26th Fiscal Year (From July 1, 2021 to June30, 2022)

Annual Securities Report

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail.

AVANT CORPORATION

Contents

[Cover]

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Part I [Corporate Information]

1. [Company Overview]

1-1 [Selected Financial Data]

(1) Consolidated Financial Summary

Fiscal Year		22nd	23rd	24th	25th	26th
Fiscal Year End		June 2018	June 2019	June 2020	June 2021	June 2022
Net sales	(thousand of yen)	12,110,795	14,077,976	15,691,533	16,236,129	18,703,387
Ordinary income	(thousand of yen)	1,632,433	1,972,583	2,282,082	2,808,216	2,988,973
Net income attributable to owners of the parent	(thousand of yen)	1,062,061	1,317,048	1,537,894	1,888,976	2,045,033
Comprehensive income	(thousand of yen)	1,069,302	1,316,735	1,562,619	1,914,609	2,117,784
Net assets	(thousand of yen)	4,792,462	5,898,048	7,194,333	8,787,207	10,597,663
Total assets	(thousand of yen)	8,814,290	10,415,229	11,780,604	13,956,966	16,617,046
Net assets per share	(yen)	255.26	157.00	191.42	233.70	281.68
Net income per share	(yen)	56.57	35.06	40.92	50.24	54.37
Net income per share (diluted)	(yen)	-	-	-	-	-
Capital adequacy ratio	(%)	54.4	56.6	61.1	63.0	63.8
Return on equity	(%)	24.5	24.6	23.5	23.6	21.1
Price earnings ratio	(times)	17.0	28.7	25.3	32.8	24.7
Cash flows from operating activities	(thousand of yen)	1,159,472	1,320,217	1,890,755	2,561,689	3,026,616
Cash flows from investing activities	(thousand of yen)	(353,910)	(455,340)	(420,430)	(789,786)	(398,957)
Cash flows from financing activities	(thousand of yen)	(184,632)	(232,007)	(294,708)	(359,514)	(433,200)
Cash and cash equivalents at end of year	(thousand of yen)	4,566,875	5,195,137	6,370,860	7,786,223	10,002,870
Number of employees (of which average number of temporary employees)	(person)	806 (48)	938 (55)	1,055 (16)	1,107 (40)	1,226 (20)

(Notes)
1. Diluted net income per share is not shown because there are no residual shares.
2. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group).
3. On November 1, 2017, the Company conducted a 2-for-1 stock split of common stock. Net income per share is calculated on the assumption that the stock split was conducted at the beginning of the 22nd fiscal year.
4. The Company conducted a 2-for-1 stock split of common stock as of December 1, 2019. Net assets per share and net income per share are calculated on the assumption that the stock split was conducted at the beginning of the 23rd fiscal year.
5. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the 26th fiscal year, and the key management indicators for the 26th fiscal year are those after the application of the said accounting standards.

(2) Parent Company Financial Summary

Fiscal Year		22nd	23rd	24th	25th	26th
Fiscal Year End		June 2018	June 2019	June 2020	June 2021	June 2022
Net sales or operating revenue	(thousand of yen)	1,751,837	1,851,240	2,355,778	2,661,884	2,324,599
Ordinary income	(thousand of yen)	679,684	729,784	1,145,455	1,348,123	731,106
Net income	(thousand of yen)	642,379	771,939	1,252,154	1,464,244	646,204
Capital stock	(thousand of yen)	288,400	295,525	303,271	311,568	329,128
Total number of shares issued and outstanding	(shares)	18,776,000	18,785,094	37,586,982	37,603,203	37,625,501
Net assets	(thousand of yen)	3,480,465	4,044,164	5,054,779	6,219,564	6,532,448
Total assets	(thousand of yen)	6,029,542	6,769,764	6,994,627	8,899,512	10,947,972
Net assets per share	(yen)	185.38	107.65	134.49	165.41	173.63
Dividend per share (of which interim dividend)	(yen) (yen)	12 (-)	15 (-)	9 (-)	11 (-)	13 (-)
Net income per share	(yen)	34.22	20.55	33.32	38.95	17.18
Net income per share (diluted)	(yen)	-	-	-	-	-
Capital adequacy ratio	(%)	57.7	59.7	72.3	69.9	59.7
Return on equity	(%)	19.9	20.5	27.5	26.0	10.1
Price earnings ratio	(times)	28.1	49.0	31.1	42.3	78.2
Dividend payout ratio	(%)	35.1	36.5	27.0	28.2	75.7
Number of employees (of which average number of temporary employees)	(person)	33 (1)	37 (3)	36 (2)	45 (2)	47 (0)
Total Shareholder Return (Comparison index: TOPIX including dividends)	(%) (%)	136.4 (109.7)	285.7 (100.6)	295.8 (103.8)	469.8 (132.1)	389.0 (130.3)
Highest stock price	(yen)	1,093 (2,195)	2,364	1,198 (2,497)	1,872	1,727
Lowest Stock Price	(yen)	818 (1,384)	911	645 (1,775)	951	945

(Notes)
1. Diluted net income per share is not shown because there are no residual shares.
2. The number of employees is the number of full-time employees (excluding employees seconded from the Company to outside companies and including employees seconded from outside companies to the Company).
3. The highest and lowest share prices are those on the Tokyo Stock Exchange Prime Market from April 4, 2022, and on the First Section of the Tokyo Stock Exchange on and before April 3, 2022, and on the Second Section of the Tokyo Stock Exchange on and before March 6, 2018, and on the First Section of the Tokyo Stock Exchange on and the Tokyo Stock Exchange JASDAQ (Growth) Market from September 21, 2017. The highest and lowest share prices for the 22nd and 24th fiscal years are shown after the stock split, and the highest and lowest share prices before the stock split are shown in parentheses.
4. The Company conducted a 2-for-1 stock split of common stock as of November 1, 2017. Net income per share is calculated on the assumption that the stock split was conducted at the beginning of the 22nd fiscal year.
5. The Company conducted a 2-for-1 common stock split as of December 1, 2019. Net assets per share and net income per share are calculated on the assumption that the stock split was conducted at the beginning of the 23rd fiscal year. Dividends per share for the period prior to the 23rd dividend represent the actual dividend amount prior to the stock split.
6. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the 26th fiscal year, and the key management indicators for the 26th fiscal year are those after the application of these accounting standards.
7. The dividend per share for the 26th fiscal year includes a commemorative dividend of 1 yen per share for the 25th anniversary of the Company's founding.

1-2 [History]

Dates	Events
May 1997	Zeal CORPORATION (capitalized at 11 million yen) is established in Ota-ku, Tokyo, for the purpose of developing, selling, and supporting consolidated accounting package software (product name: DivaSystem) and consolidated accounting operations.
October 1997	Started sales of DivaSystem
December 1998	Automatic cash flow statement generation functionality added to DivaSystem in response to changes in the accounting system In addition, a web data collection module is included to expand consolidated accounting operations support functions.
June 1999	Head office relocated from Omori-Kita, Ota-ku, Tokyo to Minami-Oi, Shinagawa-ku, Tokyo
August 1999	Osaka branch office opened in Nishitenma, Kita-ku, Osaka
September 2001	Head office relocated from Minami-Oi, Shinagawa-ku, Tokyo to Kamata, Ota-ku, Tokyo
June 2002	Started a practical course on consolidated accounting as part of support for consolidated accounting operations.
January 2004	Launched outsourcing services for consolidated financial closing operations.
November 2005	Osaka branch office relocated from Nishitenma, Kita-ku, Osaka to Dojima, Kita-ku, Osaka
February 2007	Listed on Osaka Securities Exchange Hercules (currently Tokyo Stock Exchange JASDAQ (Growth))
August 2007	Launches DivaSystem Version 9 with Enhanced Administrative Consolidation Capabilities Number of customers using DivaSystem reaches 500.
October 2008	DIVA CORPORATION OF AMERICA (currently a consolidated subsidiary) is established in California, U.S.A. Nagoya office opened in Meieki, Nakamura-ku, Nagoya City
November 2009	Acquired all shares of Internet Disclosure Corporation (currently a consolidated subsidiary)
November 2010	Head office relocated from Kamata, Ota-ku, Tokyo to Konan, Minato-ku, Tokyo (current location)
August 2011	Diva Business Innovation Inc. is established.
July 2012	Establishment of Zeal Demerger Preparatory Corporation (currently a consolidated subsidiary)
October 2012	Zeal Demerger Preparatory Corporation changed its name to ZEAL CORPORATION and took over the information system business from DHI Corporation.
October 2013	Changed the company name from DIVA CORPORATION to AVANT CORPORATION and shifted to a holding company structure.
November 2014	DIVA CORPORATION opens Shinjuku Office (currently FIERTE CORPORATION) in Nishi-Shinjuku, Shinjuku-ku, Tokyo.
June 2016	DIVA CORPORATION merges with DIVA Business Innovation Inc.
August 2017	FIERTE CORPORATION (currently a consolidated subsidiary) is established.
September 2017	Changed from the JASDAQ (Growth) section of the Tokyo Stock Exchange to the Second Section of the same exchange.
October 2017	DIVA CORPORATION's outsourcing-related business is transferred to FIERTE CORPORATION.
March 2018	Listed on the First Section of the Tokyo Stock Exchange from the Second Section.
December 2018	Number of DivaSystem customers reaches 1,000.
March 2021	Signed Capital and business alliance with Metapraxis Limited (U.K.).
April 2022	Moved from the First Section to the Prime Market due to the revision of the market classification of the Tokyo Stock Exchange.

1-3 [Description of Business]

Our group consists of the Company, five subsidiaries, and one affiliated company. To realize our materiality of "becoming a software company that helps improve corporate value," we contribute to management DX by developing, selling, and maintaining software and systems and providing software-based consulting and BPO services to help our clients make timely and appropriate management decisions and promote management reform based on various types of information, both financial and non-financial, with the aim of improving corporate value.

The Company falls under the category of Specified Listed Company, etc., and as a result, the Company will be judged on the basis of figures on a consolidated basis with respect to the criteria for minor material facts under the Insider Trading Regulations.

The positioning of the Company and its affiliated companies in the business of the Company and its affiliated companies and the relationship with the segments are as follows. The classifications shown below are the same as those used for the segments.

Effective from the current fiscal year, the segment name was changed from "Consolidated Accounting Related Business" to "Group Governance Business" and from "Business Intelligence Business" to "Digital Transformation Business. This change is only a change in segment name and has no impact on segment information.

For consolidated subsidiaries and equity method affiliates, please refer to "1. Corporate Profile, 4. Information on Affiliated Companies."

(1) Group Governance Business

DIVA CORPORATION sells licenses of DivaSystem, an in-house developed software package for consolidated management and consolidated accounting and provides consulting services for its implementation. Once in operation, we also provide ongoing maintenance services, including support for version upgrades.

In addition, we also provide consulting services and solutions related to IFRS compliance, advanced business management, budgeting, and management accounting.

The group governance business also includes information retrieval services for disclosure documents provided mainly to audit firms by Internet Disclosure Co., Ltd.

(2) Digital Transformation Business

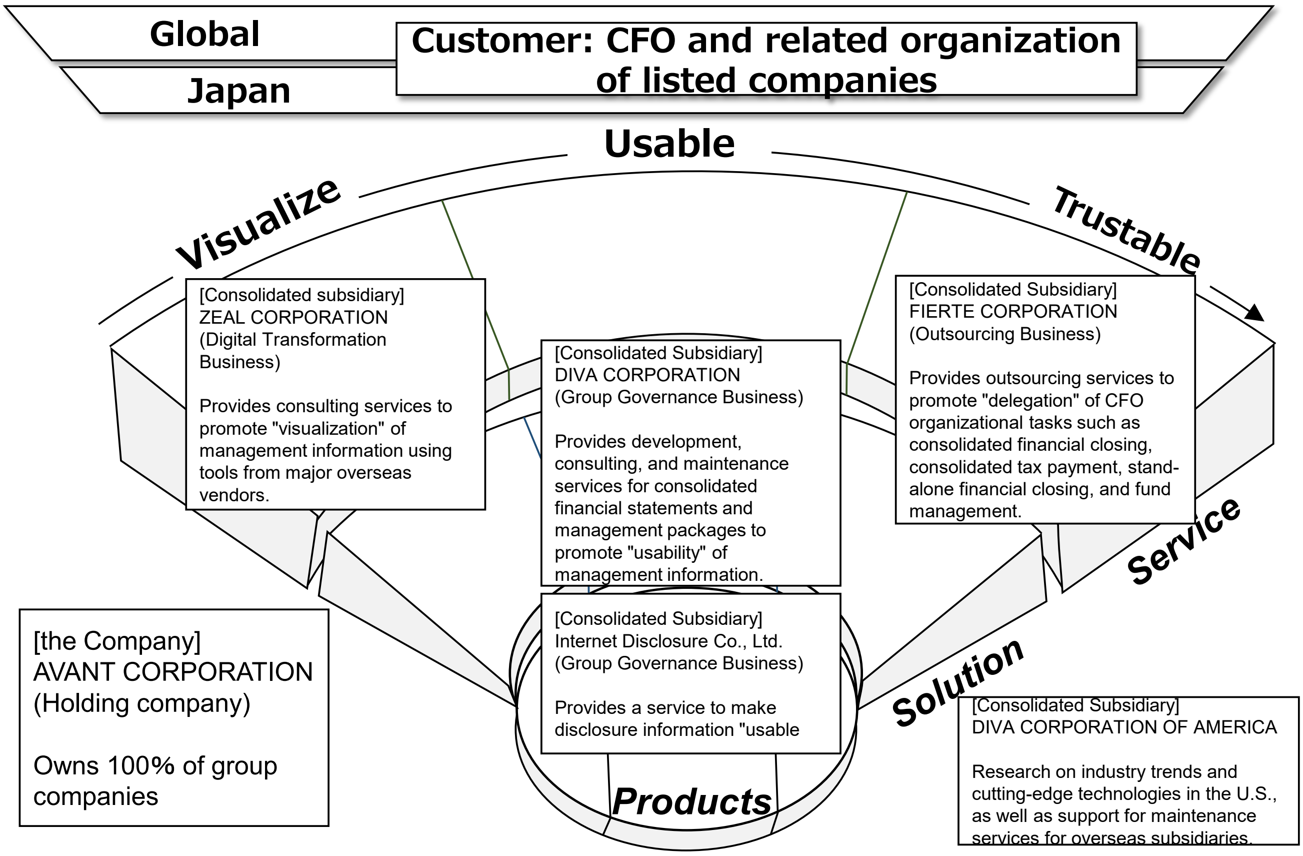
ZEAL CORPORATION develops system integration services and cloud data platform implementation support for the use of information called BI (Business Intelligence). This is a system development service that integrates and organizes the vast amount of corporate data accumulated in business systems and other systems so that it can be analyzed in reports and graphs and used for corporate decision-making, helping customers improve their "information utilization” capabilities.

(3) Outsourcing Business

FIERTE CORPORATION provides outsourcing services for consolidated accounting and consolidated tax payments. While acting on behalf of some of the client's operations and eliminating operational dependencies and bottlenecks, we contribute to the creation of an environment in which personnel in the client's administrative department can focus on operations that provide more value to management and business, such as analyzing and utilizing various types of information.

［Business Chart］

The above-mentioned matters are shown in the following business chart.



1-4 [Information on Affiliated Companies]

Name	Address	Capital (millions of yen)	Description of principal businesses	Percentage of voting rights owned or held (%)	Relationship
(Consolidated subsidiary)					
DIVA CORPORATION (Note 2, 3)	Minato-ku, Tokyo	100	Group Governance Business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, outsourced accounting, and Directors serve concurrently
Internet Disclosure Co., Ltd. (Note 2)	Chuo-ku, Tokyo	39	Group Governance Business	100.0	Management guidance, dividend receipt, cash management, and Directors serve concurrently
ZEAL CORPORATION (Note 2, 3)	Shinagawa-ku, Tokyo	100	Digital Transformation Business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, and Directors serve concurrently
FIERTE CORPORATION (Note 2, 3)	Shinjuku-ku, Tokyo	100	Outsourcing Business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, outsourced accounting, and Directors serve concurrently
DIVA CORPORATION OF AMERICA (Note 2)	Burlingame, California, USA	USD 1,100,000	Other	100.0	Research contractor, Directors serve concurrently
(Affiliates accounted for by the equity method)					
Metapraxis Limited	London United Kingdom	GBP 143,000	Group Governance Business	19.8	Directors serve concurrently

(Notes)
1. In the column "Description of principal business," the names listed in the segment information are listed.
2. Other" is a business segment not included in each segment and includes research of IT products and services.
3. The company is a specified subsidiary.
4. "Principal Profit and Loss Information" of consolidated subsidiaries whose net sales (excluding inter-company sales among consolidated companies) exceed 10% of consolidated net sales

Name	Net sales (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)	Net assets (millions of yen)	Total assets (millions of yen)
DIVA CORPORATION	8,960	1,870	1,334	2,281	6,334
ZEAL CORPORATION	7,015	1,249	874	1,505	3,369
FIERTE CORPORATION	3,044	660	486	706	1,585

1-5 [Information on Employees]

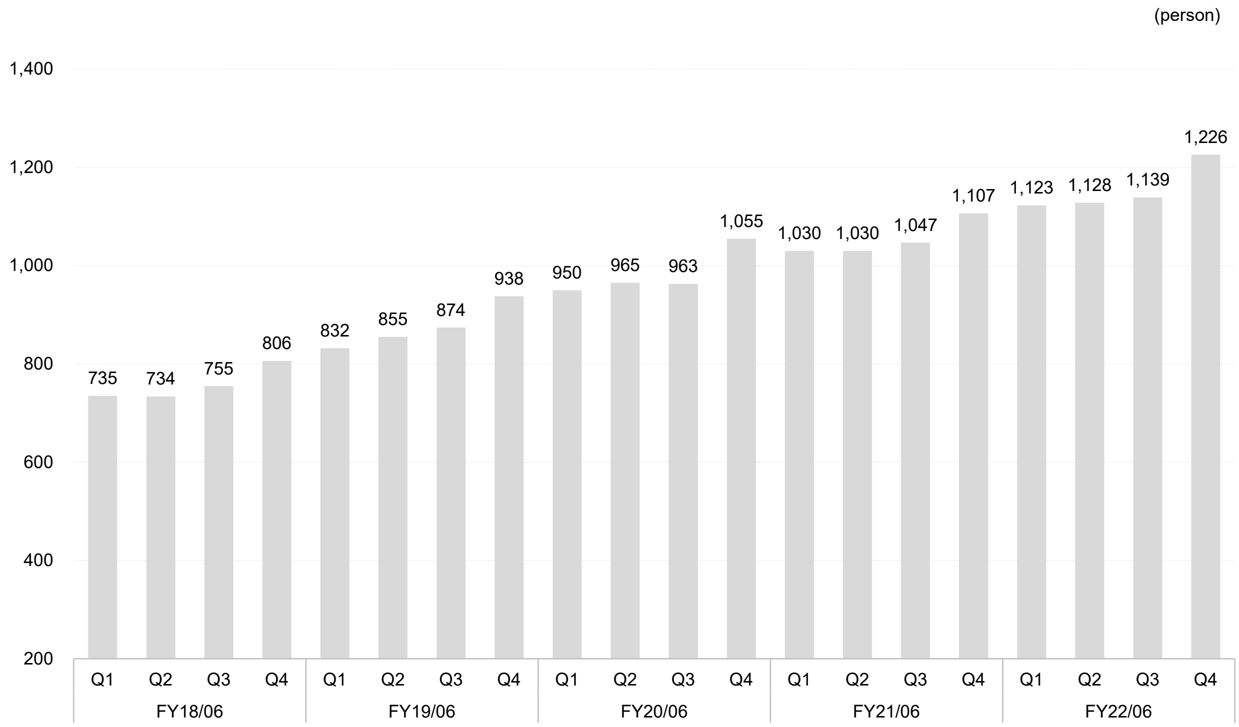
(1) Employees of Consolidated Companies

As of June 30, 2022

Name of segment	Number of employees (persons)
Group Governance Business	490 (12)
Digital Transformation Business	401 (0)
Outsourcing Business	288 (8)
Corporate (common)	47 (0)
Total	1,226 (20)

(Notes)
1. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group).
2. The figures in parentheses in the "Number of employees" column indicate the annual average number of temporary employees.
3. Corporate (common) refers to employees of administrative departments, etc. that cannot be classified into specific segments.
4. The number of employees increased by 119 compared to the end of the previous fiscal year, mainly due to new hires associated with business expansion.

In addition, the number of employees by quarter is as follows.



(2) Employees of Parent Company

As of June 30, 2022

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (yen)
47 (0)	43.1	5.1	8,181,935

(Notes)
1. The number of employees indicates full-time employees (excluding employees seconded from the Company to outside companies and including employees seconded from outside companies to the Company).
2. The figures in parentheses in the "Number of employees" column indicate the annual average number of temporary employees.
3. Average annual salary includes bonuses and substandard wages.
4. The number of employees by segment is not shown because the Company is a holding company.

(3) Information on labor union

Although no labor union has been formed in our group, labor-management relations are amicable, and there are no matters requiring special mention.

2. [Business]

2-1 [Management Policy, Business Environment and Issues to be Addressed, etc.]

Forward-looking statements in the text are forecasts made by the Group as of the date of submission of the Annual Securities Report based on certain assumptions and judged to be reasonable, and are not intended to guarantee the achievement of such forecasts or future performance.

(1) Basic Management Policy of the Company

The Group has set the "creating a 100-year company" as its primary management goal to support the self-realization of members participating in the organization and to achieve continuous business growth through a self-reliant organization that is highly adaptable to the rapidly changing market environment.
By specializing in "group management", we develop and provide professional services based on software products and systems with a deeper understanding of our customers' business operations, and we are dedicated to making further contributions to our customers. We are committed to the following five management principles. These principles also indicate priorities for management decisions.

(i) Trust
Trust is about keeping promises (commitments). In our relationships with our customers, this is achieved through the accumulation of quality and meeting their expectations, and in our business activities, it is built through the precision of our plans and the repeated achievement of these plans.

(ii) Profitability
We believe that a high profit orientation is the foundation for practicing what we want to do and preparing ourselves to respond flexibly to unforeseen future changes.

(iii) Productivity
Human life is finite, and time can be thought of as a unit in which that life is divided into smaller pieces. Being creative and creative to make the best use of time is nothing less than valuing life. Growth is important for a company, but before that, it is important to have a system in place to support growth.

(iv) Growth
We believe that not only the company but also the people who work there must grow together. We strive to create new value every day and never repeat the same job.

(v) Edge
One art leads to all arts and is considered a source of purpose in life. Each employee is expected to possess something "second to none" in his or her work. We would also like to increase the number of such employees as many as possible.

(2) Target Management Indicators

The Group sets six target management indices: "sales," "recurring sales ratio," "operating income," "sales growth rate + operating income ratio," "ROE," and "dividends," with specific targets for each. The specific targets for each of these items are announced in our medium-term management plan "BE GLOBAL 2023," which covers the five-year period through the fiscal year ending June 30, 2023.
In our medium-term management plan, we are emphasizing a shift to a SaaS-type business model that can provide ongoing value to customers, and of the above indicators, we have positioned the "recurring sales ratio" as the most important indicator over the long term.

(3) Medium- and long-term management strategies

(i) Sustainable earnings growth and business expansion

The Group's medium-term management plan was developed with the fiscal year ending June 30, 2019 as the first year, and was announced in September 2018. This is a new five-year plan, created because we were able to achieve the "net income of 1 billion yen" target of the previous medium-term management plan announced in August 2017, two years ahead of schedule for the fiscal year ending June 30, 2018. This is a new five-year plan. With the growing demand from client companies to strengthen governance and management capabilities, we will focus on providing sustainable value in our existing Group Governance Business, Digital Transformation Business, and Outsourcing Business, while aiming for profitable growth by improving quality and productivity and promoting automation. We also aim to achieve earnings growth by improving quality and productivity and promoting automation.

The products provided by our group in the Consolidated Accounting Business have been adopted by many of Japan's leading companies, with sales exceeding 1,000 companies, and are becoming part of the infrastructure that supports consolidated accounting and group management in Japan. In order to contribute to society and increase our corporate value, we will continue to provide high-quality, high-value-added products and services with the aim of being adopted by an even greater number of customers. In addition, as further added value to these customers and their group companies, we will promote the provision of various solutions in the consolidated accounting business, as well as services in the Digital Transformation Business and Outsourcing Business, and cloud-based products developed based on the knowledge accumulated through these services. We will promote the provision of cloud-based products developed based on the knowledge accumulated through these services.

(ii) Transformation of business model

In further increasing its corporate value, the Group focuses on the acquisition of stable and continuous earnings, and has set an important goal in its medium-term management plan to sustainably increase the ratio of recurring sales (the percentage of continuous sales to total sales). To achieve this, we intend to accelerate the expansion of the Outsourcing Business, which has a very high ratio of recurring sales, and to promote the shift to cloud computing and business model transformation in other businesses.

(iii) Growth through M&A

In addition to the growth of existing businesses, when M&A opportunities with companies that match the Group's strategy arise, we will carefully determine whether they will contribute to the enhancement of the Group's corporate value and actively pursue them, while taking care that M&A does not become the objective of the acquisition.

(4) Priority business and financial issues to be addressed

In September 2018, the Group announced "BE GLOBAL 2023," its five-year medium-term management plan through the fiscal year ending June 30, 2023, with the goal of "becoming a world-class software company," and is working on business activities to achieve this goal. Looking back at progress to date, financial KPIs such as net sales, operating income, ROE, and dividends are generally at achievable levels. However, the goal of raising the ratio of "recurring sales," which are sales that occur on an ongoing basis, such as software maintenance fees, to total sales (recurring sales ratio) from over 30% at the time the plan was announced to 70%, has not seen significant results. Therefore, with a view to formulating the next medium-term management plan, we, together with the Group corporate strategy executive team, summarized what the Group should do to realize the vision as the Avant Group's materiality.

In order to realize this materiality and to accelerate the growth of existing businesses and create new growth businesses, we have decided to reorganize the group structure into a separate organization. The issues to be addressed by the Company in realizing materiality through the new structure are as follows:

1. Expansion of customer base

The Group's products have been adopted by many of Japan's leading companies, with sales exceeding 1,100 companies, and are becoming one of the infrastructures supporting consolidated accounting and group management in Japan. However, it has not yet reached a sufficient level to contribute to society and enhance the Group's corporate value. For the time being, we are working to continuously provide high-quality, high-value-added products and services with the goal of being adopted by more than 2,000 customers.

2. Increase the value of contribution to existing customers and their group companies

One of our group's greatest assets is our customers, a group of outstanding companies representing Japan. In addition, since we provide products and services related to group management, beyond that, dozens of times more group companies are using our group's products as users. As further added value to these customers and their group companies, we aim to contribute to more than 10,000 group companies by providing a variety of services of our group companies and cloud-based products developed based on the knowledge accumulated through these services. We aim to contribute to more than 10,000 group companies by providing various services of our group companies and cloud-based products developed based on knowledge accumulated through these services.

