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Consolidated Summary Report under Japanese GAAP for the first quarter of the fiscal year ending June 30, 2023

October 31, 2022

Company Name: AVANT GROUP CORPORATION (Formerly AVANT CORPORATION) Stock exchange listings: Tokyo
 Code Number: 3836 URL: <https://www.avantgroup.com/>
 Representative: (Title) President, Group CEO (Name) Tetsuji Morikawa
 For inquiry: (Title) Director, Group CFO (Name) Naoyoshi Kasuga TEL: (03) 6388-6739

Securities report issue date: November 11, 2022 Dividend payment date: -
 Supplementary information for financial statements: Available
 Explanatory meeting to be held: No

1. Consolidated results for the first quarter of the fiscal year ending June 30, 2023

(Millions of yen, rounded down to the nearest unit)
(Percentages indicate year-on-year changes)

(1) Consolidated results of operations

	Revenue		EBITDA		Operating income		Ordinary income		Profit attributable to shareholders of parent company	
		%		%		%		%		%
First quarter of the fiscal year ending June 30, 2023	5,025	24.2	709	36.7	614	33.2	601	36.1	370	41.5
ended June 30, 2022	4,047	-	519	-	461	-	441	-	262	-

Comprehensive income (loss) for the 1Q of the fiscal year ending June 30, 2023 367 million yen (52.9%) for the 1Q of the fiscal year ended June 2022 271 million yen (-)

	Net profit per share	Diluted net profit per share
First quarter of the fiscal year ending June 30, 2023	yen	yen
ended June 30, 2023	9.86	-
ended June 30, 2022	6.97	-

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

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended June 30, 2022, and the figures for the first quarter of the fiscal year ending June 30, 2022 are after the application of the said accounting standard, etc., so the percentage change from the same quarter of the previous year is not stated.

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity Ratios
As of	Unit: million yen	Unit: million yen	%
September 30, 2022	15,942	10,478	65.7
June 30, 2022	16,617	10,597	63.8

(Reference) Net assets attributable to the company's shareholders As of September 30, 2022 10,478 million yen As of June 30, 2022 10,597 million yen

2. Dividends on common stock

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
Fiscal Year Ended	yen	yen	yen	yen	yen
June 30, 2022	-	0.00	-	13.00	13.00
June 30, 2023	-	-	-	-	-
June 30, 2023 (Forecast)	-	0.00	-	15.00	15.00

Revisions to the most recently announced dividend forecast: None

(Note) Breakdown of year-end dividend for the fiscal year ending June 30, 2022: ordinary dividend of 12.00 yen and commemorative dividend of 1.00 yen (25th anniversary of the Company's founding)

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2023

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent company		Net profit per share
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	yen
Fiscal Year ending June 30, 2023	21,800	16.6	3,100	-4.5	3,100	3.7	2,030	-0.7	53.96

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

Since the Company conducts annual business management, the consolidated financial forecast for the second quarter (cumulative total) is omitted.

Notes

(1) Changes in significant subsidiaries during the period (changes in “Specified Subsidiaries” (Tokutei Kogaisha) accompanying changes in scope of consolidation): No

Newly added to the scope of consolidation: nil

Newly deleted from the scope of consolidation: nil

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements: none

(3) Changes in accounting policies, accounting estimates and correction of past errors:

(i) Changes in accounting policies due to revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: No

(iv) Correction of past errors: No

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 14 of the attached document.

(4) Number of shares outstanding (common stock)

(i) Total shares outstanding including treasury stock

(ii) Shares of treasury stock held

(iii) Average outstanding shares

As of September 30, 2022	37,625,501 shares	As of June 30, 2022	37,625,501 shares
As of September 30, 2022	2,998 shares	As of June 30, 2022	2,998 shares
First quarter of the fiscal year ending June 30, 2023	37,622,503 shares	First quarter of the fiscal year ended June 30, 2022	37,600,252 shares

* This report is exempt from the audits of CPAs or Audit firms.

* Explanation of the appropriate use of earnings forecasts and other special notes

Forward-looking statements in this report, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements are not promised by the Company regarding future performance. Actual results may differ materially from the forecast depended on a range of factors. Please refer to "Earnings Forecasts" on page 8 for the assumptions for earnings forecasts and notes for using earnings forecasts.

