

27th Fiscal Year (From July 1, 2022 to June 30, 2023)

A n n u a l S e c u r i t i e s R e p o r t

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

AVANT GROUP CORPORATION

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[Cover]	
[Filing type]	Annual Securities Report
[Governing Laws and Regulations]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director-General of Kanto Finance Bureau
[Filing date]	September 25, 2023
[Fiscal year]	27th Fiscal Year (July 1, 2022 to June 30, 2023)
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[English translation]	AVANT GROUP CORPORATION
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Part I [Corporate Information]

1. [Company Overview]

1-1 [Selected Financial Data]

(1) Consolidated Financial Summary

Fiscal Year		23rd	24th	25th	26th	27th
Fiscal Year End		June 2019	June 2020	June 2021	June 2022	June 2023
Net sales	(Thousands of yen)	14,077,976	15,691,533	16,236,129	18,703,387	21,424,584
Ordinary profit	(Thousands of yen)	1,972,583	2,282,082	2,808,216	2,988,973	3,265,983
Profit attributable to owners of parent	(Thousands of yen)	1,317,048	1,537,894	1,888,976	2,045,033	2,094,520
Comprehensive income	(Thousands of yen)	1,316,735	1,562,619	1,914,609	2,117,784	2,187,976
Net assets	(Thousands of yen)	5,898,048	7,194,333	8,787,207	10,597,663	12,328,516
Total assets	(Thousands of yen)	10,415,229	11,780,604	13,956,966	16,617,046	18,705,593
Net assets per share	(Yen)	157.00	191.42	233.70	281.68	327.51
Net profit per share	(Yen)	35.06	40.92	50.24	54.37	55.65
Diluted net profit per share	(Yen)	-	-	-	-	-
Capital adequacy ratio	(%)	56.6	61.1	63.0	63.8	65.9
Return on equity	(%)	24.6	23.5	23.6	21.1	18.3
Price earnings ratio	(Times)	28.7	25.3	32.8	24.7	25.4
Cash flows from operating activities	(Thousands of yen)	1,320,217	1,890,755	2,561,689	3,026,616	2,175,390
Cash flows from investing activities	(Thousands of yen)	(455,340)	(420,430)	(789,786)	(398,957)	(795,616)
Cash flows from financing activities	(Thousands of yen)	(232,007)	(294,708)	(359,514)	(433,200)	(507,174)
Cash and cash equivalents at end of year	(Thousands of yen)	5,195,137	6,370,860	7,786,223	10,002,870	10,881,311
Number of employees (of which average number of temporary employees)	(Persons)	938 (55)	1,055 (16)	1,107 (40)	1,226 (20)	1,389 (22)

- (Notes)
- Diluted net profit per share is not shown because there are no residual shares.
 - 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).
 - The Company conducted a 2-for-1 stock split of common shares as of December 1, 2019. Net assets per share and net profit per share are calculated on the assumption that the stock split was conducted at the beginning of the 23rd fiscal year.
 - “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 and beyond are those after the application of the said accounting standards.

(2) Parent Company Financial Summary

Fiscal Year		23rd	24th	25th	26th	27th
Fiscal Year End		June 2019	June 2020	June 2021	June 2022	June 2023
Net sales or operating revenue	(Thousands of yen)	1,851,240	2,355,778	2,661,884	2,324,599	3,572,998
Ordinary profit	(Thousands of yen)	729,784	1,145,455	1,348,123	731,106	1,873,347
Profit	(Thousands of yen)	771,939	1,252,154	1,464,244	646,204	2,022,470
Share capital	(Thousands of yen)	295,525	303,271	311,568	329,128	345,113
Total number of shares issued and outstanding	(Shares)	18,785,094	37,586,982	37,603,203	37,625,501	37,645,851
Net assets	(Thousands of yen)	4,044,164	5,054,779	6,219,564	6,532,448	8,178,660
Total assets	(Thousands of yen)	6,769,764	6,994,627	8,899,512	10,947,972	8,780,300
Net assets per share	(Yen)	107.65	134.49	165.41	173.63	217.27
Dividend per share (of which interim dividend)	(Yen) (Yen)	15 (-)	9 (-)	11 (-)	13 (-)	15 (-)
Net profit per share	(Yen)	20.55	33.32	38.95	17.18	53.74
Diluted net profit per share	(Yen)	-	-	-	-	-
Capital adequacy ratio	(%)	59.7	72.3	69.9	59.7	93.1
Return on equity	(%)	20.5	27.5	26.0	10.1	27.5
Price earnings ratio	(Times)	49.0	31.1	42.3	78.2	26.3
Dividend payout ratio	(%)	36.5	27.0	28.2	75.7	27.9
Number of employees (of which average number of temporary employees)	(Persons)	37 (3)	36 (2)	45 (2)	47 (0)	37 (0)
Total Shareholder Return (Comparison index: TOPIX including dividends)	(%) (%)	210.9 (91.8)	218.4 (94.6)	347.6 (120.5)	287.5 (118.8)	304.6 (149.3)
Highest stock price	(Yen)	2,364	1,198 (2,497)	1,872	1,727	1,616
Lowest Stock Price	(Yen)	911	645 (1,775)	951	945	1,255

- (Notes)
- Diluted net profit per share is not shown because there are no residual shares.
 - 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).
 - 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. The highest and lowest share prices for the 24th fiscal year are shown after the stock split, and the highest and lowest share prices before the stock split are shown in parentheses.
 - The Company conducted a 2-for-1 stock split of common shares as of December 1, 2019. Net assets per share and net profit 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 23rd dividend represent the actual dividend amount prior to the stock split.
 - “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 and beyond are those after the application of these accounting standards.
 - 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	DIVA 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 Co., Ltd. (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. The Company's software business is transferred to DIVA CORPORATION, which was established by an incorporation-type company split
November 2014	DIVA CORPORATION opens Shinjuku Office in Nishi-Shinjuku, Shinjuku-ku, Tokyo.
June 2016	DIVA CORPORATION merges with Diva Business Innovation Inc.
August 2017	FIERTE CORPORATION 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.
October 2022	AVANT CORPORATION changed company name to AVANT GROUP CORPORATION. DIVA CORPORATION (former company name) succeeded to the business under the jurisdiction of the Corporate Performance Management Unit of ZEAL CORPORATION by way of a demerger and changed its name to AVANT CORPORATION (currently a consolidated subsidiary). FIERTE CORPORATION succeeded to the development business of consolidated accounting systems of DIVA CORPORATION (former company name) by way of a demerger and changed its name to DIVA CORPORATION (currently a consolidated subsidiary).

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 digital transformation 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.

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

(1) Group Governance Business

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

(2) Digital Transformation Business

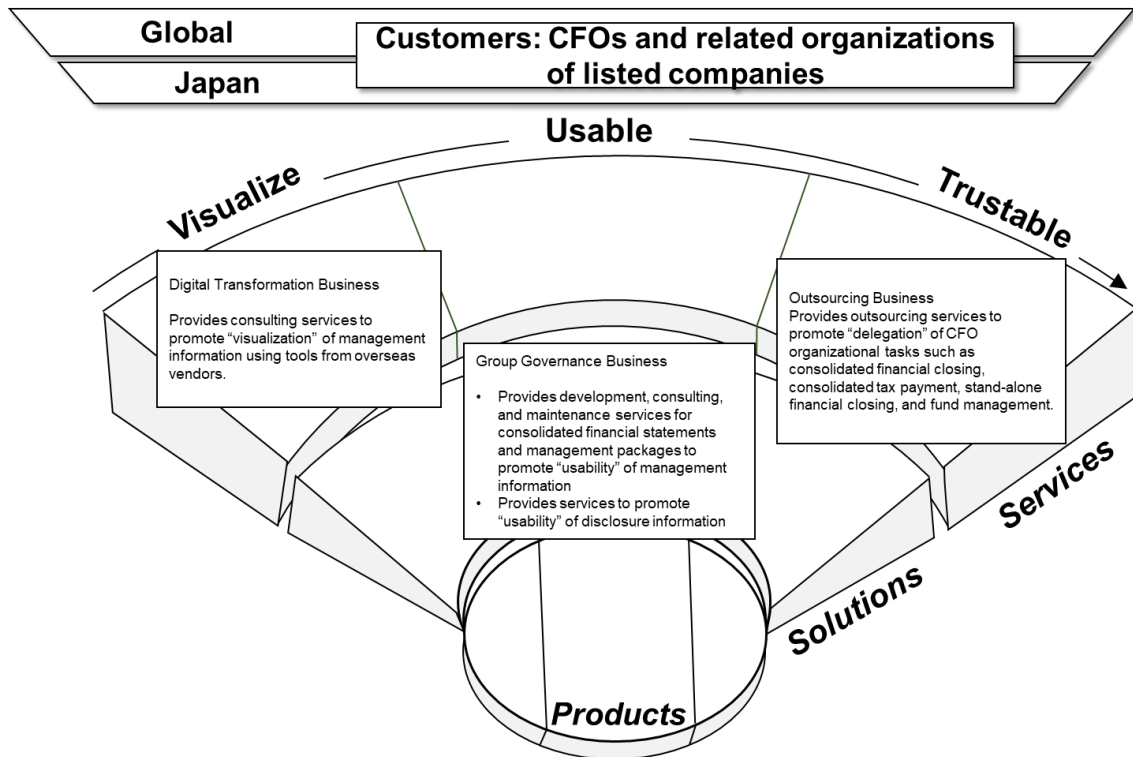
The digital transformation business develops system integration services and cloud data platform implementation support for the use of information called BI (Business Intelligence). This is a system development service that integrates and organizes the vast amount of corporate data accumulated in business 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

The outsourcing business 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	Share capital (Millions of yen)	Description of principal businesses	Percentage of voting rights owned or held (%)	Relationship
(Consolidated subsidiaries)					
AVANT CORPORATION (Notes 2, 3, 4)	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 (Notes 2, 3, 4)	Shinagawa-ku, Tokyo	100	Digital Transformation Business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, and Directors serve concurrently
DIVA CORPORATION (Notes 2, 3, 4)	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)
- In the column “Description of principal business,” the names listed in the segment information are listed.
“Other” is a business segment not included in each segment and includes research of IT products and services.
 - The company is a specified subsidiary.
 - On October 1, 2022, our group underwent a corporate reorganization that involved a company split among consolidated subsidiaries. Accordingly, the company names of the Company and its subsidiaries changed as follows:

After change	Before change
AVANT GROUP CORPORATION	AVANT CORPORATION
AVANT CORPORATION	DIVA CORPORATION
DIVA CORPORATION	FIERTE CORPORATION
 - “Principal Profit and Loss Information” of consolidated subsidiaries whose net sales (excluding inter-company sales among consolidated companies) exceed 10% of consolidated net sales are as follows:

Name	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit before income taxes (Millions of yen)	Profit (Millions of yen)	Net assets (Millions of yen)	Total assets (Millions of yen)
AVANTCORPORATION	8,338	1,385	1,397	1,397	1,002	1,656	5,163
ZEAL CORPORATION	7,575	1,209	1,204	1,206	839	1,477	3,104
DIVA CORPORATION	5,871	1,309	1,309	1,122	804	1,498	4,257

(Note) Net sales of each subsidiary before and after corporate reorganization are as follows.

Name	Jul. – Sept. 2022 (Before reorganization)	Oct.2022 – Jun. 2023 (After reorganization)
AVANT CORPORATION	2,310	6,028
ZEAL CORPORATION	1,916	5,658
DIVA CORPORATION	886	4,985

1-5 [Information on Employees]

(1) Employees of Consolidated Companies

As of June 30, 2023

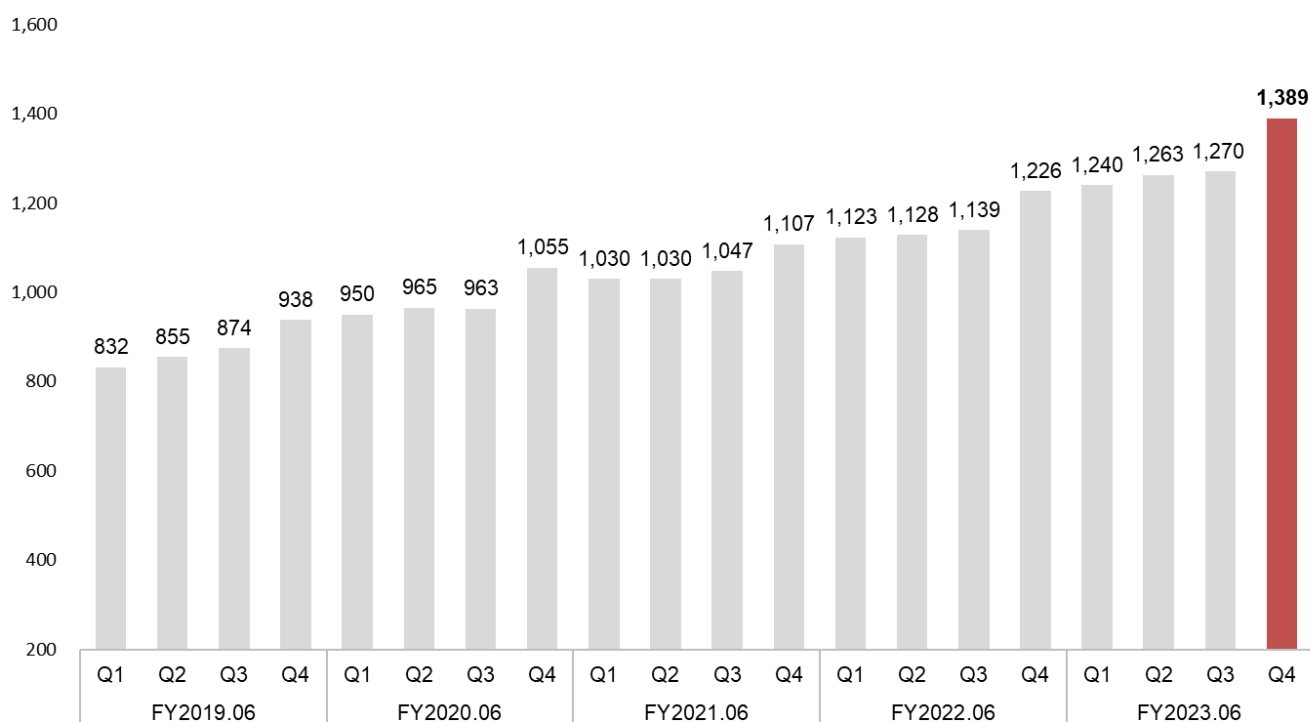
Name of segment	Number of employees (Persons)
Group Governance Business	547 (10)
Digital Transformation Business	429 (0)
Outsourcing Business	376 (12)
Corporate (common)	37 (0)
Total	1,389 (22)

- (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 163 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.

Number of Employees of the Group by Quarter

(Persons)



(2) Employees of Parent Company

As of June 30, 2023

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
37 (0)	43.9	5.4	8,445,000

- (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.

(4) Percentage of Female Workers in Management Positions, Percentage of Male Workers Taking Childcare Leave, and Wage Gap Between Male and Female Workers

(i) Parent Company

Fiscal year ended June 30, 2023				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Notes 2&3)	Wage gap between male and female workers (%) (Notes 1&3)		
		All workers	Full-time workers	Part-time workers and fixed-term workers
21.4	-	68.8	70.4	-

- (Notes)
1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015)
 2. The percentage of workers taking childcare leave, etc. set forth in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) was calculated in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
 3. “-” indicates that there are no workers to whom the calculation applies.

(ii) Consolidated Subsidiaries

Fiscal year ended June 30, 2023					
Name	Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Notes 2&3)	Wage gap between male and female workers (%) (Notes 1&3)		
			All workers	Full-time workers	Part-time workers and fixed-term workers
AVANT CORPORATION	6.0	100.0	72.5	74.5	31.9
Internet Disclosure Co., Ltd.	25.0	-	84.2	84.2	-
ZEAL CORPORATION	10.0	33.3	81.7	81.5	89.4
DIVA CORPORATION	8.2	9.1	75.1	75.5	42.6

- (Notes)
1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015)
 2. The percentage of workers taking childcare leave, etc. set forth in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) was calculated in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
 3. “-” indicates that there are no workers to whom the calculation applies.

(iii) The Group

Fiscal year ended June 30, 2023				
Percentage of female workers in management positions (%) (Note 3)	Percentage of male workers taking childcare leave (%) (Note 4)	Wage gap between male and female workers (%) (Note 3)		
		All workers	Full-time workers	Part-time workers and fixed-term workers
8.8	36.8	73.6	74.2	53.1

- (Notes)
1. These figures cover consolidated subsidiaries set forth in Article 2, Item 5 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
 2. Calculation of overseas subsidiaries is omitted as they are not subject to publication obligations under the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015) and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
 3. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
 4. The percentage of workers taking childcare leave, etc. set forth in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) was calculated in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

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 inventive 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 to as many as possible.

(2) Target Management Indicators

The Group sets six key target management indicators: “net sales,” “profit,” “operating profit per person,” “software gross profit,” “ROE,” and “DOE,” with specific targets for each. The specific targets for each of these indicators are announced in our new medium-term management plan, “BE GLOBAL 2028,” which covers the five-year period through the fiscal year ending June 30, 2028.

In the new medium-term management plan, we aim to enhance value creation productivity with “operating profit per person” through strategies that focus on software. This initiative is designed to realize a “value creation spiral” with the objective of enhancing human resources value and corporate value. Specifically, we consider “software gross profit,” which indicates the progress of strategy, and “operating profit per person,” which indicates value creation productivity, to be our major strategic indicators.

(3) Medium- to Long-Term Management Strategies

(i) Sustainable Earnings Growth and Business Expansion

The Group has been engaged in business activities based on its medium-term management plan, “BE GLOBAL 2023,” with the goal of “becoming a world-class software company.” With the experience, in August 2023, we announced our new medium-term management plan, “BE GLOBAL 2028,” which

integrates our business strategies and group strategies.

The direction targeted by “BE GLOBAL 2028” is “becoming a software company that contributes to enhancing corporate value.” We aim to realize a value creation spiral in which we utilize software in pursuit of delivering value to our customers and increasing our productivity, use the increased profits to re-invest in R&D and remuneration, and, through these processes, enhance our corporate value. We are focusing our efforts on markets that contribute to companies that are seeking the digital transformation of their management, as markets in which we can perform most effectively.

As sub-categories, DIVA CORPORATION and Internet Disclosure Co., Ltd. target the consolidated financial disclosure market, ZEAL CORPORATION targets the BI, data infrastructure and DX market, and AVANT CORPORATION targets the investor-perspective next-generation management information platform market. Each of these companies is conducting its respective business in markets with annual growth potential of 15% to 30%.

With the change of our three business segments to the Consolidated Financial Disclosure Business, Digital Transformation Business, and Management Solutions Business from the fiscal year ending June 2024, we will strive for sustainable earnings growth and business expansion.

(ii) Software-Driven Strategy

The Group has adopted a software-driven strategy as a means of realizing our strategic materiality. With this strategy, we clarify the growth potential and profitability of individual software, measure the degree of actual contribution to customers, and strive for continuous optimization. We use software gross profit as a measurement indicator to check the progress of this strategy.

(iii) Enhancement of Value Creation Productivity

We aim to approximately double our net sales and approximately triple profit during the new medium-term management plan, and have positioned “value creation productivity” as a key factor for the achievement of this target. “Value creation productivity” is a concept that focuses on both the increase in net sales with the same input costs and the decrease in input costs for the same net sales.

(4) Priority Business and Financial Issues to Be Addressed

In August 2023, the Group announced our new medium-term management plan, “BE GLOBAL 2028,” a five-year action plan that synchronizes our business strategies and group strategies.

The issues to be addressed by the Company in realizing “BE GLOBAL 2028” are as follows:

1. Manifestation of demand in the growth market of management digital transformation

The Group has positioned the management digital transformation (DX) market, targeting companies seeking the enhancement of corporate value, as the domain in which the Group as a whole can be most of service today. As sub-categories of that market, we have positioned DIVA CORPORATION and Internet Disclosure Co., Ltd. in the consolidated financial disclosure market, ZEAL CORPORATION in the BI, data infrastructure and DX market, and AVANT CORPORATION in the investor-perspective next-generation management information platform market. The respective markets in which they are positioned each have annual growth potential of 15% to 30%.

In each market, we need to identify what our customers want precisely and manifest the potential of the growth market.

2. Promotion of a software-driven strategy to realize contributions to customers

Having set forth a strategic materiality of “becoming a software company that contributes to enhancing corporate value,” the Group’s focus will be on software as a means of contributing to our customers. To this end, we will visualize the growth potential and profitability of individual software products, measure which software products play a role in actual contributions to customers and to what extent, and strive for optimization. We call this our software-driven strategy.

In addition to optimizing our existing software products, we will enhance our software product lineup through in-house development and procurement from other companies. For this purpose, we will strengthen our handling of software products that would be likely to help realize our materiality from a global perspective. Specifically, we will build cooperative relationships that differ from those with regular distributors through minority investments in overseas SaaS vendors and software development companies to increase the number of software products handled by the company and, at the same time, expand our network to enhance our own development capabilities.

3. Enhancement of value creation productivity

The Group's goal is to achieve profit growth that exceeds sales growth. The realization of this profit growth will require either "enhancement of sales productivity" to increase net sales per person with the same costs (cost of goods sold and SG&A) or "enhancement of cost productivity" to lower costs against the same net sales. It will demand the enhancement of "value creation productivity," which has both of these perspectives.

We envisage that software procurement and R&D for the utilization of generative AI will be major pillars among the means to achieving this goal. We will establish a new Materiality Initiative Office to lead the entire Group in this regard, thereby promoting the enhancement of value creation productivity.

4. Establishment of environment for enhancement of human capital value

Items 1. to 3. above make it clear what we should aim for, but the realization of those aims is premised on the enhancement of human capital value. We will clarify the human resources requirements needed to realize our aims and prepare a growth environment in an effort to bridge that gap.