In addition, the Company will work to create an environment in which each company in the Group can maximize synergies.

3. Shift from man-hour-based sales to value-added-based sales

In the process of expanding the size of our corporate group to its current scale, we have increased the ratio of man-hour-based sales, in which we bill customers based on man-hours x unit price. In order to further enhance corporate value by increasing profitability and productivity while expanding the scale of sales, we recognize the need to shift from a man-hour-based, sales-oriented business to a value-added, sales-oriented business that does not necessarily require an increase in personnel to increase sales.

The 70% recurring sales ratio is a ratio that would be difficult to achieve without this business model transformation, and by setting this goal as a key indicator, the entire group is working together to transform the business model.

4. Increase employee job satisfaction

Another major asset of our group is our excellent employees who possess a high level of technology and expertise and a spirit of challenge. While increasing the number of employees each fiscal year, we are working to create a rewarding work environment that enriches the lives of our employees and allows them to focus on producing results in their work. The Group conducts employee surveys using the Great Place to Work ® (GPTW) to create a rewarding work environment, visualize job satisfaction and engagement, and implement improvement actions, with the goal of raising this GPTW score to 70 points for each Group company. We have also begun efforts to hire diverse human resources and promote them to executive positions, regardless of gender or nationality.

5. Capture external growth

While sustainable development of existing businesses is the basis for the realization of the mid-term management plan, it may be difficult to realize the plan on its own. We will also look forward to corporate acquisitions and capital tie-ups, while carefully preparing for them, as an important element of modern corporate activities, when they are deemed necessary and effective.

In addition to being a company that is consistent with the direction our group is aiming for, we are also conscious of the cost of capital and expect to maintain a return on equity (ROE) of at least 20% even with the results of external growth. In addition, we will reduce the possibility of damaging our corporate value by easily acquiring external growth.

6. Compliance

Since its establishment, the Group has emphasized compliance as a fundamental principle of corporate governance. On the other hand, social demands for compliance have been increasing in recent years, and we believe that the loss of public trust in the event of a violation is even greater than before, and the time required to regain trust is also longer. We promote our business activities while being more thorough than ever before to ensure that we do not violate any labor laws and regulations, as well as other relevant laws and regulations, and corporate ethics.

7. Sustainability

The Group's management philosophy, "Creation of a 100-Year Company," is to regard the company as a public institution of society and to develop sustainably as an organization that exists for the benefit of society. Our group's mission is to contribute to society by providing value in helping our customers use management information to create the future. In the process of achieving this mission, we will be involved with various stakeholders, and this will not lead to sustainable development unless each member of the group acts with due consideration for maintaining a balance between economic activities, environmental conservation, and social justice. To this end, on July 22, 2020, the Group established the Group Human Rights Policy and Group Environmental Policy, and on August 25, 2020, the Group signed the United Nations Global Compact, declaring that it accepts, supports, and implements essential values in the four areas of human rights, labor, the environment, and anti-corruption. The Group declared that it accepts, supports, and implements the essential values in the four areas of human rights, labor, environment, and anti-corruption. On July 1, 2021, we decided to take the first step toward the realization of a sustainable society by converting all of our group's annual electricity consumption to "green power," thereby reducing greenhouse gas emissions to zero. In addition, the Group has provided support, albeit limited, for sporting events and cultural activities sponsored by local governments and industry associations. On the other hand, now that we have more than 1,000 group members, we need highly skilled human resources who can understand the changing needs of our customers and propose solutions in order to share our philosophy system throughout the group and solve issues 1 through 5 above. We aim to establish optimal training and compensation systems to secure and develop such human resources.

2-2 [Risk Factors]

The Group has established a Compliance and Risk Management Committee (hereinafter referred to as "CRM Committee") chaired by a representative director to assess the status of compliance and risk management, to properly manage risks, and to promptly address compliance issues. The CRM Committee is chaired by a representative director to ensure appropriate risk management and prompt compliance response. The CRM Committee sets key risk and compliance items and targets, and monitors and discusses risk countermeasures. In July 2021, the CRO and the Group Risk Management Division were assigned to oversee and promote risk management from the Group's perspective, thereby strengthening the risk management system.

The risks described below refer to the material risks attributable to the operating companies after October 1, 2022, when the absorption-type company split agreement between the Company's consolidated subsidiaries, as explained in the "Notice Regarding Determination of Policy on Reorganization (Company Split between Consolidated Subsidiaries), Change of Trade Name and Partial Change of Articles of Incorporation of the Company, and Change of Trade Name of Consolidated Subsidiary" released on June 22, 2022, is approved at each company's shareholders meeting and the reorganization becomes effective.

Among the risk items identified, risks that could have an enormous impact if they materialize are identified as particularly important risks and are listed below:

(1) Particularly Important Risks

(i) Risks related to business continuity in the event of a significant natural disaster

Our executives, employees, offices, and facilities are concentrated in the Tokyo metropolitan area, and there is a possibility that a situation may arise when earthquake directly under the Tokyo metropolitan area, eruption of Mt. Fuji and flood damage due to typhoon, storm surge, etc. might led to loss of critical information assets, shortage of available personnel, collapse of infrastructure and we will not be able to resume business operations quickly. In addition, we recognize that the loss of important documents and data related to business execution and intellectual property, etc., due to damage caused by earthquakes and other natural disasters or fires at our group's business sites could hinder our business activities and affect our business performance and financial position, and is therefore a particularly important risk.

As risk mitigation measures, we backed up important documents and data to a remote location, established an emergency headquarters and other initial response systems, and formulated a business continuity plan (BCP) to resume business operations. In addition, by enhancing our online business infrastructure, we are striving to prepare for both the safety of our executives and business partners and the continuity of our business operations by utilizing remote work from normal times.

(ii) Risks associated with cloud-based service business

Some of the cloud services provided by our group include consolidated accounting services, management accounting services, and other services that handle important customer data. For those services, service outages or loss of customer data due to system operation problems, cloud environment failures, cyber-attacks, or other causes could have a significant impact on customer operations. In addition, we recognize that this is a particularly important risk because the occurrence of such an event for reasons attributable to our company could have a significant impact on our group's performance and financial position, including the payment of compensation for damages, and could also lead to a decline in the credibility and brand image of our group. We recognize that this is a particularly important risk.

To reduce risk, the Group has established a cloud service operation organization and a security organization to identify and improve risks on an ongoing basis, and is promoting security measures such as multiple data backups and other system failure countermeasures and multi-factor authentication. In addition, some of our cloud services have obtained SOC1 Type2 reports in compliance with the U.S. Statement on Standards for Assurance Engagements No. 18 (SSAE18), and we strive to improve the quality of system operations by utilizing objective evaluations from a third-party perspective.

(iii) Risk of information leaks and other security incidents

In the course of its business activities, the Group may handle personal and confidential information of its affiliates and customers. There is a possibility that this information could be leaked due to unauthorized access to our group's computers by outside parties, leakage of information due to errors by our group's officers or contractors, or other unforeseen circumstances. Such an incident could have a serious impact on the social credibility of the Group and its customers, as well as on the Group's business performance and financial position.

To address security risks, the Group has established an Information Security Policy and a Personal Information Protection Policy, and reviews these policies in response to advances in information and communication technology and changes in social and regulatory environments. The Information Security Committee, led by the Chief Information Security Officer (CISO) and headed by the President and CEO, has been established to formulate policies, implement measures, educate and enlighten employees, and conduct audits and evaluations. We have also acquired ISMS certification

(ISO/IEC27001:2013), an international standard for objective evaluation and continuous improvement of these operations. In addition, we respond to cyber-attacks and incidents in accordance with internal rules and regulations, and the Information Security Committee takes measures according to the degree of impact on the Group's business. We also conduct quarterly information security training to raise the security awareness of all executives, temporary employees, and outsourced employees.

Next, we will list below as significant risks those risks that we recognize as highly significant but that will not have a significant impact when they materialize, or those risks that we believe we can adequately address before the risk materializes.

(2) Significant Risks

(i) Risks related to business investment

Under its medium-term management plan "BE GLOBAL 2023," the Group aims to achieve sustainable earnings growth and business expansion, while simultaneously transforming its business model. To this end, we are investing in human resources and R&D, as well as in product development to strengthen our product competitiveness, and in the development and expansion of our business infrastructure. As announced on June 22, 2022, in October 2022, we plan to reorganize AVANT CORPORATION, DIVA CORPORATION, ZEAL CORPORATION, and FIERTE CORPORATION into three businesses through an absorption-type demerger agreement between the companies: (1) a business to support disclosure operations, (2) a business to support corporate value enhancement, and (3) a business to support digital transformation. However, it is possible that these business investments and restructurings may not produce the expected investment results due to changes in the market environment or a gap between developed products and market needs. If the investment does not produce the expected effect, the Group's performance and financial position may be affected in the medium to long term.
In response to this risk, the Group carefully evaluates investment effects and risks qualitatively and quantitatively at the consideration stage of business investment and makes decisions in accordance with the authority stipulated in the "Authority Regulations" in advance. The Group strives to prevent risks from materializing and reduce their impact by continuously monitoring progress against the plan and implementing necessary measures in a timely manner.

(ii) Risks associated with product development quality

The Group has developed several in-house software products in the areas of consolidated accounting, management accounting, and data utilization platforms. In the development of new products and additions to existing products, we continuously strive to improve quality and prevent the occurrence of defects through development based on our development management process, but we cannot deny the possibility that product defects may occur. Defects in our group's products may affect our customers' operations, and failure to resolve such defects may cause a loss of trust in our group, which may affect our group's business performance and financial position.
The Group has established a quality control department to reduce quality risks during product development and is striving to improve product development quality.

(iii) Risks related to service quality

The Group provides BPO services, which include implementation support and contracted development of software developed in-house or by a third party, as well as systemization and settlement of accounts services according to the needs of customers. In the provision of services, deviations from initial estimates may occur due to ambiguities in contractual content or requirements, or technical problems or project management issues that cannot be anticipated at the outset may arise, leading to increased costs and delays in schedules. We recognize that this is an important risk because such problems could have a significant impact on our group's business performance and financial position due to higher-than-expected costs and compensation payments for damages resulting from delays in delivery.
With regard to service quality, we are taking measures to reduce the impact on our business performance and financial position by insuring against contingencies, while improving project quality through the establishment of a quality control department as a basic measure.

(iv) Risks related to securing and developing human resources

We believe that one of the key factors in promoting our group's business and achieving growth is the timely and accurate understanding of customer needs and the continuous development of market-competitive products and services. However, if we do not make progress in securing and training the talented and knowledgeable personnel needed to achieve these goals as planned in the medium term, our future growth potential, business performance, and financial position may be affected.
In response to the above risks, we are striving to ensure competitiveness in recruiting by strengthening our recruiting system and understanding the market's appropriate compensation levels, and we are also promoting measures such as

enhancing the training menu for new employees to enable them to contribute to the company as soon as they join.

(v) Risks related to equity participation and M&A (risks related to corporate acquisitions)

Under its medium-term management plan "BE GLOBAL 2023," the Group aims to achieve sustainable earnings growth and business expansion, while simultaneously transforming its business model. To this end, the Company's policy is to make acquisitions and enter into capital tie-ups as necessary, while taking into consideration its business performance and financial position. However, in proceeding with M&A, there is a possibility that the transaction will not proceed as envisioned by our group due to reasons such as not finding a suitable candidate or not reaching agreement on transaction terms, etc. In addition, if problems arise after the investment or M&A that cannot be identified in the preliminary investigation, such as contingent liabilities or unrecognized liabilities, leading to impairment of goodwill, etc., it may affect the performance and financial position of our group.

The M&A management organization conducts detailed due diligence on the financial position and contractual relationships of candidate companies in advance, and strives to mitigate this risk by verifying each identified risk and making decisions based on countermeasures.

(vi) Compliance Risk

In order to fulfill our social responsibility as a corporation, our group's greatest management goal is to "create a 100-year company" that can contribute to all stakeholders, including our customers, through the realization of sustainable business growth. We believe that the effective functioning of the Group's overall compliance system is indispensable to achieving this goal.

To ensure the effective functioning of the compliance system, the Group formulates compliance-related regulations, including the Compliance Risk Management Regulations, and ensures that all officers and employees are fully aware of them through education. In addition, the Compliance and Risk Management Committee promotes compliance activities by establishing quantitative checkpoints for compliance.

(vii) Risks related to dependence on management

Although our group's organization is currently working to develop human resources and establish an organizational structure, we recognize that our management is highly dependent on Tetsuji Morikawa, President and Representative Director, and if a situation were to happen to the President and Representative Director, it could affect the promotion of our business activities and our business performance and financial position. We are working to develop successors by entrusting the management of the next generation of leaders as directors of operating companies and providing them with supervision and guidance from the holding company, as well as actively promoting recruitment activities.

(viii) Risks related to pandemic outbreak

In response to the spread of the new coronavirus infection, the Group is following the policies of the national and local governments and is taking measures such as limiting work that requires travel, using online formats for internal meetings, events, seminars, etc., and combining remote work, and is aware that the impact on our business has been sufficiently reduced. We believe that we have sufficiently reduced the impact on our business. In terms of domestic economic activities, the situation has not developed into a situation that would lead to a large-scale restriction of activities, and at this point, our business plan is based on the assumption that the impact of the spread of the new coronavirus will gradually begin to recover.

However, we cannot deny the possibility that the spread of a new infectious disease or the mutation of a new coronavirus could have a serious and prolonged impact on our ability to provide services in the event of future infectious disease outbreaks. In addition, IT investments may be further postponed against the backdrop of deteriorating business performance of domestic companies, resulting in a worse-than-expected performance of our group. In such cases, we are preparing countermeasures to limit the deterioration in performance by controlling some expenses, such as outsourcing costs.

On the other hand, we view the outbreak of a pandemic as an expansion factor for the market to which our group belongs, as it will drive the digitization of companies and increase the importance of management information over the medium to long term.

2-3 [Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows]

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results, etc.") of our group (the Company, consolidated subsidiaries, and equity method affiliates) for the current consolidated fiscal year.
Forward-looking statements in the text are based on judgments made as of the end of the current consolidated fiscal year.

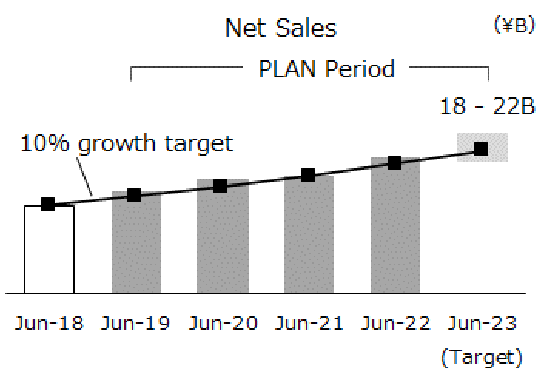
(1) Overview of Operating Results

Key quantitative targets and progress of the BE GLOBAL 2023 mid-term management plan

In September 2018, the Group formulated a new five-year medium-term management plan "BE GLOBAL 2023" through the fiscal year ending June 30, 2023, with the goal of "becoming a world-class software company". In the plan, the company has announced targets for the following six items: sales, recurring sales ratio, operating income, sales growth rate + operating income ratio (GPP), ROE, and dividends.
The targets for each of these items and the progress made during the current fiscal year are as follows.
Meanwhile, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and comparisons with the previous fiscal year are made with figures before the application.

	FY21 Actual	FY22 Actual	FY23 Target
Net sales(¥B)	16.23	18.70	18～22
Recurring sales ratio (%)	36.0	34.6	70
Operating income (¥B)	2.79	3.24	3.1～3.8
Sales growth + operating margin (pt)	20.7	32.6	40 or more
ROE (%)	23.6	21.1	20 or more
Dividends (yen)	11	13	15 or more

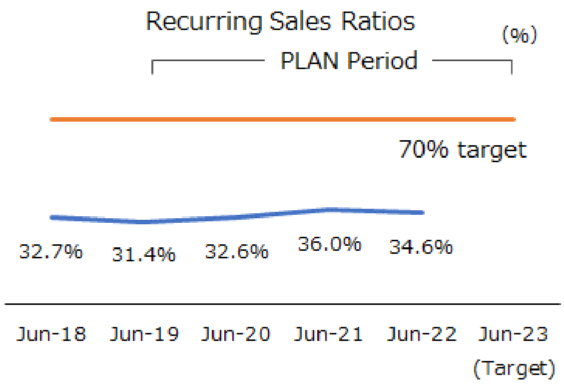
[Net sales]
We target sales of 18 to 22 billion yen in the fiscal year ending June 30, 2023. This is based on the assumption that sales growth is achieved at an average growth rate of around 10% from the previous fiscal year. In the current fiscal year, under the severe social and economic conditions such as the impact of the spread of the new coronavirus infection and the situation in Ukraine, Japanese companies, our customers, became more aware of the need for data-based management and decision-making, and the need for our products and services grew steadily. As a result, each segment achieved an increase in sales, resulting in consolidated net sales of 18,703 million yen. Sales before the application of accounting standards for revenue recognition totaled 18,804 million yen, up 15.8% from the previous fiscal year, and we recognize that we are making steady progress toward our mid-term plan goals.



[Recurring sales ratio]

With the aim of realizing the transformation of its business model during the period of this medium-term plan, the Group has set a target of increasing the "recurring sales ratio," which is the ratio of recurring sales (sales that occur continuously each fiscal year, such as software maintenance fees) to 70% of total sales.

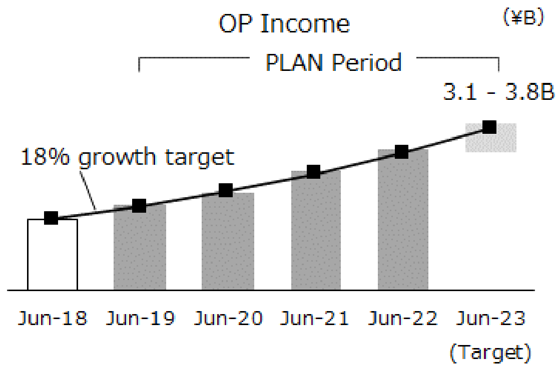
As for the recurring sales ratio in the current consolidated fiscal year, it was 34.6%, down 1.4 percentage points from the previous consolidated fiscal year. While some parts of the business are beginning to show results, such as growth in the Outsourcing Business and an increase in cloud sales in the Group Governance Business, the total amount increased 10.7% from the previous consolidated fiscal year due in part to the impact of strong sales in the Digital Transformation Business and other non-stock-type sales.



[Operating income]

The Group places a high priority on operating income growth, with an average growth rate of 18% as its long-term goal. Based on this average growth rate, our medium-term management plan also aims to achieve 3.1 to 3.8 billion yen in the fiscal year ending June 30, 2023.

In the current fiscal year, personnel expenses expanded due to investments in human resources to strengthen new product development and consulting sales capabilities, resulting in a slight deterioration in profit margins, but this was partially offset by the effect of increased sales, resulting in operating income of 3,247 million yen. Operating income before the application of accounting standards for revenue recognition was 3,038 million yen, an increase of 8.7% over the previous fiscal year, and we recognize that, as with sales, we are making steady progress toward our mid-term plan targets.

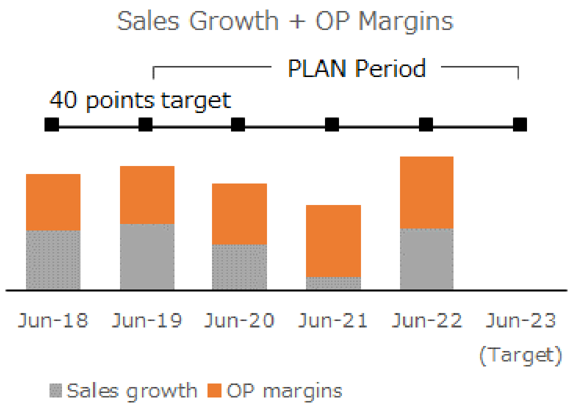


[Sales growth rate + operating profit margin (GPP)]

In order to strike a balance between improving profitability and expanding scale, our medium-term management plan incorporates "sales growth rate + operating income ratio" as an indicator, and our goal is to achieve a ratio of 40 points or more, which is one of the highest globally.

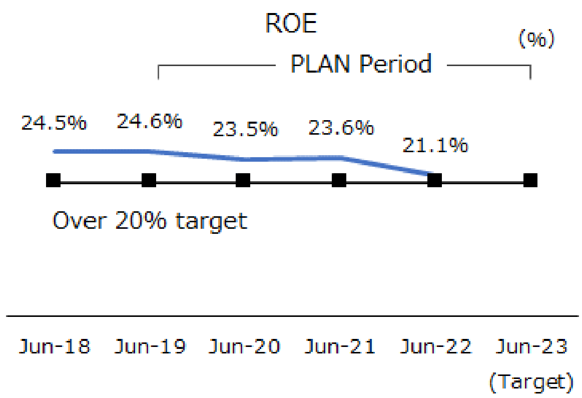
In the current consolidated fiscal year, each segment continued to experience solid demand growth and achieved double-digit revenue growth with a sales growth rate of 15.2%, or 15.8% before the application of revenue recognition accounting standards, etc. However, the operating margin deteriorated by 1.1 points to 17.4%, or 16.2% before the application of revenue recognition accounting standards, due to increased personnel costs, etc. As a result, the GPP was 32.6 points, or 32.0 points before the application of the revenue recognition accounting standard, etc.

Although this is an increase of 11.9 percentage points from the previous fiscal year and 11.3 percentage points higher than before the adoption of the accounting standard for revenue recognition, the situation has not improved with deviations from the target values. We recognize the need to work toward further accelerating sales growth or improving profitability.



[ROE]

In order to realize our medium-term management plan, we recognize that it is necessary not only to grow our three existing businesses, but also to engage in investment activities, such as internal investment and external growth. As a guideline for investment activities, we have set a target of



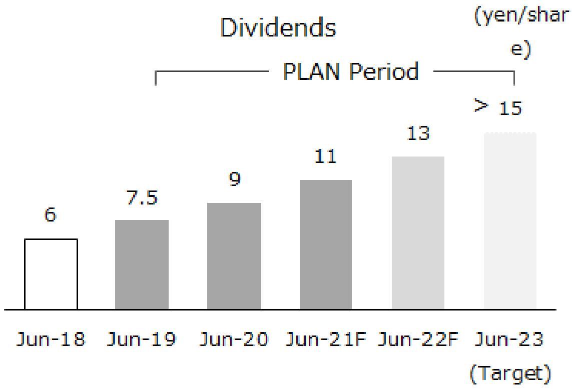
maintaining ROE of 20% or more on an ongoing basis.

ROE for the current fiscal year was 21.1%, down 2.5 percentage points from the previous fiscal year, but remained above the 20% target of the medium-term management plan.

We recognize that the steady performance is the result of our efforts to curb unnecessary and non-urgent expenses amid the growing uncertainty in the business environment due to the Corona disaster.

[Dividends]

The Group regards dividends as an important part of its shareholder return policy and focuses on indicators such as the ratio of dividends to net assets, aiming to maintain and increase the amount of dividends in a stable manner without being greatly influenced by the business performance of each fiscal year. The Company aims to achieve operating results and financial condition sufficient to pay a dividend of 15 yen per share for the fiscal year ending June 30, 2023.



In the current consolidated fiscal year, the Company increased the dividend by 2 yen per share to 13 yen per share, in line with its basic policy of continuous stable dividends. The ratio of dividends to shareholders' equity is approximately 5.0%, well above the average for companies listed on the Tokyo Stock Exchange.

Although the target cannot be achieved without a slightly larger dividend increase during the period of the medium-term plan, we do not believe that we are in a situation where we must revise the target downward at this time.

Organizational Restructuring and Next Mid-Term Management Strategy

The fiscal year ending June 30, 2023 is the final year of the "BE GLOBAL 2023" medium-term management plan, and of the three key points of "BE GLOBAL 2023" ((1) Pursue further sales growth through the Group's collective strengths, (2) M&A to accelerate growth, and (3) Transformation of business model) The recurring sales ratio, which was set as a progress indicator, remained at 34.6% in the fiscal year ending June 30, 2022, making it difficult for the company to reach its target of 70%.

To this end, in the second half of 2021, we began formulating the next medium-term management plan, and together with the Group corporate strategy executive team, we discussed what the Group should do to realize its vision, which was summarized as the Avant Group's materiality: "To be a software company that helps increase corporate value. Through discussions among the Group's corporate strategy executive team and the Board of Directors regarding specific measures to realize this materiality, we have come to the conclusion that it would be effective to reorganize the Group into a separate organization to accelerate the growth of existing businesses and create new growth businesses.

As the first step of the reorganization, on July 15, 2022, the Company's consolidated subsidiary DIVA CORPORATION concluded an absorption-type demerger agreement for the development business of consolidated accounting systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX") with FIERTE CORPORATION by way of an absorption-type demerger, and ZEAL CORPORATION to DIVA CORPORATION for the business under the jurisdiction of the Corporate Performance Management Unit by way of an absorption-type demerger. If the merger is approved at the shareholders' meeting of each company scheduled for September 27, the merger will take effect on October 1, and DIVA CORPORATION will change its trade name to AVANT CORPORATION, FIERTE CORPORATION will change to DIVA CORPORATION, and the holding company overseeing the execution of group strategies, AVANT Corporation, will become AVANT GROUP CORPORATION, and the AVANT Group will promote its business under a new structure.

Throughout the fiscal year ending June 30, 2023, the companies will prepare to start the next medium-term management plan in a direction that has become even clearer under the new structure. Specifically, in existing businesses, we will promote the development of an environment to accelerate the shift to cloud computing, including the liquidation of low-profit products and projects. In addition, we will actively recruit to strengthen product development and implementation-based consulting business, which will be the core application in the future, to be promoted during the new medium-term management plan period.

The market environment surrounding each company is very favorable. Under the new organization, we will improve profitability by increasing sales per existing customer and developing new customers through strengthening existing products, developing new products, and providing new solutions. As a result, during the next mid-term management plan period (period ending June 30, 2023 to June 30, 2028), we aim to achieve a compound annual growth rate (CAGR) of at least 20% in net sales, and in the second half of the mid-term management plan, we aim to achieve a combined EBITDA margin (Growth and In the second half of the medium-term management plan, we aim to achieve a growth and profit point (GPP) of 40 points or more, which is the sum of the EBITDA margin. We aim to maintain an average ROE of over 20% and gradually increase DOE from the current 5% level to 8% as a return to shareholders. Details of the strategies in the next medium-term management plan, the strategies of each operating company, and especially important KPIs will be discussed as we get the organization back on track through the fiscal year ending June 30, 2023, and will be disclosed at the appropriate time.

A detailed analysis of the operating results is provided below.

(2) Discussion on Business Operations

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

Effective from the beginning of the current fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others. As a result, the ratio of the current consolidated fiscal year to the previous consolidated fiscal year in the table is not shown.