The Company issued new shares as performance-based stock compensation and restricted stock compensation on October 7, 2022. Net income per share (forecast) is calculated based on the average number of shares during the period reflecting such issuance of new shares.

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1. Qualitative Information on Financial Results for the Current Quarter

(1) Management's Discussion on Business Operations

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

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

	Fiscal Year ended June 30, 2022 First quarter	Fiscal Year ending June 30, 2023 First quarter	Year on Year Change	
			Amount	%
Revenue	4,047	5,025	978	24.2
Operating income	461	614	153	33.2
Ordinary income	441	601	159	36.1
Profit attributable to owners of parent company	262	370	108	41.5

Consolidated net sales were 5,025 million yen (up 24.2% 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.

The ratio of recurring sales (sales that occur on an ongoing basis, such as software maintenance fees), which is one of the management indicators in the medium-term management plan, was 35.5%, down 1.4 percentage points from the same period of the previous year, due to a large increase in revenue from the Group Governance Business and Digital Transformation Business, which exceeded the effect of increased revenue from the Outsourcing Business, where the stock sales ratio is constantly maintained at around 90%. On the other hand, total stock sales continued to grow steadily, increasing 19.5% year-on-year.

As for profits, there were increases in fixed personnel expenses due to improved compensation and an increase in headcount to strengthen competitiveness for the purpose of securing human resources, as well as an increase in subcontracted processing expenses in response to an increase in orders, and an increase in expenses at the holding company due to the reorganization of the group. However, these factors were offset by the effect of increased sales in each business segment, resulting in operating income of 614 million yen (up 33.2% year-on-year), ordinary income of 601 million yen (up 36.1% year-on-year), and net income attributable to shareholders of the parent company of 370 million yen (up 41.5% year-on-year).

The status of each reportable segment is as follows.

(i) Revenues

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

	Fiscal Year ended June 30, 2022 First quarter	Fiscal Year ending June 30, 2023 First quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	1,957	2,409	451	23.1
Digital Transformation Business	1,564	1,916	352	22.5
Outsourcing Business	710	886	175	24.7
Elimination of inter-segment transactions	(185)	(186)	(1)	-
Consolidated Revenues	4,047	5,025	978	24.2

(ii) Operating income

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

	Fiscal Year ended June 30, 2022 First quarter	Fiscal Year ending June 30, 2023 First quarter	Year on Year Change	
			Amount	%
Group Governance Businesses	286	393	106	37.3
Digital Transformation Business	187	287	100	53.9
Outsourcing Business	161	198	37	23.2
Corporate Expenses and Elimination of inter-segment transactions	(173)	(264)	(91)	-
Consolidated operating income	461	614	153	33.2

For the Group Governance business, net sales were 2,409 million yen, up 23.1% from the same period of the previous year. The increase in sales of consulting services was the main reason for the rise in sales during the quarter, due in part to growth in solutions that contribute to group management information control, in addition to consolidated accounting and disclosure solutions. The ratio of SG&A and other expenses to the increase in net sales improved, resulting in an increase in operating income of 393 million yen (up 37.3% year-on-year).