While focusing primarily on the growth of existing employees, in areas where achieving our aims would be difficult with our internal personnel alone, we will also invite excellent talent from outside the Group. In addition to regular recruitment, we will also explore the discovery of human resources in the course of building a network related to software procurement.

5. Increase employee job satisfaction

A major asset of the Group is our excellent employees who possess a high level of technology and expertise and a spirit of challenge. The Group views "increasing quality jobs" as an important role of management, and 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.

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 advocates, supports, and implements essential values in the four areas of human rights, labor, the 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 for sporting events and cultural activities sponsored by local governments and industry associations.

2-2 [Approaches and Initiatives Concerning Sustainability]

The Group's approaches and initiatives concerning sustainability are as follows.

Forward-looking statements in the text are based on judgments made as of the end of the current fiscal year and may differ materially from actual results due to a variety of factors.

(1) Approach to Sustainability

The Group's management philosophy, "Creation of a 100-Year Company," represents the purpose of its existence as a public institution of society and its stance of pursuing sustainable development. We view our mission as to contribute to society by increasing the added value of management information. We firmly believe that behavior that is always considerate of the balance between economic activities, environmental conservation, and social justice in collaboration with stakeholders will lead to sustainable development.

(2) Initiatives Concerning Sustainability

(i) Governance

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 and to properly manage risks. It has also established company-wide management structures to promptly address compliance issues. The CRM Committee sets key risk and compliance items and targets, and monitors and discusses risk countermeasures on a regular basis. Material information is reported to the Board of Directors by the Group CRO, which serves as the secretariat of the CRM Committee, and further discussions are conducted as necessary.

(ii) Strategy

a. Sustainability strategy

i) Environment – Climate change

In the Group's greenhouse gas emissions, direct emissions from the use of fuel, etc. (Scope 1) were zero, while indirect emissions from the use of electricity, steam, and heat (Scope 2) amounted to 358.734 tons in the fiscal year ended June 30, 2023. On the other hand, indirect emissions through procurement of raw materials, employee business travel, and outsourcing of waste disposal, etc. (Scope 3) amounted to 11,119.281 tons-CO₂ in the fiscal year ended June 30, 2023. Although increases in emissions will be unavoidable in the medium to long term as our businesses expand, we will work to curb excessive electricity consumption by encouraging proper working hours and work from home. In addition, through carbon offsetting, we aim to reduce our total greenhouse gas emissions (Scope 1 and 2) by 50% from the base fiscal year ended June 30, 2018 (720 tons) and Scope 3 by 30% from the base fiscal year ended June 30, 2018 (5,481 tons) by the fiscal year ending June 30, 2030.

ii) Society - Responsibility to customers

We believe that the greatest risk to the Group is the loss of continuity of service to our customers due to cyberattacks. In particular, the continuity of our services is an extremely important issue as the services provided by the Group contribute widely to the formation of important information for the survival of a company, such as the generation and disclosure of information that will contribute to our customers' preparation of financial results information and management decisions. Against such risks, the CRM Committee will consider appropriate BCP and report its progress to the Board of Directors.

b. Policy on human resource development, including ensuring diversity of human resources

Under our software-driven strategy, we will enhance compensation and invest in people with the aim of increasing value creation productivity as measured by operating profit per person, and in doing so, realize human capital value creation.

It is our people who not only deliver our services but also create our software products, and it is by human capital value creation that business growth will become sustainable.

We will focus on the following three points as our human resources strategy to support the business model described above.

i. Development and recruitment to realize business strategy

Basic policy on human resources

At AVANT Group, we have consolidated the action guidelines toward our corporate philosophy of "Creating a 100-year Company" that are common to all Group members into three

common values: “Open, Value, and Stretch.”

Based on open communication, we will focus on developing and recruiting human resources who will constantly take on challenges for the sake of our customers.

OPEN: Open communication

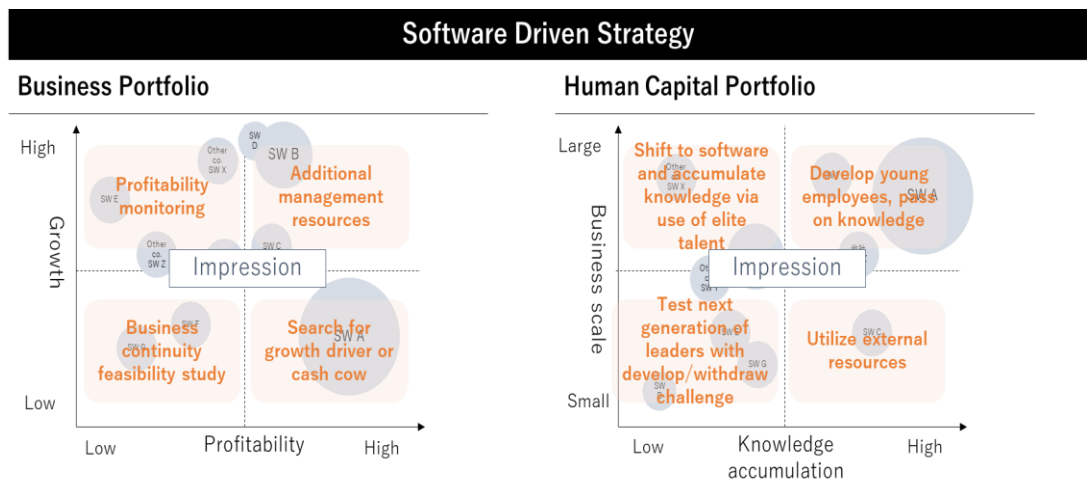
VALUE: Pursuit of customer satisfaction equals value creation

STRETCH: Enjoy changes and challenge to be the best

Human resources policy linked to business strategy

We will aim to realize our strategic materiality through a software-driven strategy that uses software as the basis for everything, starting with the business portfolio and human capital portfolio.

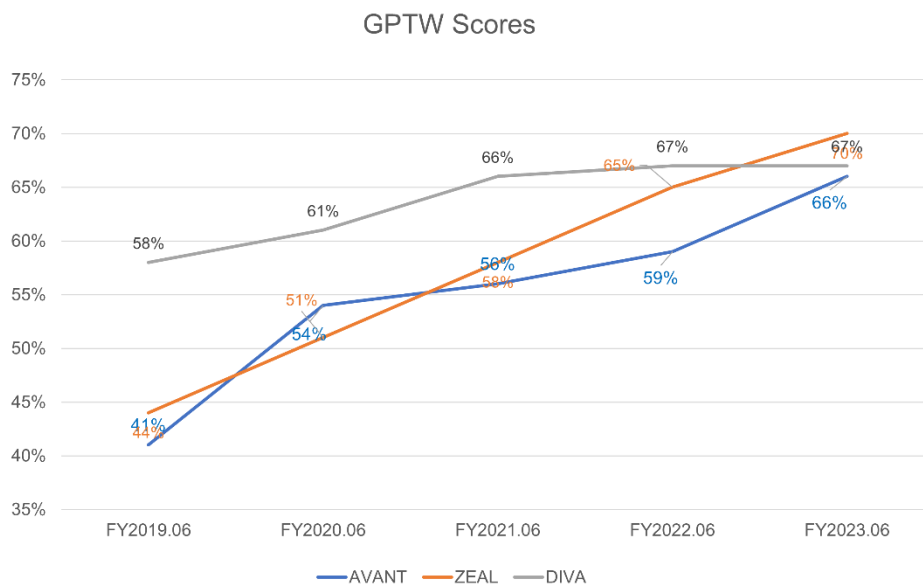
We will also conduct our human resources strategy with software at the center. We will assess what kinds of human resources will be optimal according to business size and knowledge accumulation and link those assessments to the recruitment of human resources and development actions required for the Group’s growth to accelerate business growth.



To realize the strategic materiality of “becoming a software company that contributes to enhancing corporate value,” we have introduced the “RS Trust,” a share granting plan for employees of the Group to raise employees’ awareness of the need to improve the corporate value of our company, to have employees contribute to improving corporate value through their own actions, to have employees take the initiative in making efforts, and to share the results over the medium to long term with other stakeholders.

ii. Increase employee job satisfaction

We strive to maximize performance by ensuring that employees are fully skilled and motivated to work. Using the external assessment score (GPTW®) as one indicator, each Group company has set the goal of raising this GPTW score to 70 points as an important KPI, and established a structure whereby management will be responsible for their progress. Through rotation of the PDCA cycle and verification of the validity of actions, these scores have steadily improved, and we are promoting initiatives to create a highly transparent environment in which both companies and individuals can grow together.



iii. Nurturing the next generation of leaders who will support the AVANT Group in the future

We will strive to visualize the human resources pipeline and strengthen our human resources to build the management team for the next generation.

In addition to implementing programs to identify and nurture young next-generation leaders who will drive the Group’s business growth, we will aim to develop human resources who will support the AVANT Group in the future and strengthen the succession pipeline.

(iii) Risk Management

The Group reviews on an annual basis those risks that may affect the achievement of the new medium-term management plan or its existing business foundations, and organizes them into a Management Risks List. In this list, risks that may have a significant impact are classified as “significant risks,” and those material risks that require immediate emergency response in addition to controls at normal times and for which priority should be given when taking actions such as avoidance, mitigation, or transfer of risks are further classified as “particularly important risks.” For each material risk, the Group as a whole promotes focused control activities, and for particularly important risks, the Group primarily monitors the control status on a regular basis to confirm the effectiveness of those controls and makes recommendations for improvements. In this way, we rotate the risk management cycle (PDCA) and conduct other activities necessary for the penetration and thorough implementation of risk management.

(iv) Indicators and Targets

The Group has established the following indicators as KPIs for sustainability indicators.

a. Environmental coefficients

	Fiscal year ended June 30, 2022 Results	Fiscal year ended June 30, 2023 Results	Target (Fiscal year ending June 30, 2030)
GHG emissions (t-CO ₂)	7,962.214	11,478.015	4,197.078
GHG emissions (Scope 2)	513.138	358.734	360.049
GHG emissions (Scope 3)	7,446.076	11,119.281	3,837.029
Electricity usage (1,000 kWh)	1,146	975	-
Of which, ratio of renewable energy	100	100	-

b. Social coefficients

	Fiscal year ended June 30, 2022 Results	Fiscal year ended June 30, 2023 Results	Target
GPTW Score			
AVANT CORPORATION	59	66	70
ZEAL CORPORATION	65	70	70
DIVA CORPORATION	67	67	70

- (Notes)
1. Results of the wage gap between male and female workers are described in “1. [Company Overview], 5 [Information on Employees], (4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and wage gap between male and female workers.”
 2. The GHG emissions results for the fiscal year ended June 30, 2023 are calculated with the electric power co-efficient for March 2023, as the power companies’ coefficients for the period from April 2023 to June 2023, which are used to calculate emissions in Scope 2, are not yet available. The GHG emissions results may be updated when recalculated after the electric power co-efficient for the relevant period is published by the Ministry of the Environment.

2-3 [Business and Other Risks]

The Group has established a Compliance and Risk Management Committee (hereinafter referred to as “CRM Committee”) chaired by a representative director to identify the status of compliance and risk management and to properly manage risks, and has established a company-wide management system to promptly address compliance issues.

Among matters in the Business and Financial Statements and Notes sections of the Annual Securities Report, the 11 risks described below could have a material impact on the achievement of the Group’s business plan or the foundation of its existence. We have designated one of these risks as a “Particularly Important Risk” and are working to address it with priority.

Forward-looking statements in the text are based on judgments made as of the end of the current fiscal year.

(1) Particularly Important Risks

· Risks of cyber-attacks

The cloud services provided by our group include institutional accounting, management accounting, business management, and other services that handle important customer data. For those services, service outages or the loss of customer data due to cyber-attacks could have a significant impact on our customers’ operations. In addition, in the event that such an event were to occur due to reasons attributable to our company, it could have a significant impact on the 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 the Group. For this reason, we recognize that this is a particularly important risk.

To reduce risk, the Group has established 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 Attestation Engagements No. 18 (SSAE18), and we strive to improve the quality of system operations by utilizing objective evaluations from a third-party perspective.

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 Equity Participation and M&A

Under its new medium-term management plan “BE GLOBAL 2028,” the Group aims to achieve sustainable earnings growth and business expansion. 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&As, 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, as well as identifying the financial condition of the investee with which individual businesses are involved quantitatively and qualitatively.

(ii) Risks Related to Business Investment and Capital Investment

To achieve the targets of the new medium-term management plan, the Group is investing in human resources and R&D, investing in product development to enhance product competitiveness, and developing and expanding its business base. However, it is possible that these business investments 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 at the consideration stage of business investment and makes decisions in accordance with the authority stipulated in the “Authority Regulations” in advance. At the implementation stage, 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.

(iii) Risks Related to Securing and Developing Human Resources

If we do not make progress in securing and training the talented and knowledgeable personnel needed to achieve business promotion and growth in the Group 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.

(iv) Risks Related to Dependence on Management

Although the 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 and implement a succession plan, such as appointing the next generation of leaders as directors of operating companies and entrusting their management to them and providing them with supervision and guidance from the holding company, as well as actively promoting recruitment activities.

(v) Risks Associated with Disruption of System Operation of Cloud Service Data

Service or system outages due to the failure of cloud services provided by the Group could have a significant impact on our customers' operations. In the event of a problem such as loss of customer data, the impact would be even greater, which could have a significant impact on the Group's performance and financial position, including the payment of compensation for damages. In addition, delays in the operation of services could also lead to a decline in the social credibility and brand image of the Group.

The Group is promoting various reinforcement measures from the dual perspectives of preventing problems from occurring and minimizing the impact when they do occur, in an effort to ensure stable system operation and continuous provision of services.

(vi) Risk of Legal Infringements

We believe that the effective functioning of the Group's compliance system is essential to fulfill our social responsibility as a corporation.

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 CRM Committee promotes compliance activities by establishing quantitative checkpoints for compliance.

(vii) 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. 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.

(viii) Risks Associated with Product Development Quality

The Group has developed several in-house software products in the areas of institutional accounting, management accounting, business administration, 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.

(ix) Information Security Risks Such as Data Loss and Information Leakage

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 infrastructure by outside parties, leakage of information due to errors by an executive, employee, or contractor of the Group, 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. We also conduct quarterly information security training to raise the security awareness of all executives and employees, temporary employees, and outsourced employees.

(x) Natural Disaster Risk

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 lead 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 significant 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, employees, and business partners and the continuity of our business operations by utilizing remote work from normal times.

2-4 [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) and awareness, discussion, and analysis of operating results, etc. of the Group from management’s perspective for the fiscal year ended June 30, 2023.

Forward-looking statements in the text are based on judgments made as of the end of the current fiscal year.

(1) Overview of Operating Results

Key quantitative targets and achievement of the BE GLOBAL 2023 medium-term management plan

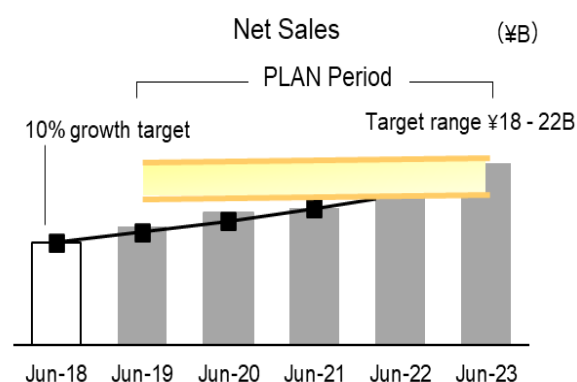
In September 2018, the Group formulated a new five-year medium-term management plan “BE GLOBAL 2023” through the fiscal year ended June 30, 2023, with the goal of “becoming a world-class software company”. In the plan, the Company announced targets for the following six items: sales, recurring sales ratio, operating profit, sales growth rate + operating profit ratio (GPP), ROE, and dividends.

The targets for each of these items and the progress made during the fiscal year ended June 30, 2023, which is the final fiscal year of the plan, are as follows.

	FY22 Actual		FY23 Actual	FY23 Target
Net sales (¥B)	18.70	→ ☀️	21.42	18.0–22.0
Recurring sales ratio (%)	34.6	→ ☂️	35.3	70
Operating profit (¥B)	3.24	→ ☀️	3.28	3.1–3.8
GPP : Sales growth + operating margin (pt)	32.6	→ ☂️	29.9	40 or more
ROE (%)	21.1	→ ☁️☀️	18.3	20 or more
Dividends (yen)	13	→ ☀️	15	15 or more

[Net sales]

The Group has set a target of reaching a target range of 18 to 22 billion yen in the fiscal year ended June 30, 2023. This was the target level based on the assumption that sales growth would continue at an average growth rate of around 10% from the previous fiscal year during the current medium-term plan period. In the fiscal year ended June 30, 2023, we achieved steady growth in all three businesses: Group Governance, Digital Transformation, and Outsourcing, as we proactively responded to growing investment needs among Japanese companies, our customers, to maintain and strengthen competitiveness by upgrading corporate management and activities using data and digital technology, which is becoming a mid- to long-term trend. As a result, each segment achieved an increase in sales, and consolidated net sales amounted to 21,424 million yen. With a 14.5% increase over the previous fiscal year, we reached the target range set for the medium-term plan period and achieved sales growth close to the upper limit.

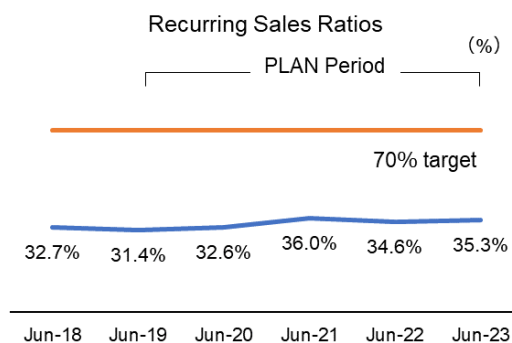


[Recurring sales ratio]

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.

The recurring sales ratio in the fiscal year ended June 30, 2023 was 35.3%, up 0.7 percentage points from the previous fiscal year. While recurring sales grew steadily, including growth in the Outsourcing Business and cloud sales in the Group Governance Business, each business responded to growth opportunities against the backdrop of robust demand, and non-recurring sales, particularly in the Digital Transformation Business, contributed to growth in business scale. This partially resulted in the recurring sales ratio itself falling short of the target level.

Meanwhile, total recurring sales grew 16.9% from the previous fiscal consolidated year. While there are some points to reflect on regarding the appropriateness of the set target, this is rather a result of each business segment of the Group not missing out on growth opportunities and responding appropriately to customer needs against the backdrop of increasing needs for management streamlining and investments in system infrastructure, as symbolized by the acceleration of digital transformation during the current medium-term plan period. In this respect, we do not believe that this is necessarily a poor result.

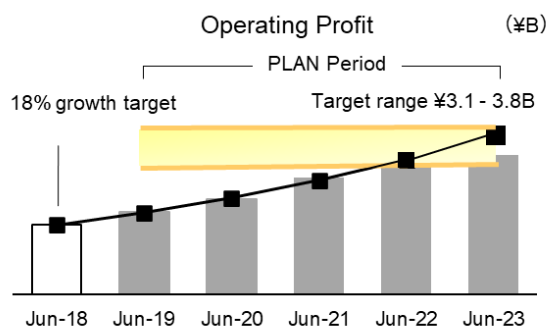


[Operating profit]

The Group set a target of reaching a target range of 3.1 to 3.8 billion yen in the fiscal year ended June 30, 2023 on the basis of an average growth rate of 18% in the medium-term management plan.

In the fiscal year ended June 30, 2023, as the Group as a whole worked to prepare for the start of the new medium-term management plan, there were increases in fixed personnel expenses due to improved compensation and an increase in headcount following reinforced recruitment efforts to strengthen competitiveness for the purpose of securing human resources. On the back of the group reorganization, we had cost increases due to rebranding, as well as product rationalization and improvement of the development environment at the operating companies. There was also an increase in outsourced processing expenses in response to increased demand from customers. Affected by these and other factors, we recorded operating profit of 3,289 million yen.

As described above, operating profit was up 1.3% year-on-year, a slight increase from previous years, due to aggressive spending to realize future growth. However, we were able to achieve the target range level for the current medium-term plan period for operating profit as well as sales.

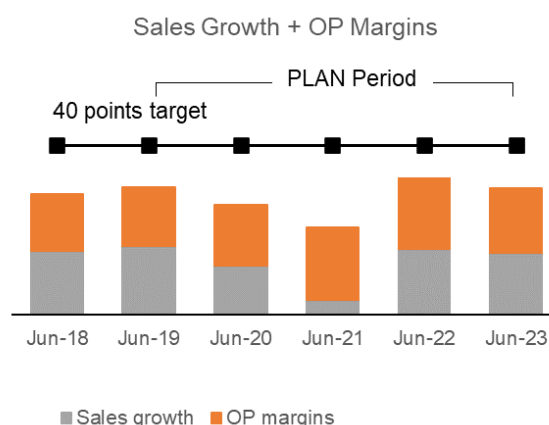


[Sales growth rate + operating profit margin (GPP)]

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

In the fiscal year ended June 30, 2023, each segment continued to experience solid demand growth and achieved double-digit revenue growth with a sales growth rate of 14.5%. However, the operating profit margin deteriorated by 2.0 points to 15.4% due to aggressive spending to realize future growth. As a result, the GPP was 29.9 points.

This was a 2.7-point drop from the previous fiscal year, which meant that the GPP fell short of the target level for the current medium-term plan period. We recognize the need to work toward further accelerating sales growth or improving profitability.

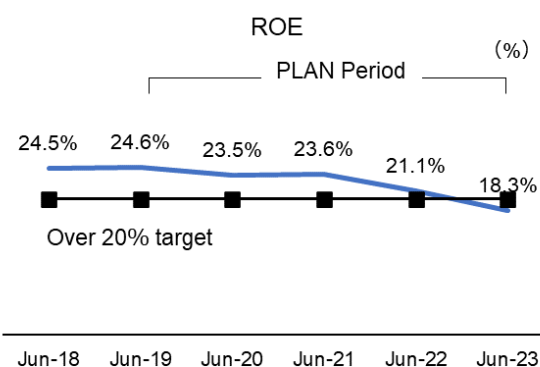


[ROE]

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 or 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 fiscal year ended June 30, 2023 was 18.3%, down 2.8 percentage points from the previous fiscal year, which fell short of the 20% target of the medium-term management plan. This was due to the impact of aggressive temporary spending to realize future growth during the fiscal year ended June 30, 2023, which kept profit growth lower than in previous years.