(millions of yen [amounts are rounded down to the nearest million])

	25th Fiscal Period (ended June 30, 2021)	26th Fiscal Period (ended June 30, 2022) (current fiscal year)	Compared to the previous fiscal year	
			Increase/decrease	Percentage change (%)
Net sales	16,236	18,703	-	-
Operating income	2,796	3,247	-	-
Ordinary income	2,808	2,988	-	-
Net income attributable to owners of the parent	1,888	2,045	-	-

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and the figures for the fiscal year ended June 30, 2022 are after the application of these accounting standards. Therefore, the figures for the fiscal year ended June 30, 2022 are after the application of the said accounting standards.

The current social and economic environment surrounding our country is arousing the need for "data-based management and decision-making," and the needs for the Group's products and services are expanding while transforming into more sophisticated ones. As a result, it is no longer possible to properly present the nature of the business using the previous segment names. Therefore, effective from the consolidated fiscal year under review, the former "Consolidated Accounting Related Business" has been renamed "Group Governance Business" and "Business Intelligence Business" has been renamed "Digital Transformation Business" as reporting segments. This change is only a change in segment name and has no impact on segment information.

Consolidated net sales for the fiscal year totaled 18,703 million yen. Effective from the current fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") and changed the format for transactions that are recognized as arrangements for goods, etc. to be provided by other parties, where the sales amount was previously recorded as sales in gross amount and the purchase amount was recorded as expenses, to a net amount of the difference between sales amount and purchase amount as commissions. The effect of this change was to decrease net sales by 397 million yen from the previous standard. In addition, for most of the services for which sales were previously recorded upon completion of the project and receipt of acceptance from the client, the Company has changed to record sales according to the progress of the project, rather than waiting for the project to be completed. The effect of this change was to increase net sales by 296 million yen.

In other words, sales before the application of the accounting standard for revenue recognition were 18,804 million yen, a 15.8% increase over the previous fiscal year, and the impact of the accounting standard change was a 100 million yen decrease. The increase in revenue was due to sales growth in all businesses, particularly in the Digital Transformation Business and Outsourcing Business.

The ratio of recurring sales (sales that occur on an ongoing basis, such as software maintenance fees), which is one of the management targets in the medium-term management plan, decreased 1.4 percentage points from the previous fiscal year to 34.6%, partly due to the impact of a decrease in the Digital Transformation Business due to the application of the revenue recognition accounting standard, etc. The total amount increased 10.7% from the previous fiscal year.

As for profits, operating income was 3,247 million yen, ordinary income was 2,988 million yen, and net income attributable to owners of the parent was 2,045 million yen. Since operating income increased by 208 million yen due to the impact of the application of the accounting standard for revenue recognition, operating income calculated under the previous accounting standard would be 3,038 million yen, an increase of 8.7% from the previous consolidated fiscal year if the difference in accounting standards is excluded.

In the Group Governance Business, expenses increased due to upfront costs for significantly strengthening the development structure to promote software development for future growth and profitability, as well as the establishment of a division to pursue group synergies as a company-wide expense, and the strengthening of the structure for this purpose. On the other hand, the Digital Transformation Business achieved a large increase in profit due to sales growth with improved profitability, and this was a major factor in the increase in profit.

The performance of our equity-method affiliate Metapraxis in the U.K. and the U.S. has been slow to recover since the spread of the new coronavirus, and its financial position has fallen below a certain level, which we had expected at the time of our investment. The financial position of the company has also fallen below a certain level, and the company has recorded an impairment loss on its shares. However, the sales and introduction of Metapraxis' products in the Japanese market by translating them into Japanese, which was the main purpose of our capital and business alliance with Metapraxis, is already underway, and the business is steadily growing.

The status of each reportable segment is as follows

a. Net sales (millions of yen [amounts are rounded down to the nearest million])

	25th Fiscal Year (ended June 30, 2021)	26th Fiscal Year (ended June 30, 2022) (current fiscal year)	Compared to the previous fiscal year	
			Increase/Decrease	Percentage change (%)
Group Governance Business	8,160	9,372	-	-
Digital Transformation Business	6,250	7,015	-	-
Outsourcing Business	2,479	3,044	-	-
Elimination of intersegment transactions	(654)	(729)	-	-
Consolidated net sales	16,236	18,703	-	-

b. Operating income (millions of yen, rounded down)

	25th Fiscal Year (ended June 30, 2021)	26th Fiscal Year (ended June 30, 2022) (current fiscal year)	Compared to the previous fiscal year	
			Increase/Decrease	Percentage change (%)
Group Governance Business	1,935	2,060	-	-
Digital Transformation Business	811	1,244	-	-
Outsourcing Business	523	661	-	-
Corporate expenses and elimination of transactions between the Company and its segments, etc.	(473)	(718)	-	-
Operating income	2,796	3,247	-	-

(Note) In tables a and b above, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the current fiscal year, and the figures for the fiscal year ended June 30, 2022 are after the application of the said accounting standards. Therefore, the figures for the fiscal year ended June 30, 2022 are after the application of these accounting standards, and therefore, the comparison with the previous fiscal year is not shown.

As for the Group Governance Business, net sales were 9,372 million yen. Since the effect of the application of the accounting standard for revenue recognition, etc., increased by 262 million yen, the increase would be 11.6% compared to the previous fiscal year if the previous accounting standard had been applied. Domestic companies are increasingly restructuring their businesses to strengthen competitiveness, and the increase in orders related to this trend was the main reason for the increase in orders. On the other hand, expenses increased due to the significant reinforcement of the development structure to promote software development for future growth and profitability, resulting in an operating income of 2,060 million yen (an increase of 144 million yen due to the change in accounting standards, a 1.0% decrease from the previous fiscal year under the previous accounting standards).

In the Digital Transformation Business, the need to utilize data for decision-making in management and business promotion is accelerating, and orders are shifting from traditional "business intelligence-related development" to "cloud data platform provision. The number of projects we are receiving orders for is also changing from the traditional "business intelligence-related development" to "cloud data platform provision. As a result, net sales increased to 7,015 million yen (down 355 million yen due to a change in accounting standards, up 17.9% from the previous fiscal year under the previous accounting standards). The change in the quality of projects received has also led to improved profitability, with operating income of 1,244 million yen (up 69 million yen due to the change in accounting standards, up 44.8% from the previous fiscal year under the previous accounting standards), significantly higher than in the previous fiscal year.

In the Outsourcing Business as well, there was a trend for companies that had been cautious in making final decisions to move forward due to the uncertainty caused by the impact of the new coronavirus infection, and orders from new clients increased. As a result, both sales and income increased to 3,044 million yen (down 8 million yen from the previous fiscal year due to a change in accounting standards, up 23.1% from the previous fiscal year under the previous accounting standards) and 661 million yen in operating income (down 6 million yen from the previous fiscal year under the previous accounting standards, up 27.5% from the previous fiscal year under the previous accounting standards).

(Production, Orders and Sales)

a. Production

Not applicable.

b. Orders received

The table below shows orders received by business segment in the current consolidated fiscal year.

Name of segment	Orders received (millions of yen)	YoY change (%)	Order backlog (millions of yen)	YoY change (%)
Group Governance Business	10,155	-	3,132	-
Digital Transformation Business	6,902	-	1,131	-
Outsourcing Business	4,032	-	2,446	-
Elimination of intersegment transactions	(1,017)	-	(578)	-
Total amount	20,073	-	6,131	-

(Note) The effect of applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year decreased the order backlog in the Group Governance Business by 262 million yen. Orders received and order backlogs for the Digital Transformation Business decreased by 397 million yen and 42 million yen, respectively. In addition, the order backlog in the Outsourcing Business increased by 8 million yen. Since these figures are after the application of the relevant accounting standards, year-on-year comparisons are not shown.

c. Sales

The table below shows sales results by segment for the fiscal year ended March 31, 2012.

Name of segment	Sales (millions of yen)	YoY change (%)
Group Governance Business	9,372	-
Digital Transformation Business	7,015	-
Outsourcing Business	3,044	-
Elimination of intersegment transactions	(729)	-
Total amount	18,703	-

(Notes)
1. Sales results by major customer and the ratio of such sales results to total sales results are not stated because there is no major customer whose ratio exceeds 10/100.
2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and the figures for the current fiscal year are after the application of these accounting standards. Therefore, year-on-year comparisons are not shown for the fiscal year ended March 31, 2011.

(3) Discussion on Financial Position

Total assets at the end of the current fiscal year were 16,617 million yen (up 2,660 million yen from the end of the previous fiscal year). This was mainly due to a 2,205 million yen increase in cash and deposits, a 437 million yen increase in notes and accounts receivable, trade and contract assets, a 186 million yen increase in deferred tax assets, and a 267 million yen decrease in shares of affiliates.

Meanwhile, total liabilities amounted to 6,019 million yen (up 849 million yen from the end of the previous fiscal year). This was mainly due to a 202 million yen increase in notes and accounts payable-trade, a 181 million yen increase in income taxes payable, and a 273 million yen increase in provision for bonuses.

Total net assets amounted to 10,597 million yen (up 1,810 million yen from the end of the previous fiscal year), reflecting net income attributable to parent company shareholders of 2,045 million yen, an increase in retained earnings brought forward of 71 million yen due to the application of the accounting standard for revenue recognition, and payment of dividends from surplus of 413 million yen. As a result, the equity ratio was 63.8% (63.0% at the end of the previous fiscal year), an improvement of 0.8 percentage points from the previous fiscal year, and the Company believes it maintains a highly stable financial balance with low interest-bearing debt.

(4) Discussion on Cash Flows

Cash and cash equivalents ("cash") at the end of the current consolidated fiscal year increased by 2,216 million yen from the end of the previous consolidated fiscal year to 10,002 million yen. The status of each cash flow and their factors are as follows:

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

Net cash provided by operating activities was 3,026 million yen (2,561 million yen earned in the previous fiscal year). The main factors of increase were income before income taxes and minority interests of 2,988 million yen, depreciation and amortization of 349 million yen, increase in allowance for bonuses of 273 million yen, equity in earnings of affiliates of 269 million yen, and increase in notes and accounts payable-trade of 202 million yen, etc. The main factors of decrease were increase in notes and accounts receivable-trade and contract assets of 258 million yen and income taxes paid of 925 million yen.

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

Funds used in investing activities totaled 398 million yen (789 million yen used in the previous fiscal year).
Major outflows included 89 million yen for the acquisition of tangible fixed assets for office expansion and network development, 317 million yen for the acquisition of intangible fixed assets for IT infrastructure development, and 181 million yen for the payment of lease and guarantee deposits for office relocation. The main cash inflows included 216 million yen in proceeds from collection of lease and guarantee deposits.

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

Net cash used in financing activities totaled 433 million yen. (359 million yen used in the previous fiscal year)
The main component of cash outflow was 413 million yen in cash dividends paid.

(5) Analysis of capital resources and liquidity of funds

In order to realize sustainable growth of corporate value and increase shareholder returns through such growth, the Group's basic policy is to maintain and pursue an optimal capital structure that improves capital efficiency while also ensuring financial soundness and flexibility.
The Group's main capital requirements are for office and IT-related capital expenditures and recurring working capital, which it procures from its own funds and bank borrowings as appropriate.
There were no loans outstanding at the end of the current fiscal year. The Company also holds 9,444 million yen in cash and deposits and recognizes that it has the necessary funds.
With regard to the liquidity of funds, we strive to make effective use of surplus funds at each group company through inter-group fund management agreements, and we have commitment line agreements with financial institutions to prepare for sudden demand for funds or unforeseen circumstances.

(6) Significant accounting estimates and assumptions used in making such estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, it is necessary to make estimates about the future that affect the reported amounts and disclosures of assets and liabilities and revenues and expenses for the current fiscal year. Management made these estimates based on reasonable judgments, taking into account past performance and various other factors as of the end of the current fiscal year. However, actual results may differ from these estimates in the future due to uncertainties inherent in estimates.

Significant accounting policies adopted in the Group's consolidated financial statements are described in "5. Notes to Consolidated Financial Statements Basis of Presenting Consolidated Financial Statements. In particular, we believe that the following critical accounting policies have a significant impact on the judgment of significant estimates in the preparation of the consolidated financial statements.

(i) Deferred tax assets
The Group makes a reasonable estimate of future taxable income to determine the recoverability of deferred tax assets. Projections regarding future taxable income are based on past performance and certain assumptions. Therefore, if changes in the business environment or other factors necessitate changes in estimates of taxable income, the amount of deferred tax assets recorded may change, which could affect the Group's business results.

(ii) Allowance for bonuses
However, actual bonus payments are determined based on the external environment and the Group's situation at the time of payment, so if actual payments differ from estimates, it may be necessary to record additional expenses. Therefore, there is a possibility that additional expenses may need to be recorded if the actual payment amount differs from the estimate.

(iii) Allowance for loss on order received
To prepare for future losses on order contracts, the Group provides for the estimated amount of losses to be incurred in the following fiscal year or later. If actual incurred costs differ from estimates, additional provisions may be required.

2-4 [Important Business Contracts]

At a meeting of the Board of Directors held on June 22, 2022, the Company's Board of Directors resolved a policy of reorganization of the Company's group (company split between consolidated subsidiaries) effective October 1, 2022, and on July 15, 2022, the Company entered into an absorption-type company split agreement between the Company's consolidated subsidiaries, respectively.
For details, please refer to "5. Consolidated Financial Statements and Notes 1. Consolidated Financial Statements (1) Notes to Consolidated Financial Statements" (Additional Information).

2-5 [Research and Development Activities]

The Group considers software to be an intellectual manufacturing product, and in order to provide highly productive added value by standardizing and packaging business processes, the Group examines software functions from both the business and technical aspects of data processing and the resulting content, and promotes the development of reliable software that integrates advanced technologies. We will also strengthen our product development system to accurately reflect the needs of our corporate clients for the medium- to long-term growth of our group. By building relationships with many client companies, our group has been developing products to meet their various needs. We will continue to strengthen our relationships with client companies and seek input for more effective product development.
The total amount of research and development expenses spent in the current consolidated fiscal year was 382 million yen.

Research and development activities by segment are as follows:
(1) Group Governance Business
We continue to develop products to meet the diverse needs of our customers and contribute to solving their problems.

(2) Digital Transformation Business
There are no research and development expenses related to this segment.

(3) Outsourcing Business
We are working on the development of products such as platform platforms for providing services.

3. [Information on Facilities]

3-1 [Summary of Capital Expenditure]

In order to respond to rapid technological innovation and changes in the business environment, the Group makes planned and ongoing capital investments to enhance product development functions, strengthen services to customers, and reinforce the organizational infrastructure that supports continuous business growth.

Capital investment in the consolidated fiscal year under review totaled 385 million yen (including software), and capital investment by segment was as follows: 160 million yen in the Group Governance Business, 0 million yen in the Digital Transformation Business, 56 million yen in the Outsourcing Business, and 168 million yen in the Corporate (common) Business. The main items were new building facilities related to offices, additional tools, furniture and fixtures related to internal network facilities, introduction of software for in-house use, and development of software for sale, etc. There were no disposals or sales of significant facilities in the current fiscal year.

3-2 [Major Facilities]

Major facilities in our group are as follows.

(1) Parent company

As of June 30, 2022

Office (Location)	Business segment	Equipment	Book value (millions of yen)					Number of employees (persons)
			Building	Tools, furniture and fixtures	Software	Other	Total amount	
Head Office (Minato-ku, Tokyo)	Corporate (common)	Office equipment software	12	106	268	0	388	47
Shinjuku Office (Shinjuku-ku, Tokyo)	Corporate (common)	Office Facilities	46	-	-	-	46	-
Osaka Office (Osaka, Japan)	Corporate (common)	Telephone subscription right	-	-	-	0	0	-

(Notes)
1. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
2. All buildings are attached to the building such as partitions, etc. The head office and other offices are all rented.
3. The head office and Shinjuku office, along with the business offices, lease a part of their facilities to consolidated subsidiaries.
4. "Other" in the book value consists of telephone subscription rights and trademark rights.
5. The Osaka office was relocated as of March 7, 2022.

(2) Domestic Subsidiaries

As of June 30, 2022

Company Name	Segment Name	Office (Location)	Equipment	Book value (Millions of yen)					Number of employees (persons)
				Building	Tools, furniture and fixtures	Software	Other	Total amount	
DIVA CORPORATION	Group Governance Business	Head Office (Minato-ku, Tokyo)	Office equipment software	6	15	46	-	67	282
		Osaka Office (Osaka City, Osaka Prefecture)	Office Facilities	0	2	-	-	2	55
		Konan Office (Minato-ku, Tokyo)	Office Facilities	55	21	-	-	77	173
Internet Disclosure Co., Ltd.	Group Governance Business	Head office (Chuo-ku, Tokyo)	Office Facilities	-	18	-	-	18	11
ZEAL CORPORATION	Digital Transformation Business	Head Office (Shinagawa-ku, Tokyo)	Office equipment software	6	1	13	0	21	321
		Osaka Office (Osaka, Japan)	Office Facilities	10	0	-	-	10	24
		Fudomae Office (Shinagawa-ku, Tokyo)	Office Facilities	24	5	-	-	29	60
FIERTE CORPORATION	Outsourcing Business	Head office (Shinjuku-ku, Tokyo)	Office Facilities Software	45	19	27	-	92	288

(Notes)
1. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
2. All buildings are attached to the building such as partitions, etc. The head office and other offices are all rented.
3. "Other" in the book value represents vehicles and transportation equipment.
4. DIVA CORPORATION relocated its Osaka office as of March 7, 2022.

3-3 [Plans for New Installation, Retirement of Facilities]

(1) New installation of important facilities, etc.

Not applicable.

(2) Retirement, etc. of important facilities

Not applicable.

4. [Information on the Parent Company]

4-1 [Status of Shares]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Type of shares	Total number of shares authorized to be issued (shares)
Common stock	62,304,000
Total	62,304,000

(ii) [Outstanding shares]

Type of shares	Number of shares issued as of the end of the fiscal year (June 30, 2022)	Number of shares issued as of the date of submission (September 22, 2022)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Contents
Common stock	37,625,501	37,625,501	Tokyo Stock Exchange Prime Market	Number of shares per unit 100 shares
Total	37,625,501	37,625,501	-	-

(2) [Status of stock acquisition rights, etc.]

(i) Details of the stock option plan

Not applicable.

(ii) [Contents of Rights Plan]

Not applicable.

(iii) [Status of other stock acquisition rights, etc.]

Not applicable.

(3) [Status of Exercise of Bonds with Stock Acquisition Rights with Exercise Price Revision Clause, etc.]

Not applicable.

(4) [Total number of shares issued, capital stock, etc.]

Date	Increase/decrease in total number of shares issued and outstanding (shares)	Outstanding balance of total shares issued and outstanding (shares)	Increase/decrease in capital (Millions of yen)	Balance of capital (Millions of yen)	Increase (decrease) in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
November 1, 2017 (Note) 1	9,388,000	18,776,000	-	288	-	225
October 19, 2018 (Note 2)2	9,094	18,785,094	7	295	7	232
October 17, 2019 (Note 3)	8,397	18,793,491	7	303	7	240
December 1, 2019 (Note) 1	18,793,491	37,586,982	-	303	-	240
October 16, 2020 (Note 4)	16,221	37,603,203	8	311	8	248
November 12, 2021 (Note) 5	8,705	37,611,908	6	318	6	255
November 12, 2021 (Note) 6	13,593	37,625,501	10	329	10	265

(Note) 1. Due to a stock split (1:2).

2. Issuance of new shares as compensation for restricted stock.
   Issue price 1,567 yen
   Capitalization 783.5 yen
   Allottees Total of 10 Corporate Officers of the Company and Directors of the Company's subsidiaries
3. Issuance of new shares as compensation for restricted stock.
   Issue price 1,845 yen
   Capital contribution 922.5 yen
   Allottees Total of 10 Corporate Officers of the Company and Directors of the Company's subsidiaries
4. Issuance of new shares as compensation for restricted stock.
   Issue price 1,023 yen
   Capitalization 511.5 yen
   Allottees Total of 11 Corporate Officers of the Company and Directors of the Company's subsidiaries
5. Issuance of new shares as performance-linked stock-based compensation.
   Issue price 1,575 yen
   Capitalization 787.5 yen
   Allottee One director of the Company
6. Issuance of new shares as compensation for restricted stock.
   Issue price 1,575 yen
   Capitalization 787.5 yen
   Allottees Total of 13 Corporate Officers of the Company and Directors of the Company's subsidiaries

(5) [Status by Owner]

As of June 30, 2022

Classification	Status of Shares (Number of Shares per Unit: 100 shares)								Number of shares constituting less than one unit (shares)
	Government and local governments	Financial institutions	Financial instruments Trader	Other corporations	Foreign corporations, etc.		Individuals and Others	Total	
					Non-Personal	Individual			
Number of shareholders (persons)	-	12	17	39	96	16	2,832	3,012	-
Number of shares held (Unit)	-	52,047	5,746	30,030	63,201	1,763	223,406	376,193	6,201
Percentage of shares held (%)	-	13.84	1.53	7.98	16.80	0.47	59.39	100.00	-

(Note) 2,998 shares of treasury stock (29 units) are included in "Individuals and others" and 98 shares are included in "Status of odd-lot shares.

(6) [Status of Major Shareholders]

As of June 30, 2022

Name or Designation	Address (e.g. of house)	Number of shares held (shares)	Ratio of shares held to total number of shares issued and outstanding (excluding treasury stock) (%) Ratio of shares held to total number of shares issued (excluding treasury stock) (%)
Tetsuji Morikawa	Minato-ku, Tokyo	9,764,000	25.95
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	3,067,700	8.15
Avant Employee Stock Ownership Plan	15-2, Konan 2-chome, Minato-ku, Tokyo	2,287,200	6.08
Tsuyoshi Noshiro	Asaka City, Saitama Prefecture	1,868,800	4.97
OBIC Business Consultant Co.	8-1, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo	1,600,000	4.25
The Custody Bank of Japan, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,537,100	4.09
JP MORGAN CHASE BANK (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	1,146,900	3.05
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	911,291	2.42
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	9 AVENUE PERCIER 75 008 PARIS (3-11-1 Nihonbashi, Chuo-ku, Tokyo) 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	874,600	2.32
PCA Corporation	1-2-21 Fujimi, Chiyoda-ku, Tokyo	778,400	2.07
Total	-	23,835,991	63.36

(Note) Of the above number of shares held, the number of shares related to trust business is as follows.

The Master Trust Bank of Japan, Ltd.

(Trust Account) 1,537,100 shares Japan Custody Bank, Ltd.

(7) [Status of voting rights]

(i) Outstanding shares

As of June 30, 2022

Classification	Number of shares	Number of voting rights	Contents
non-voting stock	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Full voting shares (Treasury stock, etc.)	(Treasury stock) Common stock 2,900	-	-
Shares with full voting rights (Other)	Common stock 37,616,400	376,164	-
Odd lot shares	Common stock 6,201	-	-
Total number of shares issued and outstanding	37,625,501	-	-
Voting rights of all shareholders	-	376,164	-

(Note) Common stock in the "shares less than one unit" column includes 98 shares of treasury stock held by the Company.

(ii) [Treasury stock, etc.]

As of June 30, 2022

Name or title of owner	Owner's address	Number of shares held in treasury (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Ratio of shares held to total number of shares issued and outstanding (%)
(Treasury stock) Avant Corporation	Konan, Minato-ku, Tokyo 2-15-2	2,900	-	2,900	0.01
Total	-	2,900	-	2,900	0.01

4-2 [Status of Treasury Stock]

[Type of shares, etc.] Acquisition of common stock that falls under Article 155, Item 7 of the Companies Act

(1) [Status of acquisition by resolution of the General Meeting of Shareholders

Not applicable.

(2) [Status of acquisition by resolution of the Board of Directors] (2) [Status of acquisition by resolution of the Board of Directors

Not applicable.

(3) [Details of items not based on resolutions of the General Meeting of Shareholders or the Board of Directors]

Classification	Number of shares	Total value (yen)
Treasury stock acquired in the current fiscal year	47	58,750
Treasury stock acquired during the period	-	-

(Note) The number of shares of treasury stock acquired during the period does not include the number of shares purchased from September 1, 2022 to the date of submission of this annual securities report.

(4) [Status of disposal and holding of acquired treasury stock]

Classification	Current fiscal year		the current term	
	Number of shares	Total amount of disposal value (yen)	Number of shares	Total amount of disposal value (yen)
Acquired treasury stock offered to subscribers	-	-	-	-
Acquired treasury stock disposed of for cancellation	-	-	-	-
Merger, share exchange, share issuance Transferred in connection with a company split. Treasury stock acquired	-	-	-	-
Other(-)	-	-	-	-
Number of treasury stock held	2,998	-	2,998	-

(Note) The number of treasury stock held during the period does not include the number of shares purchased from September 1, 2022 to the date of submission of this annual securities report.

4-3 [Dividend policy]

The Company regards the payment of dividends from surplus as an important item in its shareholder return policy, and is oriented toward maintaining and improving the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year, paying attention to indicators such as the ratio of dividends to net assets. Currently, the Company intends to pay dividends from surplus once a year as a year-end dividend, and the decision-making body for this distribution of surplus is the general meeting of shareholders.

The Company plans to adopt a resolution at the 26th Ordinary General Meeting of Shareholders scheduled to be held on September 27, 2022 to pay a dividend of 13 yen per share (including a commemorative dividend of 1 yen per share for the 25th anniversary of the Company's founding) based on the basic policy of continuous stable dividends.

The Company intends to make effective use of retained earnings to develop and deploy competitive and attractive products and services that meet market needs in order to respond to anticipated changes in the business environment.

The Company has adopted an interim dividend system based on Article 454, Paragraph 5 of the Companies Act, and the Articles of Incorporation stipulate that the record date is December 31 of each year, and the Board of Directors is the decision-making body for interim dividends.

(Note) Dividends from surplus for which the record date belongs to the current fiscal year are as follows

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (yen)
September 27, 2022 Resolution at the ordinary general meeting of shareholders (planned)	489	13.00

4-4 [Corporate Governance]

(1) [Outline of Corporate Governance]

(i) Basic Policy on Corporate Governance

In fulfilling our social responsibility as a company, our greatest management goal is to "create a 100-year company" that supports the self-realization of our employees through the realization of continuous business growth and contributes to our customers and all other stakeholders through the added value created by our company.

To this end, we have established the "Avant Group Basic Policies on Corporate Governance" and are striving to enhance the transparency and soundness of management and to build a management system that enables prompt business execution based on accurate decision-making and appropriate monitoring of these activities, thereby improving corporate governance. We are striving to enhance corporate governance.