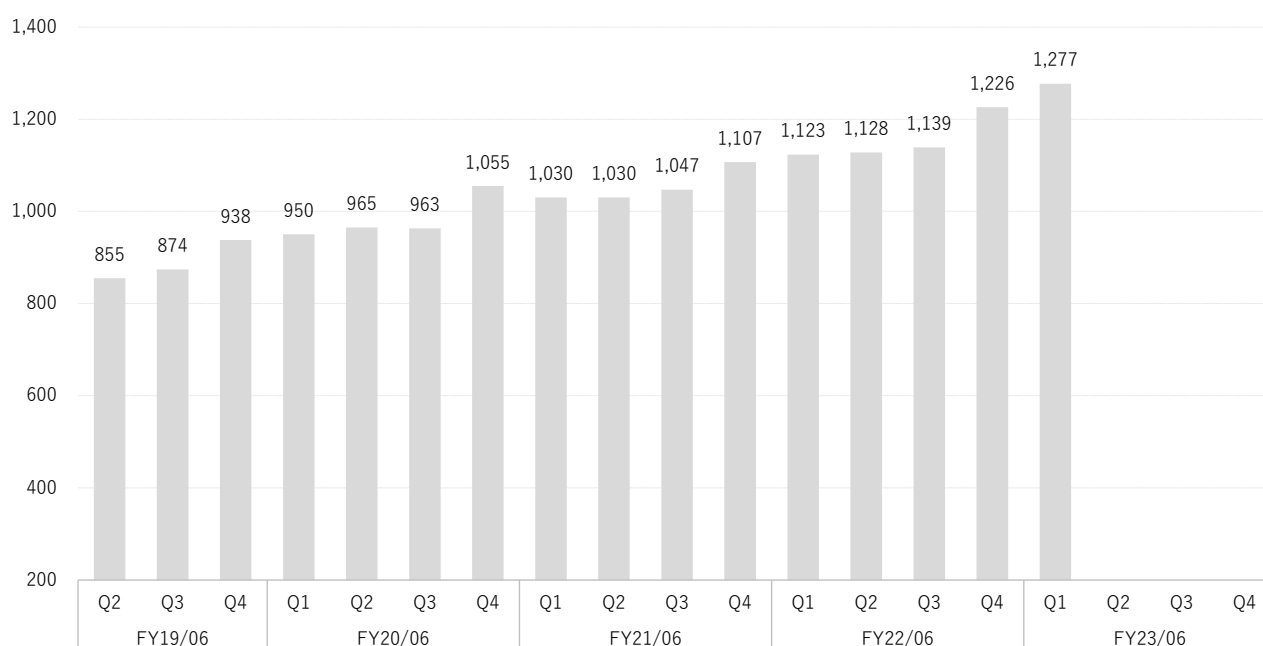
As for the Digital Transformation Promotion Business, the need among customers to utilize data for decision making related to management and business promotion continues to accelerate, and has shifted to a focus on provision of cloud data platforms and is becoming larger. On the other hand, the business intelligence-related development led the way during the quarter, while implementation and provision of corporate performance management (CPM) tools also grew, resulting in an increase in sales. As a result, net sales increased to 1,916 million yen (up 22.5% year-on-year). Despite an increase in personnel expenses due to higher compensation levels intended to strengthen competitiveness in order to secure personnel, this was offset by the effect of higher sales, and operating income was 287 million yen (up 53.9% year-on-year), significantly higher than the same period a year earlier.

In the outsourcing business, while stock sales continued to build steadily, sales of implementation and consulting services related to new contracts also grew significantly, contributing to sales growth, resulting in an increase in net sales of 886 million yen (up 24.7% year-on-year). In terms of profitability, operating income increased to 198 million yen (up 23.2% year-on-year), despite factors that increased costs, such as an increase in office space due to an increase in headcount.

The number of employees on a consolidated basis was 1,277 at the end of the first quarter, up 51 from the end of the previous fiscal year.

Quarterly Trends of Number of Employees of the Group

(person)



The status of orders received and sales by segment in the first quarter of the fiscal year under review is as follows.

(i) Orders Received

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

	Fiscal Year ended June 30, 2022		Fiscal Year ending June 30, 2023		Year on Year Change	
	First quarter		First quarter		Amount	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders
Group Governance Businesses	1,886	2,278	2,589	3,313	702	1,034
Digital Transformation Business	1,296	975	2,099	1,314	803	338
Outsourcing Business	722	1,469	832	2,392	109	922
Elimination of inter-segment transactions	(238)	(343)	(170)	(563)	67	(220)
Total	3,667	4,381	5,350	6,455	1,683	2,074

(ii) Sales

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

	Fiscal Year ended June 30, 2022		Fiscal Year ending June 30, 2023		Year on Year Change	
	First quarter		First quarter		Amount	%
Group Governance Businesses		1,957		2,409	451	23.1
Digital Transformation Business		1,564		1,916	352	22.5
Outsourcing Business		710		886	175	24.7
Elimination of inter-segment transactions		(185)		(186)	(1)	—
Total		4,047		5,025	978	24.2