On the other hand, due to the stable maintenance at the 20% level during the plan period except for the final year, the five-year average was above the 20% level.

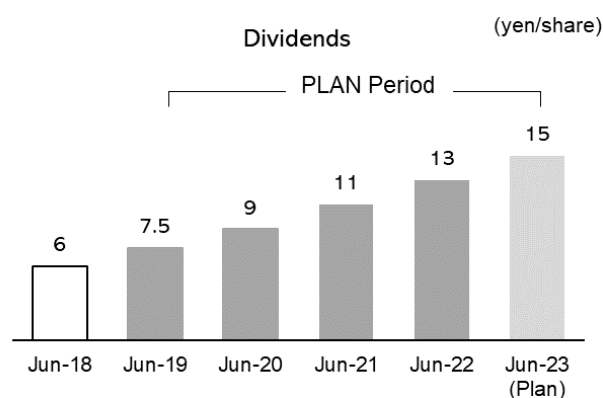


[Dividends]

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 has aimed to achieve operating results and financial condition sufficient to pay a dividend of 15 yen per share for the fiscal year ended June 30, 2023.

In the fiscal year ended June 30, 2023, the Company increased the dividend by 2 yen per share to 15 yen per share, in line with its basic policy of continuous stable dividends. The ratio of dividends to net assets is approximately 4.9%, well above the average for companies listed on the Tokyo Stock Exchange.

The target during the period of the current medium-term plan is expected to be achieved in the fiscal year ended June 30, 2023, the final year of the plan.



New Medium-Term Management Strategy

In September 2018, the Group formulated the “BE GLOBAL 2023,” a five-year medium-term management plan until the fiscal year ended June 30, 2023, with the goal of “becoming a world-class software company.”

Both operational and financial KPIs were achieved, with both net sales and operating profit nearly doubling during the current medium-term plan period. The only KPIs not achieved were the strategic KPIs for our business model transformation goal; however, we were able to increase recurring sales from 4.0 billion yen in the fiscal year ended June 30, 2018 to 7.6 billion yen in the fiscal year ended June 30, 2023.

In the third year of the medium-term management plan, the Group made policy changes in response to the issues with the strategic KPIs and implemented initiatives based on those changes.

Initially, we envisaged using M&As for the transformation of the business model, whose progress was to be measured with strategic KPIs, but we changed course after experiencing several deals that exceeded acceptable risks due to soaring prices and insufficient management capabilities, shifting to a plan based on organic growth, rather than relying on M&As.

In this course change, we defined our strategic materiality as “becoming a software company that contributes to enhancing corporate value” and undertook a business reorganization.

For the business reorganization, we optimized the allocation of operating companies to markets for the realization of the strategic materiality and formulated the medium-term management plan based on the new division of roles of these operating companies. The new medium-term management plan, “BE GLOBAL 2028,” is the outcome of this process.

In the new medium-term management plan, “BE GLOBAL 2028,” we aim to realize a value creation spiral, starting with the improvement of value creation productivity that will be brought about by the software-driven strategy.

Through the improvement of value creation productivity measured by operating profit per person, we will enhance compensation and invest in talent, thus realizing the creation of human capital value. As it is our people who not only deliver our services but also create our software products, it is by human capital value creation that business growth will become sustainable. This will, in turn, result in the creation of corporate value. If corporate value increases, fundraising power will also increase, creating more room for business investment, which will lead to the improvement of value creation productivity.

The direction in which the value creation spiral is heading is our strategic materiality of “becoming a software company that contributes to enhancing corporate value,” and this is what we will realize.

As a B2B software growth company, we will aim to triple profit against a doubling of net sales, for a profit CAGR of at least 25%. To achieve this profit growth, we need either “sales productivity improvement,” meaning to increase net sales per person with the same costs (cost of goods sold and SG&A), or “cost productivity improvement,” that is, lowering costs for the same net sales. These two types of productivity are comprehensively referred to as “value creation productivity.”

We plan to increase operating profit per person, which is an indicator of improvement of value creation productivity, by 1.5 times over five years, and triple our software gross profit, which indicates the progress of our software-driven strategy, over the same period.

As the Group’s shares are categorized as “growth shares,” not “aggressive growth shares,” we use ROE as a financial KPI and will maintain an average ROE of 20%. To ensure stable shareholder returns, we will also maintain an average DOE of 7%.

A detailed analysis of the operating results is provided below.

(2) Discussion on Business Operations

Consolidated financial results for the fiscal year ended June 30, 2023 are as follows.

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

	26th fiscal year (ended June 30, 2022)	27th fiscal year (ended June 30, 2023) (current fiscal year)	Compared to the previous fiscal year	
			Increase/decrease	Percentage change (%)
Net sales	18,703	21,424	2,721	14.5
Operating profit	3,247	3,289	42	1.3
Ordinary profit	2,988	3,265	277	9.3
Profit attributable to owners of parent	2,045	2,094	49	2.4

Consolidated net sales for the fiscal year ended June 30, 2023 were 21,424 million yen (up 14.5% year-on-year) as a result of steady growth in all three businesses: Group Governance, Digital Transformation, and Outsourcing, as we proactively responded to growing investment needs among Japanese companies, our customers, to maintain and strengthen competitiveness by “upgrading corporate management and activities using data and digital technology,” which is becoming a mid- to long-term trend.

As for the improvement of 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 current medium-term management plan, the Outsourcing Business, where the recurring sales ratio is constantly maintained at around 90%, showed a high growth rate, resulting in an increase in the sales composition ratio for the entire Group. The other two businesses also showed improvements in the ratio of recurring sales. As a result, the ratio of recurring sales was 35.3%, up 0.7% from the same period of the previous year. Also, total recurring sales continued to grow steadily, increasing 16.9% year-on-year.

As for profits, as the Group as a whole worked to prepare for the start of the new medium-term management plan, in addition to increases in fixed personnel expenses due to improved compensation and an increase in headcount following reinforced recruitment efforts to strengthen competitiveness for the purpose of securing human resources, due to the group reorganization, there were also rebranding expenses, and costs due to product rationalization and improvement of development environment at the operating companies. There was also an increase in outsourced processing expenses in response to increased demand from customers. Affected by these and other factors, we recorded operating profit of 3,289 million yen (up 1.3% year-on-year), ordinary profit of 3,265 million yen (up 9.3% year-on-year), and profit attributable to owners of parent of 2,094 million yen (up 2.4% year-on-year).

The status of each reportable segment is as follows

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

	26th fiscal year (ended June 30, 2022)	27th fiscal year (ended June 30, 2023) (current fiscal year)	YoY change	
			Increase/decrease	Percentage change (%)
Group Governance Business	9,372	10,033	660	7.0
Digital Transformation Business	7,015	8,381	1,366	19.5
Outsourcing Business	3,044	3,755	711	23.4
Elimination of intersegment transactions	(729)	(746)	(16)	-
Consolidated net sales	18,703	21,424	2,721	14.5

b. Operating profit (Millions of yen, rounded down)

	26th fiscal year (ended June 30, 2022)	27th fiscal year (ended June 30, 2023) (current fiscal year)	YoY change	
			Increase/Decrease	Percentage change (%)
Group Governance Business	2,060	1,709	(350)	(17.0)
Digital Transformation Business	1,244	1,521	277	22.3
Outsourcing Business	661	824	163	24.7
Corporate expenses and elimination of transactions between the Company and its segments, etc.	(718)	(766)	(47)	-
Consolidated operating profit	3,247	3,289	42	1.3

In the Group Governance Business, net sales increased to 10,033 million yen, up 7.0% year-on-year. While growth in solutions that contribute to group management information control was a factor in the increase in sales, sales increased at a limited level due to restrictions imposed on sales activities as a result of an organization restructuring. Aside from an increase in outsourced processing expenses to meet rising demand, expenses increased for product rationalization and development environment improvement that were conducted simultaneously with the reorganization, resulting in a year-on-year decline in profit margins and a decrease in the amount of profit. As a result, operating profit decreased to 1,709 million yen (down 17.0% year-on-year).

In the Digital Transformation Business, the need among customers to utilize data for decision making related to management and business promotion continues to accelerate and has shifted to a focus on the provision of cloud data platforms and ever-larger projects. On the other hand, the business intelligence-related development, the traditional core of the business, was also strong, resulting in an increase in net sales to 8,381 million yen (up 19.5% year-on-year). Although personnel expenses increased due to higher compensation levels intended to strengthen competitiveness by securing staff, this was offset by the effect of higher sales, and operating profit was 1,521 million yen (up 22.3% year-on-year), significantly higher than the previous fiscal year.

In the Outsourcing Business, while continuing to maintain high net sales growth rates, recurring sales continued to build steadily, resulting in net sales increasing to 3,755 million yen (up 23.4% year-on-year). In terms of profitability, there were factors that increased costs, such as the promotion of personnel hiring and increased office space to achieve sustainable growth in the future, but operating profit increased due to the sales growth. As a result, operating profit increased to 824 million yen (up 24.7% year-on-year).

(Production, Orders and Sales)

a. Production

Not applicable.

b. Orders received

The table below shows orders received by business segment in the fiscal year ended June 30, 2023.

Name of segment	Orders received (Millions of yen)	YoY change (%)	Order backlog (Millions of yen)	YoY change (%)
Group Governance Business	9,839	(3.11)	2,938	(6.19)
Digital Transformation Business	9,208	33.41	1,957	73.03
Outsourcing Business	4,016	7.06	2,425	12.06
Elimination of intersegment transactions	(688)	-	(300)	-
Total amount	22,375	11.81	7,021	15.67

c. Sales

The table below shows sales results by segment for the fiscal year ended June 30, 2023.

Name of segment	Sales (Millions of yen)	YoY change (%)
Group Governance Business	10,033	7.0
Digital Transformation Business	8,381	19.5
Outsourcing Business	3,755	23.4
Elimination of intersegment transactions	(746)	-
Total amount	21,424	14.5

(Note) 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.

(3) Discussion on Financial Position

Total net assets at the end of the fiscal year ended June 30, 2023 were 18,705 million yen (up 2,088 million yen from the end of the previous fiscal year). This was mainly due to an increase in cash and deposits of 873 million yen, an increase in prepaid expenses of 285 million yen, an increase in other current assets of 577 million yen, and an increase in investment securities of 260 million yen.

Meanwhile, total liabilities amounted to 6,377 million yen (up 357 million yen from the end of the previous fiscal year). This was mainly due to an increase of 440 million yen in contract liabilities, an increase of 120 million yen in accounts payable - other and accrued expenses, and a decrease of 232 million yen in income taxes payable.

Total net assets amounted to 12,328 million yen (up 1,730 million yen from the end of the previous fiscal year), reflecting profit attributable to owners of parent of 2,094 million yen and payment of dividends of surplus of 489 million yen. As a result, the equity ratio was 65.9% (63.8% at the end of the previous fiscal year), an improvement of 2.1 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 fiscal year ended June 30, 2023 increased by 878 million yen from the end of the previous fiscal year to 10,881 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 2,175 million yen (3,026 million yen earned in the previous fiscal year).

The main factors of increase were profit before income taxes of 3,079 million yen, depreciation of 449 million yen, impairment losses of 186 million yen, and increase (decrease) in contract liabilities of 440 million yen. The main factors of decrease were a decrease in prepaid expenses of 279 million yen and income taxes paid of 1,560 million yen.

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

Funds used in investing activities totaled 795 million yen (398 million yen used in the previous fiscal year).

Major outflows included 225 million yen for purchase of property, plant and equipment, 521 million yen for the purchase of intangible fixed assets, 152 million yen for the purchase of investment securities, and 120 million yen for the payment of leasehold and guarantee deposits. The main cash inflows included 90 million yen in proceeds from redemption of securities and 139 million yen in proceeds from refund of leasehold and guarantee deposits.

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

Net cash used in financing activities totaled 507 million yen. (433 million yen used in the previous fiscal year)

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

Maintenance fees in the Group Governance Business and commission expenses paid for the outsourcing business are prepaid for the year in advance of the provision of services, so as a result, the original business model has almost no need for working capital. On the other hand, in the Digital Transformation Business, as outsourcing expenses and other expenses are paid in advance, working capital demand will increase as sales grow. However, by concentrating the excess funds of the Group as a whole in the holding company, the Group is able to smoothly extend funds across the Group. In addition to the total amount of cash held, the Group has established a commitment line totaling 3.5 billion yen with banks with which it does business. Accordingly, at present there are no concerns about funding.

(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 10,317 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 "(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements)" under "5. [Financial Statements and Notes], 5-1 [Consolidated Financial Statements and Notes], (1) [Consolidated Financial Statements], [Notes to 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) Provision for bonuses

Provision for bonuses is the amount corresponding to the current period of the estimated amount of bonus payments to employees for the following fiscal year. 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.

(iii) Provision for loss on orders 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.

2-5 [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 "(Business Combinations, etc.)" under "5. [Financial Statements and Notes], 5-1 [Consolidated Financial Statements and Notes], (1) [Consolidated Financial Statements], [Notes to Consolidated Financial Statements]."

2-6 [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 fiscal year ended June 30, 2023 was 375 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

We are working on the development of products and solutions necessary for our customers to promote digital transformation.

(3) Outsourcing Business

We are working on the development of products such as foundation platforms for the provision of services.

3. [Information on Facilities]

3-1 [Summary of Capital Expenditures]

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 fiscal year ended June 30, 2023 totaled 623 million yen (including software), and capital investment by segment was as follows: 49 million yen in the Group Governance Business, 10 million yen in the Digital Transformation Business, 115 million yen in the Outsourcing Business, and 446 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 fiscal year ended June 30, 2023.

3-2 [Major Facilities]

Major facilities in our group are as follows.

(1) Parent company

As of June 30, 2023

Office (Location)	Business segment	Equipment	Book value (Millions of yen)					Number of employees (Persons)
			Buildings	Tools, furniture and fixtures	Software	Other	Total amount	
Head Office (Minato-ku, Tokyo)	Corporate (common)	Office equipment software	-	77	193	52	322	37
Shinjuku Office (Shinjuku-ku, Tokyo)	Corporate (common)	Office equipment	-	0	-	-	0	-

- (Notes)
1. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
 2. The head office, along with the business offices, rent a part of their facilities from consolidated subsidiaries.
 3. "Other" in the book value consists of telephone subscription rights and trademark rights.

(2) Domestic Subsidiaries

As of June 30, 2023

Company name	Segment name	Office (Location)	Equipment	Book value (Millions of yen)					Number of employees (Persons)
				Buildings	Tools, furniture and fixtures	Software	Other	Total amount	
AVANT CORPORATION	Group Governance Business	Head Office (Minato-ku, Tokyo)	Office equipment Software	16	16	15	-	48	385
		Osaka Office (Osaka City, Osaka Prefecture)	Office equipment	0	2	-	-	2	54
Internet Disclosure Co., Ltd.	Group Governance Business	Head office (Chuo-ku, Tokyo)	Office equipment	-	11	-	-	11	11
ZEAL CORPORATION	Digital Transformation Business	Head Office (Shinagawa-ku, Tokyo)	Office equipment Software	3	10	7	0	21	407
		Osaka Office (Osaka City, Osaka Prefecture)	Office equipment	8	0	-	-	9	22
DIVA CORPORATION	Outsourcing Business	Head office (Shinjuku-ku, Tokyo)	Office equipment Software	168	36	17	-	222	376
	Group Governance Business	Konan Office (Minato-ku, Tokyo)	Office equipment Software	62	19	18	-	100	97

- (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.

3-3 [Plans for New Installation and 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 shares	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, 2023)	Number of shares issued as of the date of submission (September 25, 2023)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Contents
Common shares	37,645,851	37,645,851	Tokyo Stock Exchange Prime Market	Number of shares per unit 100 shares
Total	37,645,851	37,645,851	-	-

(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, Share Capital, 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 share capital (Millions of yen)	Balance of share capital (Millions of yen)	Increase (decrease) in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 19, 2018 (Note 1)	9,094	18,785,094	7	295	7	232
October 17, 2019 (Note 2)	8,397	18,793,491	7	303	7	240
December 1, 2019 (Note 3)	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
October 28, 2022 (Note 7)	16,134	37,641,635	12	341	12	277
October 28, 2022 (Note 8)	4,216	37,645,851	3	345	3	281

(Notes) 1. 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

2. Issuance of new shares as compensation for restricted stock.

Issue price 1,845 yen

Capitalization 922.5 yen

Allottees Total of 10 Corporate Officers of the Company and Directors of the Company's subsidiaries

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

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

7. Issuance of new shares as compensation for restricted stock.

Issue price 1,571 yen

Capitalization 785.5 yen

Allottees Total of 15 Corporate Officers of the Company and Directors of the Company's subsidiaries

8. Issuance of new shares as performance-linked stock-based compensation.

Issue price 1,571 yen

Capitalization 785.5 yen

Allottee One director of the Company

(5) [Status by Owner]

As of June 30, 2023

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 traders	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individual	Individual			
Number of shareholders (Persons)	-	12	20	34	114	16	2,437	2,633	-
Number of shares held (Unit)	-	55,933	5,516	30,076	64,633	1,779	218,460	376,397	6,151
Percentage of shares held (%)	-	14.86	1.47	7.99	17.17	0.47	58.04	100.00	-

(Note) 2,998 shares of treasury shares (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, 2023

Name or designation	Address (e.g. of house)	Number of shares held (Shares)	Ratio of shares held to total number of issued shares (excluding treasury shares) (%)
Tetsuji Morikawa	Minato-ku, Tokyo	9,764,000	25.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	3,197,300	8.49
Tsuyoshi Noshiro	Asaka City, Saitama Prefecture	1,868,800	4.96
Custody Bank of Japan, Ltd.(Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,801,800	4.79
OBIC BUSINESS CONSULTANTS CO., LTD	8-1, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo	1,600,000	4.25
Avant Employee Stock Ownership Plan	15-2, Konan 2-chome, Minato-ku, Tokyo	1,436,700	3.82
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)	1,262,502	3.35
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)	975,300	2.59
PCA Corporation	1-2-21 Fujimi, Chiyoda-ku, Tokyo	778,400	2.07
Tatsuru Nakayama	Kawasaki City, Kanagawa Prefecture	653,508	1.74
Total	-	23,338,310	62.00

(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)

3,197,300 shares

Custody Bank of Japan, Ltd. (Trust Account)

1,801,800 shares

(7) [Status of Voting Rights]

(i) [Outstanding Shares]

As of June 30, 2023

Classification	Number of shares	Number of voting rights	Contents
Non-voting stock	-	-	-
Shares with restricted voting rights (Treasury shares, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Full voting shares (Treasury shares, etc.)	(Treasury shares) Common shares 2,900	-	-
Shares with full voting rights (Other)	Common shares 37,636,800	376,368	-
Odd lot shares	Common shares 6,151	-	-
Total number of shares issued and outstanding	37,645,851	-	-
Voting rights of all shareholders	-	376,368	-

(Note) Common shares in the "Odd lot shares" column include 98 shares of treasury shares held by the Company.

(ii) [Treasury Shares, etc.]

As of June 30, 2023

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 shares) AVANT GROUP CORPORATION	Konan, Minato-ku, Tokyo 2-15-2	2,900	-	2,900	0.01
Total	-	2,900	-	2,900	0.01

(8) [Introduction of Share Ownership System for Officers and Employees]

(Introduction of the Employee Benefit Trust)

1. Overview of the Employee Share Ownership System

Details are included in "(Significant Subsequent Events)" under "5. [Financial Statements and Notes], 5-1 [Consolidated Financial Statements and Notes], (1) [Consolidated Financial Statements], [Notes to Consolidated Financial Statements]."

2. Total number of shares to be acquired by employees

Details are included in "(Significant Subsequent Events)" under "5. [Financial Statements and Notes], 5-1 [Consolidated Financial Statements and Notes], (1) [Consolidated Financial Statements], [Notes to Consolidated Financial Statements]."

3. The scope of persons entitled to beneficiary rights and other rights under the Employee Share Ownership System

Details are included in "(Significant Subsequent Events)" under "5. [Financial Statements and Notes], 5-1 [Consolidated Financial Statements and Notes], (1) [Consolidated Financial Statements], [Notes to Consolidated Financial Statements]."

4-2 [Status of Treasury Shares]

[Type of shares, etc.] Common shares

- (1) [Status of Purchases by Resolution of the General Meeting of Shareholders]

Not applicable.

- (2) [Status of Purchases 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]

Not applicable

- (4) [Status of Disposal and Holding of Purchased Treasury Shares]

Classification	Current fiscal year		Current term	
	Number of shares	Total amount of disposal value (Yen)	Number of shares	Total amount of disposal value (Yen)
Purchased treasury shares offered to subscribers	-	-	-	-
Purchased treasury shares disposed of for cancellation	-	-	-	-
Purchased treasury shares transferred in connection with merger, share exchange, share issuance, or a company split.	-	-	-	-
Other (-)	-	-	-	-
Number of treasury shares held	2,998	-	2,998	-

- (Notes)
1. The number of treasury shares held during the current term does not include the number of shares purchased from September 1, 2023 to the date of submission of this annual securities report.
 2. The number of treasury shares held does not include the number of shares held by the trust account of shares granted to employees.

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 27th Annual General Meeting of Shareholders scheduled to be held on September 27, 2023 to pay a dividend of 15 yen per share 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 fiscal year ended June 30, 2023 are as follows

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
September 27, 2023 Resolution at the Annual General Meeting of Shareholders (planned)	564	15.00

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. In this way, 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

- At the Annual General Meeting of Shareholders held on September 27, 2022, the Company passed a resolution that amends the Articles of Incorporation to make a transition to a company with an audit and supervisory committee. Consequently, the Company made a transition from a company with a board of corporate auditors to a company with an audit and supervisory committee on the same day.