(ii) Outline of the corporate governance system and reasons for adopting such a system

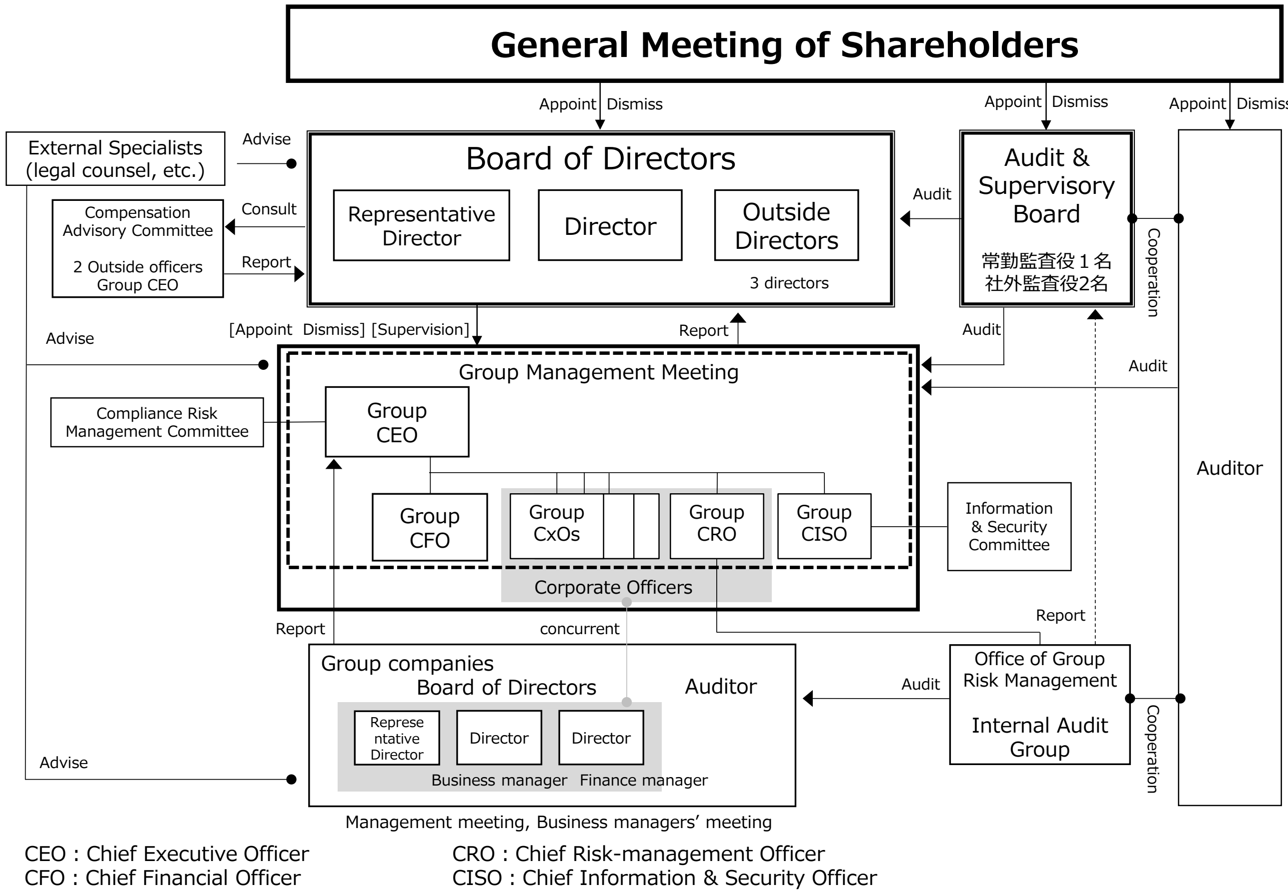
1. Outline of Corporate Governance System

- As of the date of submission of the Annual Securities Report, the Company has five Directors (including three Outside Directors) and three Corporate Auditors (including two Outside Corporate Auditors). If the partial amendment to the Articles of Incorporation is approved at the 26th Ordinary General Meeting of Shareholders scheduled to be held on September 27, 2022, the Company will transition to a company with an Audit Committee. At the 26th Ordinary General Meeting of Shareholders, seven directors (including four outside directors and three directors who are members of the Audit and Supervisory Committee) are proposed, subject to approval of partial amendments to the Articles of Incorporation. The corporate governance structure after the transition will be discussed by the Board of Directors and disclosed through the Corporate Governance Report and the Integrated Report.
- The Board of Directors makes decisions on important management matters and supervises the execution of business operations. The term of office of directors is set at one year in order to improve the efficiency of decision-making, to reflect management policies in business activities promptly, to promptly respond to changes in the business environment, and to clarify management responsibility for each fiscal year.
- As of the date of submission of the Annual Securities Report, the members of the Board of Directors are as follows
  Representative Director: Tetsuji Morikawa Director: Naoyoshi Kasuga Outside Director: Naohisa Fukutani Outside Director: Georges Ugeux Outside Director: John Robertson
- The Company's business execution system consists of a representative director appointed by the Board of Directors, a director in charge of finance, and a corporate officer, who share responsibility for the execution of business operations. The representative directors and directors in charge of business management of each group company, each of whom is an executive officer of the Company, report on the status of business execution at the Group Management Committee chaired by the Group CEO, and the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO, and Group CISO report on the execution of group-wide strategies. The Group Management Committee discusses important issues with the aim of achieving sustainable growth and increasing corporate value through group management, and important matters are referred to the Board of Directors through the Group CEO and Group CFO.
- The CRM Committee deliberates and reviews important issues and responses concerning corporate ethics, compliance, and risk management, and promptly reports to the Board of Directors. The CRM Committee discusses and examines important issues related to corporate ethics, compliance and risk management, and promptly reports them to the Board of Directors.
- As of the date of submission of the Annual Report, the CRM Committee consists of the following members
  Committee Chairman: Tetsuji Morikawa, Group CEO
  Committee Member : Naoyoshi Kasuga, Group CFO Takahiro Okabe, President and Representative Director, ZEAL CORPORATION
  Hiroshi Takizawa, President and Representative Director, Internet Disclosure Co., Ltd.
  Hiroki Takemura, Representative Director and Vice President, DIVA CORPORATION Gen Nagata, Representative Director and President, FIERTE CORPORATION
- The Company will establish and operate a reporting system for violations of laws and ordinances and other legally questionable acts, with its legal advisors and corporate auditors as contact points.
- Corporate auditors audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and by examining the status of business execution, etc., in accordance with the audit policy determined by the Audit & Supervisory Board. The Audit& Supervisory Board monitors management from a fair and objective standpoint with respect to the execution of duties by directors in accordance with the auditing policies and assignments determined by the corporate auditors and in accordance with the auditing plan.
- As of the date of submission of the Annual Securities Report, the members of the Audit & Supervisory Board are as follows
  Full-time Auditor: Tsuyoshi Noshiro Outside Auditor: Kunio Suzuki Outside Auditor: Chie Goto

2. Reasons for adopting a corporate governance structure

The Company has a management structure in which the Board of Directors has the function of making management decisions and supervising business execution, thereby ensuring appropriate management decisions and prompt business execution.
In addition, the Company has a Board of Corporate Auditors and has adopted a company-with-auditors system, judging that an audit system by corporate auditors, including outside corporate auditors, is an effective management monitoring function.

The corporate governance structure is as follows as of the date of submission of the Annual Securities Report.



(iii) Other matters relating to corporate governance

1. System to ensure the appropriateness of business operations

The Company has established and promoted corporate ethics through the establishment of the Corporate Code of Conduct, and the Board of Directors has adopted the following basic policy regarding the development of internal control systems.

2. Compliance System of Directors

(1) Systems to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation

- (i) Directors shall comply with the "Avant Code of Conduct," practice the "Avant Values," and properly execute their duties in accordance with laws, the Articles of Incorporation, the Board of Directors Regulations, and other internal regulations.
- (ii) In executing business operations, directors make decisions after comprehensive review at meetings of the Board of Directors and various cross-organizational meetings.
- (iii) The CRM managers of each Group company, appointed by the chairman of the Compliance and Risk Management (CRM) Committee, shall discuss and review important issues and responses concerning corporate ethics, compliance and risk management at the CRM Committee, and promptly report to the Board of Directors. The CRM Committee shall also report promptly to the Board of Directors.
- (iv) A reporting system for violations of laws and regulations and other legally questionable acts, etc., shall be

established and operated with legal counsel and corporate auditors as the contact points.

(v) Corporate auditors shall audit the execution of duties by directors by attending meetings of the Audit & Supervisory Board and other important meetings and by examining the status of business execution, etc., in accordance with the audit policy determined by the Audit & Supervisory Board.

(2) Systems to ensure the efficient execution of duties by directors

(i) The Company's Board of Directors basically meets once a month on a regular basis, and as necessary, the Board of Directors meets as needed to make decisions and promptly execute operations, as well as to supervise important management decisions and the status of business execution by directors.

(ii) Various meetings and committees, in which directors are in charge or members, deliberate and decide on business execution within the scope of their authority.

(iii) Promote decentralization of management through organization based on management policies and business plans.

(iv) In order to clarify management responsibility and respond to changes in the business environment, the term of office of directors is set at one year.

(3) System for the storage and management of information related to the execution of duties by Directors

Information related to the execution of duties by directors shall be properly stored and managed by the department in charge in accordance with laws and regulations, the Board of Directors Regulations, Document Management Regulations, and other related regulations.

3. System to ensure the appropriateness of the company's operations

(1) Regulations and other systems for managing the risk of loss

(i) The Company shall implement the proper management of operations and funds, as well as the prevention of risks, by monitoring the progress of business performance and thorough management of expenses through rolling forecast management in a cycle that is appropriate to the business environment.

(ii) The Company shall manage risks related to compliance, information assets, and other business matters by preparing and disseminating necessary rules, manuals, etc.

(iii) In addition, the CRM Committee will strengthen the management and response to ensure compliance.

(iv) In addition, the Information Security Committee will strengthen the management of and response to the management of information assets.

(v) The Company shall consult with, and receive advice and guidance from, third parties with expertise, such as lawyers, accounting auditors, tax accountants, etc., as necessary in the performance of its business.

(2) System to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation

(i) Employees shall comply with the "Avant Code of Conduct," practice the "Avant Values," and perform their duties in accordance with laws, the Articles of Incorporation, and internal regulations.

(ii) In order to raise employees' awareness of compliance and promote socially responsible behavior, the Company will promote the development of internal rules and regulations, and conduct internal audits under the direction of the President.

(iii) When an employee becomes aware of a violation of laws and regulations, the Articles of Incorporation or internal rules, or an act contrary to socially accepted norms, the employee shall report or consult with the Internal Reporting Desk.

(iv) Directors shall promptly respond to or improve the compliance system and whistle-blowing system for employees at the CRM Committee meeting when opinions or requests for improvement are received from the Corporate Auditors.

(3) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

(i) The Company's subsidiaries shall comply with the Company's management policies and the "Avant Code of Conduct" and share the practice of "Avant Value" and contribute to the enhancement of the Group's corporate value.

(ii) While respecting the autonomy of its subsidiaries, the Company will support the development and improvement of internal control systems and promote them in cooperation with its subsidiaries.

(iii) The Company's subsidiaries have entered into a management guidance and business management agreement, under which the Company receives reports on important matters concerning the execution of duties by directors and others. The board of directors of each operating company makes decisions on important matters, but the rules and operations for (a) investment, including office contracts, (b) human resources, and (c) finance, including capital policy, are subject to approval from the holding company, AVANT CORPORATION.

(iv) The Company's subsidiaries basically hold regular meetings of the Board of Directors once a month and hold meetings of the Board of Directors as needed for decision-making and prompt business execution, and the Company's Group General Affairs Office confirms the status of the meetings.

(v) (5) As part of the establishment of a compliance system for the entire Minebea Group, employees of Minebea's subsidiaries are required to report or consult with the internal reporting system office when they become aware of any violation of laws, regulations, the Articles of Incorporation, internal rules, or any act that is contrary to socially accepted norms.

(vi) The CRM Committee will provide support for violations of subsidiary laws and regulations and other compliance-related issues.

(vii) In accordance with the budget management regulations, the Company shall monitor the progress of business performance of the Company's subsidiaries and thoroughly manage expenses by monitoring their business performance status through rolling forecast management in a cycle appropriate to the business environment, thereby appropriately managing operations and funds and reporting to the Company to prevent risks.

(viii) 8) The internal audit group of the Group Risk Management Office conducts periodic internal audits of the Company's subsidiaries to ensure the appropriateness of their operations, and reports the results to the Company's directors and corporate auditors for necessary control.

(4) System to ensure the appropriateness of financial reporting

Under the direction of the Board of Directors, the Company shall establish a maintenance and operation system to ensure the legality and appropriateness of financial reporting, and shall periodically conduct self-assessments and independent evaluations of internal control over financial reporting, as well as have the system audited by an accounting auditor.

(5) Basic Policy on Elimination of Antisocial Forces

In the "Avant Code of Conduct," we declare the elimination of antisocial forces and the prohibition of antisocial activities. Our basic policy is to have no relationship with antisocial forces that threaten the safety and order of society and the sound activities of companies, and not to accept any unreasonable or illegal demands.

In addition to appointing a person in charge of preventing improper demands and making efforts to collect information and check business partners on a routine basis, the Company will take prompt action in an organized manner by maintaining close contact with relevant administrative agencies, lawyers, and other experts when a case arises.

4. System for Audits by Corporate Auditors

(1) Matters concerning employees who are requested by Corporate Auditors to assist them in their duties, and matters concerning the independence of such employees from Directors

(i) The Company does not have employees to assist the auditors in their duties, but the Board of Directors may appoint and assign such employees upon consultation with and at the request of the auditors.

(ii) During the period designated by the Corporate Auditors to assist them, the right to direct and order the employees appointed to assist them in their duties shall be transferred to the Corporate Auditors and their independence from the Directors shall be ensured. In addition, the evaluation of such employees shall be made after hearing the opinions of the auditors.

(2) System for Directors and employees to report to Corporate Auditors and other systems related to reporting to Corporate Auditors

(i) In addition to attending meetings of the Board of Directors, Corporate Auditors attend major meetings and receive reports on the status of business operations, and are able to attend other meetings and committee meetings or read the minutes of such meetings as necessary.

(ii) Corporate auditors may request directors and employees to report on business and operations to the corporate auditors on a regular or ad hoc basis.

(3) Systems to ensure that a person who reports to a corporate auditor will not be treated disadvantageously because of such report

In accordance with the whistleblower protection provisions set forth in the Compliance Hotline Handling Procedure in the Supplementary Rules to the Compliance Risk Management Regulations established by the Company, the Company stipulates and enforces that whistleblowers will not be treated unfavorably.

(4) Matters concerning the policy for the treatment of expenses or liabilities incurred in the performance of duties by Corporate Auditors

When a corporate auditor requests advance payment or reimbursement of expenses incurred in the performance of his/her duties, the Company shall promptly dispose of such expenses or obligations, unless such expenses or obligations are deemed not necessary for the performance of such corporate auditor's duties.

(5) Other systems to ensure that audits by corporate auditors are conducted effectively

(i) The Company has a system that enables the Statutory Auditors to hold meetings with the President and Representative Director to communicate and exchange opinions.

(ii) The Company also exchanges opinions and information with the accounting auditors and internal auditors, and in cooperation with them, the Company has a system that enables it to request investigations and reports as necessary.

5. Status of operation of the system to ensure the appropriateness of business operations

With regard to the above-mentioned system to ensure the appropriateness of business operations, the Company has continuously investigated the status of the development and operation of the internal control system since the system was first established, and reports the results of the investigation to the Board of Directors. In addition, corrective measures are being taken for problems identified as a result of the investigation, and efforts are being made to establish and operate a more appropriate internal control system.

(iv) Outline of the contents of the liability limitation agreement

The Company has entered into an agreement with all outside directors and corporate auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages based on such agreement is the amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(v) Outline of the contents of directors' and officers' liability insurance contracts insuring directors and officers, etc.

The Company has concluded a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The policy insures directors, corporate auditors, corporate officers and employees of the Company and its subsidiaries, and the Company pays all premiums for all insureds. The policy will cover claims for damages, settlements, and costs of dispute arising out of the insured's performance of his/her duties during the insurance period, but will not cover claims arising out of breach of trust, criminal acts, fraud, intentional violations, and insider trading. However, claims arising from breach of trust, criminal acts, fraud, willful misconduct, insider trading, etc. are not covered by the policy.

(vi) Matters to be resolved at the General Meeting of Shareholders that can be resolved by the Board of Directors

1. Acquisition of treasury stock
The Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc. by a resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act in order to enable the execution of a flexible capital policy in response to changes in the business environment.

2. Interim dividend
In order to flexibly return profits to shareholders, the Company's Articles of Incorporation stipulate that the Company may pay interim dividends with a record date of December 31 of each year by a resolution of the Board of Directors pursuant to Article 454, Paragraph 5 of the Companies Act.

(vii) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than nine Directors.

(viii) Requirements for resolution for election of directors

The Company's Articles of Incorporation stipulate that directors shall be elected by a resolution of a majority of the voting rights of shareholders present at a general meeting of shareholders where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present.
In addition, the Articles of Incorporation stipulate that the resolution for the election of directors shall not be by cumulative voting.

(ix) Requirements for Special Resolution of General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that the requirements for special resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be met by two-thirds or more of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this measure is to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(x) Exemption of officers from liability

The Company stipulates in its Articles of Incorporation that, in order to enable corporate auditors (including former corporate auditors) to fully perform their expected roles in the performance of their duties, the liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act may be exempted up to the amount obtained by deducting the minimum liability amount stipulated in laws and regulations from the amount of liability for damages, if the requirements stipulated in laws and regulations are met. In addition, in order to enable directors (including former directors) to fully perform their expected roles in the group management under the holding company system, the Company stipulates in its Articles of Incorporation that the liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act may be exempted up to the amount obtained by deducting the minimum liability amount stipulated by law from the amount of liability for damages, if the requirements stipulated by law are met.

(2) [Status of Directors and Officers]

(1) Board of Directors and Executive Officers

Directors and Corporate Auditors as of the date of submission of the Annual Securities Report

The following is a summary of the directors and officers as of September 22, 2022 (the date of filing the annual report).

7 male, 1 female (12.5% of board members are female)

Title	Name	Date of Birth	Brief personal record		Term of office	Number of shares held (shares)
President and Representative Director (Group CEO)	Tetsuji Morikawa	Born on February 23, 1966	April 1990 May 1997 October 2013 October 2013 March 2017 September 2020	Joined Price Waterhouse Consultants, Inc. Established the Company President and Representative Director (to present) President and Representative Director, DIVA CORPORATION (current position) CEO, DIVA CORPORATION OF AMERICA (present post) External Director, Kayac Corporation (present post) Group CEO (current position)	(Note 4)	9,764,000
Director Treasurer (Group CFO)	Naoyoshi Kasuga	Born on May 13, 1963	April 1987 August 1999 January 2005 October 2010 February 2011 September 2011 September 2020 March 2021	Joined Long-Term Credit Bank of Japan, Ltd. Joined New York Stock Exchange Asia Pacific Office Corporate Officer, New York Stock Exchange Joined the Company General Manager, President's Office Director, in charge of Finance of the Company (to present) Group CFO (current position) Outside Director of Metapraxis Limited (to present)	(Note 4)	15,405
Director	Naohisa Fukutani	Born on April 17, 1961	April 1987 July 1999 July 2001 March 2005 September 2013 July 2015 July 2021	Joined Mitsui Bank, Ltd. U.S. Representative, DC Planning, Investment Banking, Sakura Bank, New York Daiwa Securities SMBC Singapore Limited Corporate Finance Asia Pacific Joined GCA Corporation (now Houlihan Lokey Co., Ltd.) Managing Director Director of the Company (to present) Joined PricewaterhouseCoopers K.K. (now PwC Advisory LLC), Partner Senior Advisor (to present)	(Note 4)	55,700
Director	Georges Ugeux	Born on April 20, 1945	September 1970 January 1985 October 1988 September 1992 September 1996 October 2003 September 2014	Joined Societe Generale Bank (Belgium) Managing Director, Investment Banking, Morgan Stanley Japan Head of Group Finance, Societe Generale Belgium Kidder Peabody International President Head of International and Research, New York Stock Exchange Established Galileo Global Advisors, Chairman and CEO (to present) Director of the Company (to present)	(Note 4)	0
Director	Jon Robertson	Born on October 29, 1968	January 1994 July 1996 July 1999 July 2002 January 2004 January 2007 January 2012 December 2014 March 2015 September 2020 March 2021	Sales Manager, M3i Systems, Inc. Sales Director, SAP America, Inc. Managing Director, EMC Corporation Senior Director, Reuters K.K. (now Thomson Reuters K.K.) EMC Corporation Vice President, Customer Operations, VMware, Inc. Vice President, Head of ASEAN, VMware Singapore Pte. Vice President, VMware, Inc. President and Representative Director, VMware, Inc. Director of the Company (to present) President, Snowflake Inc. for Asia Pacific and Japan (to	(Note 4)	0

Title	Name	Date of Birth	Brief personal record		Term of office	Number of shares held (shares)
				present)		
Full-time Corporate Auditor	Tsuyoshi Noshiro	Born on January 6, 1961	October 1985 April 1989 July 1989 February 1998 June 2000 September 2001 September 2011	Joined Aoyama Audit Corporation Registered as a Certified Public Accountant Joined Sanyo Finance Co. Joined the Company General Manager, Administration Division Director, in charge of Finance of the Company Full-time Corporate Auditor of the Company (to present)	(Note) 5	1,868,800
Auditor	Kunio Suzuki	Born on January 6, 1944	April 1967 March 1997 January 2001 September 2001	Joined IBM Japan, Ltd. Director, IBM Japan, Ltd. Established K.S. Management, Representative Director (present post) Corporate Auditor of the Company (to present)	(Note) 6	589,000
Auditor	Chie Goto	Born on November 30, 1958	April 1984 April 1988 September 1994 October 2006 January 2011 September 2021	Joined Socie World Inc. Joined Tokyo Student Career Information Center Co. Joined Yamada & Partners Accounting Office Registered as a lawyer and joined Sakura Kyodo Law Office Registered as a Certified Public Accountant Partner, Sakura Kyodo Law Office (Current position) Corporate Auditor of the Company (to present)	(Note)7	0
Total						12,292,905

(Notes)
1. Directors Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. John Robertson are outside directors as defined in Article 2, Item 15 of the Companies Act.
2. Corporate Auditors Kunio Suzuki and Chie Goto are outside corporate auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. The Company has introduced a corporate officer system to speed up business execution and clarify responsibilities and authority. The total number of Corporate Officers is 13.
4. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2021 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2022.
5. The term of office is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2019 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2023.
6. The term of office is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2018 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2022.
7. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2021 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2025.

2. Directors and Executive Officers after the Annual General Meeting of Shareholders

The Company proposes "Election of Four Directors (excluding Directors who are Audit Committee Members)" and "Election of Three Directors who are Audit Committee Members" as proposals (matters to be resolved) for the 26th Ordinary General Meeting of Shareholders to be held on September 27, 2022. If the proposal is approved, four current directors and three new Audit and Supervisory Committee members will be elected and reappointed, respectively. The title and brief biography include the details of the resolutions of the Board of Directors and the Audit Committee to be held immediately after the 26th Ordinary General Meeting of Shareholders.
6 male, 1 female (14.3% of board members are female)

Title	Name	Term of office
President and Representative Director (Group CEO)	Tetsuji Morikawa	See Note 4.
Director, Finance (Group CFO)	Naoyoshi Kasuga	See Note 4.
Director	Naohisa Fukutani	See Note 4.
Director	Jon Robertson	See Note 4.
Director and Audit Committee Member	Tsuyoshi Noshiro	See Note 5.
Director and Audit Committee Member	Chie Goto	See Note 5.
Director and Audit Committee Member	Makoto Nakano	See Notes 5 and 6.

(Notes)
1. Directors Mr. Naohisa Fukutani and Mr. John Robertson are outside directors as defined in Article 2, Item 15 of the Companies Act.
2. Chie Goto and Makoto Nakano, both Audit & Supervisory Board Members, are outside directors as stipulated in Article 2, Item 15 of the Companies Act of Japan.
3. The Company has introduced a corporate officer system to speed up business execution and clarify responsibilities and authority. The total number of Corporate Officers is 13.
4. The term of office is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2022 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending June 30, 2023.
5. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2022 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2024.
6. Brief personal history of Makoto Nakano, a newly appointed Audit Committee Member, is as follows

Title	Name	Date of birth	Brief personal record		Number of shares held (shares)
Director Audit Committee Member	Makoto Nakano	Born on January 14, 1968	April 1995	Full-time Lecturer, Faculty of Commerce, Yokohama City University	0
			April 1996	Associate Professor, Faculty of Commerce, Yokohama City University	
			April 2001	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	
			April 2007	Associate Professor, Graduate School of Commerce, Hitotsubashi University	
			April 2009	Professor, Graduate School of Commerce, Hitotsubashi University	
			April 2018	Professor, Graduate School of Business Administration, Hitotsubashi University (Current position)	
			September 2022	Director and Audit Committee Member of the Company (to present)	

(ii) Status of Outside Directors and Outside Corporate Auditors

As of the date of submission of the Annual Securities Report, the Company has three outside directors and two outside corporate auditors.
Outside Director Mr. Naohisa Fukutani and Outside Director Mr. Georges Ugeux have long years of rich experience and broad insight in finance as well as his own experience in management. We believe that both of them will contribute to the overall supervision of the Company's group management and the strengthening of the Company's corporate governance.
Outside Corporate Auditor Kunio Suzuki has extensive experience and knowledge of management in the IT and telecommunications industry.
Outside Corporate Auditor Chie Goto is a licensed attorney and certified public accountant and has extensive knowledge of legal and financial accounting matters.
Based on their backgrounds, we believe that they will be able to appropriately perform their duties as outside corporate auditors, including providing useful advice in management judgment and decision-making, based on their full understanding of the Company's management.
Outside Director Naohisa Fukutani is a shareholder of the Company, but his shareholding ratio is less than 1%, he is not a major shareholder, and there is no special interest between him and the Company. Therefore, the Company believes that it is not in a position to have a conflict of interest with general shareholders.
Outside Corporate Auditor Kunio Suzuki is a shareholder of the Company, but his shareholding ratio is less than 2%, he is not a major shareholder, and there is no special interest between him and the Company. Therefore, the Company believes that it is not in a position to have a conflict of interest with general shareholders.
The Company has designated Outside Director Mr. Naohisa Fukutani, Outside Director Mr. Georges Ugeux, Outside Director Mr. John Robertson, and Outside Corporate Auditor Ms. Chie Goto as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and has notified the Exchange of such designation.
In addition, the Company has entered into liability limitation agreements with all outside directors and corporate auditors, the outline of which is that the maximum amount of liability for compensation under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount stipulated by law if the requirements stipulated by law are met.
In appointing outside directors and outside corporate auditors, the Company has established the following independence criteria, based on the independence criteria stipulated by the Companies Act and financial instruments exchanges, and focusing on ensuring the independence of those who will become independent outside directors in terms of their substance.

Outside directors and outside corporate auditors shall be deemed to be independent if, as a result of a reasonably possible investigation by the Company, it is determined that none of the following items applies to them.