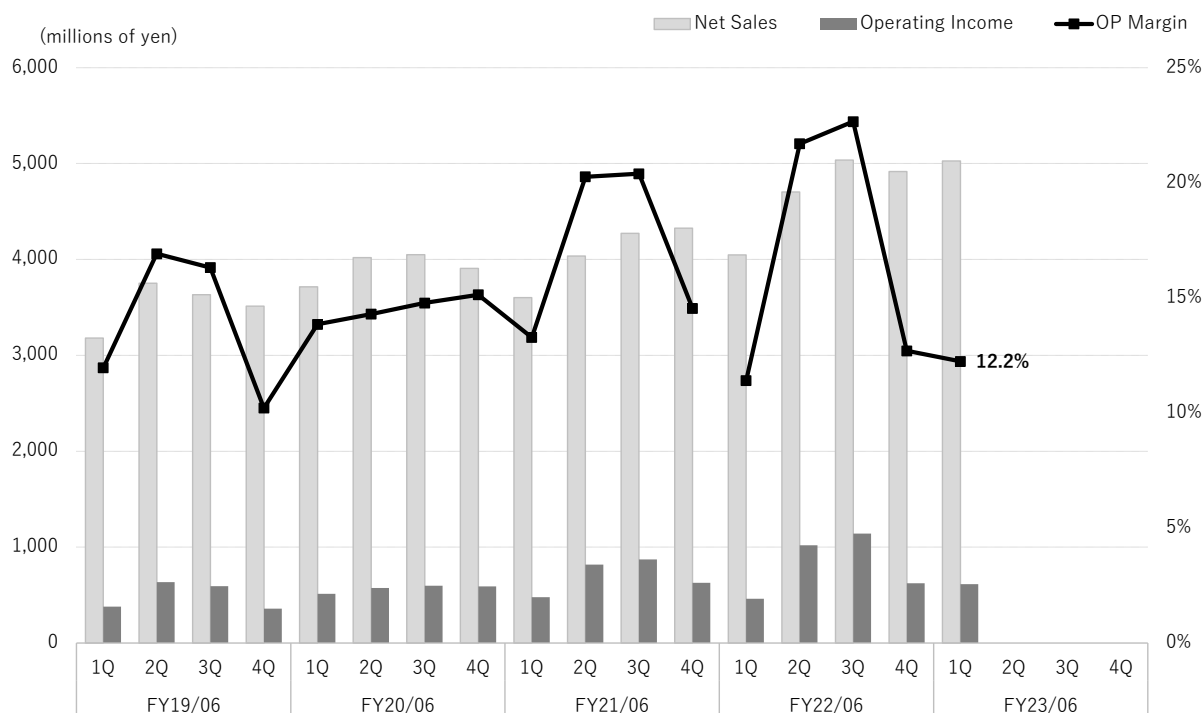
Quarterly trends in revenues and operating income are as follows:

Revenues and Operating Income for the Last four quarters

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

	Fiscal Year ended June 30, 2022			Fiscal Year ending June 30, 2023
	Second quarter	Third quarter	Fourth quarter	First quarter
Revenue	4,703	5,035	4,916	5,025
Operating income	1,020	1,140	624	614
Operating income margin (%)	21.7	22.7	12.7	12.2

Quarterly trends of revenue, operating income and operating margins



(2) Discussion on Financial Position

(i) Financial position

Total assets at the end of the first quarter were 15,942 million yen (down 674 million yen from the end of the previous fiscal year). This was mainly due to a 555 million yen decrease in current assets, which was mainly attributable to a 1,094 million yen decrease in cash and deposits and a 67 million yen increase in prepaid expenses.

On the other hand, total liabilities amounted to 5,464 million yen (down 555 million yen from the end of the previous fiscal year). This was mainly due to a decrease of 712 million yen in provision for bonuses.

Total net assets amounted to 10,478 million yen (down 119 million yen from the end of the previous fiscal year) due to the recording of 370 million yen in net income attributable to parent company shareholders and payment of 489 million yen in dividends from surplus. As a result, the equity ratio was 65.7% (63.8% at the end of the previous fiscal year), an improvement of 1.9 percentage points from the end of the previous fiscal year, and the Company believes it maintains a highly stable financial balance with low interest-bearing debt.

