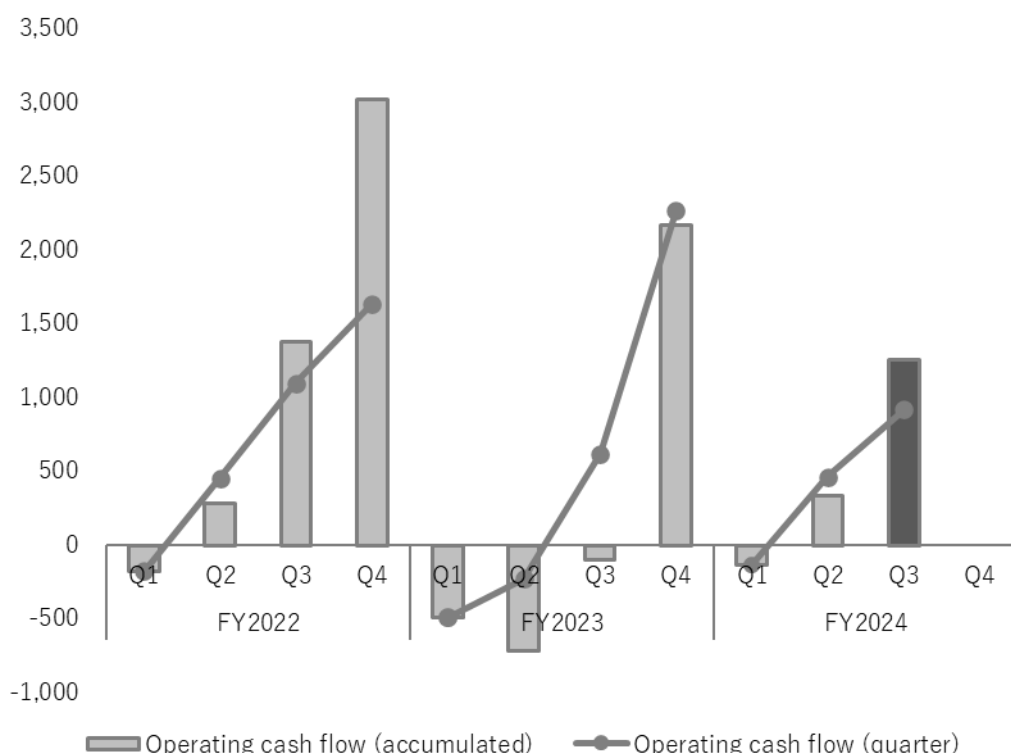
Net cash used in financing activities totaled 1,498 million yen. (502 million yen used in the same period of the previous year)

The main component of cash outflow was 564 million yen in cash dividends paid and 918 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.

Quarterly trends of Operating cash flow (Millions of yen)



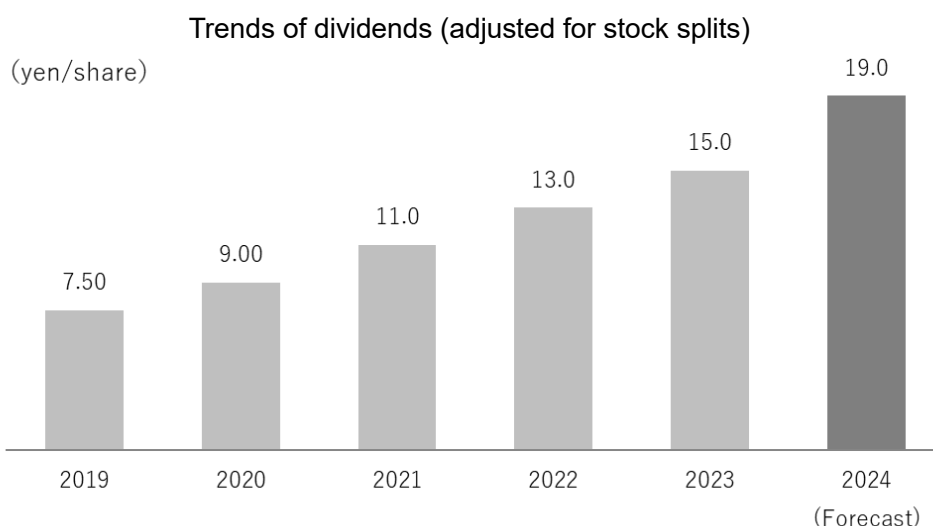
(3) Earnings Forecasts

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.