Due to the transition to a company with an audit and supervisory committee as of the date of submission of the Annual Securities Report, the Company has seven Directors (including four Outside Directors), consisting of four Directors (excluding Directors who are Audit and Supervisory Committee Members) and three Directors who are Audit and Supervisory Committee Members.

As a matter for resolution at the 27th Annual General Meeting of Shareholders scheduled to be held on September 27, 2023, the Company proposes the election of four Directors (excluding Directors who are Audit and Supervisory Committee Members) (including two Outside Directors).

- 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; Director (Outside): Naohisa Fukutani; Director (Outside): John Robertson; Director (Audit and Supervisory Committee Member): Tsuyoshi Noshiro; Director (Audit and Supervisory Committee Member): Chie Goto; Director (Audit and Supervisory Committee Member): Makoto Nakano

- 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. With the aims of achieving sustainable growth and increasing corporate value through group management, the Group Management Meeting, chaired by the Group CEO, has a structure in which the Group CFO, Group COO, Group CBO, Group CRO, Group CDO, Group CHRO, and Group CLO attend to discuss important executive issues and report on their respective responsibilities. Executive matters that are material to group management are referred to the Board of Directors by the Group Management Meeting members. All members of the Group Management Meeting attend the Board of Directors meetings of major Group companies in an effort to understand the status of execution and conduct risk management of the individual companies.
- The Company has established the Compliance and Risk Management (CRM) Committee, whose members are primarily the CRM officers of individual Group companies appointed by the committee chairman. The CRM Committee deliberates and reviews important issues and responses concerning corporate ethics, compliance, and risk management, and promptly reports them to the Board of Directors.
- As of the date of submission of the Annual Securities Report, the CRM Committee consists of the following members. Mr. Hiroki Takemura serves as a committee member and the secretariat concurrently.

Committee Chairman: Tetsuji Morikawa, President and Representative Director

Committee Member: Naoyoshi Kasuga, Director

Tsuyoshi Noshiro, Director (Audit and Supervisory Committee Member)

Takahiro Okabe President and Representative Director, AVANT CORPORATION

Tatsuru Nakayama, Director, AVANT CORPORATION

Shingo Moroi, Director, AVANT CORPORATION

Hiroshi Takizawa, President and Representative Director, Internet Disclosure Co., Ltd.

Yoshiyuki Numata, President and Representative Director, ZEAL CORPORATION

Gen Nagata, Representative Director and President, DIVA CORPORATION

Hiroki Takemura, Representative Director and Vice President, DIVA CORPORATION

Eriko Satonaka, Corporate Officer and Group CHRO

Secretariat: Hiroki Takemura, Corporate Officer and Group CRO

Masamitsu Suzuki, Corporate Officer and Group CLO

- The Company has established and operates a whistleblowing system for violations of laws and regulations and other legally questionable acts, with its legal advisors and Directors who are Audit and Supervisory Committee Members as contact points.
- Audit and Supervisory Committee Members 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 and Supervisory Committee. The Audit and Supervisory Committee monitors management from a fair and objective standpoint with respect to the execution of duties by Directors in accordance with the audit policy and assignments determined by the Audit and Supervisory Committee Members and in accordance with the auditing plan.
- As of the date of submission of the Annual Securities Report, the members of the Audit and Supervisory Committee are as follows:
 - Audit and Supervisory Committee Member: Tsuyoshi Noshiro; Audit and Supervisory Committee Member (Outside): Chie Goto; Audit and Supervisory Committee Member (Outside): Makoto Nakano
- The Company has established an optional Remuneration Advisory Committee to incorporate an objective perspective into the remuneration determination process, in an effort to strengthen the supervisory function of the Board of Directors. As of the date of submission of the Annual Securities Report, the members of the Remuneration Advisory Committee are as follows:
 - Representative Director: Tetsuji Morikawa; Director (Outside): Naohisa Fukutani; Director (Audit and Supervisory Committee Member) (Outside): Chie Goto,

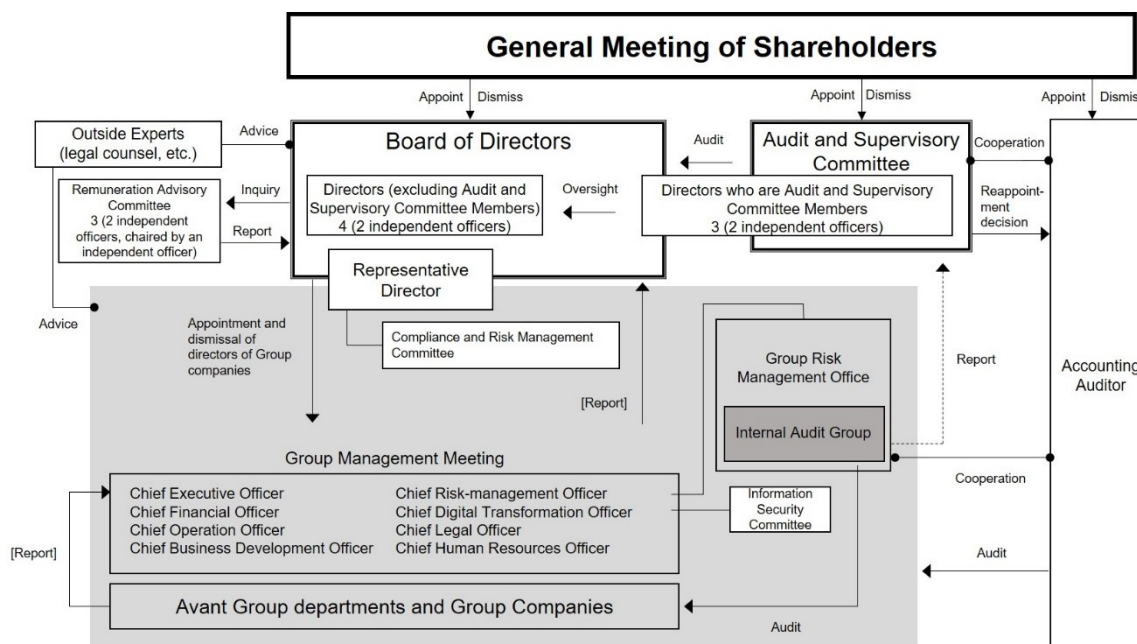
2. Reasons for adopting a corporate governance structure

With the approval of the 26th Annual General Meeting of Shareholders held on September 27, 2022, the Company made a transition from a company with a board of corporate auditors to a company with an audit and supervisory committee in order to further enhance corporate governance by strengthening the supervisory function of each Director by the Board of Directors.

Through the corporate governance structure described below, the Company is working to ensure transparency in management by properly monitoring and auditing the Directors' execution of business while ensuring more prompt and efficient decision-making.

In addition, the Company conducts sound corporate governance by incorporating opinions from outside the Company, including the appointment of several Outside Directors and the establishment of a Remuneration Advisory Committee, whose members include an Outside Audit and Supervisory Committee Member.

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.

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

- Directors shall comply with the Group Code of Conduct and demonstrate leadership in properly executing their duties in accordance with laws, the Articles of Incorporation, the Board of Directors Regulations, and other internal regulations and ensure that employees are fully aware of the importance of compliance.
- The CRM officers 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 in the CRM Committee, and promptly report them to the Board of Directors.
- A whistle-blowing system for reporting violations of laws and regulations and other legally questionable acts, etc., shall be established and operated with external legal counsel and Directors who are Audit and Supervisory Committee Members as the contact points.
- Audit and Supervisory Committee Members shall 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 and Supervisory Committee.

2) 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 in accordance with laws and regulations, the Board of Directors Regulations, Document Management Regulations, and other related regulations.

3) Regulations and other systems for managing the risk of loss

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

- The CRM Committee will strengthen the management and response to ensure compliance.
 - The Information Security Committee will strengthen the management of and response to the management of information assets.
 - 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.
- 4) Systems to ensure the efficient execution of duties by Directors
- The Company's Board of Directors basically meets once a month on a regular basis, and as necessary, to make decisions and promptly execute operations, as well as to supervise important management decisions and the status of business execution by Directors.
 - Various meetings and committees, in which Directors are in charge or members, deliberate and decide on business execution within the scope of their authority stipulated in rules and regulations.
 - Decentralization of management is promoted through organization based on management policies and business plans.
- 5) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
- 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.
 - 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 boards of directors of the Company's subsidiaries make decisions on important matters, but matters that are important for and have impact on the Group, namely, (a) investment, (b) human resources, and (c) finance, including capital policy, are subject to approval from the Company.
 - The Company's subsidiaries basically hold regular meetings of their board of directors once a month and as needed for decision-making and prompt business execution, and the Company's Group Legal Affairs Department confirms the status of the meetings.
 - Employees of the Company's subsidiaries shall report to or consult with the whistle-blowing system hotline 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.
 - The CRM Committee will provide support regarding subsidiaries' problems related to compliance with laws and regulations and other compliance-related issues.
 - 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.
 - The internal audit group 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 the Audit and Supervisory Committee for necessary control.
- 6) Matters concerning employees assisting the duties of Audit and Supervisory Committee Members and matters concerning ensuring the effectiveness of instructions given to such employees
- If the Audit and Supervisory Committee requests the Board of Directors to establish a secretariat to assist with its duties, appropriate personnel from within and outside the Company will be appointed to establish the secretariat. If the appointed person is an employee, the employee will be made to fully understand that he or she is to follow the instructions and orders of the Audit and Supervisory Committee.
- 7) System for Directors who are not Audit and Supervisory Committee Members and employees to report to the Audit and Supervisory Committee and system for directors, corporate auditors, and employees of subsidiaries or those who receive reports therefrom to report to Audit and Supervisory Committee Members
- Audit and Supervisory Committee Members may attend meetings of the Board of Directors and other important meetings, inspect documents necessary for the audit, and request explanations from Directors and employees.
 - Directors, corporate auditors, and employees of the Company and its subsidiaries will report to the Audit and Supervisory Committee of the Company matters that have a material impact on the Company's operation and performance, etc.

- Any disadvantageous treatment of a person who makes a report to the Audit and Supervisory Committee on the grounds that such person has made a report to the Committee is prohibited.
- 8) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
- The Audit and Supervisory Committee will meet regularly with the President and Representative Director to exchange views on business execution policies, risks and issues to be addressed, and important audit issues.
 - The Audit and Supervisory Committee will regularly exchange opinions with the accounting auditor.
 - If an Audit and Supervisory Committee Member requests advance payment or reimbursement of expenses incurred in connection with the execution of his or her duties, the Company will bear such expenses unless they are deemed unnecessary.
- 9) Basic policy on elimination of antisocial forces
- In addition to the basic policy on the internal control system regarding elimination of antisocial forces, efforts will be made to develop the system as follows:
- The Company will declare the elimination of antisocial forces and the prohibition of antisocial acts in the Group Code of Conduct and receive from its officers and employees a written pledge regarding the “Code of Conduct and Management of Confidential Information” every year.
 - The Company, with the general affairs department as a department in charge, appoints a person in charge of preventing improper demands, and primarily cooperates with the jurisdictional police to eliminate antisocial forces. For business partners, we will check on antisocial forces at the time of the execution of the basic contract, and we will make efforts to disseminate and ensure the elimination of antisocial forces and to strengthen our response.

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

With regard to the 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.

A summary of operating status of the system for the current fiscal year is as follows.

- The Company has decided to be a company with an audit and supervisory committee to strengthen the supervisory function of the Board of Directors and further enhance corporate governance.
- The Compliance and Risk Management (CRM) Committee met regularly to review risks and consider countermeasures in response to the changing business environment across the Group. The Board of Directors made efforts to understand the status of compliance after receiving reports from the Group CRO.
- During the current fiscal year, the Board of Directors held 14 meetings, including regular meetings, and conducted supervision by focusing on the agenda for formulating the new medium-term management plan and strengthening governance.
- The Audit and Supervisory Committee Members attended important meetings such as meetings of the Board of Directors, the Group Management Meeting, and the meetings of the boards of directors of subsidiaries, and regularly exchanged opinions with the President and Representative Director and the accounting auditor to ensure the effectiveness of the audit.

(iv) Outline of the Contents of the Liability Limitation Agreement

The Company has entered into an agreement with all Outside Directors and Audit and Supervisory Committee Members 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, Audit and Supervisory Committee Members, 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. 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 shares

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. In addition, the Articles of Incorporation stipulate that the Company shall have no more than five Directors who are Audit and Supervisory Committee Members.

(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 election of Directors shall not be resolved by cumulative voting.

(ix) Requirements for Special Resolutions 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 Directors from Liability

The Company stipulates in its Articles of Incorporation that, in order to enable Directors (including former Directors) 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, based on a resolution of the Board of Directors, if the requirements stipulated in laws and regulations are met.

(xi) Activities of the Board of Directors

The activities of the Board of Directors during the current fiscal year are as follows.

Title	Name	Attendance/number of times held
Representative Director	Tetsuji Morikawa	14 times / 14 times
Director	Naoyoshi Kasuga	14 times / 14 times
Director	Naohisa Fukutani	14 times / 14 times
Director	John Robertson	13 times / 14 times
Director (Audit and Supervisory Committee Member)	Tsuyoshi Noshiro	14 times / 14 times
Director (Audit and Supervisory Committee Member)	Chie Goto	14 times / 14 times
Director (Audit and Supervisory Committee Member)	Makoto Nakano	10 times / 10 times

(Note) From July 2022 to June 2023, the Board of Directors met 14 times. Of the total 1,419 minutes of discussions, 338 minutes (approximately 23%) were devoted to management strategies such as the current medium-term management plan, 322 minutes (approximately 22%) to the strengthening of governance such as institutional design changes, and 144 minutes (approximately 10%) to investments such as investments in VC funds.

(xii) Activities of the Remuneration Advisory Committee

The activities of the Remuneration Advisory Committee during the current fiscal year are as follows.

Title	Name	Attendance/number of times held
Representative Director	Tetsuji Morikawa	8 times / 8 times
Director	Naohisa Fukutani	8 times / 8 times
Director (Audit and Supervisory Committee Member)	Chie Goto	8 times / 8 times

(Note) From July 2022 to June 2023, the Remuneration Advisory Committee met eight times.

At the Remuneration Advisory Committee meetings held during the current fiscal year, discussions took place on various matters, including policy for design of remuneration systems, indicators and composition of short-term incentives/long-term incentives (STI/LTI), stock-based compensation design, and individual remuneration amounts.

(2) [Status of Directors and Officers]

(i) Directors and Officers

1. Directors as of the date of submission of the Annual Securities Report

The following is a summary of the directors as of September 25, 2023 (the date of filing the annual report).

6 male, 1 female (14% 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 March 2017 September 2020	Joined Price Waterhouse Consultants, Inc. Established the Company; President and Representative Director (current position) CEO, DIVA CORPORATION OF AMERICA (current position) External Director, Kayac Corporation (current position) Group CEO (current position)	(Note 3)	9,764,000
Director, in charge of Finance (Group CFO)	Naoyoshi Kasuga	Born on May 13, 1963	April 1987 August 1999 January 2005 October 2010 February 2011 September 2011 September 2020	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 (current position) Group CFO (current position)	(Note 3)	19,721
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 (current position) Joined PricewaterhouseCoopers K.K. (now PwC Advisory LLC), Partner Senior Advisor, PricewaterhouseCoopers K.K. (now PwC Advisory LLC) (current position)	(Note 3)	58,300
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 (current position) President, Snowflake Inc. for Asia Pacific and Japan (current position)	(Note 3)	0
Director (Audit and Supervisory Committee Member)	Tsuyoshi Noshiro	Born on January 6, 1961	October 1985 April 1989 July 1989 February 1998 June 2000 September 2001 September 2011 September 2022	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 (current position) Director, Full-time Audit and Supervisory Committee Member of the Company (current position)	(Note 4)	1,868,800
Director (Audit and Supervisory Committee Member)	Chie Goto	Born on November 30, 1958	April 1984 April 1988 September 1994 October 2006 January 2011 September 2021 September 2022	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 Director and Audit and Supervisory Committee Member of the Company (current position)	(Note 4)	0

Title	Name	Date of birth	Brief personal record		Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Makoto Nakano	Born on January 14, 1968	April 1995 April 1996 April 2001 October 2007 April 2009 April 2018 September 2022	Full-time Lecturer, Faculty of Commerce, Yokohama City University Associate Professor, Faculty of Commerce, Yokohama City University Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Associate Professor, Graduate School of Commerce, Hitotsubashi University Professor, Graduate School of Commerce, Hitotsubashi University Professor, Graduate School of Business Administration, Hitotsubashi University (current position) Director and Audit and Supervisory Committee Member of the Company (current position)	(Note 4)	1,900
Total						11,712,721

- (Notes)
1. Directors Mr. Naohisa Fukutani and Mr. John Robertson, and Directors (Audit and Supervisory Committee Members) Ms. Chie Goto and Mr. Makoto Nakano, are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
 2. 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 14.
 3. The term of office is from the close of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2023.
 4. The term of office is from the close of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2024.

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

The Company proposes “Election of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)” as a proposal (matter to be resolved) for the 27th Annual General Meeting of Shareholders to be held on September 27, 2023. If the proposal is approved, the status of the Company’s Directors and officers will be as follows. The title and brief biography include the details of the resolutions of the Board of Directors to be held immediately after the 27th Annual General Meeting of Shareholders.

6 male, 1 female (14% of board members are female)

Title	Name	Term of office
President and Representative Director (Group CEO)	Tetsuji Morikawa	See Note 3.
Director, in charge of Finance (Group CFO)	Naoyoshi Kasuga	See Note 3.
Director	John Robertson	See Note 3.
Director	Tatsuya Kamoi	See Notes 3 and 5.
Director and Audit and Supervisory Committee Member	Tsuyoshi Noshiro	See Note 4.
Director and Audit and Supervisory Committee Member	Chie Goto	See Note 4.
Director and Audit and Supervisory Committee Member	Makoto Nakano	See Note 4.

- (Notes)
- Directors Mr. John Robertson and Mr. Tatsuya Kamoi, and Directors (Audit and Supervisory Committee Members) Ms. Chie Goto and Mr. Makoto Nakano, are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
 - 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 15.
 - The term of office is from the close of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2023 to the close of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2024.
 - The term of office is from the close of the Annual General Meeting of Shareholders for the fiscal year ended June 30, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ending June 30, 2024.
 - A brief personal history, etc. of Mr. Tatsuya Kamoi, a newly appointed Director, is as follows.

Title	Name	Date of birth	Brief personal record	Number of shares held (Shares)
Director	Tatsuya Kamoi	Born on February 10, 1961	<p>April 1983 Joined Seiko Epson Corporation</p> <p>January 2006 Executive Officer, IBM Japan, Ltd., and Director, IBM Business Consulting Services Ltd.</p> <p>January 2012 Managing Executive Officer, IBM Japan, Ltd.</p> <p>August 2014 Representative Director and Mercer Far East Market Leader, Mercer Japan Ltd.</p> <p>October 2019 Senior Corporate Executive, NEC Corporation</p> <p>April 2020 Representative Director, ABeam Consulting Ltd.</p> <p>April 2023 Vice Chairman of the Board, ABeam Consulting Ltd. (current position)</p>	–

(ii) Status of Outside Directors

As of the date of submission of the Annual Securities Report, the Company has four Outside Directors, two of whom are Audit and Supervisory Committee Members.

Outside Director Mr. Naohisa Fukutani has long years of rich experience and broad insight in finance as well as his own experience in management, and Outside Director Mr. John Robertson has been deeply involved in various operations and organizational management in the IT industry in Japan and Asia. 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 Audit and Supervisory Committee Member Ms. Chie Goto is a licensed attorney and certified public accountant and has extensive knowledge of legal and financial accounting matters.

Outside Audit and Supervisory Committee Member Mr. Makoto Nakano has extensive knowledge in a wide range of fields, including business administration, accounting and corporate finance.

Based on their backgrounds, we believe that they will be able to appropriately perform their duties as Outside Audit and Supervisory Committee Members, including providing useful advice in management judgment and decision-making, based on their full understanding of the Company's management.

Outside Director Mr. Naohisa Fukutani and Director and Audit and Supervisory Committee Member Mr. Makoto Nakano are shareholders of the Company, but they are not major shareholders with their respective shareholding ratios of less than 1%, and there is no special interest between either of them and the Company. Therefore, the Company believes that they are 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. John Robertson, Outside Audit and Supervisory Committee Member Ms. Chie Goto, and Outside Audit and Supervisory Committee Member Mr. Makoto Nakano 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 Audit and Supervisory Committee Members, 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 laws and regulations if the requirements stipulated by laws and regulations are met.

In appointing Outside Directors and Outside Audit and Supervisory Committee Members, 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 Audit and Supervisory Committee Members 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 (Executive Director, Executive Officer, Corporate Officer, employee or servant) of the Company or its subsidiaries or affiliates (collectively, the “Group”) for the past 10 years
2. A person who directly or indirectly holds 10% or more of the total voting rights of the Company or its executive
3. A person who deems the Group as its major transaction partner (Note 1) or a person who is a major transaction partner of the Group (Note 1), or its executive
4. A person who receives a large amount of money or other financial benefits (Note 2) other than officers’ remuneration as compensation for providing professional services such as consultants, lawyers, certified public accountants, and certified tax accountants to the Group, or its executive
5. A person who receives donations or grants exceeding 15 million yen per year from the Group or its executive
6. A person who belongs to the auditing firm which is the accounting auditor of the Group
7. An executive of a company to which the Group’s executive is appointed as a director or officer
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.

- (Notes)
1. Major transactions are defined as transactions involving the transfer of more than 2% of annual consolidated net sales or loans exceeding 2% of consolidated total assets.
 2. “Large amount” means that, in the case of an individual who provides professional services, the annual profit received from the Group, excluding officers’ 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) Cooperation between Supervision or Audit by Outside Directors and Internal Audit, Audit by the Audit and Supervisory Committee and Accounting Audit, and Their Relationship with the Internal Control Division

Outside Directors and Outside Audit and Supervisory Committee Members attend monthly meetings of the Board of Directors and ask questions, and provide advice and comments on the status of business execution as appropriate, thereby strengthening governance.