(ii) Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first quarter decreased by 1,091 million yen from the end of the previous fiscal year to 8,911 million yen. The status of each cash flow and their factors are as follows.

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

Funds used in operating activities totaled 491 million yen. (173 million yen used in the same period of the previous year)

The main factors of increase were income before income taxes and minority interests of 601 million yen and increase in deposits received of 691 million yen, while the main factors of decrease were decrease in allowance for bonuses of 712 million yen, decrease in allowance for directors' bonuses of 127 million yen and income taxes paid of 893 million yen.

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

Funds used in investing activities totaled 111 million yen. (177 million yen used in the same period of the previous year)

The main accounts of cash outflow were 16 million yen for purchase of property, plant and equipment, 50 million yen for purchase of intangible assets, and 120 million yen for payment of lease and guarantee deposits, while the main accounts of cash inflow were 90 million yen for proceeds from redemption of marketable securities.

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

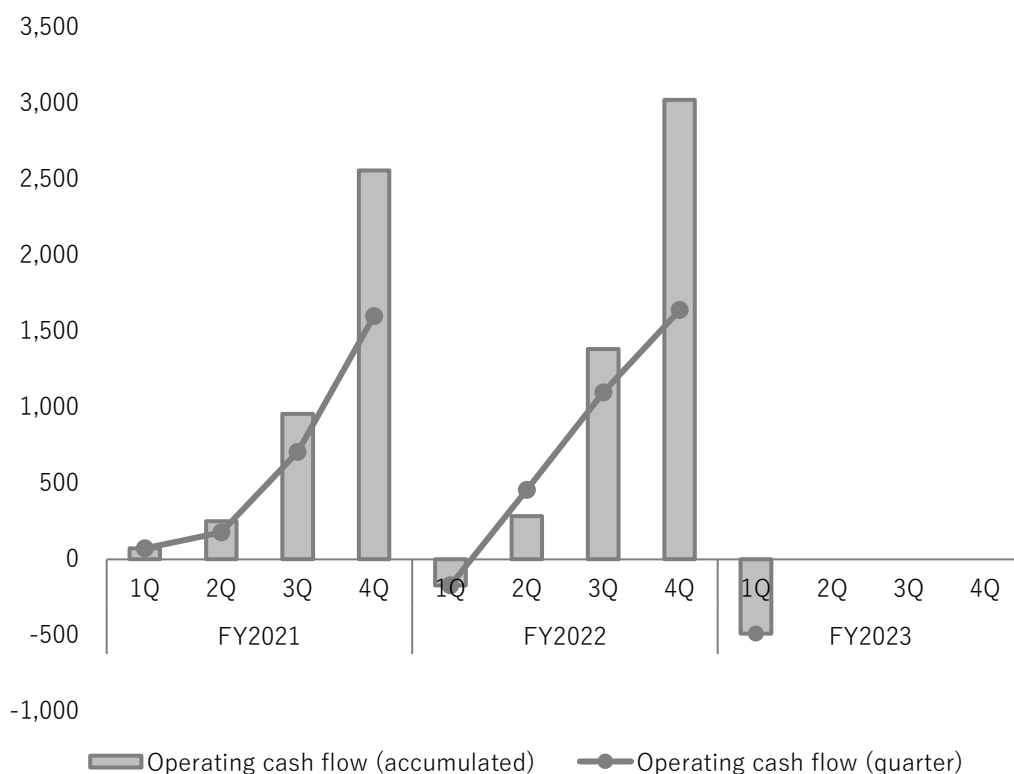
Net cash used in financing activities totaled 493 million yen. (417 million yen used in the same period of the previous year)

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

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

Maintenance fees and commissions paid for the outsourcing business in the consolidated accounting-related business are prepaid for the year in advance of the provision of services. As a result, the business model has almost no need for working capital than the original. In the business intelligence business, on the other hand, as outsourcing costs and other expenses are paid in advance, working capital demand will increase as sales grow. However, by concentrating the excess funds of the Group as a whole in the holding company, the Group is able to smoothly extend funds across the Group. In addition to the total amount of cash held, the Group has established a commitment line totaling 3.5 billion yen with each bank with which it does business. Accordingly, at present there are no concerns about funding, and rather, we intend to use the excess funds for strategic investment in the future.