1. Any person who is or has been an executive director, executive officer, corporate officer, employee or servant of the Company or its subsidiaries or affiliates (collectively, the "Company Group") for the past 10 years; (2) Any person who is or has been a director, executive officer, corporate officer, employee or servant of the Company or its subsidiaries or affiliates (collectively, the "Company Group") for the past 10 years; or
2. A person who directly or indirectly holds 10% or more of the total voting rights of the Company or a person who executes the business of such a person, or
3. A person with whom our Group has a major transaction (Note 1) or with whom our Group has a major transaction (Note 1), or a person who executes the business of such a person, or a person who executes the business of such a person, or a person who executes the business of such a person.
4. A person who receives a large amount of money or other financial benefits (Note 2) other than director's remuneration as compensation for providing professional services such as consultants, lawyers, certified public accountants, and certified tax accountants to our Group, or a person who executes the duties of such a person, or a person who receives a large amount of money or other financial benefits as compensation for providing such services to our Group.
5. Persons who receive donations or grants exceeding ¥15 million per year from the Group or their executive officers, or
6. Persons belonging to an auditing firm that is the accounting auditor of the Group; (7) Persons belonging to an auditing firm that is the accounting auditor of the Group; and
7. Executive officers of companies to which the Group's executive officers are appointed as directors, executive officers of companies to which the Group's executive officers are appointed as directors, executive officers of companies
8. Those who fall under 2 to 7 above in the past three years.
9. Spouse or relative up to the second degree of kinship of a person falling under 1-8 above.

(Note 1) Major transactions are defined as transactions involving the transfer of more than 2% of annual consolidated net sales or loans exceeding 2% of total consolidated assets.
(Note 2) "Large amount" means that, in the case of an individual who provides professional services, the annual profit received from the Group, excluding director's remuneration, exceeds 15 million yen in the most recent fiscal year. In the case of an organization such as a corporation, partnership, etc., the amount of profits received from the Group exceeds 2% of the annual gross income of the organization or 15 million yen, whichever is higher, in the most recent fiscal year.

(iii) Relationship between supervision or auditing by outside directors or outside corporate auditors and internal audits, audits by corporate auditors, and accounting audits, and relationship with the internal control division

Outside directors and outside corporate auditors attend monthly meetings of the Board of Directors and ask questions,

provide advice and comments on the status of business execution as appropriate, thereby strengthening governance.
The outside auditors and corporate auditors and internal auditors attend the accounting audit reporting meetings and also have opportunities to listen to and discuss with each other and with the accounting auditors and internal auditors to confirm the status of internal controls in operations and finances.

In addition, outside auditors and corporate auditors and internal auditors cooperate with each other and have a system in place that allows them to request investigations and reports as necessary to confirm that management and business execution are being carried out appropriately and efficiently.

(3) [Information on audit]

(i) Status of Audits by Corporate Auditors

1. Organization, Personnel and Procedures for Audits by Corporate Auditors

As of the date of submission of the Annual Securities Report, the Company's Board of Auditors consists of two outside auditors out of three auditors, who monitor and audit the Company's management based on their expertise and experience. The Board of Corporate Auditors reports to each other on the status of their duties at meetings of the Board of Corporate Auditors to share the same understanding of auditing operations.
The two auditors are certified public accountants and have considerable knowledge of finance and accounting.

2. Activities of Corporate Auditors and the Board of Corporate Auditors

During the fiscal year under review, the Company held a total of 18 meetings of the Board of Corporate Auditors, and the attendance of individual Corporate Auditors is as follows.

Title	Name	Attendance/number of times held
Full-time Corporate Auditor	Tsuyoshi Noshiro	18 times / 18 times
Outside Corporate Auditor	Kunio Suzuki	18 times / 18 times
Outside Corporate Auditor	Masanori Kobayashi (Note 1)	4 times / 4 times
Outside Corporate Auditor	Chie Goto (Note 2)	14 times / 14 times

(Notes) 1. His term expired at the 25th Annual General Meeting of Shareholders held on September 28, 2021.
2. She assumed office at the 25th Annual General Meeting of Shareholders held on September 28, 2021.

The main matters considered by the Board of Corporate Auditors include the formulation of audit policies and plans, the status of the development and operation of internal control systems, and the determination of the appropriateness of the accounting auditor's audit methods and results.
In accordance with the audit policy and work assignment determined by the Board of Corporate Auditors, the Corporate Auditors communicate with the Directors, attend meetings of the Board of Directors and other important meetings, inspect important approval documents, and examine the business and financial conditions at the head office and major business offices. In addition, they communicate and exchange information with directors and others of subsidiaries, confirm business reports from subsidiaries, and confirm reports from accounting auditors on the status and results of audits. Full-time corporate auditors also serve as corporate auditors of major subsidiaries and attend meetings of the boards of directors of subsidiaries.

(ii) Status of Internal Audits

The Internal Audit Department, consisting of three internal auditors, monitors the Company's business activities from a fair standpoint and provides improvements and guidance to contribute to proper business execution and appropriate disclosure of financial information. Reports are made to the president and the director in charge of finance based on the audit results. In addition, the Company shares internal audit plans and internal audit reports with the accounting auditors and the Board of Auditors.

(iii) Status of accounting audit

1. Name of Audit Firm
Deloitte Touche Tohmatsu LLC

2. Continuous audit period: 22 years
The rotation of the managing partners is appropriately implemented, and in principle, they are not involved in the audit work for more than seven consecutive accounting periods. The lead engagement partner has not been involved in auditing services for more than five consecutive accounting periods.

3. Certified public accountants who have performed services
Designated and Engagement Partner Jun Kagawa
Designated and Engagement Partner Kenji Oyama

4. Composition of assistants for audit services

Certified Public Accountants 4, Others 4 persons
(Note) Others are persons who have passed the CPA examination, persons in charge of system audits, etc.

5. Selection policy of the audit firm and reasons for reappointment
The selection (reappointment) was made with reference to the "Practical Guidelines for Auditors and Others Concerning the Evaluation of Accounting Auditors and the Establishment of Selection Criteria" published by the Japan Corporate Auditors Association and other guidelines, and with comprehensive consideration of quality control, independence, expertise, communication with auditors and management, and response to fraud risk, frequency of accounting scandals, improvement of audit procedures, partner rotation, and low dependence on audit fees.
In addition, the Audit & Supervisory Board will dismiss the Accounting Auditor with the unanimous consent of the Corporate Auditors if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act.

6. Evaluation of the Audit Firm by Corporate Auditors and the Audit & Supervisory Board
The Company's corporate auditors and the Audit & Supervisory Board have comprehensively evaluated the audit system and the performance of duties by the accounting auditor.

(iv) Details of audit fees, etc.

1. Compensation to Certified Public Accountants, etc.

Classification	Previous consolidated fiscal year		Current Consolidated Fiscal Year	
	Remuneration based on audit certification services (millions of yen)	Compensation for non-audit services (millions of yen)	Remuneration based on audit certification services (millions of yen)	Compensation for non-audit services (millions of yen)
Parent company	28	4	30	2
Consolidated subsidiaries	-	-	-	-
Total	28	4	30	2

(Notes)
1. In addition to the above, there was additional compensation of 2 million yen for the audit of the previous fiscal year in the current fiscal year.
2. The Company's non-audit services consisted of advisory services on compliance with ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," etc. in the previous fiscal year and advisory services on human rights due diligence in the current fiscal year.

2. Remuneration to the same network as the audit certified public accountants, etc. (excluding 1.)
Not applicable.

3. Details of compensation based on other important audit attestation services
Not applicable.

4. Policy for determining audit fees
The Articles of Incorporation stipulate that the amount of remuneration for auditing certified public accountants, etc. shall be determined by the Representative Director with the consent of the Board of Corporate Auditors, taking into consideration the number of audit days and other factors.

5. Reasons for the Board of Corporate Auditors' Consent to the Remuneration, etc. of the Accounting Auditor
The Audit & Supervisory Board, based on the "Practical Guidelines for Audit & Supervisory Board Members and Others Concerning Evaluation of Accounting Auditors and Establishment of Selection Criteria for Accounting Auditors" published by the Japan Corporate Auditors Association, examined whether the content of the audit plan reported by the audit firm, the performance of duties in the previous consolidated fiscal year and the basis for calculating the estimated compensation were appropriate and gave consent to the compensation of the audit firm, as stipulated in Article 399, Paragraph 1, of the Companies Act.

(4) [Remuneration, etc. of Directors and Corporate Auditors]

(i) Policy and method of determining the amount and calculation method of remuneration, etc., for directors and corporate auditors

1. Remuneration System and Process for Determining Remuneration Amounts

The Company's policy and calculation method for determining compensation for directors and executive officers, as well as the criteria for the compensation structure and amount of compensation for directors and executive officers, were determined by the Board of Directors at its meeting held on January 29, 2021 (a summary of the details is provided in 2. below, Compensation for Directors and 2) below. Purpose, Basis of Indicators and Specific Calculation Methods of Performance-Linked Remuneration and Performance-Linked Stock Remuneration).

Furthermore, the Board of Directors, at its meeting held on March 17, 2021, resolved to establish a Compensation Advisory Committee as a voluntary advisory body in order to strengthen the independence, objectivity, and accountability of the decision-making process. The Compensation Advisory Committee consists of two independent directors and the Group CEO, and its chairman is selected from among the independent outside directors. We strive to ensure objectivity by, for example, taking advice from outside experts and considering market-wide or industry-wide standards. The Compensation Advisory Committee's agenda includes the following:

(a) Policy for determining remuneration, etc. for directors and executive officers;
(b) Draft proposals for remuneration, etc. for directors, corporate auditors and executive officers to be submitted to the General Meeting of Shareholders;
(c) Draft policy for determining the content of individual remuneration, etc. for directors and executive officers to be submitted to the Board of Directors;
(d) Draft proposals for the content of individual remuneration, etc. for directors and executive officers to be submitted to the Board of Directors; and
(e) Other matters deemed necessary by the Board of Directors with respect to the preceding items.

2. Compensation of Directors

Remuneration for the Company's directors is divided into two categories: fixed remuneration (fixed periodic remuneration of the same amount) and performance-linked remuneration.

Fixed remuneration is paid in a standard amount by position, taking into consideration the level commensurate with the required abilities and responsibilities. The maximum annual amount of fixed remuneration for directors of the Company was approved at the 5th Ordinary General Meeting of Shareholders held on September 27, 2001 as 150,000 thousand of yen or less (the number of directors immediately following the said meeting is six). (The number of directors immediately following the meeting was six.

Performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is a bonus linked to business performance for each fiscal year, and (2) medium- to long-term performance-linked remuneration, which is linked to changes in indices over a target period of three years (Note). The medium- to long-term performance-linked bonuses are stock-based compensation in the form of common shares of the Company, with the aim of providing Directors with incentives to enhance the Company's corporate value over the longer term and to promote further value sharing between Directors and shareholders. The introduction of performance-linked compensation was approved at the 11th Ordinary General Meeting of Shareholders held on September 26, 2007, and the maximum annual amount per eligible director was approved at the 18th Ordinary General Meeting of Shareholders held on September 25, 2014. The maximum amount per director is 41,250 thousand of yen per year (the number of directors immediately after the meeting is 5 (including 2 outside directors)). In addition, at the 22th Ordinary General Meeting of Shareholders held on September 19, 2018, the introduction of medium- to long-term performance-linked compensation as stock-based compensation was approved, with the maximum amount of compensation being 100,000 thousand of yen per subject period and the number of shares to be delivered by the Company to subject directors under this plan being is limited to 60,000 shares per year and 100,000 shares in total per year for all directors (four directors (including two outside directors) immediately after the said shareholders' meeting).

Since outside directors are independent from the execution of business, performance-linked remuneration is not applied to them, and the above fixed remuneration is paid to them.

(Note) Three years from the month containing the date of the Company's annual general meeting of shareholders for each year. The initial coverage period is from September 2018 through September 2021, and thereafter the coverage period begins in September of each year and ends in September of the third year after that.

3. Compensation of Corporate Auditors

The amount of remuneration for corporate auditors is also fixed, and is determined through discussions among the corporate auditors within the maximum amount of remuneration resolved at the general meeting of shareholders, taking into consideration such factors as whether they are full-time or part-time corporate auditors, whether they are internal or external corporate auditors, and the division of duties. The maximum amount of remuneration was resolved at the Extraordinary General Meeting of Shareholders held in December 2003 to be within 30,000 thousand of yen per year (the number of corporate auditors immediately after the said meeting was two).

(ii) Purpose of performance-linked compensation and performance-linked stock compensation, basis for indicators, and specific calculation methods

1. Short-term performance-linked compensation

Short-term performance-linked remuneration is a compensation system in which compensation is paid in cash and is linked to the year-on-year increase or decrease in consolidated operating income, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan, and annual performance. The amount is calculated by multiplying the base amount, which is determined according to position, by the short-term incentive coefficient, which ranges from 0% to 200% depending on the change in consolidated operating income from the previous year. Previously, the Company's stock price was also considered as a coefficient, but since the rate of increase in the Company's stock price is reflected in the mid- to long-term performance-linked compensation, the Board of Directors resolved on August 19, 2020 to use the rate of increase in consolidated operating income as the coefficient from the 25th fiscal year onward. Specifically, it is calculated by the following formula

Short-term performance compensation = Short-term performance base amount × **Short-term incentive coefficient**

Short-term incentive coefficient

Rate is calculated under the following formula where (a) represent consolidated operating profit for the current year and (b) represents consolidated operating profit of previous fiscal year

(i) When (a) is (b) or less:	0
(ii) If (a) exceeds (b) and is less than (b) × 112%:	0.5×{1+((a)-(b))÷((b)×112%)}
(iii) When (a) is 112% or more of (b):	1+0.5×((a)-(b)×112%)÷((b)×6%)

※ The short-term incentive coefficient is limited to 2.0.

(1) Parent company

Consolidated operating income for the current fiscal year, which serves as a performance indicator, was 3,247 million yen, a 115% change from the consolidated operating income of the previous fiscal year (2,826 million yen (note)). As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.24 as shown below, and 124% of the base amount of short-term performance-linked remuneration was paid as short-term performance-linked remuneration.

Short-term incentive coefficient = 1 + 0.5 x (Consolidated operating income for the current period: 3,247 million yen - (Consolidated operating income for the previous period: 2,826 million yen x 112%)) / (Consolidated operating income for the previous period: 2,826 million yen x 6%) = 1.24

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current consolidated fiscal year, but operating income for the previous consolidated fiscal year has been restated after the application of the said accounting standard and others in calculating performance-linked compensation. However, operating income for the previous consolidated fiscal year has been adjusted to the figures after the application of the said accounting standards.

(2) Subsidiaries of the Parent Company

The coefficients are calculated as follows

(i) If GPP is less than 15 points:0

(ii) If GPP is more than 15 points but less than 20 points: (Current GPP - 15 points)÷5 points 5 points

(iii) If the GPP is more than 20 points but less than or equal to 25 points: 1 + ((current GPP - 20 points) / 10 points) 20 points)/10 points)

(iv) If the GPP is more than 25 points but less than 40 points: 1.5 + ((Current GPP - 25 points) / 30 (GPP - 25 points) / 30 points)

(v) If GPP exceeds 40 points: 2

A. DIVA CORPORATION

The GPP for the current fiscal year, a performance indicator, was 35.26 points.

GPP = ((Net sales for the current fiscal year: 8,960 million yen / Net sales for the previous fiscal year: 7,797 million yen) - 1) + (Operating income for the current fiscal year: 1,822 million yen / Net sales for the current fiscal year: 8,960 million yen) x 100 = 35.26

As a result of applying this to the formula in (2) above, the short-term incentive coefficient was 1.84 as shown below, and 184% of the short-term performance-linked compensation standard amount (21 million yen) was paid as short-term performance-linked compensation.

Short-term incentive coefficient = 1.5 + (GPP: 35.26 points - 25 points) / 30 points = 1.84

B. ZEAL CORPORATION

The GPP for the current fiscal year, a performance indicator, was 33.86 points.

GPP = ((Net sales for the current fiscal year: 7,015 million yen / Net sales for the previous fiscal year: 6,045 million yen) - 1) + (Operating income for the current fiscal year: 1,249 million yen / Net sales for the current fiscal year: 7,015 million yen) x 100 = 33.86

As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.80 as shown below, and 180% of the short-term performance-linked compensation standard amount (19 million yen) was paid as short-term performance-linked compensation. Short-term incentive coefficient = 1.5 + ((GPP: 33.86-25 points)/30 points) = 1.80

C. FIERTE CORPORATION

The GPP for the current fiscal year, a performance indicator, was 44.49 points.

GPP = ((Net sales for the current fiscal year: 7,015 million yen / Net sales for the previous fiscal year: 2,479 million yen) - 1) + (Operating income for the current fiscal year: 661 million yen / Net sales for the current fiscal year: 7,015 million yen) x 100 = 44.49

As a result of applying this to the formula in (5) above, the short-term incentive coefficient was 2 as shown below, and therefore, 200% of the short-term performance-linked remuneration standard amount (22 million yen) was paid as short-term performance-linked remuneration.

Short-term incentive coefficient = GPP: 44.49 points (over 40 points) = 2

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current consolidated fiscal year, but operating income for the previous consolidated fiscal year has been restated after the application of the said accounting standard and others in calculating performance-linked compensation. However, operating income for the previous consolidated fiscal year has been adjusted to the figures after the application of the said accounting standards.

2. medium- to long-term performance-linked remuneration

Medium-to long-term compensation (number of shares delivered) = Standard number of shares × stock compensation ratio

Share issuance ratio

(i) If our equity growth rate (A) is less than 100% : 0
(ii) When A is between 100% and 112% : 33% × (A-100%) ÷ 12%
(iii) When A is 112% to 150% : 33% + 67% × (A-112%) ÷ 38%
(iv) When A exceeds 150% : 100%

A Our stock price growth rate

TSR during the period / Rate of increase in TOPIX

Our Total Shareholder Return/ total stockholder return (TSR)

Simple average of the closing prices of our shares for the month of the end of the applicable period (September in 3 years) plus the total amount of dividends per share related to dividends of surplus during the applicable period / Simple average of the closing prices of our shares in the month of the beginning of the period covered (September)

TOPIX Growth Rate

Simple mean of TOPIX at the end of the period (September after 3 years) / Simple averages of TOPIX for the beginning month (September of the year)

This is a performance share unit plan under which the Company's common stock is paid as a performance-linked stock remuneration plan in order to provide directors with incentives to improve the Company's corporate value over the long term and to promote further value sharing between directors and shareholders. The number of shares will be determined by multiplying the number of shares determined by our board of directors (the base number of shares to be delivered) by the share delivery ratio determined according to our stock growth rate, which is a representative indicator of our company's corporate value. The Company's stock growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period. After the end of the subject period, monetary compensation claims will be paid to the subject directors, and upon the issuance of shares or disposal of treasury stock by the Company, the Company shares will be delivered by having all such monetary compensation claims contributed in kind.

With regard to the stock-based compensation for the President and Representative Director, the Company's medium- to long-term management strategy calls for an annual growth rate of 18% in operating income. The Company's 25th Annual General Meeting of Shareholders held on September 28, 2021 approved the restriction on the grant of stock compensation to the President and CEO if the adjusted net income per share for the three-year period up to the end of the subject period (CAGR) is less than 18%.

Our total shareholder return for the period covered from September 2018 to September 2021 was 204.1% and TOPIX growth rate was 118.1%, resulting in our equity growth rate of 172.8% in A above. Since this corresponds to (4): 100% of the above share delivery ratio, 100% of the 8,705 shares, which is the standard number of shares delivered, were delivered.

3. Amount of Remuneration for Directors and Corporate Auditors

The ratio of fixed remuneration and performance-linked remuneration for directors is as follows, using the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

Composition of Directors' Remuneration

	Fixed remuneration	Short-term performance-linked remuneration	Medium- to long-term performance-linked remuneration
Director	50-55% (50-55% of the total)	15%-20%	30%

The amounts of remuneration paid to directors and corporate auditors for the fiscal year ended March 31, 2012 were as follows With respect to individual remuneration, etc. of these directors, the Board of Directors confirms that the method of determining the details of remuneration, etc. and the details of the determined remuneration, etc. are in line with the relevant determination policy, by receiving explanations of the calculation process described in 1 and 2 above, etc.

(iii) Total amount of remuneration, etc. by officer category, total amount of remuneration, etc. by type of remuneration, etc., and number of officers subject to remuneration, etc.

Executive Classification	Total amount of compensation, etc. (millions of yen)	Total amount of compensation by type (millions of yen)			Number of eligible directors (persons)
		Fixed remuneration	performance-linked remuneration	Directors (excluding outside directors) receiving non-monetary compensation, etc.	
	125	83	42	6	2
Corporate Auditors (excluding Outside Corporate Auditors)	11	11	-	-	1
Outside Director	43	43	-	-	3
Outside Corporate Auditor	10	10	-	-	3

(Notes) 1. The total amount of non-monetary compensation to directors (excluding outside directors) is 6 million yen.

The above includes one corporate auditor who retired at the conclusion of the 25th Annual General Meeting of Shareholders held on September 28, 2021.

(iv) Total amount of consolidated remuneration, etc. per director

Not stated because there are no persons whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(5) Significant employee salaries of officers concurrently serving as employees

Not applicable.

(5) [Shareholdings]

(i) Criteria and approach to classification of investment shares

The Company classifies investment shares held for purposes other than pure investment into those held exclusively for the purpose of benefiting from changes in the value of the shares or from dividends on the shares, and those held for other purposes.

(ii) Investment shares held for purposes other than pure investment

Not applicable.

(Stocks whose number of shares increased in the current fiscal year)

Not applicable.

(Stocks whose number of shares decreased in the current fiscal year)

Not applicable.

(iii) Investment securities held for pure investment purposes

classification	Current fiscal year		Previous fiscal year	
	Number of Issues	Total amount shown on balance sheet (Millions of yen)	Number of Issues	Total amount shown on balance sheet (Millions of yen)
unlisted stocks	1	0	1	0
Shares other than unlisted shares	1	245	1	170

Classification	Current fiscal year		
	Total dividends received (millions of yen)	Total gain/loss on sale (millions of yen)	Total valuation gains/losses (millions of yen)
unlisted stocks	0	-	-
Shares other than unlisted shares	4	-	154

5 [Financial Statements and Notes]

1. Method of Preparation of Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976, hereinafter referred to as the "Regulations for Consolidated Financial Statements").

(2) The financial statements of the Company are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as the "Regulations for Financial Statements").

In addition, the Company falls under the category of a company submitting special financial statements and prepares its financial statements in accordance with Article 127 of the Regulations Concerning Financial Statements.

2. Note on independent audit

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the consolidated financial statements for the consolidated fiscal year (from July 1, 2021 to June 30, 2022) and The financial statements for the consolidated fiscal year (from July 1, 2021 to June 30, 2022) have been audited by Deloitte Touche Tohmatsu LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company takes special measures to ensure the appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) in order to appropriately grasp the content of accounting standards, etc., and to establish a system that enables it to accurately respond to changes in accounting standards, etc.

5-1 [Consolidated Financial Statements and Notes]

(1) [Consolidated Financial Statements]

(i) Consolidated Balance Sheets

(Unit: thousand of yen)

	Previous Consolidated Fiscal Year (June 30, 2021)	Current Consolidated Fiscal Year (June 30, 2022)
Assets		
Current assets		
Cash on hand and in banks	7,238,708	9,444,021
Notes and accounts receivable-trade	2,586,194	-
Notes, accounts receivable and contract assets	-	2 3,024,049
Marketable securities	500,000	590,019
Work in progress	(Note 1) 82,666	18,100
Raw materials and supplies	49,336	82,827
Prepaid expenses	541,037	539,637
Other	53,313	46,346
Allowance for doubtful accounts	(3,425)	(3,685)
Total current assets	11,047,830	13,741,316
Fixed assets		
Property, plant and equipment		
Building	352,082	364,191
Accumulated depreciation	(120,833)	(156,239)
Buildings, net	231,248	207,952
Vehicles and transportation equipment	843	843
Accumulated depreciation	(574)	(843)
Vehicles and delivery equipment, net	268	0
Tools, furniture and fixtures	637,957	684,626
Accumulated depreciation	(462,175)	(494,461)
Tools, furniture and fixtures, net	175,782	190,165
Total property, plant and equipment	407,299	398,117
Intangible fixed assets		
Software	607,818	676,429
Other	639	521
Total intangible fixed assets	608,458	676,951
Investments and other assets		
Investments in securities	491,381	511,133
Shares of subsidiaries and affiliates	(Note 3) 267,890	-
Long-term prepaid expenses	12,101	29,713
Lease and guarantee deposits	614,316	560,883
Deferred tax asset	382,214	568,997
Other	125,473	129,933
Total investments and other assets	1,893,377	1,800,661
Total fixed assets	2,909,135	2,875,730
Total assets	13,956,966	16,617,046

(Unit: thousand of yen)

	Previous Consolidated Fiscal Year (June 30, 2021)	Current Consolidated Fiscal Year (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	459,394	662,316
Lease obligations	14,212	12,428
Accounts payable and accrued expenses	397,920	392,568
Accrued income taxes	404,668	586,626
Deferred income	2,278,978	-
Contract liabilities	-	2,355,344
Asset retirement obligations	-	15,606
Allowance for bonuses	776,735	1,050,315
Allowance for bonuses to directors and corporate auditors	140,213	170,813
Allowance for loss on orders received	(Note1) 74	17,743
Other	471,227	556,718
Total current liabilities	4,943,427	5,820,483
Fixed liabilities		
Lease obligations	30,752	18,324
Asset retirement obligations	195,579	180,576
Total long-term liabilities	226,331	198,900
Total liabilities	5,169,758	6,019,383
Total net assets		
Capital stock		
Capital stock	311,568	329,128
Capital surplus	248,368	265,928
Retained earnings	8,169,386	9,872,031
Treasury stock	(549)	(608)
Total shareholders' equity	8,728,774	10,466,479
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	58,114	103,126
Deferred gains or losses on hedges	27	236
Foreign currency translation adjustments	291	27,820
Total accumulated other comprehensive income	58,433	131,183
Total net assets	8,787,207	10,597,663
Total liabilities and net assets	13,956,966	16,617,046

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Unit: thousand of yen)

	Previous Consolidated Fiscal Year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Net sales	16,236,129	(Note1) 18,703,387
Cost of sales	(Note3) 8,572,079	(Note3) 9,782,137
Gross profit	7,664,050	8,921,250
Selling, general and administrative expenses		
Directors' remuneration	333,793	356,348
Employee salaries and bonuses	1,253,099	1,527,471
Provision for bonuses	771,246	1,047,472
Provision for directors' bonuses	140,429	170,813
Legal welfare expenses	194,512	224,193
Outsourcing expenses	47,424	55,071
Expenses for rent of space, land, etc.	267,942	239,805
Utilities charge	89,689	81,375
Fees and commissions	555,904	615,796
Depreciation and amortization	186,716	263,488
Research and development expenses	2 445,049	2 382,473
Other	582,157	709,749
Total selling, general and administrative expenses	4,867,964	5,674,060
Operating income	2,796,085	3,247,189
Non-operating income		
interest income	340	240
Dividends received	7,346	6,563
Gain on investment in partnership	3,042	9,043
Foreign exchange gains	6,251	-
Subsidy income	7,334	2,127
Reversal of allowance for doubtful accounts	2,185	-
Other	1,519	1,102
Total non-operating income	28,019	19,077
Non-operating expenses		
Interest expense	1,001	742
Equity in losses of affiliated companies	8,732	(Note4) 269,244
Fees and commissions	5,657	5,682
Foreign exchange loss	-	695
Stock issuance expenses	424	281
Other	72	647
Total non-operating expenses	15,889	277,294
Ordinary income	2,808,216	2,988,973
Extraordinary income		
Gain on sales of fixed assets	(Note5) 641	-
Total extraordinary income	641	-
Income before income taxes and minority interests	2,808,858	2,988,973
Corporate, inhabitant and enterprise taxes	947,797	1,186,181
Income taxes-deferred	(27,916)	(242,241)
Total income taxes	919,881	943,939
Net income	1,888,976	2,045,033
Net income attributable to noncontrolling interests	-	-
Net income attributable to owners of the parent	1,888,976	2,045,033