Outside Audit and Supervisory Committee Members and internal auditors attend the accounting audit reporting meetings in which both accounting auditors and internal auditors are given opportunities to hold mutual hearings and discussions, thereby confirming the status of internal controls in operations and finances.

In addition, Outside Audit and Supervisory Committee Members 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 Audit and Supervisory Committee

1. Organization, personnel and procedures for audits by Audit and Supervisory Committee

Based on the resolution of the 26th Annual General Meeting of Shareholders held on September 27, 2022, the Company made a transition from a company with a board of corporate auditors to a company with an audit and supervisory committee.

As of the date of submission of the Annual Securities Report, the Company's Audit and Supervisory Committee consists of two Outside Audit and Supervisory Committee Members out of three members, who monitor and audit the Company's management based on their expertise and experience. The Audit and Supervisory Committee Members report to each other on the status of their duties at meetings of the Audit and Supervisory Committee to share the same understanding of auditing operations.

Two of the Audit and Supervisory Committee Members are certified public accountants and have considerable knowledge of finance and accounting.

2. Activities of the Board of Corporate Auditors and the Audit and Supervisory Committee

During the current fiscal year, the Company held a total of 5 meetings of the Board of Corporate Auditors, and a total of 13 meetings of the Audit and Supervisory Committee. The attendance of individual Corporate Auditors and Audit and Supervisory Committee Members is as follows.

a. Board of Corporate Auditors

Title	Name	Attendance/number of times held
Full-time Corporate Auditor	Tsuyoshi Noshiro	5 times / 5 times
Outside Corporate Auditor	Kunio Suzuki	4 times / 5 times
Outside Corporate Auditor	Chie Goto	5 times / 5 times

b. Audit and Supervisory Committee

Title	Name	Attendance/number of times held
Director and Audit and Supervisory Committee Member	Tsuyoshi Noshiro (Note 1)	13 times / 13 times
Director and Audit and Supervisory Committee Member (Outside)	Chie Goto (Note 1)	13 times / 13 times
Director and Audit and Supervisory Committee Member (Outside)	Makoto Nakano (Note 2)	13 times / 13 times

- (Notes)
1. Retired from the position of Corporate Auditor at the 26th Annual General Meeting of Shareholders held on September 27, 2022 and became an Audit and Supervisory Committee Member on the same day.
 2. Assumed office at the 26th Annual General Meeting of Shareholders held on September 27, 2022.

The specific matters considered by the Audit and Supervisory Committee 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 Audit and Supervisory Committee, the Audit and Supervisory Committee Members communicate with the Directors and others in accordance with their assigned duties, 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.

(ii) Status of Internal Audits

The Internal Audit Department, consisting of two 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 Audit and Supervisory Committee.

(iii) Status of Accounting Audit

1. Name of audit firm

Deloitte Touche Tohmatsu LLC

2. Continuous audit period: 23 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	8 persons
Other	14 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 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 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 and Supervisory Committee will dismiss the accounting auditor with the unanimous consent of the Audit and Supervisory Committee Members if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 5 of the Companies Act.

6. Evaluation of the audit firm by the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company has 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	Fiscal year ended June 30, 2022		Fiscal year ended June 30, 2023	
	Remuneration based on audit attestation services (Millions of yen)	Compensation for non-audit services (Millions of yen)	Remuneration based on audit attestation services (Millions of yen)	Compensation for non-audit services (Millions of yen)
Parent company	30	2	30	1
Consolidated subsidiaries	-	-	-	-
Total	30	2	30	1

- (Notes)
1. In addition to the above, there was additional compensation of 2 million yen in the fiscal year ended June 30, 2022 for the audit of the fiscal year ended June 30, 2021.
 2. The Company's non-audit services in the fiscal year ended June 30, 2022 and the fiscal year ended June 30, 2023 involved advisory services on human rights due diligence.

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 Audit and Supervisory Committee, taking into consideration the number of audit days and other factors.

5. Reasons for the Audit and Supervisory Committee's consent to the remuneration, etc. of the accounting auditor

The Audit and Supervisory Committee, 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 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 3, of the Companies Act.

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

(i) Policy and Method of Determining the Amount and Calculation Method of Remuneration, etc., for Directors and Officers

1. Remuneration system and process for determining remuneration amounts

The Company's policy and calculation method for determining remuneration for Directors and officers, as well as the criteria for the remuneration structure and amount of remuneration for Directors and Corporate Officers, were determined by the Board of Directors at its meeting held on September 29, 2022 (a summary of the details is provided below in "2. Remuneration for Directors" and (ii) Purpose of Performance-Linked Remuneration and Performance-Linked Stock Remuneration, Basis for Indicators, and Specific Calculation Methods.").

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

- (a) Policy for determining remuneration, etc. for Directors and Corporate Officers;
- (b) Draft proposals for remuneration, etc. for Directors, Corporate Auditors and Corporate Officers to be submitted to the General Meeting of Shareholders;
- (c) Draft policy for determining the content of individual remuneration, etc. for Directors and Corporate Officers to be submitted to the Board of Directors;
- (d) Draft proposals for the content of individual remuneration, etc. for Directors and Corporate 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. Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)

Remuneration for the Company's Directors is divided into two categories: fixed remuneration (fixed periodic remuneration of the same amount) paid monthly and performance-linked remuneration which is paid every year at a certain time.

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 26th Annual General Meeting of Shareholders held on September 27, 2022 as 150,000 thousand yen or less (the number of Directors immediately following the said meeting was four (including two Outside Directors)).

Performance-linked remuneration, which is for Directors, excluding Outside Directors, (hereinafter referred to as "Eligible Directors" in this "2. Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)") 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 upper limit of performance-linked remuneration was approved at the 26th Annual General Meeting of Shareholders held on September 27, 2022, to be no more than 41,250 thousand yen per Eligible Director per year (the number of Eligible Directors immediately after the meeting was two). In addition, at the 26th Annual General Meeting of Shareholders held on September 27, 2022, the upper limit of medium- to long-term performance-linked remuneration as stock-based compensation was approved at 100,000 thousand yen for each applicable period, and the maximum number of shares to be delivered by the Company to Eligible Directors under the plan is 60,000 shares per year for each Director, or a total of 100,000 shares per year for all Directors (the number of Eligible Directors immediately after the meeting was two).

Since Outside Directors are independent from the execution of business, performance-linked remuneration is not applied to them, and they are paid the fixed remuneration described above.

(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 2022 through September 2025.

3. Remuneration for Directors who are Audit and Supervisory Committee Members

The amount of remuneration for Directors who are Audit and Supervisory Committee Members is also fixed, and is determined through discussions among the Directors who are Audit and Supervisory Committee Members within the maximum amount of remuneration resolved at the general meeting of shareholders. The maximum amount of remuneration was resolved at the 26th Annual General Meeting of Shareholders held on September 27, 2022 to be within 55,000 thousand yen per year (the number of Directors who are Audit and Supervisory Committee Members immediately after the said meeting was three).

(ii) Purpose of Performance-Linked Remuneration and Performance-Linked Stock Remuneration, Basis for Indicators, and Specific Calculation Methods

1. Short-term performance-linked remuneration

This is a remuneration plan in which remuneration is paid in cash, with the amount calculated by multiplying the base amount, which is determined according to position, by the short-term incentive coefficient, which ranges from 0% to 200%. Specifically, it is calculated by the following formula:

$$\text{Short-term performance-linked remuneration} = \text{Short-term performance base amount} \times \text{Short-term incentive coefficient}$$

(1) Parent company

The coefficients are calculated as follows.

With consolidated operating profit for the current fiscal year represented by (a) and consolidated operating profit for the previous fiscal year represented by (b), the value calculated by the following formulae is used as the coefficient.

- | | |
|--|---|
| (i) If (a) is less than or equal to (b): | 0 |
| (ii) If (a) exceeds (b) and is less than (b) × 112%: | $0.5 \times \{1 + ((a) - (b)) \div ((b) \times 12\%)\}$ |
| (iii) If (a) is 112% or more of (b): | $1 + 0.5 \times ((a) - (b) \times 112\%) \div ((b) \times 6\%)$ |

Consolidated operating profit for the current fiscal year, which serves as a performance indicator, was 3,289 million yen, a 1.30% change from the previous fiscal year's consolidated operating profit of 3,247 million yen. Applying this to the formula in (ii) above, the short-term incentive coefficient was 0.55, as shown below. Accordingly, 55% of the short-term performance base amount will be paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 0.5 \times \{1 + (\text{consolidated operating profit for the current fiscal year: 3,289 million yen} - \text{consolidated operating profit for the previous fiscal year: 3,247 million yen}) \div (\text{consolidated operating profit for the previous fiscal year: 3,247 million yen} \times 12\%)\} = 0.55$$

(2) Subsidiaries of the Parent Company

The coefficients are calculated as follows.

Based on GPP, which is calculated by adding the ratio of increase in net sales for the current fiscal year from the previous fiscal year's net sales to the ratio of operating profit to net sales for the current fiscal year, the value calculated by the following formulae is used as the coefficient:

- | | |
|---|---|
| (i) If GPP is less than or equal to 15 points (pts): | 0 |
| (ii) If GPP is greater than 15 pts but less than or equal to 20 pts: | $(\text{Current GPP} - 15 \text{ pts}) \div 5 \text{ pts}$ |
| (iii) If GPP is greater than 20 pts but less than or equal to 25 pts: | $1 + ((\text{current GPP} - 20 \text{ pts}) \div 10 \text{ pts})$ |
| (iv) If GPP is greater than 25 pts but less than or equal to 40 pts: | $1.5 + ((\text{Current GPP} - 25 \text{ pts}) \div 30 \text{ pts})$ |
| (v) If GPP is greater than 40 pts: | 2 |

With the approval of the reorganization of the Group at the 26th Annual General Meeting of Shareholders on September 27, 2022, the Company was reorganized in October 2022. Accordingly, Directors of subsidiaries who are Corporate Officers of AVANT GROUP CORPORATION are evaluated separately in the first quarter and the second to fourth quarters in order to provide a more realistic evaluation of their performance.

For the calculation method, one-quarter of the short-term performance base amount will be provided for the first quarter, and three-quarters of the short-term performance base amount will be provided for the second to fourth quarters.

A. AVANT CORPORATION (former company name: DIVA CORPORATION)

The GPP for the first quarter of the current fiscal year, a performance indicator, was 39.40 points.

As a result of applying this to the formula in (iv) above, the short-term incentive coefficient was 1.98 as shown below, and as such, 198% of the short-term performance-linked remuneration base amount (21 million yen \times 1/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1.5 + (\text{GPP: } 39.40 \text{ pts} - 25 \text{ pts}) \div 30 \text{ pts} = 1.98$$

The GPP for the second to fourth quarters of the current fiscal year, a performance indicator, was 23.72 points.

As a result of applying this to the formula in (iii) above, the short-term incentive coefficient was 1.37 as shown below, and as such, 137% of the short-term performance-linked remuneration base amount (23 million yen \times 3/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1 + (\text{GPP: } 23.72 \text{ pts} - 20 \text{ pts}) \div 10 \text{ pts} = 1.37$$

			1st Quarter (Millions of yen)	2nd to 4th Quarters (Millions of yen)
AVANT CORPORATION	Before reorganization Former company name: DIVA CORPORATION	Net sales for the previous fiscal year: a	1,858	-
		Net sales for the current fiscal year: b	2,310	-
		Operating profit for the current fiscal year: c	349	-
		GPP = $(b \div a - 1 + c \div b) \times 100$	39.40	-
	After reorganization New company name: AVANT CORPORATION	Net sales for the previous fiscal year: d	-	5,658
		Net sales for the current fiscal year: e	-	6,028
		Operating profit for the current fiscal year: f	-	1,036
		GPP = $(e \div d - 1 + f \div e) \times 100$	-	23.72

B. ZEAL CORPORATION

The GPP for the first quarter of the current fiscal year, a performance indicator, was 37.55 points.

As a result of applying this to the formula in (iv) above, the short-term incentive coefficient was 1.91 as shown below, and as such, 191% of the short-term performance-linked remuneration base amount (27 million yen \times 1/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1.5 + ((\text{GPP: } 37.55 - 25 \text{ pts}) \div 30 \text{ pts}) = 1.91$$

The GPP for the second to fourth quarters of the current fiscal year, a performance indicator, was 38.91 points.

As a result of applying this to the formula in (iv) above, the short-term incentive coefficient was 1.96 as shown below, and 196% of the short-term performance-linked remuneration base amount (22 million yen \times 3/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1.5 + (\text{GPP: } 38.91 \text{ pts} - 25 \text{ pts}) \div 30 \text{ pts} = 1.96$$

			1st Quarter (Millions of yen)	2nd to 4th Quarters (Millions of yen)
ZEAL CORPORATION	Before reorganization No change in company name	Net sales for the previous fiscal year: g	1,564	-
		Net sales for the current fiscal year: h	1,916	-
		Operating profit for the current fiscal year: i	287	-
		GPP = $(h \div g - 1 + i \div h) \times 100$	37.55	-
	After reorganization No change in company name	Net sales for the previous fiscal year: j	-	4,614
		Net sales for the current fiscal year: k	-	5,658
		Operating profit for the current fiscal year: l	-	921
		GPP = $(k \div j - 1 + l \div k) \times 100$	-	38.91

C. DIVA CORPORATION (Former company name: FIERTE CORPORATION)

The GPP for the first quarter of the current fiscal year, a performance indicator, was 47.10 points.

As a result of applying this to the formula in (v) above, the short-term incentive coefficient was 2 as shown below, and as such, 200% of the short-term performance-linked remuneration base amount (25 million yen \times 1/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = \text{GPP: } 47.10 \text{ pts (GPP exceeds 40 pts)} = 2$$

The GPP for the second to fourth quarters of the current fiscal year, a performance indicator, was 39.09 points. As a result of applying this to the formula in (iv) above, the short-term incentive coefficient was 1.96 as shown below, and as such, 196% of the short-term performance-linked remuneration base amount (20 million yen \times 3/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1.5 + (\text{GPP: } 39.09 \text{ pts} - 25 \text{ pts}) \div 30 \text{ pts} = 1.96$$

For certain Corporate Officers in charge of DIVA CORPORATION, GPP for the second to fourth quarters is calculated based on the amounts before reorganization because their areas of responsibility are limited.

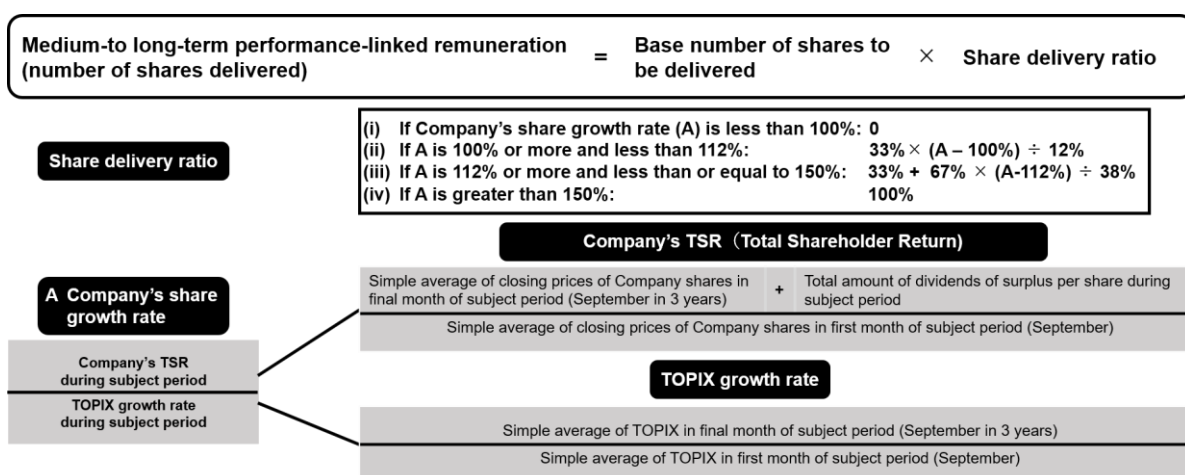
The GPP for the second to fourth quarters of the current fiscal year, a performance indicator, was 44.76 points. As a result of applying this to the formula in (v) above, the short-term incentive coefficient was 2 as shown below, and 200% of the short-term performance-linked remuneration base amount (14 million yen \times 3/4) was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = \text{GPP: } 44.76 \text{ pts (GPP exceeds 40 pts)} = 2$$

			1st Quarter (Millions of yen)	2nd to 4th Quarters (Millions of yen)
DIVA CORPORATION	Before reorganization Former company name: FIERTE CORPORATION	Net sales for the previous fiscal year: m	710	2,333
		Net sales for the current fiscal year: n	886	2,869
		Operating profit for the current fiscal year: o	198	625
		GPP = $(n \div m - 1 + o \div n) \times 100$	47.10	44.76
	After reorganization New company name: DIVA CORPORATION	Net sales for the previous fiscal year: p	-	4,268
		Net sales in the current fiscal year: q	-	4,985
		Operating profit for the current fiscal year: r	-	1,111
		GPP = $(q \div p - 1 + r \div q) \times 100$	-	39.09

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

This is a performance-linked stock remuneration plan that uses performance share units to deliver the common shares of the Company in accordance with the rate of achievement of performance targets. The Company introduced this plan 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 Company's common shares will be delivered based on the number of shares calculated by multiplying the number of shares determined by the Board of Directors of the Company (the base number of shares to be delivered) by the share delivery ratio determined according to the Company's share growth rate, which is a representative indicator of the corporate value of the Company. The Company's share 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 provided to the Eligible Directors, and upon the issuance of shares or disposal of treasury shares by the Company, the Company shares will be delivered by having all such monetary compensation claims contributed in kind.



With regard to stock-based compensation for the President and Representative Director, the Company's 26th Annual General Meeting of Shareholders held on September 27, 2022 approved the restriction on the granting of such remuneration if the adjusted net profit per share for the three-year period through to the end of the subject period (CAGR) is less than 18%, as the Company's medium- to long-term management strategy calls for an annual growth rate of 18% in operating profit.

The Company's TSR for the period from September 2019 through September 2022 was 147.0% and the TOPIX growth rate was 121.7%, resulting in a Company's share growth rate (A above) of 120.7%. Since this corresponds to a case of (iii) If A is 112% or more and less than or equal to 150% of the above share delivery ratio, 48.3% of the 8,726 shares, which is the base number of shares delivered, were delivered.

3. Amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members

Considering the significance of stable income and incentive remuneration in a comprehensive manner, 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%).

Since Outside Directors are independent from the execution of business, performance-linked remuneration is not applied and fixed remuneration is paid.

Composition of Directors' Remuneration

	Fixed remuneration	Short-term performance-linked remuneration	Medium- to long-term performance-linked remuneration
Directors	50–55%	15–20%	30%

The amounts of remuneration paid to Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members for the current fiscal year are as shown in (iii) below. With respect to individual remuneration, etc. of these Directors (excluding Directors who are Audit and Supervisory Committee Members), the Board of Directors has confirmed 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.

Directors who are Audit and Supervisory Committee Members shall receive fixed remuneration only in light of their responsibilities and roles in supervising and auditing the execution of business. The amount of such fixed remuneration shall not exceed 55,000 thousand yen per year and shall be determined by consultation of the Directors who are Audit and Supervisory Committee Members.

(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.

Classification	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of Eligible Directors (Persons)
		Fixed remuneration	Performance-linked remuneration	Of which, non-monetary remuneration, etc.	
Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)	106	86	19	2	2
Audit and Supervisory Committee Members (excluding Outside Directors)	13	13	-	-	1
Corporate Auditors (excluding Outside Corporate Auditors)	3	3	-	-	1
Outside Directors	48	48	-	-	7

- (Notes)
- As of September 27, 2022, the Company transitioned from a company with a board of corporate auditors to a company with an audit and supervisory committee.
 - The total amount of non-monetary remuneration, etc. to Directors (excluding Audit and Supervisory Committee Members and Outside Directors) is 2 million yen in medium- to long-term performance-linked remuneration.
 - The above includes one Director and one Corporate Auditor who retired at the conclusion of the 26th Annual General Meeting of Shareholders held on September 27, 2022.

(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.

(v) Significant Employee Salaries of Officers Concurrently Serving as Employees

Not applicable.

(vi) Remuneration of Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) for the Following Year

Purpose of performance-linked bonus and performance-linked stock remuneration, basis for indicators, and specific calculation methods

1. Performance-linked bonus

At a meeting of the Board of Directors held on August 23, 2023, the Company resolved the following details of the performance-linked bonus to be paid for the evaluation period covering the 28th fiscal year (from July 1, 2023 to June 30, 2024).

Short-term performance-linked remuneration is a plan in which remuneration is paid in cash, and the amount is calculated by multiplying the base amount, which is determined according to position and other factors, by the short-term incentive coefficient. Specifically, it is calculated by the following formula:

$$\text{Short-term performance-linked remuneration} = \text{Short-term performance-linked remuneration base amount} \times \text{Short-term incentive coefficient}$$

(1) Parent company

Short-term performance-linked remuneration paid to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereafter referred to as “Eligible Directors” in this “Remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) for the following year”) is an amount of money calculated in conjunction with the year-on-year increase or decrease in consolidated profit, 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 and other factors, by the short-term incentive coefficient, which is set according to the change in consolidated profit from the previous year, ranging from 0% to 150%. Specifically, it is calculated using the formulae provided below.

With consolidated profit after income taxes for the current fiscal year represented by (a) and consolidated profit after income taxes for the previous fiscal year represented by (b), the value calculated by the following formulae is used as the coefficient.

- (i) If (a) is equal to or less than (b): 0
- (ii) If (a) exceeds (b) and is less than (b) × 137.5%: $(a \div b - 1) \div 0.375 \times 1.5$
- (iii) If (a) is 137.5% or more of (b): 1.5

(2) Subsidiaries of the Parent Company

The Company has adopted the new GPP, which is calculated by adding the IBTM profit margin to the net sales growth rate, as the indicator for performance-linked bonuses paid to Directors of subsidiaries of the Company (limited to Directors who are executive officers of the Company).