2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	10,317,243	9,473,837
Notes, accounts receivable – trade, and contract assets	2,963,130	4,045,327
Marketable securities	500,000	500,000
Work in progress	13,620	4,454
Raw materials and supplies	112,676	93,738
Prepaid expenses	824,824	936,419
Other	623,801	396,542
Allowance for doubtful accounts	(3,622)	(4,068)
Total current assets	15,351,673	15,446,251
Non-current assets		
Property, plant and equipment	487,466	463,882
Intangible assets		
Software	728,306	741,154
Other	225	43,934
Total intangible assets	728,532	785,088
Investments and other assets		
Investment securities	772,046	985,581
Long-term prepaid expenses	66,028	23,616
Leasehold and guarantee deposits	575,243	602,878
Deferred tax assets	590,209	535,119
Other	134,393	138,853
Total investments and other assets	2,137,920	2,286,048
Total non-current assets	3,353,919	3,535,018
Total assets	18,705,593	18,981,270

	As of June 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	634,758	642,166
Lease obligations	12,257	8,904
Accounts payable – other, and accrued expenses	512,708	759,363
Income taxes payable	354,192	617,399
Contract obligations	2,796,086	2,253,433
Provision for bonuses	1,038,329	829,920
Provision for bonuses for directors (and other officers)	172,380	94,754
Provision for loss on orders received	61,594	15,330
Provision for share awards	-	81,625
Other	539,812	576,563
Total current liabilities	6,122,119	5,879,462
Non-current liabilities		
Lease obligations	6,039	—
Asset retirement obligations	210,900	234,649
Deferred tax liabilities	38,016	—
Total non-current liabilities	254,956	234,649
Total liabilities	6,377,076	6,114,111
Net assets		
Shareholders' equity		
Share capital	345,113	345,113
Capital surplus	281,913	281,913
Retained earnings	11,477,458	12,890,904
Treasury shares	(608)	(918,987)
Total shareholders' equity	12,103,876	12,598,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	183,925	219,816
Deferred gains or losses on hedges	302	345
Foreign currency translation adjustments	40,411	48,054
Total accumulated other comprehensive income	224,639	268,216
Total net assets	12,328,516	12,867,159
Total liabilities and net assets	18,705,593	18,981,270

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
Third quarter of the Current Fiscal Year

	Thousands of yen	
	Third quarter of the previous fiscal year (From July 1, 2022 to March 31, 2023)	Third quarter of the current fiscal year (From July 1, 2023 to March 31, 2024)
Net sales	16,187,646	17,806,215
Cost of sales	8,855,221	9,976,941
Gross profit	7,332,424	7,829,274
Selling, general and administrative expenses	4,411,618	4,753,717
Operating profit	2,920,805	3,075,557
Non-operating income		
Interest income	96	108
Dividend income	4,048	6,273
Gain on investments in investment partnerships	—	17,781
Subsidy income	531	9,404
Other	3,824	5,201
Total non-operating income	8,500	38,769
Non-operating expenses		
Interest expense	386	206
Loss on investments in investment partnerships	2,581	10,752
Commission expenses	4,233	5,632
Foreign exchange loss	28	6,154
Stock issuance expenses	228	—
Compensation for damages	10,831	—
Other	289	—
Total non-operating expenses	18,581	22,745
Ordinary profit	2,910,725	3,091,580
Profit before income taxes	2,910,725	3,091,580
Income taxes – current	934,910	1,115,712
Income taxes – deferred	104,490	1,614
Total income taxes	1,039,401	1,117,327
Profit	1,871,324	1,974,253
Profit attributable to noncontrolling interests	—	—
Profit attributable to owners of the parent	1,871,324	1,974,253

Quarterly Consolidated Statements of Comprehensive Income
Third quarter of the Current Fiscal Year

(Thousands of yen)