Consolidated Statements of Comprehensive Income

(Unit: thousand of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Net income	1,888,976	2,045,033
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	22,255	45,012
Deferred gains or losses on hedges	21	208
Foreign currency translation adjustments	3,140	29,518
Share of other comprehensive income of affiliates accounted for by the equity method	216	(1,989)
Total other comprehensive income	(Note1) 25,633	(Note1) 72,750
Comprehensive income	1,914,609	2,117,784
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,914,609	2,117,784
Comprehensive income attributable to noncontrolling interests	-	-

(iii) Consolidated Statements of Changes in Net Assets

Previous fiscal year (July 1, 2020 to June 30, 2021)

(Unit: thousand of yen)

	Capital stock				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	303,271	240,071	6,618,666	(476)	7,161,533
Changes of items during the period					
Issuance of new shares	8,297	8,297			16,594
Dividends from surplus			(338,256)		(338,256)
Net income attributable to owners of the parent			1,888,976		1,888,976
Acquisition of treasury stock				(73)	(73)
Changes in scope of equity method					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	8,297	8,297	1,550,720	(73)	1,567,241
Balance at the end of current period	311,568	248,368	8,169,386	(549)	8,728,774

	Accumulated other comprehensive income				Total net assets
	Available-for-sale securities Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Other comprehensive income Cumulative total	
Balance at the beginning of current period	35,859	6	(3,065)	32,800	7,194,333
Changes of items during the period					
Issuance of new shares					16,594
Dividends from surplus					(338,256)
Net income attributable to owners of the parent					1,888,976
Acquisition of treasury stock					(73)
Changes in scope of equity method			216	216	216
Net changes of items other than shareholders' equity	22,255	21	3,140	25,416	25,416
Total changes of items during the period	22,255	21	3,356	25,633	1,592,874
Balance at the end of current period	58,114	27	291	58,433	8,787,207

Current fiscal year (July 1, 2021 to June 30, 2022)

(Unit: thousand of yen)

	Capital stock				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	311,568	248,368	8,169,386	(549)	8,728,774
Cumulative effect of a change in accounting policy			71,213		71,213
Balance at beginning of current period reflecting change in accounting policy	311,568	248,368	8,240,600	(549)	8,799,988
Changes of items during the period					
Issuance of new shares	17,559	17,559			35,119
Dividends from surplus			(413,602)		(413,602)
Net income attributable to owners of the parent			2,045,033		2,045,033
Acquisition of treasury stock				(58)	(58)
Net changes of items other than shareholders' equity					
Total changes of items during the period	17,559	17,559	1,631,430	(58)	1,666,491
Balance at the end of current period	329,128	265,928	9,872,031	(608)	10,466,479

	Accumulated other comprehensive income				Total net assets
	Available-for-sale securities Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Other comprehensive income Cumulative total	
Balance at the beginning of current period	58,114	27	291	58,433	8,787,207
Cumulative effect of a change in accounting policy					71,213
Balance at beginning of current period reflecting change in accounting policy	58,114	27	291	58,433	8,858,421
Changes of items during the period					
Issuance of new shares					35,119
Dividends from surplus					(413,602)
Net income attributable to owners of the parent					2,045,033
Acquisition of treasury stock					(58)
Net changes of items other than shareholders' equity	45,012	208	27,529	72,750	72,750
Total changes of items during the period	45,012	208	27,529	72,750	1,739,241
Balance at the end of current period	103,126	236	27,820	131,183	10,597,663

(iv) Consolidated Statements of Cash Flows

(Unit: thousand of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Cash flows from operating activities		
Income before income taxes and minority interests	2,808,858	2,988,973
Depreciation and amortization	254,152	349,494
Stock compensation expense	14,063	16,640
Increase (decrease) in allowance for doubtful accounts	(2,185)	260
Increase (decrease) in accrued bonuses	57,646	273,579
Increase (decrease) in accrued bonuses to directors and corporate auditors	19,214	44,311
Increase (decrease) in allowance for loss on orders received	(15,812)	17,669
Interest and dividend income	(7,686)	(6,804)
Interest expense	1,001	742
Loss (gain) on sales of property, plant and equipment	(641)	-
Fees and commissions	5,657	5,682
Stock issuance expenses	424	281
Equity in (earnings) losses of affiliated companies	8,732	269,244
(Gain) loss on investments in partnership	(3,042)	(9,043)
Subsidy income	(7,334)	(2,127)
Decrease (increase) in trade receivables	(242,567)	-
Decrease (increase) in trade receivables and contract assets	-	(258,725)
(Increase) decrease in inventories	24,545	(38,948)
Decrease (increase) in prepaid expenses	4,961	4,913
Increase (decrease) in notes and accounts payable-trade	30,945	202,862
Increase (decrease) in accounts payable and accrued expenses	(83,370)	105,245
Increase (decrease) in accrued consumption taxes	(71,765)	105,396
Increase (decrease) in unearned revenue	203,236	-
Increase (decrease) in contract liabilities	-	26,613
Increase (decrease) in deposits received	5,897	22,829
Other	192,804	(175,457)
Subtotal	3,197,736	3,943,635
Interest and dividends received	8,063	6,804
Interest payments	(1,001)	(742)
Amount of grants received	7,334	2,127
Income taxes paid	(650,444)	(925,207)
Cash flows from operating activities	2,561,689	3,026,616

(Unit: thousand of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Cash flows from investing activities		
Proceeds from redemption of marketable securities	10,274	-
Purchases of property, plant and equipment	(114,360)	(89,885)
Proceeds from sales of property, plant and equipment	641	-
Payments for fulfillment of asset retirement obligations	(47,038)	(13,810)
Payments for acquisition of intangible assets	(429,414)	(317,336)
Payments for purchase of investment securities	(21,308)	(23,682)
Payments for purchase of stock of subsidiaries and affiliates	(269,335)	-
Payment for lease and guarantee deposits	(30,247)	(181,170)
Proceeds from collection of lease and guarantee deposits	107,000	216,875
Payments for insurance reserve fund	(4,459)	(4,459)
Other	8,461	14,511
Cash flows from investing activities	(789,786)	(398,957)
Cash flows from financing activities		
Repayment of finance lease obligations	(15,547)	(14,212)
Disbursement of commissions paid	(5,212)	(5,044)
Payments for purchase of treasury stock	(73)	(58)
Dividends paid	(338,256)	(413,602)
Other	(424)	(281)
Cash flows from financing activities	(359,514)	(433,200)
Effect of exchange rate changes on cash and cash equivalents	2,974	22,188
Net increase (decrease) in cash and cash equivalents	1,415,363	2,216,647
Cash and cash equivalents at beginning of year	6,370,860	7,786,223
Cash and cash equivalents at end of year	(Note1) 7,786,223	(Note1) 10,002,870

Notes to Consolidated Financial Statements

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.
Number of consolidated subsidiaries: 5
DIVA CORPORATION
Internet Disclosure Co., Ltd.
ZEAL CORPORATION
FIERTE CORPORATION
DIVA CORPORATION OF AMERICA

2. Application of equity method

Number of affiliates to which the equity method was applied: 1
Name of the Company: Metapraxis Limited

3. Fiscal Year of Consolidated Subsidiaries

The fiscal year end of all consolidated subsidiaries is the same as the consolidated fiscal year end.

4. Matters Related to Accounting Policies

(1) Valuation standards and methods for significant assets

(i) Marketable securities
Held-to-maturity debt securities
Amortized cost method (straight-line method)
Available-for-sale securities
Other than stocks and other securities with no market price
Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is determined by the moving-average method)
Non-marketable equity securities, etc.
Cost method based on the moving average method
For investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount equivalent to the Company's equity interest.

(ii) Inventories
I Work in process
Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).
II Raw materials
Cost method based on the first-in, first-out method (the amount on the balance sheet is calculated by writing down the book value of assets which decreased in profitability)
Supplies
Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

(2) Depreciation method for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)
Declining-balance method
However, buildings and equipment acquired on or after April 1, 2016 are depreciated using the straight-line method.
Principal useful life
Buildings 3 to 10 years
Tools, furniture and fixtures 2 to 8 years

(ii) Intangible fixed assets

Straight-line method

Software

I Software for sale on the market

Amortization based on estimated sales revenue within the estimated sales period (3 years)

II Software for in-house use

The useful life is the period of internal use (3 to 5 years).

(iii) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

Straight-line method over the lease term with a residual value of zero.

(3) Accounting for significant deferred assets

(i) Stock issuance expenses

The entire amount is expensed at the time of expenditure.

(4) Basis for significant reserves

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on the estimated amount of uncollectible receivables based on a case-by-case determination of collectability for specific receivables such as doubtful receivables.

(ii) Allowance for bonuses to employees

To provide for bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.

(iii) Allowance for bonuses to directors and corporate auditors

To provide for bonuses to directors and corporate auditors, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.

(iv) Allowance for loss on order received

The Company records estimated losses from projects related to order contracts for which future losses are expected as of the end of the current fiscal year and for which such losses can be reasonably estimated.

(5) Basis for recording significant revenues and expenses

The Group recognizes revenue for contracts with customers at the amount of consideration to which it expects to be entitled in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer, by applying the five-step approach described below.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) performance obligations are satisfied

In our group, we are engaged in Group Governance Business, Digital Transformation Business, and Outsourcing Business.

The Group Governance Business provides license sales, implementation consulting services, and ongoing maintenance services for DivaSystem, a proprietary software package for consolidated management and consolidated accounting, including version upgrades after the product is put into operation. The company is a member of the DivaSystem Group.

In license sales, the performance obligation is deemed to be satisfied when the license is granted to the customer, and revenue is recognized as goods or services that are transferred at a single point in time.

In the case of implementation consulting services, the performance obligation is deemed to be satisfied based on the degree of progress in implementing DivaSystem to the customer, and revenue is recognized based on the percentage of progress.

For maintenance services, the Company recognizes revenue over the contract period based on the judgment that the performance obligation will be satisfied over the contract period.

The Digital Transformation Business mainly provides system integration services for the utilization of information called BI (Business Intelligence), support services for the introduction of cloud data platforms, and sales and maintenance of software licenses and hardware.

In the sale of software licenses, the performance obligation is deemed to be satisfied when the license is granted to the customer, and revenue is recognized on a net basis as an agency transaction at the time the license is granted.

For system development services, the Company recognizes revenue based on the percentage of progress in determining that performance obligations are satisfied based on the degree of progress of development.

For maintenance services, the Company recognizes revenue over the contract period based on the judgment that the performance obligation will be satisfied over the contract period.

The Outsourcing Business mainly provides outsourcing services for consolidated financial statements and consolidated tax payments.

Since control over the services is transferred to the customer when the services are provided, the Company recognizes revenue over the contract period, based on the determination that the performance obligation is satisfied to the extent that the services are rendered.

The consideration for the transaction is received within one year of satisfaction of the performance obligation and does not include a significant financial component.

(6) Standards for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rates prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses.

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the consolidated balance sheet date, while revenues and expenses are translated into yen at the average exchange rate during the period.

(7) Significant hedge accounting methods

(i) Hedge accounting method

Deferred hedge accounting is adopted.

(ii) Hedging instruments and hedged items

Hedging instrument...Foreign currency deposits

Hedged items...Anticipated transactions denominated in foreign currencies

(iii) Hedging policy

Foreign currency deposits are used to hedge the risk of exchange rate fluctuations. The Company's policy is to use such transactions within the scope of actual demand and not to conduct transactions for speculative purposes.

(iv) Methods of evaluating the effectiveness of hedges

Since the material terms of the hedging instruments and hedged items are identical and the cash flow fluctuations can be offset after the inception of the hedge, the assessment of the effectiveness of the hedge is omitted at the consolidated balance sheet date.

(8) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are exposed to insignificant risk of changes in value.

(9) Other important matters for preparation of consolidated financial statements

(i) Application of consolidated tax payment system

The Company and its domestic consolidated subsidiaries apply the consolidated tax payment system.

(ii) Application of tax effect accounting for the transition from a consolidated tax payment system to a group totalization system

The Company and its domestic consolidated subsidiaries will transition from the consolidated tax payment system to the group totalization system from the following fiscal year. However, for items for which the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and for items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, we will not apply the provisions of paragraph 44 of "Treatment of Application of Accounting Standard for Tax Effect Accounting for Transition from Consolidated Taxation System to Group Totalization System" (ASBJ Guidance No. 28, February 16, 2018) and will instead apply the provisions of paragraph 3 of "Treatment of Application of Accounting Standard for Tax Effect Accounting for Transition from Consolidated Taxation System to Group Totalization System" (Practical Response Report No. 39, March 31, 2020). Deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the next consolidated fiscal year, the Company plans to apply the "Treatment of Accounting and Disclosure for Group Taxes" (PITF No. 42), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group totalization system is applied. (August 12, 2021) will be applied.

(Critical Accounting Estimates)
Not applicable.

(Change in accounting policy)
(Application of Accounting Standard for Revenue Recognition, etc.)
The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") The Company and its consolidated subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when the control of the promised goods or services is transferred to the customer.

As a result of this change, the Company now recognizes revenue over a certain period of time based on the estimated degree of completion of performance obligations, except for contracts with a very short period of time, in which the Company previously recognized revenue upon acceptance of the contract based on the acceptance inspection method. In the past, the Group recognized as revenue the gross amount of consideration received from customers, but for transactions in which the Group's role in providing goods or services to customers constitutes that of an agent, the Group now recognizes revenue at the net amount received from customers less the amount paid to suppliers.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. The new accounting policy is applied from the balance at the beginning of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or deducted from retained earnings at the beginning of the current fiscal year. The cumulative effect of these changes is added to or deducted from retained earnings at the beginning of the current fiscal year.

As a result, net sales decreased 100,655 thousand of yen, cost of sales decreased 309,255 thousand of yen, and operating income, ordinary income, and income before income taxes and minority interests each increased 208,600 thousand of yen in the current fiscal year. The balance of retained earnings at the beginning of the current period increased by 71,213 thousand of yen.

Due to the adoption of the revenue recognition accounting standard, "Notes and accounts receivable," which were included in "Current assets" in the consolidated balance sheets in the previous fiscal year, are included in "Notes and accounts receivable-trade and contract assets" in the current fiscal year, and "Unearned revenue," which were included in "Current liabilities" and "Other current liabilities" in the Advance received," which had been included in "Current liabilities," is now included in "Contract liabilities," respectively, from this consolidated fiscal year. In the consolidated statements of cash flows for the previous fiscal year, "Decrease (increase) in trade receivables," which was presented in "Cash flows from operating activities," is included in "Decrease (increase) in trade receivables and contract assets" from this fiscal year, and "Increase (decrease) in unearned revenue" and and "Increase (decrease) in advances received" included in "Other" in "Net cash provided by (used in) operating activities" are included in "Increase (decrease) in contract liabilities" respectively, effective from this consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the "Revenue Recognition-Related" notes for the previous fiscal year are not presented.

(Application of Accounting Standard for Measurement of Fair Value, etc.)
The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. is applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard is to be applied prospectively. There was no impact of this change on the consolidated financial statements in the current fiscal year.

In addition, in the notes to "Financial Instruments," the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment stipulated in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), such notes for the previous consolidated fiscal year are not presented.

(Unapplied accounting standards, etc.)

· "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021)

(1) Outline

The new regulation establishes the treatment of calculation of the fair value of investment trusts and notes to the fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet.

(2) Scheduled date of application

The Company plans to apply the new standard from the beginning of the fiscal year ending June 30, 2023.

(3) Effect of adoption of the accounting standard

The effect of the application of the "Guidance on Accounting Standard for Measurement of Fair Value" on the consolidated financial statements is under evaluation at the time of preparation of these consolidated financial statements.

(Additional Information)

(Accounting estimates for the spread of new coronavirus infections)

The impact of the new coronavirus infection is highly uncertain, and it is difficult to predict the future spread of the infection and when it will be controlled. However, we estimate that the impact of the infection will be negligible in terms of accounting estimates such as the recoverability of deferred tax assets.

However, depending on future circumstances, results based on future actual values may differ from these estimates.

(Transactions under common control, etc.)

At a meeting of the Board of Directors held on June 22, 2022, the Company's Board of Directors resolved a policy of reorganization of the Group (company split between consolidated subsidiaries), and as of July 15, 2022, DIVA CORPORATION, a consolidated subsidiary of the Company, has decided to transfer the Ltd. will succeed to the development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX") by way of an absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 1"). Ltd. will succeed to the business under the jurisdiction of the Corporate Performance Management Unit through an absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 2"). Ltd. to succeed to the business under the jurisdiction of the Corporate Performance Management Unit by way of an absorption-type demerger (hereinafter referred to as "Second Absorption-Type Demerger").

In conjunction with this reorganization, the trade names of the Company and its consolidated subsidiaries will be changed as follows.

After trade name change	Before the trade name change
AVANT GROUP CORPORATION	AVANT CORPORATION
AVANT CORPORATION	DIVA CORPORATION
DIVA CORPORATION	FIERTE CORPORATION

Absorption-type demerger No. 1

(1) Outline of Transaction

(i) Name and description of the subject business

Development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX")

(ii) Date of business combination

October 1, 2022 (scheduled)

(iii) Legal form of business combination

Company split with DIVA CORPORATION as the splitting company and FIERTE CORPORATION as the succeeding company

(iv) Name of the company after the combination

DIVA CORPORATION

AVANT CORPORATION

(v) Other matters related to the outline of transactions

In order to realize the Group's materiality, we will accelerate the growth of existing businesses and create new growth businesses through organizational restructuring.

(2) Outline of accounting procedures implemented

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

Absorption-type demerger No. 2
(1) Outline of Transaction
(i) Name and description of the subject business
Businesses under the jurisdiction of the Corporate Performance Management Unit

(ii) Date of business combination
October 1, 2022 (scheduled)

(iii) Legal form of business combination
Company split with ZEAL CORPORATION as the splitting company and DIVA CORPORATION as the successor company

(iv) Name of the company after the combination
AVANT CORPORATION
ZEAL CORPORATION

(v) Other matters related to the outline of transactions
In order to realize the Group's materiality, we will accelerate the growth of existing businesses and create new growth businesses through organizational restructuring.

(2) Outline of accounting procedures implemented
In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction will be treated as a transaction under common control.

(Notes to Consolidated Balance Sheets)
*1. Work in process and allowance for loss on orders received related to order contracts that are expected to incur losses are not offset but are presented as two separate items.
Amount corresponding to the allowance for loss on order received of work in process related to order contracts that are expected to incur losses

(thousands of yen)

	Previous Consolidated Fiscal Year (June 30, 2021)	Current Consolidated Fiscal Year (June 30, 2022)
work in progress	74	-

*2. Notes receivable, accounts receivable and contract assets arising from contracts with customers

(thousands of yen)

	Current fiscal year (June 30, 2022)
Bills receivable	5,422
Accounts receivable	2,506,613
Contract asset	512,013

3. Items related to affiliated companies are as follows: *1.

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Shares of subsidiaries and affiliates	267,890	-

4. The Company has entered into loan commitment contracts with three correspondent banks for the efficient procurement of working capital. The following are unused lines of credit related to loan commitments as of the end of the consolidated fiscal year

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Total amount of loan commitments	3,500,000	3,500,000

Loan balance	-	-
Balance (of an account)	3,500,000	3,500,000

(Notes to Consolidated Statements of Income)

1. Revenue from contracts with customers

Revenues are not separately presented for revenues arising from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in the Notes to the Consolidated Financial Statements (Revenue Recognition) 1. Information that breaks down revenue from contracts with customers.

2. Total amount of research and development expenses

(thousands of yen)

	Previous Consolidated Fiscal Year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Research and development expenses included in general and administrative expenses	445,049	382,473

3. Provision (reversal) of provision for loss on order received included in cost of sales

(thousands of yen)

	Previous Consolidated Fiscal Year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
	(15,812)	17,669

4. Impairment loss on equity method investments

Previous fiscal year (July 1, 2020 to June 30, 2021)

Not applicable.

Current fiscal year (July 1, 2021 to June 30, 2022)

Regarding the goodwill amount of 181,221 thousand of yen related to Metapraxis Limited, an equity-method affiliate, the entire unamortized balance of the goodwill amount is recorded as "Equity in losses of affiliates" because the excess earning capacity is no longer expected as projected in the business plan at the time of acquisition.

5. Details of gain on sales of fixed assets are as follows

(thousands of yen)

	Previous Consolidated Fiscal Year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Tools, furniture and fixtures	641	-

(Notes to Consolidated Statements of Comprehensive Income)

Reclassification adjustments and tax effects related to other comprehensive income

(thousands of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount accrued in the current period	36,390	66,301
Reclassification adjustment	(104)	-
Before tax effect adjustment	36,286	66,301
Tax effect amount	(14,031)	(21,288)
Net unrealized gains (losses) on available-for-sale securities	22,255	45,012
Deferred gains or losses on hedges		
Amount accrued in the current period	32	299
Reclassification adjustment	-	-
Before tax effect adjustment	32	299
Tax effect amount	(11)	(91)
Deferred gains or losses on hedges	21	208
Foreign currency translation adjustments		
Amount accrued in the current period	3,140	29,518
Foreign currency translation adjustments	3,140	29,518
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount accrued in the current period	216	(1,989)
Share of other comprehensive income of affiliates accounted for by the equity method	216	(1,989)
Total other comprehensive income	25,633	72,750

(Notes to Consolidated Statement of Changes in Net Assets)

Previous fiscal year (July 1, 2020 to June 30, 2021)

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury stock

	Number of shares at the beginning of the current fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Outstanding shares Common stock (Note) 1	37,586,982	16,221	-	37,603,203
Total amount	37,586,982	16,221	-	37,603,203
Treasury stock Common stock (Note 2)	2,911	40	-	2,951
Total amount	2,911	40	-	2,951

(Note1) Increase in outstanding shares

Increase due to issuance of new shares as restricted stock compensation 16,221 shares

2 Increase in treasury stock

Increase due to purchase of odd-lot shares 40 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousand of yen)	Dividend per share (yen)	Reference Date	Effective date
September 23, 2020 Ordinary General Meeting of Shareholders	Common stock	338,256	9.00	June 30, 2020	September 24, 2020

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (thousand of yen)	Dividend per share (yen)	Reference Date	Effective date
September 28, 2021 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	413,602	11.00	June 30, 2021	September 29, 2021

Current fiscal year (July 1, 2021 to June 30, 2022)

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury stock

	Number of shares at the beginning of the current fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Outstanding shares Common stock (Note) 1	37,603,203	22,298	-	37,625,501
Total amount	37,603,203	22,298	-	37,625,501
Treasury stock Common stock (Note 2)	2,951	47	-	2,998
Total amount	2,951	47	-	2,998

(Note1) Increase in outstanding shares

Increase due to issuance of new shares as restricted stock compensation 13,593 shares

Increase due to issuance of new shares as performance-linked stock compensation 8,705 shares
2 Increase in treasury stock
Increase due to purchase of odd-lot shares 47 shares

Matters related to dividends
(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousand of yen)	Dividend per share (yen)	Reference Date	Effective date
September 28, 2021 Ordinary General Meeting of Shareholders	Common stock	413,602	11.00	June 30, 2021	September 29, 2021

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Scheduled to be resolved	Type of shares	Source of dividends	Total amount of dividends (thousand of yen)	Dividend per share (yen)	Reference Date	Effective date
September 27, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	489,092	13.00	June 30, 2022	September 28, 2022

(Note) The dividend amount per share at the Annual General Meeting of Shareholders to be held on September 27, 2022 includes a commemorative dividend of 1.00 yen per share for the 25th anniversary of the Company's founding.

(Notes to Consolidated Statements of Cash Flows)
Reconciliation of cash and cash equivalents at the end of the period to the accounts reported in the consolidated balance sheets.

(thousands of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022) (From July 1, 2021 to June 30, 2022)
Cash and bank deposits	7,238,708	9,444,021
Current assets and other (deposits)	213	296
Securities (negotiable certificates of deposit)	500,000	500,000
Investment securities (MMF)	47,301	58,552
Cash and cash equivalents	7,786,223	10,002,870

(Lease transactions)
Finance lease transactions (Lessee)
Finance lease transactions that do not transfer ownership
1. Description of leased assets
Property, plant and equipment
Office equipment (tools, furniture and fixtures).
2. Depreciation method of leased assets
Leased assets are depreciated using the straight-line method over the lease term with a residual value of zero.

(Financial instruments)
Matters Concerning the Status of Financial Instruments

(1) Policy for financial instruments
The Group raises necessary funds (mainly through bank loans and bond issues) based on management policies and business plans. Temporary surplus funds are invested in financial assets with high liquidity and safety in accordance with internal investment rules, and short-term working capital is raised through bank loans. The Company also uses foreign currency deposits for the purpose of avoiding foreign exchange fluctuation risk. Please refer to the aforementioned "4. Matters Concerning Accounting Policies (7) Significant Hedge Accounting Methods" in "Basis of Presenting Consolidated Financial Statements" for the hedging instruments and hedged items, hedging policy, and method of evaluating the effectiveness of hedging with respect to hedge accounting.

(2) Description of financial instruments, their risks and risk management system
Trade notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. However, the Company manages this risk by strictly managing credit for each customer and regularly monitoring collection due dates and balances in order to early identify and mitigate concerns about collection due to deterioration of financial conditions and other factors.
Held-to-maturity debt securities are exposed to foreign exchange and interest rate risk, although credit risk is minimal because only highly rated debt securities are included in the investment securities. Available-for-sale securities are exposed to market price fluctuation risk and foreign exchange fluctuation risk, but the Company reviews its holdings on an ongoing basis, taking into account market prices and other factors. Investments in limited liability investment partnerships are exposed to the risk of a decline in the principal amount invested due to changes in the business and financial conditions of the issuers of the shares incorporated in the partnerships. However, the Company manages this risk by periodically obtaining financial statements of the partnerships and monitoring their financial conditions and operations.
Lease and guarantee deposits are security deposits under lease contracts for head office, branch offices, and subsidiaries, and are exposed to credit risk of the lessee. However, the Company confirms the credit risk at the time of contract to mitigate such risk.
Trade payables, such as notes and accounts payable and accounts payable-other, are mostly due within one year. Lease obligations related to finance lease transactions are mainly for the purpose of financing capital investment, and the longest term of payment is 2 years and 9 months after the balance sheet date. These are exposed to liquidity risk (risk of being unable to make payments when due), but the Group manages this risk by confirming and managing cash schedules and payment account balances on a monthly basis.