New GPP = Net sales growth rate + IBTM profit margin (Note)

(Note) Net sales growth rate = $(\text{Current fiscal year's net sales} \div \text{Previous fiscal year's net sales}) - 1$

IBTM profit margin = $\text{IBTM} \div \text{Net sales}$

* IBTM = Profit before income taxes + Management fee income (2.3% of previous fiscal year’s net sales) + Employee stock-based compensation (number of employees retained from August 1, 2023 to June 30, 2024 × 50 thousand yen) + Trust fees

* On condition of the retention from August 1, 2023 to June 30, 2024 for the 27th fiscal year and retention from July 1 to June 30 for the 28th fiscal year and beyond.

Performance-linked bonuses are calculated by multiplying the performance-linked bonus base amount

by the short-term incentive coefficient, which is set according to the achievement of the new GPP, ranging from 0% to 150%. The coefficient is calculated by the following formulae:

- (i) If new GPP is less than or equal to 17.3 pts: 0
- (ii) If new GPP is greater than 17.3 pts but less than or equal to 22.3 pts: $(\text{New GPP} - 17.3 \text{ pts}) \div 10 \text{ pts}$
- (iii) If new GPP is greater than 22.3 pts but less than or equal to 27.3 pts: $0.5 + ((\text{New GPP} - 22.3 \text{ pts}) \div 20 \text{ pts})$
- (iv) If new GPP is greater than 27.3 pts but less than or equal to 42.3 pts: $0.75 + ((\text{New GPP} - 27.3 \text{ pts}) \div 60 \text{ pts})$
- (v) If new GPP is greater than 42.3 pts but less than or equal to 62.3 pts: $1 + ((\text{New GPP} - 42.3 \text{ pts}) \div 40 \text{ pts})$
- (vi) If new GPP is greater than 62.3 pts: 1.5

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

Medium- to long-term performance-linked remuneration was introduced for Eligible Directors with the aim of further promoting value sharing between Eligible Directors and shareholders through sustained increases in the share price and providing Eligible Directors with incentives to achieve the sustained enhancement of the Company's corporate value. This plan consists of "Part I," in which shares of common stock of the Company are delivered at the end of the subject period on the condition that the share price of the Company increases from the beginning of the subject period, and "Part II," in which shares of common stock of the Company are delivered, with the number of shares calculated according to the growth rate of shares of the Company during the subject period. The subject period for both parts is from September of each year to September of the following year. An overview of each part is provided below.

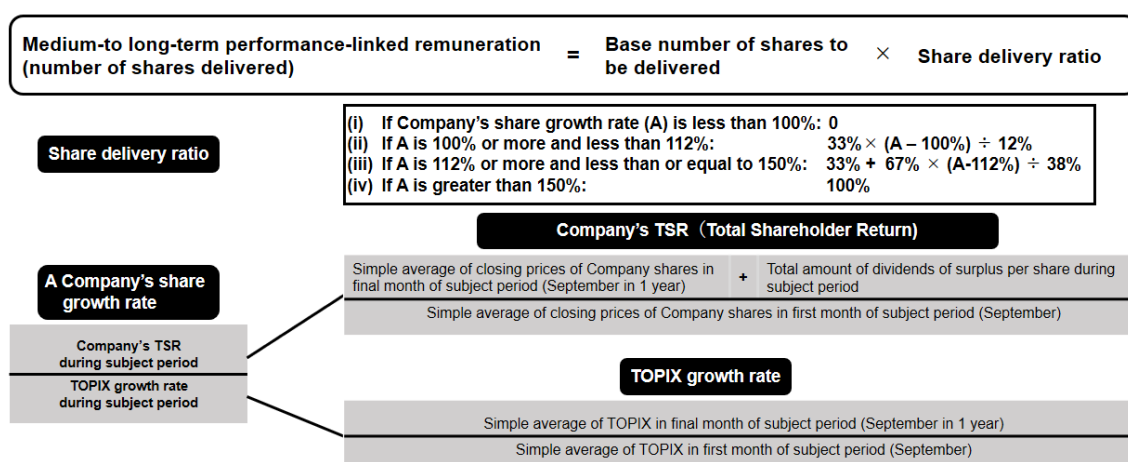
For both Part I and Part II, after the end of the subject period, monetary compensation claims will be provided to the Eligible Directors, and upon the issuance of shares or disposal of treasury stock by the Company, the Company shares will be delivered by having all such monetary compensation claims contributed in kind.

(1) Part I

For Part I, the average closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period begins (September of each year) is compared with the average closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period ends (September of the following year), and the number of shares of the Company's common stock determined by the Board of Directors is delivered, on the condition that the latter exceeds the former.

(2) Part II

In Part II, the number of shares of the Company's common stock to be delivered to each Eligible Director after the end of the subject period is determined by multiplying the base number of shares to be delivered by the share delivery ratio, which is determined according to the Company's share growth rate, a key indicator of corporate value in the Company. The Company's share growth ratio is calculated by dividing the Company's TSR (Total Share Return) over the subject period by the growth rate of the Tokyo Stock Price Index (TOPIX) over the same period. Specifically, it is calculated by the following formula.



If the simple average closing price of the shares of common stock of the Company on the Tokyo Stock Exchange for the month in which the subject period ends (September of the following year) is less than the simple average closing price of the shares of common stock of the Company on the Tokyo Stock Exchange for the month in which the subject period begins (September of the current year), Eligible Directors will not be provided any monetary compensation claims or be delivered of any shares of common stock of the Company for the subject period based on Part II.

3. Ratio of Directors' Remuneration

The ratio of fixed remuneration and performance-linked remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is as follows, using the achievement of performance targets as a guide (based on a performance-linked bonus coefficient of 100%).

	Fixed remuneration (cash)	Short-term performance-linked remuneration (cash)	Medium- to long-term performance-linked remuneration (shares)
Directors (excluding Directors who are Audit and Supervisory Committee Members)	45–50%	15–20%	35%

Since Outside Directors are independent from the execution of business, only fixed remuneration is paid.

(5) [Shareholdings]

(i) Criteria for and approach to classification of investment shares

The Company classifies investment shares held for the purpose of receiving profit through fluctuations in stock prices or dividends related to the shares as investment shares held for pure investment purposes, and investment shares held for any other reason as investment shares held for purposes other than pure investment.

(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 shares held for pure investment purposes

Classification	Current fiscal year		Previous fiscal year	
	Number of issues	Total amount shown on balance sheets (Millions of yen)	Number of issues	Total amount shown on balance sheets (Millions of yen)
Unlisted shares	1	0	1	0
Shares other than unlisted shares	1	363	1	245

Classification	Current fiscal year		
	Total dividend income (Millions of yen)	Total gain/loss on sale (Millions of yen)	Total valuation gains/losses (Millions of yen)
Unlisted shares	0	-	-
Shares other than unlisted shares	6	-	273

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).
- (2) The parent company 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 for Financial Statements.

2. Note on Independent Audit

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the consolidated fiscal year (from July 1, 2022 to June 30, 2023) and the parent company financial statements for the fiscal year (from July 1, 2022 to June 30, 2023) 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

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	9,444,021	10,317,243
Notes and accounts receivable - trade, and contract assets	*1 3,024,049	*1 2,963,130
Securities	590,019	500,000
Work in process	18,100	13,620
Raw materials and supplies	82,827	112,676
Prepaid expenses	539,637	824,824
Other	46,346	623,801
Allowance for doubtful accounts	(3,685)	(3,622)
Total current assets	13,741,316	15,351,673
Non-current assets		
Property, plant and equipment		
Buildings	364,191	417,933
Accumulated depreciation	(156,239)	(157,247)
Buildings, net	207,952	260,685
Vehicles	843	843
Accumulated depreciation	(843)	(843)
Vehicles, net	0	0
Tools, furniture and fixtures	684,626	669,026
Accumulated depreciation	(494,461)	(494,223)
Tools, furniture and fixtures, net	190,165	174,803
Construction in progress	-	51,978
Total property, plant and equipment	398,117	487,466
Intangible assets		
Software	676,429	728,306
Other	521	225
Total intangible assets	676,951	728,532
Investments and other assets		
Investment securities	511,133	772,046
Long-term prepaid expenses	29,713	66,028
Leasehold and guarantee deposits	560,883	575,243
Deferred tax assets	568,997	590,209
Other	129,933	134,393
Total investments and other assets	1,800,661	2,137,920
Total non-current assets	2,875,730	3,353,919
Total assets	16,617,046	18,705,593

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	662,316	634,758
Lease liabilities	12,428	12,257
Accounts payable - other, and accrued expenses	392,568	512,708
Income taxes payable	586,626	354,192
Contract liabilities	2,355,344	2,796,086
Asset retirement obligations	15,606	-
Provision for bonuses	1,050,315	1,038,329
Provision for bonuses for directors (and other officers)	170,813	172,380
Provision for loss on orders received	17,743	61,594
Other	556,718	539,812
Total current liabilities	5,820,483	6,122,119
Non-current liabilities		
Lease liabilities	18,324	6,039
Asset retirement obligations	180,576	210,900
Deferred tax liabilities	-	38,016
Total non-current liabilities	198,900	254,956
Total liabilities	6,019,383	6,377,076
Net assets		
Shareholders' equity		
Share capital	329,128	345,113
Capital surplus	265,928	281,913
Retained earnings	9,872,031	11,477,458
Treasury shares	(608)	(608)
Total shareholders' equity	10,466,479	12,103,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103,126	183,925
Deferred gains or losses on hedges	236	302
Foreign currency translation adjustment	27,820	40,411
Total accumulated other comprehensive income	131,183	224,639
Total net assets	10,597,663	12,328,516
Total liabilities and net assets	16,617,046	18,705,593

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

Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Net sales	*1 18,703,387	*1 21,424,584
Cost of sales	*3 9,782,137	*3 12,028,711
Gross profit	8,921,250	9,395,873
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	356,348	396,002
Employees' salaries and bonuses	1,527,471	1,598,420
Provision for bonuses	1,047,472	1,047,155
Provision for bonuses for directors (and other officers)	170,813	173,579
Legal welfare expenses	224,193	246,204
Outsourcing expenses	55,071	76,652
Rent expenses on land and buildings	239,805	231,184
Utilities expenses	81,375	84,138
Commission expenses	615,796	746,590
Depreciation	263,488	269,179
Research and development expenses	*2 382,473	*2 375,674
Other	709,749	861,698
Total selling, general and administrative expenses	5,674,060	6,106,482
Operating profit	3,247,189	3,289,390
Non-operating income		
Interest income	240	96
Dividend income	6,563	10,192
Gain on investments in investment partnerships	9,043	7,386
Subsidy income	2,127	531
Other	1,102	4,559
Total non-operating income	19,077	22,766
Non-operating expenses		
Interest expenses	742	485
Share of loss of entities accounted for using equity method	*4 269,244	-
Loss on investments in investment partnerships	-	11,975
Commission expenses	5,682	15,388
Foreign exchange losses	695	4,426
Share issuance costs	281	228
Compensation for damage	-	13,377
Other	647	289
Total non-operating expenses	277,294	46,172
Ordinary profit	2,988,973	3,265,983
Extraordinary losses		
Impairment losses	-	*5 186,613
Total extraordinary losses	-	186,613
Profit before income taxes	2,988,973	3,079,370
Income taxes - current	1,186,181	1,009,937
Income taxes - deferred	(242,241)	(25,087)
Total income taxes	943,939	984,850
Profit	2,045,033	2,094,520
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	2,045,033	2,094,520

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Profit	2,045,033	2,094,520
Other comprehensive income		
Valuation difference on available-for-sale securities	45,012	80,798
Deferred gains or losses on hedges	208	66
Foreign currency translation adjustment	29,518	12,591
Share of other comprehensive income of entities accounted for using equity method	(1,989)	-
Total other comprehensive income	*1 72,750	*1 93,456
Comprehensive income	2,117,784	2,187,976
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,117,784	2,187,976
Comprehensive income attributable to non-controlling interests	-	-

(iii) Consolidated Statements of Changes in Net Assets

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	311,568	248,368	8,169,386	(549)	8,728,774
Cumulative effects of changes in accounting policies			71,213		71,213
Restated balance	311,568	248,368	8,240,600	(549)	8,799,988
Changes during period					
Issuance of new shares	17,559	17,559			35,119
Dividends of surplus			(413,602)		(413,602)
Profit attributable to owners of parent			2,045,033		2,045,033
Purchase of treasury shares				(58)	(58)
Net changes in items other than shareholders' equity					-
Total changes during period	17,559	17,559	1,631,430	(58)	1,666,491
Balance at end of period	329,128	265,928	9,872,031	(608)	10,466,479

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

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	329,128	265,928	9,872,031	(608)	10,466,479
Changes during period					
Issuance of new shares	15,984	15,984			31,969
Dividends of surplus			(489,092)		(489,092)
Profit attributable to owners of parent			2,094,520		2,094,520
Net changes in items other than shareholders' equity					-
Total changes during period	15,984	15,984	1,605,427	-	1,637,397
Balance at end of period	345,113	281,913	11,477,458	(608)	12,103,876

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	103,126	236	27,820	131,183	10,597,663
Changes during period					
Issuance of new shares					31,969
Dividends of surplus					(489,092)
Profit attributable to owners of parent					2,094,520
Net changes in items other than shareholders' equity	80,798	66	12,591	93,456	93,456
Total changes during period	80,798	66	12,591	93,456	1,730,853
Balance at end of period	183,925	302	40,411	224,639	12,328,516

(iv) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	2,988,973	3,079,370
Depreciation	349,494	449,223
Impairment losses	-	186,613
Share-based payment expenses	16,640	20,262
Increase (decrease) in allowance for doubtful accounts	260	(63)
Increase (decrease) in provision for bonuses	273,579	(11,986)
Increase (decrease) in provision for bonuses for directors (and other officers)	44,311	8,190
Increase (decrease) in provision for loss on orders received	17,669	43,850
Interest and dividend income	(6,804)	(10,288)
Interest expenses	742	485
Commission expenses	5,682	15,388
Share issuance costs	281	228
Compensation for damage	-	13,377
Share of loss (profit) of entities accounted for using equity method	269,244	-
Loss (gain) on investments in investment partnerships	(9,043)	4,589
Subsidy income	(2,127)	(531)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(258,725)	61,014
Decrease (increase) in inventories	(38,948)	(25,368)
Decrease (increase) in prepaid expenses	4,913	(279,472)
Increase (decrease) in trade payables	202,862	(27,558)
Increase (decrease) in accounts payable - other, and accrued expenses	105,245	(118,623)
Increase (decrease) in accrued consumption taxes	105,396	(51,169)
Increase (decrease) in contract liabilities	26,613	440,741
Increase (decrease) in deposits received	22,829	35,591
Other, net	(175,457)	(95,345)
Subtotal	3,943,635	3,738,519
Interest and dividends received	6,804	10,480
Interest paid	(742)	(485)
Compensation paid for damage	-	(13,377)
Subsidies received	2,127	531
Income taxes paid	(925,207)	(1,560,275)
Net cash provided by (used in) operating activities	3,026,616	2,175,390

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Cash flows from investing activities		
Proceeds from redemption of securities	-	90,019
Purchase of property, plant and equipment	(89,885)	(225,602)
Payments for asset retirement obligations	(13,810)	(12,269)
Purchase of intangible assets	(317,336)	(521,790)
Purchase of investment securities	(23,682)	(152,926)
Payments of leasehold and guarantee deposits	(181,170)	(120,775)
Proceeds from refund of leasehold and guarantee deposits	216,875	139,792
Purchase of insurance funds	(4,459)	(4,459)
Other, net	14,511	12,396
Net cash provided by (used in) investing activities	(398,957)	(795,616)
Cash flows from financing activities		
Repayments of finance lease liabilities	(14,212)	(12,455)
Commission fee paid	(5,044)	(5,397)
Purchase of treasury shares	(58)	-
Dividends paid	(413,602)	(489,092)
Other, net	(281)	(228)
Net cash provided by (used in) financing activities	(433,200)	(507,174)
Effect of exchange rate change on cash and cash equivalents	22,188	5,841
Net increase (decrease) in cash and cash equivalents	2,216,647	878,441
Cash and cash equivalents at beginning of period	7,786,223	10,002,870
Cash and cash equivalents at end of period	*1 10,002,870	*1 10,881,311

[Notes to Consolidated Financial Statements]

(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 5

AVANT CORPORATION
Internet Disclosure Co., Ltd.
ZEAL CORPORATION
DIVA CORPORATION
DIVA CORPORATION OF AMERICA

2. Application of equity method

Number of affiliates accounted for by the equity method: 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 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

For investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), 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 sheets 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 sheets is calculated by writing down the book value of assets that decreased in profitability)

III. Supplies

Stated at cost determined by the specific identification method (the amount on the balance sheets is calculated by writing down the book value of assets that 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 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) Leased assets
 - Leased 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
- Share issuance costs
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) Provision 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.
 - (iii) Provision for bonuses for directors (and other officers)
 - To provide for bonuses to directors (and other officers), an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.
 - (iv) Provision for loss on orders 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
- The Group is 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.
- 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 in customer operations, 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 performance obligation is deemed to be satisfied as the development progresses, and revenue is recognized based on the percentage of completion.

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 determines that the performance obligation is satisfied as the services are rendered and recognizes revenue over the contract period.

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, with translation differences included in foreign currency translation adjustment in net assets.

(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 as of the consolidated balance sheet date is omitted.

(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 from acquisition date that are readily convertible into cash and are exposed to insignificant risk of changes in value.

(Significant Accounting Estimates)

Not applicable.

(Change in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” ASBJ Guidance No. 31, June 17, 2021 (hereinafter referred to as “Fair Value Accounting Standard Implementation Guidance”) from the beginning of the current fiscal year. In accordance with the transitional treatment set out in Article 27-2 of the Fair Value Accounting Standard Implementation Guidance, the Company applies the new accounting policy set forth in the Fair Value Accounting Standard Implementation Guidance prospectively. There was no impact of this change on the consolidated financial statements in the current fiscal year.

(Unapplied Accounting Standards, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No.27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

Provisions for the treatment of tax effects on the classification of income taxes when other comprehensive income is taxed, and for the treatment of tax effects on sales of subsidiaries’ shares, etc. when the group corporate tax system is applied.

(2) Scheduled date of application

The Company plans to apply the new standard from the beginning of the fiscal year ending June 30, 2025.

(3) Effect of adoption of the accounting standard, etc.

The effect of the application of the “Accounting Standard for Current Income Taxes,” “Accounting Standard for Presentation of Comprehensive Income,” and “Implementation Guidance on Accounting Standard for Tax Effect Accounting” on the consolidated financial statements is under evaluation at the time of preparation of these consolidated financial statements.

- “Practical Solution on Accounting for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (PITF No. 43, August 26, 2022)

(1) Outline

Provisions for the practical solution of accounting and disclosure in cases where a stock company issues or holds electronically recorded transferable rights that must be indicated on securities, etc. as provided in Article 1, Paragraph 4, Item (xvii) of the “Cabinet Office Order on Financial Instruments Business” (Cabinet Office Order No. 52, 2007).

(2) Scheduled date of application

The Company plans to apply the new standard from the beginning of the fiscal year ending June 30, 2024.

(3) Effect of adoption of the accounting standard, etc.

The effect of the application of the “Practical Solution on Accounting for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” on the consolidated financial statements is under evaluation at the time of preparation of these consolidated financial statements.

(Notes to Consolidated Balance Sheets)***1. Notes and accounts receivable - trade, and contract assets arising from contracts with customers**

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Notes receivable	5,422	2,041
Accounts receivable - trade	2,506,613	2,281,617
Contract assets	512,013	679,471

***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 consolidated fiscal year**

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
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 “(Revenue Recognition) 1. Information disaggregating revenue from contracts with customers” in the [Notes to Consolidated Financial Statements].

***2. Total amount of research and development expenses**

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Research and development expenses included in general and administrative expenses	382,473	375,674

***3. Reversal of provision for loss on orders received included in cost of sales**

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
	17,669	43,850

***4. Impairment loss on equity method investments**

Fiscal year ended June 30, 2022 (July 1, 2021 to June 30, 2022)

Regarding the goodwill amount of 181,221 thousand yen related to Metapraxis Limited, an equity-method affiliate, the entire unamortized balance of the goodwill amount is recorded as “Share of loss of entities accounted for using equity method” as the excess earning capacity is no longer expected as projected in the business plan at the time of acquisition.

Fiscal year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

Not applicable.

*5. Impairment losses

Fiscal year ended June 30, 2022 (July 1, 2021 to June 30, 2022)

Not applicable.

Fiscal year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

For the fiscal year ended June 30, 2023, the Group recorded impairment losses on the following asset groups:

(i) Summary of assets recognized for impairment losses and amount of impairment losses

			(Thousands of yen)
Location	Application	Type	Impairment losses
DIVA CORPORATION (Shinjuku, Tokyo)	Idle assets	Software	186,613

(ii) Circumstances leading to recognition of impairment losses

The software in question involved investment in application development by DIVA CORPORATION for the purpose of cost reduction through cloud operation services of its mainstay product, DivaSystem LCA. After the investment, the group-wide reorganization was implemented in October 2022, and the new medium-term management strategy for the following fiscal year and beyond was reviewed. In the process, it was determined that it would be difficult to achieve the recovery plan at the initial development of the asset, which led to the recognition of impairment losses.

(iii) Asset grouping methods

In principle, the Group groups its commercial assets on the basis of business categories under management accounting, for which income and expenditure is continuously managed. Idle assets and assets to be disposed of are grouped by individual assets.

(iv) Method of calculating recoverable value

Recoverable value is measured by value in use.

The asset was recorded in software in progress as an unreleased development cost. However, the conclusion was reached that it would not be possible to continue the development in the same manner as the existing business or by diverting similar methods, and accordingly, the value of the recoverable amount was assessed as zero.