	Third Quarter of the Current Fiscal Year (From July 1, 2021 to March 31, 2022)	Third quarter of the Previous Fiscal Year (From July 1, 2022 to March 31, 2023)
Profit	1,871,324	1,974,253
Other comprehensive income		
Valuation difference on available-for-sale securities	51,160	35,891
Deferred gains or losses on hedges	(25)	43
Foreign currency translation adjustments	(2,501)	7,642
Share of other comprehensive income of affiliates accounted for by the equity method	1,773	—
Total other comprehensive income	50,407	43,577
Comprehensive income	1,921,731	2,017,830
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,921,731	2,017,830
Comprehensive income attributable to noncontrolling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Third Quarter of the Previous Fiscal Year (From July 1, 2022 to March 31, 2023)	Third Quarter of the Current Fiscal Year (From July 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	2,910,725	3,091,580
Depreciation	317,753	407,397
Share-based payment expenses	14,982	13,071
Increase (decrease) in allowance for doubtful accounts	471	445
Increase (decrease) in provision for bonuses	(399,711)	(208,408)
Increase (decrease) in provision for bonuses for directors (and other officers)	(47,580)	(77,626)
Increase (decrease) in provision for loss on orders received	21,612	(46,263)
Increase (decrease) in provision for share awards	—	81,625
Interest and dividend income	(4,145)	(6,381)
Interest expenses	386	206
Commission expenses	4,233	5,632
Stock issuance expenses	228	—
Loss (gain) on investments in investment partnerships	2,581	(7,028)
Subsidy income	(531)	(9,404)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(553,789)	(1,082,125)
Decrease (increase) in inventories	(41,225)	28,104
Increase (decrease) in trade payables	(18,248)	7,407
Increase (decrease) in accounts payable - other, and accrued expenses	(53,305)	277,464
Increase (decrease) in accrued consumption taxes	(66,038)	17,452
Increase (decrease) in contract liabilities	(398,502)	(542,652)
Increase (decrease) in deposits received	(78,710)	17,380
Other, net	(154,905)	(81,756)
Subtotal	1,456,283	1,886,119
Interest and dividends received	4,336	6,381
Interest paid	(386)	(206)
Subsidies received	531	9,404
Income taxes paid	(1,554,377)	(1,206,874)
Income taxes refunded	—	565,680
Net cash provided by (used in) operating activities	(93,613)	1,260,505

(Thousands of yen)

	Third Quarter of the Previous Fiscal Year (From July 1, 2022 to March 31, 2023)	Third Quarter of the Current Fiscal Year (From July 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Proceeds from redemption of securities	90,019	—
Purchase of property, plant and equipment	(184,462)	(155,317)
Payments for asset retirement obligations	(12,269)	—
Purchase of intangible assets	(466,570)	(271,855)
Purchase of investment securities	(126,846)	(144,720)
Payments of leasehold and guarantee deposits	(120,775)	(27,634)
Proceeds from refund of leasehold and guarantee deposits	139,792	—
Payments made to the insurance reserve fund	(4,459)	(4,459)
Other, net	11,532	(1,051)
Net cash provided by (used in) investing activities	(674,041)	(605,039)
Cash flows from financing activities		
Repayments of finance lease liabilities	(9,419)	(9,391)
Commission fee paid	(4,131)	(5,605)
Repurchase of own shares	—	(918,379)
Purchase of treasury shares	(489,092)	(564,642)
Dividends paid	(228)	—
Net cash provided by (used in) financing activities	(502,872)	(1,498,019)
Effect of exchange rate change on cash and cash equivalents	(1,457)	4,601
Net increase (decrease) in cash and cash equivalents	(1,271,985)	(837,951)
Cash and cash equivalents at beginning of period	10,002,870	10,881,311
Cash and cash equivalents at end of period	8,730,885	10,043,360

(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 third quarter, there were 652,300 such treasury shares with a book value of 918,379 thousand yen.

(Segment Information)

Previous third quarter (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
	Consolidated Financial Disclosure Business	Digital Transformation Promotion Business	Management Solutions Business	
Net sales				
Sales to customers	4,728,622	5,373,443	6,085,580	16,187,646
Intersegment sales	437,924	3,130	30,580	471,634
Total	5,166,547	5,376,573	6,116,160	16,659,281
Segment profit	1,198,950	973,021	1,185,520	3,357,492

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
Reportable segments total	3,357,492
Elimination of transactions between the Company and segments	625,710
Corporate expenses (Note)	(1,068,845)
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.