(3) Supplementary Explanation on Matters Concerning Fair Value of Financial Instruments
Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors.

2. Fair value of financial instruments

Consolidated balance sheet amounts, fair values and their differences are as follows.

Previous fiscal year (June 30, 2021)

(thousands of yen)

	Amount shown on consolidated balance sheet	Market value	Difference
(1) Investment securities *2			
Held-to-maturity debt securities	590,289	590,289	-
Available-for-sale securities	366,129	366,129	-
(2) Lease and guarantee deposits (including current portion)	614,316	614,131	(184)
Total assets	1,570,735	1,570,550	(184)
(1) Lease obligations (including current portion)	44,965	45,024	59
Total liabilities	44,965	45,024	59

1 "Cash and deposits," "Notes and accounts receivable-trade," "Marketable securities," "Notes and accounts payable-trade," "Accounts payable-other and accrued expenses," and "Income taxes payable" are stated at fair value because they approximate book value due to cash and short maturities. The description is omitted because the fair value approximates the book value due to cash and short term settlements.

2 Consolidated balance sheet amount of financial instruments whose fair value is extremely difficult to determine

Classification	Previous consolidated fiscal year (Thousands of yen)
Unlisted stocks	0
Investment in investment limited partnership	34,962
Shares of subsidiaries and affiliates	267,890

These are not included in "(1) Investment securities" because they do not have market prices and it is extremely difficult to determine their fair value.

Current fiscal year (June 30, 2022)

(thousands of yen)

	Amount shown on consolidated balance sheet	Market value	Difference
(1) Investment securities *2			
Available-for-sale securities	430,143	430,143	-
(2) Lease and guarantee deposits (including current portion)	594,259	593,970	(289)
total assets	1,024,403	1,024,114	(289)
(1) Lease obligations (including current portion)	30,752	30,757	5
Total liabilities	30,752	30,757	5

1 "Cash and deposits," "Notes and accounts receivable-trade," "Marketable securities," "Notes and accounts payable-trade," "Accounts payable-other and accrued expenses," and "Income taxes payable" are stated at fair value because they approximate book value due to cash and short maturities. The description is omitted because the fair value approximates the book value due to cash and short term settlements.

2 Stocks and other securities without market prices are not included in "(1) Investment securities". The carrying amounts of such financial instruments in the consolidated balance sheets are as follows

Classification	Current fiscal year (Thousands of yen)
Unlisted stocks	0

3 Investments in partnerships and other similar entities in which the net amount equivalent to the equity interest is recorded on the consolidated balance sheets are omitted. The amount of the said investment on the consolidated balance sheet is 80,989 thousand of yen.

(Notes) 1. Redemption schedule of monetary claims and securities with maturity dates after the consolidated balance sheet date

Previous fiscal year (June 30, 2021)

(thousands of yen)

	Within 1 year	Due after one year through five years	Due after 5 years through 10 years	Over 10 years (thousand of yen)
cash on hand and in banks	7,238,708	-	-	-
Notes and accounts receivable-trade	2,586,194	-	-	-
Marketable securities and investment securities (Note)				
Held-to-maturity debt securities				
(1) Corporate bonds	-	90,289	-	-
(2) Other	500,000	-	-	-
Total amount	10,324,902	90,289	-	-

(Note) Redemption schedule is based on the amount recorded on the consolidated balance sheets.

Current fiscal year (June 30, 2022)

(thousands of yen)

	Within 1 year	Due after one year through five years	Due after 5 years through 10 years	Over 10 years
cash on hand and in banks	9,444,021	-	-	-
Notes and accounts receivable-trade	2,512,036	-	-	-
Marketable securities and investment securities (Note)				
Held-to-maturity debt securities				
(1) Corporate bonds	90,019	-	-	-
(2) Other	500,000	-	-	-
Total amount	12,546,076	-	-	-

(Note) Redemption schedule is based on the amount recorded on the consolidated balance sheets.

2. Amount of bonds payable, long-term debt, lease obligations and other interest-bearing liabilities due after the consolidated balance sheet date

Previous fiscal year (June 30, 2021)

(thousands of yen)

	Within 1 year	Due after one year through two years	Due after 2 years through 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Lease obligations	14,212	12,455	12,021	6,275	-	-

Current fiscal year (June 30, 2022)

(thousands of yen)

	Within 1 year	Due after one year through two years	Due after 2 years through 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Lease obligations	12,428	12,048	6,275	-	-	-

3. Matters concerning the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is calculated that are formed in an active market among the inputs for the calculation of observable fair value.

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs for the calculation of observable fair value

Level 3 fair value: Fair value calculated using inputs for calculating unobservable fair value

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments carried on the consolidated balance sheet at fair value

Current fiscal year (June 30, 2022)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investments in securities				
Available-for-sale securities				
Stocks	245,268	-	-	245,268
Other	-	184,875	-	184,875
Total assets	245,268	184,875	-	430,143

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

Current fiscal year (June 30, 2022)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Lease and guarantee deposits (including current portion)	-	593,970	-	593,970
Total assets	-	593,970	-	593,970
Lease obligations (including current portion)	-	30,757	-	30,757
Total liabilities	-	30,757	-	30,757

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investments in securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value.

On the other hand, the Company's holdings of mutual funds, etc., are classified as Level 2 fair value because they are not frequently traded in the market and are not considered quoted prices in active markets.

Lease and guarantee deposits

The fair value of security deposits and guarantee money is classified as Level 2 fair value, which is calculated based on the present value of future cash flows discounted by an appropriate index such as the yield of government bonds, classified by a certain period of time.

Lease obligations

The fair value of lease obligations is determined using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair value.

(Marketable securities)
Held-to-maturity debt securities
Previous fiscal year (July 1, 2020 to June 30, 2021)

(thousands of yen)

Classification	Consolidated Balance Sheet Amount	Market value	Difference
Securities with market value exceeding consolidated balance sheet amount			
Corporate bond	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities whose fair value does not exceed the amount reported on the consolidated balance sheet			
corporate bond	90,289	90,289	-
Other	500,000	500,000	-
subtotal	590,289	590,289	-
Total amount	590,289	590,289	-

Current fiscal year (July 1, 2021 to June 30, 2022)

(thousands of yen)

Classification	Consolidated Balance Sheet Amount	Market value	Difference
Securities with market value exceeding consolidated balance sheet amount			
corporate bond	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities whose fair value does not exceed the amount reported on the consolidated balance sheet			
corporate bond	90,019	90,019	-
Other	500,000	500,000	-
subtotal	590,019	590,019	-
total amount	590,019	590,019	-

Available-for-sale securities
Previous fiscal year (July 1, 2020 to June 30, 2021)

(thousands of yen)

Classification	Consolidated Balance Sheet Amount	Acquisition cost	Difference
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stock	170,910	90,554	80,355
Other	101,194	94,165	7,028
Subtotal	272,104	184,720	87,383
Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost			
Stock	-	-	-
Other	94,025	97,123	(3,097)
Subtotal	94,025	97,123	(3,097)
Total amount	366,129	281,843	84,285

(Note) Unlisted stocks (consolidated balance sheet amount: 0 thousand of yen), investments in limited liability investment partnerships (consolidated balance sheet amount: 34,962 thousand of yen) and stocks of subsidiaries and affiliates (consolidated balance sheet amount: 267,890 thousand of yen) are not included in "Other securities" in the table above because they have no market prices and their fair value is extremely difficult to be determined.

Current fiscal year (July 1, 2021 to June 30, 2022)

(thousands of yen)

Classification	Consolidated Balance Sheet Amount	Acquisition cost	Difference
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stock	245,268	90,554	154,713
Other	71,900	58,104	13,796
Subtotal	317,168	148,658	168,509
Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost			
Stock	-	-	-
Other	112,975	135,062	(22,087)
Subtotal	112,975	135,062	(22,087)
Total amount	430,143	283,720	146,422

(Note) 1. Unlisted stocks (consolidated balance sheet amount: 0 thousand of yen) are not included in "Available-for-sale securities" in the above table because they have no market price.
2. Investments in Investment Business Limited Liability Partnership (80,989 thousand of yen on the consolidated balance sheet) are not included in "Available-for-sale securities" in the table above.

(Derivative transactions)
Not applicable.

(Retirement benefits)
The Group does not have a retirement benefit plan; therefore, there are no applicable items.

(Stock options, etc.)
Not applicable.

(Tax effect accounting related)

Breakdown of deferred tax assets and deferred tax liabilities by major cause

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
(Deferred tax assets)		
Tax loss carryforwards	60,236	100,564
Enterprise tax payable	66,561	85,735
Business office tax payable	7,119	7,623
Allowance for bonuses	267,007	357,342
Allowance for bonuses to directors and corporate auditors	2,465	54,763
Allowance for loss on orders received	25	6,139
Advance received	1,049	747
Allowance for doubtful accounts	1,185	1,275
Stock compensation expense	8,956	9,332
Depreciation and amortization	48,931	55,743
Loss on valuation of investment securities	3,062	3,062
Asset retirement obligations	65,165	57,285
Net unrealized gains (losses) on available-for-sale securities, net of taxes	1,002	4,848
Research and development expenses	749	321
Other	485	5,868
Subtotal of deferred tax assets	534,003	750,652
Valuation allowance for net operating loss carryforwards for tax purposes	(60,236)	(100,564)
Valuation allowance for total future deductible temporary differences, etc.	(13,725)	(3,062)
Subtotal of valuation allowance	Net income (loss)	(103,626)
Total deferred tax assets	460,041	647,026
(Deferred tax liabilities)		
Deferred gains or losses on hedges	15	104
Buildings and equipment (asset retirement costs)	51,133	25,872
Net unrealized gains (losses) on available-for-sale securities, net of taxes	26,678	52,051
Total deferred tax liabilities	77,827	78,028
Net deferred tax assets	382,214	568,997

(Note) The valuation allowance increased by 29,664 thousand of yen. This increase was mainly due to an increase in the valuation allowance related to tax loss carryforwards.

Breakdown of the main reasons for the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Statutory effective tax rate	30.6%	-
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	1.6%	-
inhabitant tax equalization rate	0.1%	-
Tax exemption	(4.9%)	-
Valuation allowance	0.4%	-
Difference in applicable tax rates of consolidated subsidiaries, etc.	4.6%	-
Other	0.3%	-
Effective tax rate after application of tax effect accounting	32.7%	-

(Note) For the fiscal year ended March 31, 2012, the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting is less than 5/100 of the statutory tax rate; therefore, notes are omitted.

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Outline of the asset retirement obligations

Obligations to restore properties to their original condition in connection with real estate lease contracts for offices, including the head office.

(2) Calculation method of the amount of such asset retirement obligations

The amount of asset retirement obligations is calculated using the risk-free rate as the discount rate, estimating the expected period of main use as 10 years from acquisition.

(3) Increase/decrease in total amount of such asset retirement obligations

(thousands of yen)

	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022) (From July 1, 2021 to June 30, 2022)
Balance at beginning of term	226,810	195,579
Increase due to acquisition of property, plant and equipment	-	14,191
Adjustments due to passage of time	986	222
Decrease due to fulfillment of asset retirement obligations	(32,217)	(13,810)
Balance at end of year	195,579	196,183

(Revenue Recognition)

1. information disaggregating revenue from contracts with customers
   Current fiscal year (July 1, 2021 to June 30, 2022)

(Unit: thousand of yen)

	Reportable Segment			Total amount
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	577,390	86,456	153,377	817,224
Goods or services transferred over a period of time	8,754,217	6,902,673	2,229,272	17,886,162
Revenue from contracts with customers	9,331,607	6,989,129	2,382,650	18,703,387
Other income	-	-	-	-
Sales to external customers	9,331,607	6,989,129	2,382,650	18,703,387

2. information that provides a basis for understanding the revenue arising from contracts with customers
   Basis for understanding revenues is described in "4.Matters related to accounting policies (5) Basis for recording significant revenues and expenses".

Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later

(1) Contract assets and contract liabilities

(Unit: thousand of yen)

	Current Consolidated Fiscal Year
Receivables arising from contracts with customers (beginning balance)	2,586,194
Receivables arising from contracts with customers (ending balance)	2,512,036
Contract assets (beginning balance)	169,951
Contract assets at end of period	512,013
Contract liabilities (beginning balance)	2,328,731
Contract liabilities at end of period	2,355,344

Contract assets mainly relate to the Group's rights to unclaimed consideration in revenues recognized as it progresses in satisfying its performance obligations. Contract assets are transferred to receivables arising from contracts with customers when the Group's rights to the consideration become unconditional.

Contract liabilities primarily relate to unearned revenues from customers. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the period was 2,057,917 thousand of yen.

(2) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows

(Unit: thousand of yen)

	Current Consolidated Fiscal Year
Within one year	2,309,274
More than one year	46,070
Total amount	2,355,344

(Segment Information, etc.)

Segment information

1. Overview of reportable segments

(1) Method of determining reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group is engaged in "making management information usable (Group Governance Business)," "making it visible (Digital Transformation Business)," and "delegating it (Outsourcing Business)," and manages its performance in its business portfolio in these three areas. The three reportable segments are "Group Governance Business," "Digital Transformation Business," and "Outsourcing Business.

(2) Products and services in each reportable segment

In the "Group Governance Business," DIVA CORPORATION sells licenses of DivaSystem, an in-house developed software package for consolidated management and consolidated accounting, and provides consulting services for its introduction. Once in operation, we also provide ongoing maintenance services, including support for version upgrades.

In addition, we also provide consulting services and solutions related to IFRS compliance, sophistication of business management, budgeting, and management accounting.

The group governance business also includes information retrieval services for disclosure documents provided mainly to audit firms by Internet Disclosure, Inc.

In the "Digital Transformation Business," ZEAL CORPORATION is developing system integration services for the use of information called BI (Business Intelligence). This is a system development service that integrates and organizes the vast amount of corporate data accumulated in business systems and other systems so that it can be analyzed in reports and graphs and used for corporate decision-making, helping customers improve their "information utilization capabilities.

In the "Outsourcing Business," FIERTE CORPORATION provides outsourcing services for consolidated financial closing and consolidated tax payment. While acting on behalf of some of the client's operations and eliminating operational dependencies and bottlenecks, we contribute to the creation of an environment in which personnel in the client's administrative department can focus on operations that provide more value to management and business, such as analyzing and utilizing various types of information.

(3) Matters related to changes in reportable segments, etc.

Effective from the consolidated fiscal year under review, the reportable segments previously referred to as "Consolidated accounting-related Business" and "Business Intelligence Business" have been renamed "Group Governance Business" and "Digital Transformation Business" in order to more appropriately present the nature of the business. This change is a change in segment name and has no impact on segment information. The segment information for the previous fiscal year is also presented under the new name.

2. Calculation of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods used for the reported business segments are generally the same as those used in the preparation of the consolidated financial statements. Profit by reportable segment is based on operating income. Intersegment sales and transfers are based on prevailing market prices.

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, net sales and segment income of the "Group Governance Business" increased 262,729 thousand of yen and 144,653 thousand of yen, respectively, while net sales and segment income of the "Digital Transformation Business" decreased 355,250 thousand of yen and increased 69,979 thousand of yen, respectively. Net sales and segment income of the "Outsourcing Business" decreased by 8,133 thousand of yen and 6,033 thousand of yen, respectively.

Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (July 1, 2020 to June 30, 2021)

(Unit: thousand of yen)

	Reportable Segment			Total amount
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Net sales				
Sales to external customers	8,127,742	6,248,132	1,860,254	16,236,129
Intersegment sales and transfers	33,012	1,991	619,641	654,645
Total	8,160,755	6,250,123	2,479,896	16,890,775
Segment income	1,935,419	811,271	523,288	3,269,980
Segment assets	5,874,027	2,564,167	1,366,424	9,804,619
Segment liabilities	3,967,444	1,588,853	778,294	6,334,592
Other Items				
Depreciation and amortization	121,815	40,068	21,448	183,332
Increase in property, plant and equipment and intangible assets	240,733	7,137	15,459	263,330
Investments in equity method affiliates	269,335	-	-	269,335

Current fiscal year (July 1, 2021 to June 30, 2022)

(Unit: thousand of yen)

	Reportable Segment			Total amount
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Net sales				
Sales to external customers	9,331,607	6,989,129	2,382,650	18,703,387
Intersegment sales and transfers	41,041	26,233	661,941	729,215
Total	9,372,648	7,015,362	3,044,591	19,432,603
Segment income	2,060,552	1,244,346	661,069	3,965,969
Segment assets	7,059,005	3,369,494	1,585,235	12,013,735
Segment liabilities	4,342,310	1,863,904	878,899	7,085,114
Other Items				
Depreciation and amortization	157,857	20,267	34,992	213,117
Increase in property, plant and equipment and intangible assets	160,260	688	56,315	217,264
Investments in equity method affiliates	-	-	-	-

4. Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements and the main details of such difference (matters related to difference adjustment)

(Unit: thousand of yen)

Net sales	Previous consolidated fiscal year	Current Consolidated Fiscal Year
Total of reportable segments	16,890,775	19,432,603
Elimination of transactions between the Company and its segments	(654,645)	(729,215)
Net sales in consolidated financial statements	16,236,129	18,703,387

(Unit: thousand of yen)

Profits	Previous consolidated fiscal year	Current Consolidated Fiscal Year
Total of reportable segments	3,269,980	3,965,969
Elimination of transactions between the Company and its segments	741,541	756,918
Corporate expenses (Note)	(1,214,769)	(1,476,259)
Other	(666)	561
Operating income in consolidated financial statements	2,796,085	3,247,189

(Note) Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

(Unit: thousand of yen)

Assets	Previous consolidated fiscal year	Current fiscal year
Total of reportable segments	9,804,619	12,013,735
Elimination of transactions between the Company and its segments	(2,322,587)	(3,994,187)
Corporate assets (Note)	6,500,363	8,605,252
Other	(25,429)	(7,754)
Total assets in consolidated financial statements	13,956,966	16,617,046

(Note) Corporate assets are mainly assets that do not belong to any reportable segment.

(Unit: thousand of yen)

Liabilities	Previous consolidated fiscal year	Current Consolidated Fiscal Year
Total of reportable segments	6,334,592	7,085,114
Elimination of transactions between the Company and its segments	(1,704,465)	(1,781,292)
Corporate liabilities (Note)	562,249	718,514
Other	(22,618)	(2,953)
Total liabilities in consolidated financial statements	5,169,758	6,019,383

(Note) Corporate liabilities are mainly liabilities that do not belong to any reportable segment.

(Unit: thousand of yen)

Other Items	Total of reportable segments		Adjustment (Note)		Amount recorded in consolidated financial statements	
	Previous Fiscal year	Current consolidated fiscal year (April 1, 2011 to March 31, 2012) Fiscal year	Previous fiscal year	Current consolidated fiscal year (April 1, 2011 to March 31, 2012) fiscal year	Previous fiscal year	Current consolidated fiscal year (April 1, 2011 to March 31, 2012) fiscal year
Depreciation and amortization	183,332	213,117	70,820	136,376	254,152	349,494
Increase in property, plant and equipment and intangible assets	263,330	217,264	280,445	168,412	543,775	385,677
Investments in equity method affiliates	269,335	-	-	-	269,335	-

(Note) Adjustment of depreciation and amortization mainly represents depreciation and amortization related to assets that do not belong to any reportable segment.

Adjustment of increase in property, plant and equipment and intangible assets is mainly related to assets that do not belong to the reportable segments.

Related information

The Company and its consolidated subsidiaries have no significant subsidiaries in Japan. (July 1, 2021 - June 30, 2022)

Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet, so this information is omitted.

3. Information by major customer

Not applicable since there are no customers whose sales to outside customers account for 10% or more of the sales in the consolidated statements of income.

[Information on impairment loss on fixed assets by reportable segment]

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

[Related Party Information]

Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders (limited to individuals) of the company submitting the consolidated financial statements etc.

Previous fiscal year (July 1, 2020 to June 30, 2021)

Not applicable.

Current fiscal year (July 1, 2021 to June 30, 2022)

Type	Name of company, etc.	Location	Capital or investments in capital (thousand of yen)	Business or occupation	Voting rights held (held by) Percentage (%)	Relationship with related parties	Details of Transactions	Amount of transaction (thousands of yen)	Subject	Balance at end of year (thousand of yen)
Director	Naoyoshi Kasuga	-	-	The Company Director	Owned Direct 0.0	-	Delivery of common stock in connection with contribution in kind of monetary compensation claims	13,710	-	-

(Note) Contribution in kind of monetary compensation receivable in connection with the medium- to long-term performance-linked stock compensation plan. The delivery of such common stock will be made with the monetary claims provided to the allottee as the invested assets, and the payment price is set at 1,575 yen, which is the closing price of our common stock on the Tokyo Stock Exchange on October 14, 2021 (the business day before the date of resolution by the Board of Directors), in order to make the price arbitrary.

(Per share information)

	Previous Consolidated Fiscal Year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Net assets per share	233.70 yen	281.68 yen
Net income per share	50.24 yen	54.37 yen

(Notes) 1. Diluted net income per share is not shown because there are no residual shares.

2. Basis for calculation of net assets per share is as follows

Subject	End of the previous fiscal year (June 30, 2021)	End of the current fiscal year (June 30, 2022)
Total net assets (Thousands of yen)	8,787,207	10,597,663
Amount deducted from total net assets (thousand of yen)	-	-
Net assets related to common stock at the end of the period (thousand of yen)	8,787,207	10,597,663
Number of shares of common stock used in the calculation of net assets per share at the end of the period (shares)	37,600,252	37,622,503

The basis for calculating net income per share is as follows

Subject	Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)	Current Consolidated Fiscal Year (From July 1, 2021 to June 30, 2022)
Net income attributable to parent company shareholders (thousand of yen)	1,888,976	2,045,033
Amount not attributable to common shareholders (thousand of yen)	-	-
Net income attributable to owners of the parent for common stock Net income (thousand of yen)	1,888,976	2,045,033
Average number of shares of common stock during the period (shares)	37,595,528	37,614,361

(Significant subsequent events)

Not applicable.

(v) [Consolidated supplementary schedules
[Schedule of Bonds]
Not applicable.

Schedule of Borrowings, etc.

classification	Balance at the beginning of current period (thousand of yen)	Balance at the end of current period (thousand of yen)	Average interest rate (%)	Repayment deadline
Current portion of long-term debt	-	-	-	-
Current portion of lease obligations	14,212	12,428	2.6	-
Long-term debt (excluding current portion)	-	-	-	-
Lease obligations (excluding current portion)	30,752	18,324	2.6	July 2023 - March 2025
Other interest-bearing liabilities	-	-	-	-
Total amount	44,965	30,752	-	-

(Note) 1. Average interest rate is the weighted average interest rate for the balance at the end of the period.
2. Lease obligations (excluding current portion) The scheduled repayment amounts of lease obligations (excluding current portion) for the five years following the consolidated balance sheet date are as follows.

classification	Due after one year through two years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Over 3 years but within 4 years (Thousands of yen)	Over 4 years but within 5 years (Thousands of yen)
Lease obligations	12,048	6,275	-	-

Asset Retirement Obligations

classification	Balance at the beginning of current period (thousand of yen)	Increase in the current period (thousand of yen)	Decrease in the current period (thousand of yen)	Balance at the end of current period (thousand of yen)
Obligation to restore property to its original condition in connection with a real estate lease contract	195,579	14,413	13,810	196,183

(2) [Others]
Quarterly information for the current fiscal year, etc.