(Notes to Consolidated Statements of Comprehensive Income)***1. Reclassification adjustments and tax effects related to other comprehensive income**

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Valuation difference on available-for-sale securities		
Amount accrued in the current period	66,301	116,999
Reclassification adjustment	-	-
Before tax effect adjustment	66,301	116,999
Tax effect amount	(21,288)	(36,200)
Valuation difference on available-for-sale securities	45,012	80,798
Deferred gains or losses on hedges		
Amount accrued in the current period	299	95
Reclassification adjustment	-	-
Before tax effect adjustment	299	95
Tax effect amount	(91)	(29)
Deferred gains or losses on hedges	208	66
Foreign currency translation adjustment		
Amount accrued in the current period	29,518	12,591
Foreign currency translation adjustment	29,518	12,591
Share of other comprehensive income of entities accounted for using equity method		
Amount accrued in the current period	(1,989)	-
Share of other comprehensive income of entities accounted for using equity method	(1,989)	-
Total other comprehensive income	72,750	93,456

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

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

(Shares)

	Number of shares at beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares at beginning of period
Outstanding shares				
Common shares (Note 1)	37,603,203	22,298	-	37,625,501
Total amount	37,603,203	22,298	-	37,625,501
Treasury shares				
Common shares (Note 2)	2,951	47	-	2,998
Total amount	2,951	47	-	2,998

(Notes) 1. Increase in outstanding shares

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

Increase due to issuance of new shares as performance-linked stock remuneration 8,705 shares

2. Increase in treasury shares

Increase due to purchase of odd-lot shares 47 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Reference date	Effective date
September 28, 2021 Annual General Meeting of Shareholders	Common shares	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

Resolution	Type of shares	Source of dividends	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Reference date	Effective date
September 27, 2022 Annual General Meeting of Shareholders	Common shares	Retained earnings	489,092	13.00	June 30, 2022	September 28, 2022

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

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

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

(Shares)

	Number of shares at beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares at beginning of period
Outstanding shares				
Common shares (Note)	37,625,501	20,350	-	37,645,851
Total amount	37,625,501	20,350	-	37,645,851
Treasury shares				
Common shares	2,998	-	-	2,998
Total amount	2,998	-	-	2,998

(Note) Increase in outstanding shares
 Increase due to issuance of new shares as restricted stock remuneration 16,134 shares
 Increase due to issuance of new shares as performance-linked stock remuneration 4,216 shares

2. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Reference date	Effective date
September 27, 2022 Annual General Meeting of Shareholders	Common shares	489,092	13.00	June 30, 2022	September 28, 2022

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

(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 (Thousands of yen)	Dividend per share (Yen)	Reference date	Effective date
September 27, 2023 Annual General Meeting of Shareholders	Common shares	Retained earnings	564,642	15.00	June 30, 2023	September 28, 2023

(Notes to Consolidated Statements of Cash Flows)

*1. Reconciliation of cash and cash equivalents at the end of the period to the accounts reported in the consolidated balance sheets.

(Thousands of yen)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Cash and bank deposits	9,444,021	10,317,243
Current assets and other (deposits)	296	315
Securities (negotiable certificates of deposit)	500,000	500,000
Investment securities (MMF)	58,552	63,753
Cash and cash equivalents	10,002,870	10,881,311

(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)

1. 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 “(7) Significant hedge accounting methods” in “4. Matters related to accounting policies” under “Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements” above 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

Notes and accounts receivable - trade, 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.

Leasehold 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 - trade and accounts payable - other, are mostly due within one year. Lease liabilities related to finance lease transactions are mainly for the purpose of financing capital investment, and the longest term of payment is 1 year 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.

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands of yen)

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

*1 The description of “Cash and deposits,” “Notes and accounts receivable - trade,” “Securities,” “Notes and accounts payable - trade,” “Accounts payable - other, and accrued expenses,” and “Income taxes payable” are omitted because their fair value approximates the book value as they are settled in cash and in a short-term.

*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	Fiscal year ended June 30, 2022 (Thousands of yen)
Unlisted shares	0

*3 Investments in investment 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 sheets is 80,989 thousand yen.

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Investment securities *2			
Available-for-sale securities	660,751	660,751	-
(2) Leasehold and guarantee deposits (including current portion)	575,243	571,937	(3,306)
Total assets	1,235,995	1,232,689	(3,306)
(1) Lease liabilities (including current portion)	18,296	18,300	3
Total liabilities	18,296	18,300	3

*1 The description of “Cash and deposits,” “Notes and accounts receivable - trade,” “Securities,” “Notes and accounts payable - trade,” “Accounts payable - other, and accrued expenses,” and “Income taxes payable” are omitted because their fair value approximates the book value as they are settled in cash and in a short-term.

*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	Fiscal year ended June 30, 2023 (Thousands of yen)
Unlisted shares	0

*3 Investments in investment 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 sheets is 111,294 thousand yen.

*4 In accordance with generally accepted corporate accounting practice, the net value of investment trusts is considered to be the fair value, and investment trusts are included.

(Notes) 1. Redemption schedule of monetary claims and securities with maturity dates after the consolidated balance sheet date
As of June 30, 2022

(Thousands of yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Over 10 years
Cash and deposits	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.

As of June 30, 2023

(Thousands of yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Over 10 years
Cash and deposits	10,317,243	-	-	-
Notes and accounts receivable - trade	2,283,659	-	-	-
Marketable securities and investment securities (Note)				
Held-to-maturity debt securities				
(1) Corporate bonds	-	-	-	-
(2) Other	500,000	-	-	-
Total amount	13,100,902	-	-	-

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

2. Amount of bonds payable, long-term debt, lease liabilities and other interest-bearing liabilities due after the consolidated balance sheet date
As of June 30, 2022

(Thousands of yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years
Lease liabilities	12,428	12,048	6,275	-	-	-

As of June 30, 2023

(Thousands of yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years
Lease liabilities	12,257	6,039	-	-	-	-

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 sheets at fair value

As of June 30, 2022

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total amount
Investments securities				
Available-for-sale securities				
Shares	245,268	-	-	245,268
Other	-	184,875	-	184,875
Total assets	245,268	184,875	-	430,143

As of June 30, 2023

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total amount
Investments securities				
Available-for-sale securities				
Shares	363,960	-	-	363,960
Other	-	296,791	-	296,791
Total assets	363,960	296,791	-	660,751

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value
As of June 30, 2022

(Thousands of yen)

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

As of June 30, 2023

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total amount
Leasehold and guarantee deposits (including current portion)	-	571,937	—	571,937
Total assets	-	571,937	—	571,937
Lease liabilities (including current portion)	-	18,300	—	18,300
Total liabilities	-	18,300	—	18,300

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

- Investments 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.

- Leasehold and guarantee deposits

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

- Lease liabilities

The fair value of lease liabilities 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 liability and credit risk, and is classified as Level 2 fair value.

(Marketable Securities)

1. Held-to-maturity debt securities

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands of yen)

Classification	Consolidated balance sheet amount	Market value	Difference
Securities with fair value exceeding consolidated balance sheet amount			
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities with fair value not exceeding consolidated balance sheet amount			
Corporate bonds	90,019	90,019	-
Other	500,000	500,000	-
Subtotal	590,019	590,019	-
Total amount	590,019	590,019	-

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

Classification	Consolidated balance sheet amount	Market value	Difference
Securities with fair value exceeding consolidated balance sheet amount			
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Securities with fair value not exceeding consolidated balance sheet amount			
Corporate bonds	-	-	-
Other	500,000	500,000	-
Subtotal	500,000	500,000	-
Total amount	500,000	500,000	-

2. Available-for-sale securities

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands of yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds 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 consolidated balance sheet amount does 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

(Notes) 1. Unlisted stocks (consolidated balance sheet amount: 0 thousand yen) are not included in “Available-for-sale securities” in the above table because they have no market price.

2. Investments in limited liability investment partnerships (80,989 thousand yen on the consolidated balance sheets) are not included in “Available-for-sale securities” in the table above.

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds acquisition cost			
Stock	363,960	90,554	273,405
Other	90,338	71,948	18,389
Subtotal	454,298	162,503	291,795
Securities whose consolidated balance sheet amount does not exceed acquisition cost			
Stock	-	-	-
Other	206,453	246,217	(39,764)
Subtotal	206,453	246,217	(39,764)
Total amount	660,751	408,720	252,030

(Notes) 1. Unlisted stocks (consolidated balance sheet amount: 0 thousand yen) are not included in “Available-for-sale securities” in the above table because they have no market price.

2. Investments in limited liability investment partnerships (111,294 thousand yen on the consolidated balance sheets) 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)

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

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
(Deferred tax assets)		
Tax loss carryforwards	100,564	139,045
Enterprise tax payable	85,735	52,932
Business office tax payable	7,623	8,643
Accounts payable - other, and accrued expenses	-	6,346
Provision for bonuses	357,342	352,143
Provision for bonuses for directors (and other officers)	54,763	53,137
Provision for loss on orders received	6,139	21,309
Advances received	747	577
Allowance for doubtful accounts	1,275	1,253
Share remuneration expenses	9,332	10,120
Depreciation	55,743	111,157
Loss on valuation of investment securities	3,062	3,062
Asset retirement obligations	57,285	29,683
Valuation difference on available-for-sale securities	4,848	6,401
Research and development expenses	321	-
Other	5,868	18,930
Subtotal of deferred tax assets	750,652	814,744
Valuation allowance on tax loss carryforwards	(100,564)	(139,045)
Valuation allowance for total future deductible temporary differences, etc.	(3,062)	(3,062)
Subtotal of valuation allowance	(103,626)	(142,107)
Total deferred tax assets	647,026	672,637
(Deferred tax liabilities)		
Deferred gains or losses on hedges	104	133
Buildings and equipment (asset retirement costs)	25,872	30,506
Valuation difference on available-for-sale securities	52,051	89,805
Total deferred tax liabilities	78,028	120,445
Net deferred tax assets	568,997	552,192

(Note) The valuation allowance increased by 38,480 thousand yen. This increase was mainly due to an increase in the valuation allowance related to tax loss carryforwards.

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

Notes for the previous fiscal year and the current fiscal year are omitted because the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting was 5/100 or less of the statutory tax rate.

3. Accounting for corporate and local income taxes or accounting for tax effect accounting related to these

The Company and its domestic consolidated subsidiaries have adopted a group tax sharing system from the current fiscal year. In accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), the Company will account for corporate and local income taxes or account for and discloses the tax effect accounting for these taxes.

(Business Combinations, etc.)

(Transactions under common control, etc.)

At a meeting of the Board of Directors held on June 22, 2022, the Company resolved a policy of reorganization of the Group (company splits between consolidated subsidiaries), and respectively entered into absorption-type company split agreements dated July 15, 2022, under which DIVA CORPORATION, a consolidated subsidiary of the Company, shall transfer the development business of consolidated closing support systems (main product brands: “DivaSystem LCA” and “DivaSystem FBX”) to FIERTE CORPORATION, a consolidated subsidiary of the Company, through an absorption-type company split (hereinafter referred to as “Absorption-type Company Split No. 1”), and ZEAL CORPORATION, a consolidated subsidiary of the Company, shall transfer the business under the jurisdiction of the Corporate Performance Management Unit to DIVA CORPORATION through an absorption-type company split (hereinafter referred to as “Absorption-type Company Split No. 2”). Both company splits took place on October 1, 2022.

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

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

Absorption-type Company Split 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
- (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 companies 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 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 “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” the transaction has been treated as a transaction under common control.

Absorption-type Company Split 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
- (iii) Legal form of business combination
Company split with ZEAL CORPORATION as the splitting company and DIVA CORPORATION as the succeeding company

(iv) Name of the companies 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 are accelerating the growth of existing businesses and creating new growth businesses through organizational restructuring.

(2) Outline of accounting procedures implemented

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

(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)	
	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Balance at beginning of period	195,579	196,183
Increase due to acquisition of property, plant and equipment	14,191	104,817
Adjustments due to passage of time	222	542
Decrease due to fulfillment of asset retirement obligations	(13,810)	(90,642)
Balance at end of period	196,183	210,900

(Revenue Recognition)

1. Information disaggregating revenue from contracts with customers
Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands 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

- Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Reportable segment			Total amount
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	241,547	46,870	133,184	421,602
Goods or services transferred over a period of time	9,723,660	8,330,094	2,949,226	21,002,982
Revenue from contracts with customers	9,965,208	8,376,964	3,082,411	21,424,584
Other income	-	-	-	-
Sales to external customers	9,965,208	8,376,964	3,082,411	21,424,584

2. Information that provides a basis for understanding the revenue arising from contracts with customers

Basis for understanding revenues is described in “(5) Basis for recording significant revenues and expenses” in “4. Matters related to accounting policies” under “(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements).”

3. 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 in the following fiscal year or later from contracts with customers that existed at the end of the current fiscal year.

- (1) Contract assets and contract liabilities

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Receivables arising from contracts with customers (beginning balance)	2,586,194	2,512,036
Receivables arising from contracts with customers (ending balance)	2,512,036	2,283,659
Contract assets (beginning balance)	169,951	512,013
Contract assets (ending balance)	512,013	679,471
Contract liabilities (beginning balance)	2,328,731	2,355,344
Contract liabilities (ending balance)	2,355,344	2,796,086

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 previous fiscal year that was included in contract liabilities at the beginning of the previous fiscal year was 2,057,917 thousand yen. The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the current fiscal year was 2,093,460 thousand 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

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Within one year	5,848,535	6,977,186
More than one year	222,135	44,255
Total amount	6,070,670	7,021,442

(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, we sell licenses of DivaSystem, an in-house developed software package for consolidated management and consolidated accounting, and provide 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.

In the Digital Transformation Business, we are 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, we provide 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.

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 profit. Intersegment sales and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands 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 profit	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	157,857	20,267	34,992	213,117
Increase in property, plant and equipment and intangible assets	160,260	688	56,315	217,264

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Reportable segment			Total amount
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Net sales				
Sales to external customers	9,965,208	8,376,964	3,082,411	21,424,584
Intersegment sales and transfers	68,090	4,652	673,417	746,160
Total	10,033,298	8,381,617	3,755,829	22,170,745
Segment profit	1,709,876	1,521,803	824,401	4,056,081
Segment assets	7,342,551	3,609,570	2,280,313	13,232,435
Segment liabilities	5,044,032	1,703,602	1,412,484	8,160,118
Other items				
Depreciation	196,752	40,603	58,645	296,001
Impairment losses	186,613	—	—	186,613
Increase in property, plant and equipment and intangible assets	49,802	10,906	115,783	176,491

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)

(Thousands of yen)

Net sales	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Total of reportable segments	19,432,603	22,170,745
Elimination of transactions between the Company and its segments	(729,215)	(746,160)
Net sales in consolidated financial statements	18,703,387	21,424,584

(Thousands of yen)

Profit	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Total of reportable segments	3,965,969	4,056,081
Elimination of transactions between the Company and its segments	756,918	808,924
Corporate expenses (Note)	(1,476,259)	(1,568,574)
Other	561	(7,040)
Operating profit in consolidated financial statements	3,247,189	3,289,390

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

(Thousands of yen)

Assets	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Total of reportable segments	12,013,735	13,232,435
Elimination of transactions between the Company and its segments	(3,994,187)	(1,984,699)
Corporate assets (Note)	8,605,252	7,437,417
Other	(7,754)	20,439
Total assets in consolidated financial statements	16,617,046	18,705,593

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

(Thousands of yen)

Liabilities	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Total of reportable segments	7,085,114	8,160,118
Elimination of transactions between the Company and its segments	(1,781,292)	(2,074,435)
Corporate liabilities (Note)	718,514	253,772
Other	(2,953)	37,621
Total liabilities in consolidated financial statements	6,019,383	6,377,076

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

(Thousands of yen)

Other items	Total of reportable segments		Adjustment (Note)		Amount recorded in consolidated financial statements	
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Depreciation	213,117	296,001	136,376	153,222	349,494	449,223
Impairment losses	-	186,613	-	-	-	186,613
Increase in property, plant and equipment and intangible assets	217,264	176,491	168,412	445,182	385,677	621,674

(Note) Adjustment of depreciation 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]

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022) and
Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

1. 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) Property, plant and equipment

This information is omitted because 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.

3. Information by major customer

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

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

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

Not applicable.

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Reportable segment			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Impairment losses	186,613	-	-	186,613

[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.

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Type	Company name or name	Location	Capital or investments in capital (Thousands of yen)	Business or occupation	Percentage of voting rights holding/held (%)	Relationship with related parties	Details of transactions	Amount of transaction (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director	Naoyoshi Kasuga	-	-	Director of the Company	Held Direct 0.0	-	Delivery of common shares 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 share remuneration plan. The delivery of such common shares 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 was the closing price of the Company's common shares on the Tokyo Stock Exchange on October 14, 2021 (the business day before the date of resolution by the Board of Directors), to eliminate arbitrariness in the price.

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Not applicable.

(Per Share Information)

	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Net assets per share	281.68 yen	327.51yen
Net profit per share	54.37 yen	55.65yen

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

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

Subject	As of June 30, 2022	As of June 30, 2023
Total net assets (Thousands of yen)	10,597,663	12,328,516
Amount deducted from total net assets (Thousands of yen)	-	-
Net assets related to common stock at the end of the period (Thousands of yen)	10,597,663	12,328,516
Number of shares of common stock used in the calculation of net assets per share at the end of the period (Shares)	37,622,503	37,642,853

3. The basis for calculating net profit per share is as follows

Subject	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Profit attributable to owners of parent (Thousands of yen)	2,045,033	2,094,520
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common stock (Thousands of yen)	2,045,033	2,094,520
Average number of shares of common stock during the period (Shares)	37,614,361	37,636,218

(Significant Subsequent Events)

(Introduction of the Employee Benefit Trust)

At the meeting of the Board of Directors held on August 4, 2023, the Company passed a resolution for introduction of an “Employee Benefit Trust” (hereinafter the “Plan”) as an incentive plan for employees of the Group (hereinafter the “Employees”).

1. Purpose of introducing the Plan

The Company introduces the Plan for the purpose of enhancing the mid- to long-term corporate value of the Company by providing incentives to Employees who have contributed to growth of the Company, and thereby fostering a sense of belonging among Employees, giving them a sense of participation in management, and increasing their awareness of the Company’s performance and stock price increase.

2. Overview of the Plan

The Plan is an incentive plan in which a trust will be established using money contributed by the Company as the source (hereinafter the “Trust”), and the Trust acquires shares in common shares of the Company (hereinafter the “Company Shares”) and delivers the Company Shares to each employee through the Trust. Said shares will be delivered to each employee in accordance with the Stock Delivery Regulations stipulated by the Board of Directors of the Company.

The full amount of funds for acquiring the Company Shares by the Trust will be contributed by the Company; accordingly, there will be no burden on Employees.

Introduction of the Plan will allow Employees to receive economic benefit from the increase in the stock price of the Company Shares; and therefore, it is expected to have effects of promoting Employees’ execution of business with awareness of the stock price and motivating Employees to work harder.

3. Overview of the Trust

- | | |
|--|---|
| (1) Name: | Employee Benefit Trust |
| (2) Entrustor: | The Company |
| (3) Entrustee: | Sumitomo Mitsui Trust Bank, Limited
(Sub-entrustee: Custody Bank of Japan, Ltd.) |
| (4) Beneficiaries: | Employees who satisfy the requirements for beneficiaries |
| (5) Trust custodian: | A third party independent of the Company and officers of the Company is planned to be selected. |
| (6) Exercise of voting rights: | The entrustee will exercise its voting rights throughout the trust period based on instructions given by the trust custodian. |
| (7) Type of trust: | Pecuniary trusts other than money trusts (non-grantor trust) |
| (8) Date of agreement of the trust: | August 15, 2023 |
| (9) Date of entrusting money in the trust: | August 15, 2023 |
| (10) Date of the end of the trust: | September 30, 2028 (planned) |

4. Details of the acquisition of the Company Shares by the Trust

- | | |
|--|---|
| (1) Class of shares acquired: | Common shares |
| (2) Amount of money entrusted as the funds for acquiring the shares: | 450,000,000 yen (maximum amount) |
| (3) Total number of shares acquired: | 350,000 shares |
| (4) Method of acquiring the shares: | Through the exchange market (including off-floor trading) |
| (5) Timing of acquiring the shares: | From August 15, 2023 to September 29, 2023 (planned) |

(v) Consolidated Supplementary Schedules

[Schedule of bonds]

Not applicable.

[Schedule of borrowings, etc.]

Classification	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%)	Repayment deadline
Current portion of long-term debt	-	-	-	-
Current portion of lease liabilities	12,428	12,257	2.6	-
Long-term debt (excluding current portion)	-	-	-	-
Lease liabilities (excluding current portion)	18,324	6,039	2.6	July 2024 - March 2025
Other interest-bearing liabilities	-	-	-	-
Total amount	30,752	18,296	-	-

(Notes) 1. Average interest rate is the weighted average interest rate for the balance at the end of the period.

2. The scheduled repayment amounts of lease liabilities (excluding current portion) for the five years following the consolidated balance sheet date are as follows.

(Thousands of yen)

Classification	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease liabilities	6,039	-	-	-

[Schedule of asset retirement obligations]

(Thousands of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Obligation to restore property to its original condition in connection with a real estate lease contract	196,183	105,359	90,642	210,900

(2) [Others]

Quarterly information for the current fiscal year, etc.