Current third quarter (From July 1, 2023 to March 31, 2024)

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				
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 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
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.

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 nine months ended March 31, 2024 has been prepared according to the categorization method after the change.

(Revenue Recognition)
Breakdown of net sales from contracts with customers
Previous third quarter (From July 1, 2022 to March 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	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

Current third quarter (From July 1, 2023 to March 31, 2024)

(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	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

(Significant subsequent events)

(Acquisition of own shares)

At a meeting of the Board of Directors held on April 26, 2024, the Company resolved on the following matters pertaining to the acquisition of own shares in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the said Act.

1. Reason for acquisition of own shares

As part of our shareholder return policy, we are acquiring our own shares to increase the value per share.

2. Details of matters relating to the acquisition

- | | |
|---|---------------------------------|
| (1) Class of shares to be acquired | Common stock |
| (2) Total number of shares that may be acquired | 1.2 million shares (maximum) |
| (3) Total amount for shares to be acquired | 1 billion yen (maximum) |
| (4) Acquisition period | May 1, 2024 - November 30, 2024 |

(Establishment of Joint Venture Company (Consolidated Subsidiary))

We hereby announce that our Board of Directors has resolved at a meeting held today to establish a joint venture company with Cygnet Infotech Private Limited. The joint venture will become a consolidated subsidiary of the Company.

1. Background of the Joint Venture

In order to obtain software development capabilities on a global level, we have outsourced the development of our software products to Cygnet Infotech Private Limited (<https://www.cygnet.one>), a globally operating company based in India. Their aim is to 'Empower lives globally with technology-enabled & data-driven solution.' While developing the Group's software products through our collaboration with the Cygnet, we discovered the growth potential of the Indian software market and the sales potential of our group's software products in India, and as a

result of discussions between the two companies, we decided to establish a joint venture company through joint investment.

2. Joint Venture Business and Objectives

Through this joint venture, we will strengthen our position in the Indian market by conducting research and business development for our group's software sales in the Indian market.

3. Outline of Joint Venture Company

(1) Name	Divacygnet Private Limited (Tentative Name)
(2) Location	Bandra Kurla Complex, Mumbai, Maharashtra
(3) Title and name of representative	CEO: Surendra Sharma
(4) Business	Research and business development of the Group's software sales in the Indian market
(5) Capital Stock	60 million Indian rupees
(6) Date of Establishment	July 1, 2024 (scheduled date)
(7) Accounting Period	March
(8) Net Assets	60 million Indian rupees
(9) Total Assets	60 million Indian rupees
(10) Investment Ratio	Avant Group Corporation: 80%. Cygnet Infotech Private Limited: 20%.

4. Outline of Joint Venture Partner

(1) Name	Cygnet Infotech Private Limited	
(2) Location	16-Swastik Society, near Amco Bank, Stadium Circle, Opposite Diamond Plaza, Navrangpura, Ahmedabad - 380009, Gujarat, India	
(3) Title and name of representative	Managing Director, Founder & CEO: Niraj Hutheesing	
(4) Business	Contracted development of software and development and sales of in-house software	
(5) Capital Stock	52 million Indian rupees	
(6) Date of Establishment	August 2000	
(7) Major Shareholders and Shareholding Ratio	Niraj Hutheesing: 87.77%.	
(8) Listed companies and Relationship with the Company	Capital ties	Not applicable.
	Personal relations	Not applicable.
	Business relations	The Company outsources software product development to this company.

5. Upcoming dates

(1) Date of resolution by the Board of Directors	April 26, 2024
(2) Date of conclusion of joint venture agreement	May 31, 2024 (Estimated Scheduled date)
(3) Establishment of joint venture	July 1, 2024 (Estimated Scheduled date)
(4) Business start date	July 1, 2024 (Estimated Scheduled date)

6.Future Outlook

The Company currently believes that the impact of this matter on its consolidated business results for the fiscal year ending June 30, 2024, is negligible, but will promptly announce any matters that should be disclosed in the future.