(Cumulative period)		First Quarter	Second Quarter	Third Quarter	Current Consolidated Fiscal Year
Net sales	(thousand of yen)	4,047,484	8,751,335	13,786,664	18,703,387
Income before income taxes and minority interests	(thousand of yen)	441,719	1,437,551	2,565,601	2,988,973
Net income attributable to owners of the parent	(thousand of yen)	262,172	865,379	1,572,101	2,045,033
Net income per share	(yen)	6.97	23.01	41.80	54.37

(Accounting period)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net income per share	(yen)	6.97	16.04	18.78	12.57

5-2 [Parent Company Financial Statements and Notes]

(1) [Financial statements]

(i) Balance Sheet

(Unit: thousand of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Assets		
Current assets		
Cash on hand and in banks	4,488,881	6,738,077
Accounts receivable	(Note1) 79,170	(Note1) 93,063
Marketable securities	500,000	590,019
Supplies	6,223	9,607
Prepaid expenses	70,432	50,091
Advance Payment	(Note1) 568,319	(Note1) 583,415
Accounts receivable	(Note1) 753,203	(Note1) 763,676
Other	14,939	1,236
Total current assets	6,481,169	8,829,188
Fixed assets		
Property, plant and equipment		
Building	115,677	112,686
Accumulated depreciation	(55,539)	(53,846)
Buildings, net	60,137	58,840
Tools, furniture and fixtures	280,182	345,113
Accumulated depreciation	(206,251)	(238,739)
Tools, furniture and fixtures, net	73,930	106,374
Total property, plant and equipment	134,068	165,214
Intangible fixed assets		
Trademark	44	6
Software	273,904	268,923
Other	595	515
Total intangible fixed assets	274,544	269,445
Investments and other assets		
Investments in securities	456,419	430,143
Shares of subsidiaries and affiliates	1,320,145	1,043,737
Long-term prepaid expenses	3,083	19,982
Lease and guarantee deposits	139,267	106,429
Insurance reserve	50,591	55,051
Deferred tax asset	9,916	5,009
Other	1 30,306	1 23,770
Total investments and other assets	2,009,730	1,684,125
Total fixed assets	2,418,342	2,118,784
Total assets	8,899,512	10,947,972

(Unit: thousand of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Liabilities		
Current liabilities		
Lease obligations	3,461	3,613
Accounts payable	(Note1) 112,243	(Note1) 90,422
Accrued expenses	73,957	84,621
Income taxes payable	149,711	276,996
Deposit received	90,111	103,632
Allowance for bonuses	43,002	60,800
Allowance for bonuses to directors and corporate auditors	66,977	43,595
Deposits received from subsidiaries and affiliates	2,069,000	3,676,000
Other	-	12,264
Total current liabilities	2,608,466	4,351,946
Fixed liabilities		
Lease obligations	8,845	5,231
Asset retirement obligations	62,635	58,346
Total long-term liabilities	71,481	63,578
Total liabilities	2,679,947	4,415,524
Total net assets		
Shareholders equity		
Capital stock	311,568	329,128
Capital surplus		
Capital reserve	248,368	265,928
Total capital surplus	248,368	265,928
Retained earnings		
Legal retained earnings reserve	374	374
Other retained earnings		
Retained earnings brought forward	5,601,661	5,834,262
Total retained earnings	5,602,035	5,834,637
Treasury stock	(549)	(608)
Total shareholders' equity	6,161,423	6,429,085
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	58,114	103,126
Deferred gains or losses on hedges	27	236
Total valuation and translation adjustments	58,141	103,363
Total net assets	6,219,564	6,532,448
Total liabilities and net assets	8,899,512	10,947,972

(ii) Statements of Income

(Unit: thousand of yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Operating revenue		
Management fee	(Note1) 851,616	(Note1) 872,595
Dividends received from subsidiaries and affiliates	1,810,267	1,409,149
Other	-	42,855
Total operating revenues	2,661,884	2,324,599
Operating expenses	(Note1), (Note2) 1,326,077	(Note1), (Note2) 1,594,574
Operating income	1,335,806	730,024
Non-operating income		
Interest income	(Note1) 894	217
Dividends received	7,346	6,563
Foreign exchange gains	6,612	-
Subsidy income	2,370	360
Other	(Note1) 1,197	833
Total non-operating income	18,421	7,974
Non-operating expenses		
interest expense	(Note1) 22	(Note1) 41
Fees and commissions	5,657	5,682
Foreign exchange loss	-	887
Stock issuance expenses	424	281
Total non-operating expenses	6,104	6,892
Ordinary income	1,348,123	731,106
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	-	276,407
Total extraordinary loss	-	276,407
Income before income taxes and minority interests	1,348,123	454,698
Corporate, inhabitant and enterprise taxes	(131,093)	(175,031)
Income taxes-deferred	14,972	(16,473)
Total income taxes	(116,120)	(191,505)
Net income	1,464,244	646,204

(iii) Statement of Changes in Net Assets
Previous fiscal year (July 1, 2020 to June 30, 2021)

(Unit: thousand of yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
	Capital stock	Capital reserve	Total capital surplus	Legal retained earnings reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	303,271	240,071	240,071	374	4,475,673	4,476,047
Changes of items during the period						
Issuance of new shares	8,297	8,297	8,297			
Dividends from surplus					(338,256)	(338,256)
Net income					1,464,244	1,464,244
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes of items during the period	8,297	8,297	8,297	-	1,125,987	1,125,987
Balance at the end of current period	311,568	248,368	248,368	374	5,601,661	5,602,035

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Available-for-sale securities Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	(476)	5,018,914	35,859	6	35,865	5,054,779
Changes of items during the period						
Issuance of new shares		16,594				16,594
Dividends from surplus		(338,256)				(338,256)
Net income		1,464,244				1,464,244
Acquisition of treasury stock	(73)	(73)				(73)
Net changes of items other than shareholders' equity			22,255	21	22,276	22,276
Total changes of items during the period	(73)	1,142,508	22,255	21	22,276	1,164,785
Balance at the end of current period	(549)	6,161,423	58,114	27	58,141	6,219,564

Current fiscal year (July 1, 2021 to June 30, 2022)

(Unit: thousand of yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
					Other retained earnings	
	Capital stock	Capital reserve	Total capital surplus	Legal retained earnings reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	311,568	248,368	248,368	374	5,601,661	5,602,035
Changes of items during the period						
Issuance of new shares	17,559	17,559	17,559			
Dividends from surplus					(413,602)	(413,602)
Net income					646,204	646,204
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes of items during the period	17,559	17,559	17,559	-	232,601	232,601
Balance at the end of current period	329,128	265,928	265,928	374	5,834,262	5,834,637

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Available-for-sale securities Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	(549)	6,161,423	58,114	27	58,141	6,219,564
Changes of items during the period						
Issuance of new shares		35,119				35,119
Dividends from surplus		(413,602)				(413,602)
Net income		646,204				646,204
Acquisition of treasury stock	(58)	(58)				(58)
Net changes of items other than shareholders' equity			45,012	208	45,221	45,221
Total changes of items during the period	(58)	267,662	45,012	208	45,221	312,883
Balance at the end of current period	(608)	6,429,085	103,126	236	103,363	6,532,448

Notes to Parent Company Financial Statements

(Significant Accounting Policies)

Valuation standards and methods for assets
(1) Valuation standards and methods for securities
Held-to-maturity debt securities
Amortized cost method (straight-line method)
Shares of subsidiaries and affiliated companies
Cost method based on the moving average method
Other marketable securities
Other than stocks and other securities with no market price
Market value method (unrealized gains or losses are reported as a separate component of net assets, with cost of sales determined by the moving-average method)
Non-marketable equity securities, etc.
Cost method based on the moving average method

(2) Valuation standards and methods for inventories
Supplies
Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

Depreciation method for fixed assets
(1) Tangible fixed assets
declining-balance method
However, buildings and equipment acquired on or after April 1, 2016 are depreciated using the straight-line method.
Principal useful life
Buildings 3 to 10 years
Tools, furniture and fixtures 2 to 8 years
(2) Intangible assets
Straight-line method
Software
Software for internal use
The useful life is the period of internal use (5 years).

Accounting for deferred assets
(1) Stock issuance expenses
The entire amount is expensed at the time of expenditure.

Basis for reserves
(1) Reserve for bonuses
To provide for bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.
(2) Allowance for bonuses to directors and corporate auditors
To provide for bonuses to directors and corporate auditors, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.

5. Basis for recording revenues and expenses
The Company's revenues consist of management guidance fees and outsourcing fees from subsidiaries.
The performance obligation is to provide contracted services to the subsidiary in accordance with the terms of the contract, and the Company's performance obligation is fulfilled when the services are provided, and thus revenue and expenses are recognized at that time.

6. Other important matters that serve as the basis for the preparation of financial statements
(1) Hedge accounting method
Hedge accounting method
Deferred hedge accounting is adopted.
Hedging instruments and hedged items
Hedging instrument: Foreign currency deposits
Hedged items: Anticipated transactions denominated in foreign currencies
Hedging policy
Foreign currency deposits are used to hedge the risk of exchange rate fluctuations. The Company's policy is to use such transactions within the scope of actual demand and not to conduct transactions for speculative purposes.

Methods of evaluating the effectiveness of hedging

Since the material terms of the hedging instruments and hedged items are the same and the cash flow fluctuations can be offset after the inception of the hedge, the assessment of effectiveness at the balance sheet date is omitted.

(2) Standards for converting important foreign currency denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the balance sheet date, with translation differences recognized as gains or losses.

(3) Application of consolidated tax payment system

The Company and its domestic consolidated subsidiaries apply the consolidated tax payment system.

(4) Application of tax effect accounting for the transition from a consolidated tax payment system to a group totalization system

The Company will transition from a consolidated tax payment system to a group totalization system from the following fiscal year. However, for items for which the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and for items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, we will not apply the provisions of paragraph 44 of "Treatment of Application of Accounting Standard for Tax Effect Accounting for Transition from Consolidated Taxation System to Group Totalization System" (ASBJ Guidance No. 28, February 16, 2018) and will instead apply the provisions of paragraph 3 of "Treatment of Application of Accounting Standard for Tax Effect Accounting for Transition from Consolidated Taxation System to Group Totalization System" (Practical Response Report No. 39, March 31, 2020). Deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the next fiscal year, the Company will apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group totalization system is applied. The Company plans to apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 42, August 12, 2021).

(Critical Accounting Estimates)

Not applicable.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") The Company and its subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when the control of the promised goods or services is transferred to the customer.

The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year. The new accounting policy is applied from the balance at the beginning of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, there is no effect of this change on the financial statements in the current fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Measurement of Fair Value, etc.)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. is applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard, etc., will be applied prospectively. There was no impact of this change on the financial statements in the current fiscal year.

(Notes to Balance Sheet)

1. Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding those presented separately)

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Short-term monetary claims	1,399,532	1,426,018
Short-term monetary obligations	12,800	21,639
Long-term monetary claims	30,306	23,770

2. The Company has entered into loan commitment contracts with three correspondent banks for the efficient procurement of working capital. The following are unused lines of credit related to loan commitments as of the end of the fiscal year

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Total amount of loan commitments	3,500,000	3,500,000
Loan balance	-	-
Balance	3,500,000	3,500,000

(Notes to Statements of Income)

*1 Transactions with subsidiaries and affiliates (excluding those shown separately)

(thousands of yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Transaction volume from business transactions	964,695	987,154
Non-operating transactions	597	41

2. Major items and amounts of operating expenses are as follows The entire amount belongs to general and administrative expenses.

(thousands of yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022) (From July 1, 2021 to June 30, 2022)
Directors' remuneration	143,198	148,336
Employee salaries and bonuses	281,974	433,215
Provision for bonuses	43,002	60,800
Provision for directors' bonuses	66,977	43,595
Depreciation and amortization	72,338	136,938
Fees and commissions	333,030	318,440

(Marketable securities)

Previous fiscal year (June 30, 2021)

The fair values of stocks of subsidiaries (1,043,737 thousand of yen on the balance sheet) and stocks of affiliates (276,407 thousand of yen on the balance sheet) are not stated because they do not have market prices and it is extremely difficult to determine their fair values.

Current fiscal year (June 30, 2022)

The fair value of shares of subsidiaries (amount on the balance sheet: 1,043,737 thousand of yen) is not stated because such shares do not have market prices.

(Tax effect accounting related)

Breakdown of deferred tax assets and deferred tax liabilities by major cause

(thousands of yen)

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
(Deferred tax assets)		
Enterprise tax payable	220	407
Business office tax payable	389	498
Allowance for bonuses	10,601	14,989
Allowance for bonuses to directors and corporate auditors	710	10,747
Tax loss carryforwards	60,236	100,564
Depreciation and amortization	14,468	15,752
Loss on valuation of investment securities	3,062	3,062
Loss on valuation of stocks of subsidiaries and affiliates	-	84,635
Asset retirement obligations	15,441	14,384
Net unrealized gains (losses) on available-for-sale securities, net of taxes	763	4,848
Other	1,236	1,657
Subtotal of deferred tax assets	107,127	251,548
Valuation allowance for net operating loss carryforwards for tax purposes	(60,236)	(100,564)
Valuation allowance for total future deductible temporary differences, etc.	(3,062)	(87,697)
Subtotal of valuation allowance	(63,298)	(188,262)
Total deferred tax assets	43,831	63,286
(Deferred tax liabilities)		
Buildings and equipment (asset retirement costs)	7,221	6,121
Net unrealized gains (losses) on available-for-sale securities, net of taxes	26,678	52,051
Other	15	104
Total deferred tax liabilities	33,914	58,277
Net deferred tax assets	9,916	5,009

2. Breakdown of the main reasons for the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (June 30, 2021)	Current fiscal year (June 30, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	1.6%	1.1%
Dividends received and other items not permanently includable in income	(41.1%)	(95.0%)
Valuation allowance	0.8%	21.7%
Other	(0.4%)	(0.6%)
Effective tax rate after application of tax effect accounting	(8.6%)	(42.1%)

(Revenue Recognition)

Information that forms the basis for understanding revenues from contracts with customers is omitted because the same information is presented in "Notes (Significant Accounting Policies) 5.

(Significant subsequent events)

Not applicable.

(iv) [Annexed Schedule] (4) [Annexed Schedule] (4) [Annexed Schedule
[Schedule of Tangible Fixed Assets, etc.]

(Unit: thousand of yen)

classification	Type of Assets	Balance at the beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Amortization for the year	Balance at the end of current period	Accumulated depreciation
Property, plant and equipment	Building	60,137	14,093	3,432	11,958	58,840	53,846
	Tools, furniture and fixtures	73,930	75,323	5	42,875	106,374	238,739
	Total	134,068	89,416	3,437	54,833	165,214	292,585
Intangible fixed assets	Trademark	44	-	-	38	6	-
	Software	273,904	80,796	7,228	78,549	268,923	-
	Other	595	-	80	-	515	-
	Total	274,544	80,796	7,308	78,587	269,445	-

(Note 1) The main details of the increase are as follows

Building	Office Layout Change	14,093 thousands of yen
Tools, furniture and fixtures	Office Layout Change	13,199 thousands of yen
Tools, furniture and fixtures	Network Facilities	62,124 thousands of yen
Software	Management Software	29,489 thousands of yen
Software	Software for sale	51,307 thousands of yen

[Allowance Schedule]

(Unit: thousand of yen)

classification	Balance at the beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of current period
Allowance for bonuses	43,002	60,800	43,002	60,800
Allowance for bonuses to directors and corporate auditors	66,977	43,595	66,977	43,595

(2) [Details of major assets and liabilities]
Omitted due to the preparation of consolidated financial statements.

(3) [Others]
Not applicable.

6. [Summary of share administration of the submitting company]

Fiscal year	July 1 through June 30
Ordinary General Meeting of Shareholders	Within 3 months from the day after the last day of the fiscal year
Reference Date	June 30
Record Date for Dividends from Surplus	December 31June 30
Number of shares per unit	100 shares
Purchase of odd-lot shares	
Register's location	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholders' register	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Register agency	------
Purchase Commissions	free
Method of Public Notice	Electronic Public Notice (https://www.avantcorp.com/) (However, in the event that public notice cannot be made electronically due to an accident or other unavoidable reason, public notice shall be made by publication in the Nihon Keizai Shimbun.)
Benefits for Shareholders	Not applicable.

7 [Reference Information of the Parent Company]

7-1 [Information on parent company, etc. of the submitting company

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

7-2 [Other reference information]

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the Annual Securities Report.

(1) Annual Securities Report and its attachments and confirmations

Fiscal year (25th period) (from July 1, 2020 to June 30, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on September 27, 2021

(2) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on September 27, 2021

(3) Quarterly Report and Written Confirmation

First Quarter 26th fiscal year (July 1, 2021 - September 30, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on November 12, 2021

Second Quarter 26th fiscal year(Oct. 1, 2021 - Dec. 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2022

Third Quarter 26th fiscal year(Jan. 1 - Mar. 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on May 13, 2022

(4) Extraordinary Report

Pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Results of Exercise of Voting Rights at the General Meeting of Shareholders) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on September 30, 2021

(5) Amendment Reports and Confirmation Statements for Annual Securities Reports

Fiscal year (25th period) (July 1, 2020 to June 30, 2021)

Submitted to the Director-General of the Kanto Local Finance Bureau on October 15, 2021

Part II [Information on Guarantee Companies, etc. of the Submitting Company].

Not applicable.

Independent Auditor's Report and Internal Controls Audit Report

September 22, 2022

AVANT CORPORATION
To: Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated and Engagement Partner	Certified public accountant	Jun Kagawa
Designated and Engagement Partner	Certified public accountant	Kenji Oyama

< Financial statement audit >

Audit Opinion

We have audited, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the consolidated financial statements of AVANT CORPORATION listed in the "Financial Statements and Notes" for the fiscal year from July 1, 2021 to June 30, 2022, that includes the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets, the consolidated statement of cash flows, the significant items serving as the basis for the preparation of the consolidated financial statements, the other notes and the consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AVANT CORPORATION and consolidated subsidiaries as of June 30, 2022, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters that the auditor, as a professional expert, considered to be of particular importance in the audit of the consolidated financial statements for the current fiscal year. The major audit considerations are those matters that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

<table>
<tr><th colspan="2">Appropriateness of sales related to made-to-order software</th></tr>
<tr><th>Details of major audit considerations and reasons for decisions</th><th>Audit Responses</th></tr>
<tr><td>As described in [Notes] (Revenue Recognition) and (Segment Information, etc.), the Group Governance Business and Digital Transformation Business had net sales of 16,320,736 thousand of yen, which accounted for 87.3% of net sales in the consolidated statements of income.
Sales in both businesses consist mainly of packaged software license sales, made-to-order software development, and maintenance services.
In made-to-order software development, the deliverables are intangible assets, and the customer's requirements and specifications differ from transaction to transaction. Therefore, the company enters into a contract with the customer at the time it receives the order to perform the work to clarify the requirements and specifications, and receives acceptance inspection from the customer at the completion of the work.

As stated in [Notes] (Basis of Presenting Consolidated Financial Statements) 4. Accounting Policies (5) Basis for Recognition of Significant Revenue and Costs, the Company has adopted a method of estimating the degree of completion of performance obligations and recognizing revenue over a certain period based on the degree of completion, except for contracts with very short terms.

As stated above, we determined that the appropriateness of sales related to made-to-order software is a major audit consideration because the deliverables are intangible assets, they are significant in terms of amount, and any errors would have a significant impact on the consolidated financial statements.</td><td>We performed the following audit procedures to verify the appropriateness of sales related to made-to-order software.

(Assessment of internal control)
○Understood the internal controls established to ensure the proper recording of sales, including the review of purchase orders and acceptance receipts for each transaction, calculation of percentage of completion, and approval of sales recognition, and evaluated the maintenance and operation of such controls.

(Review of whether sales revenues are properly recorded)
○The consistency between sales in the sales management system and sales in the accounting system for each month was examined.
The following studies were conducted for transactions for which acceptance inspection had been completed as of the end of the fiscal year.
The Company has also conducted a reconciliation with related vouchers, such as purchase orders, acceptance inspection forms, invoices, and payment vouchers, in order to understand the details of the transactions. Furthermore, we verified that there was a cost incurred for the said transaction by viewing the time and attendance management system.
In addition to the above, we also cross-checked several randomly selected transactions with related vouchers, such as purchase orders, acceptance receipts, invoices, and payment vouchers.
The following studies were conducted for transactions in progress as of the end of the fiscal year.
With regard to transactions with higher assumed gross profit margins than other transactions recorded in the past and during the same fiscal year, and transactions in which the actual cost was large in relation to the amount of the order, we gained an understanding of the details of the transactions by reviewing related documents and asking questions to the persons in charge, and reconciled the details with the purchase order. In addition, we verified that the progress rate for the relevant transactions was properly calculated by checking against the man-hour estimation data, viewing the time and attendance management system, and checking against the invoices and other documents.
In addition to the above, a similar review was conducted for several randomly selected transactions.</td></tr>
</table>

Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the execution of the duties of the Directors in the development and operation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include any other description, and we express no opinion on any other description.

Our responsibility in the audit of the consolidated financial statements is to read the other information carefully and, in the course of that reading, to consider whether there are material differences between the other information and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other information other than such material differences. In addition to such material differences, we also pay attention to whether there are any other indications of material errors in the other statements.

If, based on the work we have performed, we determine that there are material errors in the other entries, we are required to report those facts.

We have no other matters to report.

Responsibility of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan. This includes the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on a going concern basis and for disclosing any matters related to going concern that are required to be disclosed in accordance with accounting principles generally accepted in Japan. The Company is responsible for the disclosure of such matters.

The responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the directors' performance of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Consolidated Financial Statements

The auditor is responsible for obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and for expressing an opinion on the consolidated financial statements that is independent in its audit report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the consolidated financial statements.

The auditor shall exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted as fair and appropriate in Japan, and shall maintain professional skepticism and

Identify and assess the risk of material misstatement due to fraud or error. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The selection and application of audit procedures are at the auditor's discretion. In addition, we obtain sufficient and appropriate audit evidence on which to base our opinion.

The purpose of an audit of consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management and the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.

Conclude whether it is appropriate for management to prepare the consolidated financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern exists, the auditor is required to draw attention in the auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements are not appropriate with respect to the material uncertainty, to express an opinion with qualifications on the consolidated financial statements. The auditor's conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the entity to cease to exist as a going concern.

The consolidated financial statements are presented in accordance with accounting principles generally accepted in Japan, and the consolidated financial statements, including the related notes, are presented, organized, and presented fairly, and the transactions and accounting events upon which the consolidated financial statements are based are properly presented.

Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to enable us to express our opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and performing the audit of the consolidated financial statements. The auditor is solely responsible for its audit opinion.

The auditor shall report to the corporate auditors and the board of corporate auditors on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal controls, identified during the course of the audit, and other matters required by the audit standards.

The auditor shall report to the auditors and the board of auditors on the auditor's compliance with the rules of professional ethics in Japan regarding independence and any matters reasonably believed to affect the auditor's independence and any safeguards, if any, taken to remove or mitigate disincentives.

The auditor shall determine, in the auditor's report, those matters discussed with the corporate auditors and the board of corporate auditors that are considered to be of particular importance in the audit of the consolidated financial statements for the current fiscal year, and shall include such matters in the auditor's report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

＜Internal Control Audit＞

Audit Opinion

We have audited the internal control report as of June 30, 2022 of AVANT CORPORATION for the purpose of providing audit certification in accordance with the second paragraph of Article 193-2 of the Financial Instruments and Exchange Law.

In our opinion, the internal control report referred to above, in which AVANT CORPORATION indicated that its internal control over financial reporting as of June 30, 2022 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, based on criteria established in Internal Control over Financial Reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility is to express an opinion on the internal control over financial reporting based on our audit. We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Responsibility of Management, Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and preparing and properly presenting an internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

The responsibility of the corporate auditors and the Board of Corporate Auditors is to monitor and verify the maintenance and operation of internal control over financial reporting.

It is possible that internal control over financial reporting will not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility in Internal Control Audits

The auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free of material misstatement based on the internal control audit performed by the auditor and to express an opinion on the internal control report from an independent standpoint in the internal control audit report.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, the auditor, throughout the audit process, exercises professional judgment and maintains professional skepticism in:

- The Company shall perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.
- The Board will consider the presentation of the internal control report as a whole, including the statements made by management regarding the scope of evaluation of internal control over financial reporting, the evaluation procedures and the evaluation results.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising, and performing the audit of the internal control report. The auditor is solely responsible for its audit opinion.

The auditor shall report to the corporate auditors and the board of corporate auditors on the scope and timing of the planned internal control audit, the results of the internal control audit, material deficiencies in internal control identified that should be disclosed, the results of their correction, and other matters required by the auditing standards for internal control.

The auditor shall report to the auditors and the board of auditors on the auditor's compliance with the rules of professional ethics in Japan regarding independence and any matters that may reasonably be considered to affect the auditor's independence and any safeguards, if any, taken to remove or mitigate disincentives.

Conflict of interests

We have no interest in or relationship with the Company or its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ends

(Notes) 1. The original of the above audit report is kept separately by the Company (the company submitting the annual securities report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Report

September 22, 2022

AVANT CORPORATION
To: Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated and Engagement Partner	Certified public accountant	Jun Kagawa
Designated and Engagement Partner	Certified public accountant	Kenji Oyama

Audit Opinion

We have audited the financial statements of AVANT CORPORATION (the "Company") included in the "Status of Accounting" for the 26th fiscal year from July 1, 2021 to June 30, 2022, for the purpose of providing audit certification in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Law.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AVANT CORPORATION as of June 30, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan. In our opinion, the financial statements present fairly, in all material respects, the financial position of AVANT CORPORATION.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in auditing standards is described in "Auditor's Responsibility in an Audit of Financial Statements. We are independent of the company and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in our country. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters that the auditor, as a professional expert, considers to be of particular importance in the audit of the financial statements for the current fiscal year. The major audit considerations are those matters addressed in the course of performing the audit of the financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Appropriateness of valuation of shares of affiliated companies	
Details of major audit considerations and reasons for decisions	Audit Responses
As stated in the balance sheet, the company recorded 1,043,737 thousand of yen in stocks of affiliated companies as of June 30, 2022, which amounted to 9.5% of total assets. As stated in [Notes] (Significant Accounting Policies) 1. Valuation Standards and Methods for Assets (1) Valuation Standards and Methods for Securities, the company considers the acquisition cost to be the balance sheet amount of stocks of affiliated companies. However, if the financial condition of the issuing company of the stock has deteriorated to the point where the real value of the stock has declined significantly and the possibility of recovery is not supported by sufficient evidence, a substantial impairment loss must be recognized. Regarding the need for impairment of stocks of subsidiaries and affiliates in the audit during the current period, we have ascertained the status of the real value of each stock of subsidiaries and affiliates calculated based on the acquisition cost and the net assets per share of the issuing company, and we are not in a situation where the risk of material misstatement is assessed to be high. However, since shares of affiliated companies are of high monetary importance in the balance sheet, we determined that the appropriateness of the valuation of such shares of affiliated companies is particularly important in the audit of financial statements for the current fiscal year and falls under "Major Considerations in the Audit".	In considering the appropriateness of the valuation of the shares of affiliated companies, we principally applied the following auditing procedures We reviewed the financial information of each issuing company to determine whether the actual value of the shares of affiliated companies was appropriately calculated based on the net assets per share of the issuing company, compared the acquisition cost of the shares of affiliated companies with the actual value, and evaluated the appropriateness of management's judgment as to whether impairment loss was necessary. With respect to the financial information used as the basis for the calculation of the net assets per share of the subsidiaries that are material in monetary terms, we have evaluated the reliability of such financial information based on the review and audit procedures performed as part of the audit of the consolidated financial statements and the results of that review and audit. The Company evaluated the timeliness and appropriateness of the amount of the write-down for the stocks of subsidiaries and affiliates that recorded a write-down in the current period.

Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the execution of the duties of the Directors in the development and operation of the reporting process for the other statements.

Our audit opinion on the financial statements does not include any other description, and we express no opinion on any other description.

Our responsibility in the audit of the financial statements is to read the other statements and, in the course of reading the other statements, to consider whether there are material differences between the other statements and the financial statements or our knowledge obtained in the audit, and to pay attention to whether there are indications of material errors in the other statements other than such material differences. In addition to such material differences, we also pay attention to whether there are any other indications of material errors in the statements.

If, based on the work we have performed, we determine that there are material errors in the other entries, we are required to report those facts.

We have no other matters to report.

The responsibility of management, the Statutory Auditors and the Board of Statutory Auditors for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in Japan. This includes the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements on a going concern basis and for disclosing matters related to going concern when required to do so in accordance with accounting principles generally accepted in Japan.

The responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the directors' performance of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Financial Statements

The auditor's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and to express an opinion on the financial statements that is independent in the auditor's report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the financial statements.

The auditor shall exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted as fair and appropriate in Japan, and shall maintain professional skepticism and

- Identify and assess the risk of material misstatement due to fraud or error. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The selection and application of audit procedures are at the auditor's discretion. In addition, we obtain sufficient and appropriate audit evidence on which to base our opinion.
- The purpose of an audit of financial statements is not to express an opinion on the effectiveness of internal control; however, in making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management and the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern is identified, the auditor is required to draw attention in the auditor's report to the notes to the financial statements or, if the notes to the financial statements regarding the material uncertainty are not appropriate, to express an opinion with qualifications on the financial statements. The auditor's conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the entity to cease to exist as a going concern.
- Evaluate whether the presentation and notes to the financial statements conform to accounting principles generally accepted in Japan, as well as the presentation, organization, and content of the financial statements, including related notes, and whether the financial statements present fairly the underlying transactions and accounting events. Evaluate whether the financial statements present fairly the underlying transactions and accounting events.

The auditor shall report to the corporate auditors and the board of corporate auditors on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal controls, identified during the course of the audit, and other matters required by the audit standards.

The auditor shall report to the auditors and the board of auditors on the auditor's compliance with the rules of professional ethics in Japan regarding independence and any matters reasonably believed to affect the auditor's independence and any safeguards, if any, taken to remove or mitigate disincentives.

Of the matters discussed with the auditor and the board of auditors, the auditor shall determine the matters that it considers to be of particular importance in the audit of the financial statements for the current fiscal year and shall include such matters in the auditor's report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

Conflict of interests

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ends

(Notes) 1. The original of the above audit report is kept separately by the Company (the company submitting the annual securities report).
2. XBRL data is not included in the scope of the audit.