(Cumulative period)	Three months ended September 30, 2022	Six months ended December 31, 2022	Nine months ended March 31, 2023	Fiscal year ended June 30, 2023
Net sales (Thousands of yen)	5,025,971	10,523,013	16,187,646	21,424,584
Profit before income taxes (Thousands of yen)	601,165	1,779,941	2,910,725	3,079,370
Profit attributable to owners of parent (Thousands of yen)	370,898	1,142,116	1,871,324	2,094,520
Net profit per share (Yen)	9.86	30.35	49.72	55.65

(Accounting period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net profit per share (Yen)	9.86	20.49	19.37	5.93

5-2 [Parent Company Financial Statements and Notes]

(1) [Financial Statements]

(i) Balance Sheets

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	6,738,077	5,119,866
Accounts receivable - trade	*1 93,063	*1 83,870
Securities	590,019	500,000
Supplies	9,607	20,517
Prepaid expenses	50,091	64,338
Short-term loans receivable	-	*1 100,000
Advances paid	*1 583,415	*1 27,186
Accounts receivable - other	*1 763,676	*1 737,390
Other	1,236	*1 2,532
Total current assets	8,829,188	6,655,702
Non-current assets		
Property, plant and equipment		
Buildings	112,686	-
Accumulated depreciation	(53,846)	-
Buildings, net	58,840	-
Tools, furniture and fixtures	345,113	294,946
Accumulated depreciation	(238,739)	(217,466)
Tools, furniture and fixtures, net	106,374	77,480
Construction in progress	-	51,978
Total property, plant and equipment	165,214	129,458
Intangible assets		
Trademark right	6	-
Software	268,923	193,892
Other	515	225
Total intangible assets	269,445	194,117
Investments and other assets		
Investment securities	430,143	660,751
Shares of subsidiaries and associates	1,043,737	1,043,737
Long-term prepaid expenses	19,982	18,934
Leasehold and guarantee deposits	106,429	165
Insurance funds	55,051	59,511
Deferred tax assets	5,009	-
Other	*1 23,770	*1 17,920
Total investments and other assets	1,684,125	1,801,022
Total non-current assets	2,118,784	2,124,598
Total assets	10,947,972	8,780,300

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Lease liabilities	3,613	3,772
Accounts payable - other	*1 90,422	*1 178,829
Accrued expenses	84,621	8,584
Income taxes payable	276,996	2,019
Deposits received	103,632	18,183
Provision for bonuses	60,800	66,337
Provision for bonuses for directors (and other officers)	43,595	21,059
Deposits received from subsidiaries and associates	3,676,000	200,000
Other	12,264	37,251
Total current liabilities	4,351,946	536,039
Non-current liabilities		
Lease liabilities	5,231	1,458
Asset retirement obligations	58,346	22,300
Deferred tax liabilities	-	41,841
Total non-current liabilities	63,578	65,600
Total liabilities	4,415,524	601,640
Net assets		
Shareholders' equity		
Share capital	329,128	345,113
Capital surplus		
Legal capital surplus	265,928	281,913
Total capital surplus	265,928	281,913
Retained earnings		
Legal retained earnings	374	374
Other retained earnings		
Retained earnings brought forward	5,834,262	7,367,640
Total retained earnings	5,834,637	7,368,014
Treasury shares	(608)	(608)
Total shareholders' equity	6,429,085	7,994,432
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	103,126	183,925
Deferred gains or losses on hedges	236	302
Total valuation and translation adjustments	103,363	184,228
Total net assets	6,532,448	8,178,660
Total liabilities and net assets	10,947,972	8,780,300

(ii) Statements of Income

	(Thousands of yen)	
	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Operating revenue		
Management fee income	* ¹ 872,595	* ¹ 936,226
Dividends from subsidiaries and associates	1,409,149	2,636,255
Other	42,855	516
Total operating revenue	2,324,599	3,572,998
Operating expenses		
Cost of sales	-	518
Selling, general and administrative expenses	* ^{1, 2} 1,594,574	* ^{1, 2} 1,696,182
Total operating expenses	1,594,574	1,696,700
Operating profit	730,024	1,876,298
Non-operating income		
Interest income	* ¹ 217	* ¹ 2,022
Dividend income	6,563	10,192
Subsidy income	360	-
Other	* ¹ 833	3,216
Total non-operating income	7,974	15,431
Non-operating expenses		
Interest expenses	* ¹ 41	* ¹ 24
Commission expenses	5,682	5,791
Loss on investments in investment partnerships	-	11,975
Foreign exchange losses	887	71
Share issuance costs	281	228
Other	-	289
Total non-operating expenses	6,892	18,381
Ordinary profit	731,106	1,873,347
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	276,407	-
Total extraordinary losses	276,407	-
Profit before income taxes	454,698	1,873,347
Income taxes - current	(175,031)	(159,743)
Income taxes - deferred	(16,473)	10,621
Total income taxes	(191,505)	(149,122)
Profit	646,204	2,022,470

(iii) Statements of Changes in Net Assets

Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

(Thousands of yen)

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

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

Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	329,128	265,928	265,928	374	5,834,262	5,834,637
Changes during period						
Issuance of new shares	15,984	15,984	15,984			
Dividends of surplus					(489,092)	(489,092)
Profit					2,022,470	2,022,470
Net changes in items other than shareholders' equity						
Total changes during period	15,984	15,984	15,984	-	1,533,377	1,533,377
Balance at end of period	345,113	281,913	281,913	374	7,367,640	7,368,014

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(608)	6,429,085	103,126	236	103,363	6,532,448
Changes during period						
Issuance of new shares		31,969				31,969
Dividends of surplus		(489,092)				(489,092)
Profit		2,022,470				2,022,470
Net changes in items other than shareholders' equity		-	80,798	66	80,865	80,865
Total changes during period	-	1,565,347	80,798	66	80,865	1,646,212
Balance at end of period	(608)	7,994,432	183,925	302	184,228	8,178,660

[Notes to Parent Company Financial Statements]

(Significant Accounting Policies)

1. 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 associates
Cost method based on the moving average method
 - Available-for-sale 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 sheets is calculated by writing down the book value of assets which decreased in profitability)

2. Depreciation method for fixed assets

- (1) Property, plant and equipment
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).

3. Accounting for deferred assets

- (1) Share issuance costs
The entire amount is expensed at the time of expenditure.

4. Basis for reserves

- (1) Provision 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) Provision for bonuses for directors (and other officers)
To provide for bonuses to directors (and other officers), 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 significant matters that serve as the basis for preparing 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 identical and the cash flow fluctuations can be offset after the inception of the hedge, the assessment of the effectiveness of the hedge as of the balance sheet date is omitted.

(2) 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 balance sheet date, with translation differences recognized as gains or losses.

(Significant Accounting Estimates)

Not applicable.

(Change in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" ASBJ Guidance No. 31, June 17, 2021 (hereinafter referred to as "Fair Value Accounting Standard Implementation Guidance") from the beginning of the current fiscal year. In accordance with the transitional treatment set out in Article 27-2 of the Fair Value Accounting Standard Implementation Guidance, the Company applies the new accounting policy set forth in the Fair Value Accounting Standard Implementation Guidance prospectively. There was no impact of this change on the parent company 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)	
	As of June 30, 2022	As of June 30, 2023
Short-term monetary claims	1,426,018	384,047
Short-term monetary obligations	21,639	114,703
Long-term monetary claims	23,770	17,920

- *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)	
	As of June 30, 2022	As of June 30, 2023
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 associates (excluding those presented separately)

	(Thousands of yen)	
	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Transaction volume from business transactions	987,154	1,237,180
Non-operating transactions	41	398,371

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

	(Thousands of yen)	
	Fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)
Remuneration for directors (and other officers)	148,336	150,343
Employees' salaries and bonuses	433,215	296,179
Provision for bonuses	60,800	66,337
Provision for bonuses for directors (and other officers)	43,595	22,257
Depreciation	136,938	154,919
Commission expenses	318,440	479,291

(Marketable Securities)

As of June 30, 2022

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

As of June 30, 2023

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

(Tax Effect Accounting)

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

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
(Deferred tax assets)		
Tax loss carryforwards	100,564	139,045
Enterprise tax payable	407	426
Business office tax payable	498	407
Provision for bonuses	14,989	15,850
Provision for bonuses for directors (and other officers)	10,747	782
Depreciation	15,752	16,357
Loss on valuation of investment securities	3,062	3,062
Loss on valuation of shares of subsidiaries and affiliates	84,635	84,635
Asset retirement obligations	14,384	5,497
Valuation difference on available-for-sale securities	4,848	6,401
Other	1,657	2,374
Subtotal of deferred tax assets	251,548	274,839
Valuation allowance on tax loss carryforwards	(100,564)	(139,045)
Valuation allowance for total future deductible temporary differences, etc.	(87,697)	(87,697)
Subtotal of valuation allowance	(188,262)	(226,742)
Total deferred tax assets	63,286	48,097
(Deferred tax liabilities)		
Buildings and equipment (asset retirement costs)	6,121	-
Valuation difference on available-for-sale securities	52,051	89,805
Other	104	133
Total deferred tax liabilities	58,277	89,938
Net deferred tax assets and liabilities	5,009	(41,841)

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

	As of June 30, 2022	As of June 30, 2023
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items permanently not deductible for tax purposes	1.1%	-%
Dividend income and other items permanently excluded from taxable income	(95.0%)	(43.0%)
Valuation allowance	21.7%	0.5%
Other	(0.6%)	4.0%
Effective tax rate after application of tax effect accounting	(42.1%)	(7.9%)

3. Accounting for corporate and local income taxes or accounting for tax effect accounting related to these
- The Company has adopted a group tax sharing system from the current fiscal year. In accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), the Company will account for corporate and local income taxes or account for and discloses the tax effect accounting for these taxes.

(Revenue Recognition)

Information that forms the basis for understanding revenues from contracts with customers is omitted as the same information is presented in “(Significant Accounting Policies) 5. Basis for recording revenues and expenses” in the [Notes to Parent Company Financial Statements].

(Significant Subsequent Events)

(Introduction of the Employee Benefit Trust)

Omitted as the same information is presented in “(Significant Subsequent Events)” in the [Notes to Consolidated Financial Statements].

(iv) Supplementary Schedules

[Schedule of property, plant and equipment, etc.]

(Thousands of yen)

Classification	Type of asset	Balance at beginning of period	Increase during period	Decrease during period	Amortization during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	58,840	-	53,797	5,043	-	-
	Tools, furniture and fixtures	106,374	31,382	2,483	57,792	77,480	217,466
	Construction in progress	-	51,978	-	-	51,978	-
	Total	165,214	83,361	56,280	62,835	129,458	217,466
Intangible assets	Trademark right	6	-	-	6	-	-
	Software	268,923	283,184	281,809	76,406	193,892	-
	Other	515	-	289	-	225	-
	Total	269,445	283,184	282,099	76,412	194,117	-

(Notes) 1. The main details of the increase are as follows:

Tools, furniture and fixtures	Network facilities	22,148 thousand yen
Software	Purchase of software and source code	264,799 thousand yen

2. The main details of the decrease are as follows:

Buildings	Transfer to AVANT CORPORATION	11,845 thousand yen
Buildings	Transfer to AVANT CORPORATION	41,951 thousand yen
Software	Transfer to AVANT CORPORATION	264,799 thousand yen

[Schedule of provisions]

(Thousands of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Provision for bonuses	60,800	66,337	60,800	66,337
Provision for bonuses for directors (and other officers)	43,595	21,059	43,595	21,059

(2) [Details of Major Assets and Liabilities]

Omitted since consolidated financial statements are prepared.

(3) [Others]

Not applicable.

6. [Summary of Share Administration of the Parent Company]

Fiscal year	July 1 through June 30
Annual General Meeting of Shareholders	Within 3 months from the day after the last day of the fiscal year
Reference date	June 30
Record dates for dividends of surplus	December 31 June 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 1-4-1 Marunouchi, 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 on 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 attached documents, and Confirmation Letter
26th fiscal year (from July 1, 2021 to June 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on September 22, 2022
- (2) Internal Control Report and attached documents
Submitted to the Director-General of the Kanto Local Finance Bureau on September 22, 2022
- (3) Quarterly Securities Report and Confirmation Letter
First quarter, 27th fiscal year (July 1, 2022 - September 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2022
Second quarter, 27th fiscal year (October 1, 2022 - December 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2023
Third quarter, 27th fiscal year (January 1, 2023 - March 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2023
- (4) Extraordinary Report
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)
Submitted to the Director-General of the Kanto Local Finance Bureau on October 3, 2022
- (5) Securities Registration Statement and attached documents
Submitted to the Director-General of the Kanto Local Finance Bureau on October 7, 2022
- (6) Amendment Reports and Confirmation Letter for Annual Securities Reports
26th fiscal year (July 1, 2021 to June 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 9, 2023
- (7) Amendment Reports and Confirmation Letter for Quarterly Securities Report
First quarter, 27th fiscal year (July 1, 2022 - September 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 9, 2023
Second quarter, 27th fiscal year (October 1, 2022 - December 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 9, 2023
Third quarter, 27th fiscal year (January 1, 2023 - March 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 9, 2023

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

Not applicable.

Independent Auditor’s Report and Internal Control Audit Report

September 22, 2023

To the Board of Directors of
AVANT GROUP CORPORATION

Deloitte Touche Tohmatsu LLC, Tokyo Office

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant _____ Jun Kagawa

Designated Limited Liability Partner
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 Act, the consolidated financial statements of AVANT GROUP CORPORATION (the “Company”) included in the “Financial Statements and Notes” for the fiscal year from July 1, 2022 to June 30, 2023, that includes consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, significant matters that serve as the basis for preparing consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of June 30, 2023, and the results of their operations and their cash flows for the year then ended in accordance 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 in auditing standards is described in “Auditor’s Responsibility in an Audit of Consolidated Financial Statements.” We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor 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 Matters

Key audit matters are those matters that we, as a professional expert, considered to be of particular importance in the audit of the consolidated financial statements for the fiscal year under review. Key audit matters 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.

Appropriateness of sales related to made-to-order software	
Details of key audit matters and reasons for selection	Auditor's response
<p>As described in [Notes to Consolidated Financial Statements] (Revenue Recognition), the Group Governance Business and Digital Transformation Business had net sales of 18,053,754 thousand yen for goods or services to be transferred over a certain period of time, which accounted for 84.3% of net sales in the consolidated statements of income.</p> <p>Sales in both businesses consist mainly of implementation consulting services and system development services such as for DivaSystem, and, as stated in “(5) Basis for recording significant revenues and expenses” in “4. Matters related to accounting policies” under [Notes to Consolidated Financial Statements] (Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements), 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.</p> <p>As the deliverables of implementation consulting services and system development services are intangible assets, it is relatively difficult to identify the actual state of fulfillment of performance obligations. In addition, because each transaction is unique in terms of customer's requirements and specifications, it is necessary to properly understand the contract and transaction details, and the amount of revenue recognized may differ depending on the outcome of that assessment. Moreover, for transactions that are in progress at the end of fiscal year, revenue is recognized based on estimation of progress, but this is subject to uncertainty.</p> <p>For these reasons, we determined that the appropriateness of revenue recognition for implementation consulting services and system development services, etc. whose performance obligations are satisfied over a certain period of time is particularly important in the audit of the consolidated financial statements for the fiscal year under review and falls under the category of “key audit matters.”</p>	<p>We primarily conducted the following audit procedures to verify the appropriateness of revenue recognition for system development services, etc., for which performance obligations are satisfied over a certain period of time.</p> <p>(1) Assessment of internal control</p> <ul style="list-style-type: none"> • Understood the internal controls established to ensure the proper recording of sales, including through the review of purchase orders and acceptance receipts for each transaction, calculation of percentage of completion, and approval of sales recognition, and evaluated the status of maintenance and operation of such controls. <p>(2) Review of whether sales revenues are properly recorded</p> <ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> - With regard to transactions of higher value compared with other transactions recorded in the past and during the fiscal year under review, 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 purchase orders, acceptance inspection forms, invoices, and payment vouchers. Furthermore, we verified that there was a cost incurred for the said transactions by viewing the time and attendance management system. - In addition to the above, we 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. <ul style="list-style-type: none"> - With regard to transactions with higher assumed gross profit margins compared with other transactions recorded in the past and during the fiscal year under review, 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 purchase orders. 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.

Other Information

The other information included in the Annual Securities Report is information other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the Audit and Supervisory Committee is to monitor the execution of duties by the Directors in the development and operation of the reporting process for other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and therefore we express no opinion thereon.

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.

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

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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 responsibility of the Audit and Supervisory Committee is to monitor the execution of duties by the Directors in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Consolidated Financial Statements

We are 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 us, and for expressing an opinion on the consolidated financial statements from an independent standpoint in its audit report. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the decisions of users of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process. We also:

- 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 based on our judgment. 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, we consider 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, we are 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. Our 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 of the consolidated financial statements and the notes thereto conform

to accounting principles generally accepted in Japan, as well as whether the presentation, organization, and content of the consolidated financial statements, including related notes, and the consolidated financial statements present fairly the underlying transactions and accounting events.

- 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. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements, and take sole responsibility for our audit opinion.

We report to the Audit and Supervisory Committee 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.

We report to the Audit and Supervisory Committee on our compliance with the rules of professional ethics in Japan regarding independence, any matters reasonably believed to affect our independence, and any safeguards, if any, taken to remove or mitigate disincentives.

We determine those matters discussed with the Audit and Supervisory Committee that are considered to be of particular importance in the audit of the consolidated financial statements for the fiscal year under review as key audit matters, 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 laws and regulations or if, although extremely limited, we determine 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 of the Company dated June 30, 2023 for the purpose of providing audit certification in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the Internal Control Report referred to above, in which the Company indicated that its internal control over financial reporting as of June 30, 2023 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, based on assessment standards for 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 responsibilities under such auditing standards for internal control over financial reporting is described in "Auditor's Responsibility in Internal Control Audits." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor 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 and the Audit and Supervisory Committee 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 assessment standards for internal control over financial reporting generally accepted in Japan.

The responsibility of the Audit and Supervisory Committee 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

Our 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 us 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, we exercise professional judgment and maintain professional skepticism throughout the audit process. We also:

- 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 based on our judgment in consideration of the materiality of the effect on the reliability of financial reporting.
- We review the overall presentation of the Internal Control Report, including the statements made by management on the scope, procedures, and results of the assessment of internal control over financial reporting.
- Obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for directing, supervising, and performing the audit on the Internal Control Report, and take sole responsibility for our audit opinion.

We report to the Audit and Supervisory Committee 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.

We report to the Audit and Supervisory Committee on our compliance with the rules of professional ethics in Japan regarding independence, any matters reasonably believed to affect our 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.

End

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- (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, 2023

To the Board of Directors of
AVANT GROUP CORPORATION

Deloitte Touche Tohmatsu LLC, Tokyo Office

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant _____ Jun Kagawa

Designated Limited Liability Partner
and Engagement Partner
Certified Public Accountant _____ Kenji Oyama

Audit Opinion

We have audited, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the financial statements of AVANT GROUP CORPORATION (the "Company") included in the "Financial Statements and Notes" for the fiscal year from July 1, 2022 to June 30, 2023, that includes balance sheets, statements of income, statements of changes in net assets, significant accounting policies, other notes and supplementary schedules.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and the results of its operation for the year then ended in accordance 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 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 an auditor 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 Matters

Key audit matters are those matters that we, as a professional expert, considered to be of particular importance in the audit of the financial statements for the fiscal year under review. Key audit matters are those matters that were 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 subsidiaries and associates	
Details of key audit matters and reasons for selection	Auditor's response
<p>As stated in the balance sheets as of June 30, 2023, the Company recorded 1,043,737 thousand yen in shares of subsidiaries and associates, which amounted to 11.9% of total assets.</p> <p>As stated in “(1) Valuation standards and methods for securities” in “1. Valuation standards and methods for assets” under [Notes to Parent Company Financial Statements] (Significant Accounting Policies), the Company considers the acquisition cost to be the balance sheet amount of shares of subsidiaries and associates. However, if the financial condition of the issuing company of the shares has deteriorated to the point where the real value of the shares has declined significantly and the possibility of recovery is not supported by sufficient evidence, a substantial impairment loss must be recognized.</p> <p>Regarding the need for impairment of shares of subsidiaries and associates in the audit during the fiscal year under review, we have ascertained the acquisition cost of shares of each subsidiary and associate and the actual value calculated based on the net assets per share of the issuing company, and they are not in a state where the risk of material misstatement is assessed as high.</p> <p>However, since shares of subsidiaries and associates are of high monetary importance on the balance sheet, we determined that the appropriateness of the valuation of such shares of subsidiaries and associates is particularly material in the audit of financial statements for the fiscal year under review and falls under “key audit matters.”</p>	<p>In considering the appropriateness of the valuation of the shares of subsidiaries and associates, we principally applied the following auditing procedures.</p> <p>We reviewed the financial information of each issuing company to determine whether the actual value of the shares of subsidiaries and associates was appropriately calculated based on the net assets per share of the issuing company, compared the acquisition cost of the shares of subsidiaries and associates with the actual value, and evaluated the appropriateness of management's judgment as to whether impairment loss was necessary.</p> <p>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 results thereof.</p>

Other Information

The other information included in the Annual Securities Report is information other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the Audit and Supervisory Committee is to monitor the execution of duties by the Directors in the development and operation of the reporting process for other information.

Our audit opinion on the financial statements does not cover the other information, and therefore we express no opinion thereon.

Our responsibility in the audit of the 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 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.

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

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 any matters related to going concern that are required to be disclosed in accordance with accounting principles generally accepted in Japan.

The responsibility of the Audit and Supervisory Committee is to monitor the execution of duties by the Directors in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Financial Statements

We are responsible for obtaining 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 us, and for expressing an opinion on the financial statements from an independent standpoint in its audit report. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the decisions of users of the financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process. We also:

- 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 based on our judgment. 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 the entity's internal control; however, in making those risk assessments, we consider 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 exists, we are required to draw attention in the auditor's report to the notes to the financial statements or, if the notes to the financial statements are not appropriate with respect to the material uncertainty, to express an opinion with qualifications on the financial statements. Our 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 of the financial statements and the notes thereto conform to accounting principles generally accepted in Japan, as well as whether the presentation, organization, and content of the financial statements, including related notes, and the financial statements present fairly the underlying transactions and accounting events.

We report to the Audit and Supervisory Committee 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.

We report to the Audit and Supervisory Committee on our compliance with the rules of professional ethics in Japan regarding independence, any matters reasonably believed to affect our independence, and any safeguards, if any, taken to remove or mitigate disincentives.

We determine those matters discussed with the Audit and Supervisory Committee that are considered to be of particular importance in the audit of the financial statements for the fiscal year under review as key audit matters, 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 laws and regulations or if, although extremely limited, we determine 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.

End

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