Quarterly trends of operating cash flow (millions of yen)



(3) Earnings Forecasts

In September 2018, the Company announced a five-year plan (five-year target to be achieved in five years) as its medium-term management plan, and the fiscal year ending June 2023 is the final year of the plan. Prior to that, we have defined the materiality of the Avant Group as "to become a software company that helps improve corporate value," and have clarified what we aim to become during the period of the next medium-term plan. As a concrete measure to realize this materiality, we have reorganized the group and started business activities as the new Avant Group on October 1, 2022.

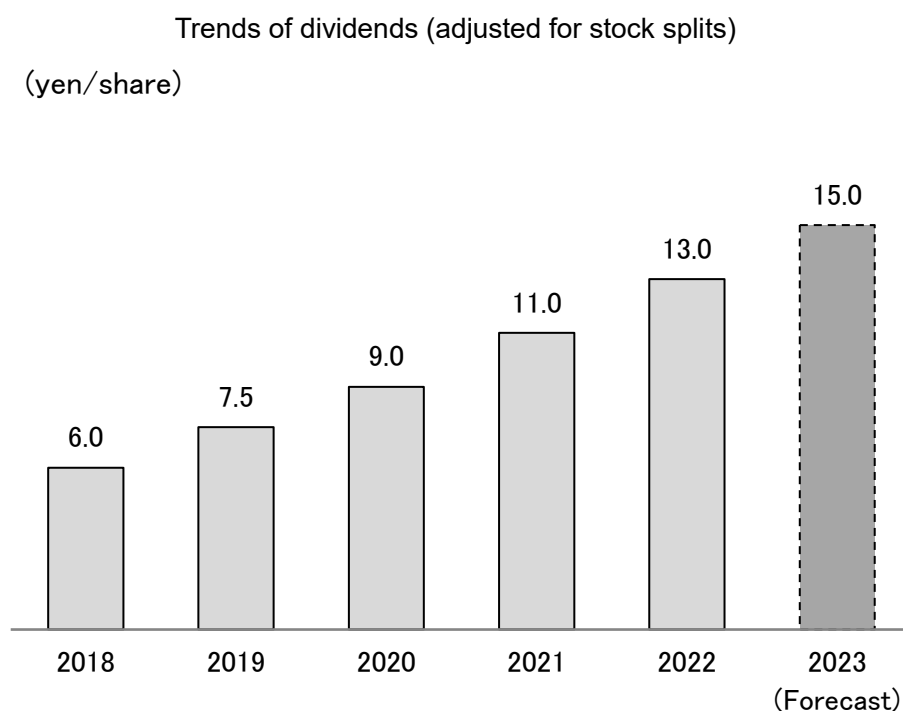
The reorganization of the group will also clarify the direction of each operating company and expand the means of response, thereby enabling us to respond to growing needs better than ever before and achieve sustainable sales growth. At the same time, in order to maximize the effects of the reorganization, we plan to aggressively implement expenditures for the future, including a review of the Group's branding and a fundamental revision of our product development strategy, including a reorganization of our low-profit products.

Although there is a risk that the spread of the new coronavirus infection, which has yet to be resolved, and the situation in Ukraine may indirectly affect the Group's performance, we believe that the needs of the Group's business, such as the increasing number of companies that want to utilize data for management and strengthen group governance, will rather continue to grow. However, we believe that the needs of the Group's business will continue to increase in the future.

As a result, the Company expects to achieve net sales of 21,800 million yen and operating income of 3,100 million yen in the current fiscal year.

This forecast is based on the assumption that the spread of the new coronavirus infection will not cause a greater stagnation in the economic activities of domestic companies than the current situation. If this becomes greater in the future, the Group's operating results may be worse than expected.

In accordance with our existing dividend policy, we will raise the ratio of dividends to net assets, always being conscious of exceeding the average of all listed companies, while at the same time striving to maintain stable dividends (in principle, dividends per share should not fall below the level of the previous fiscal year). In accordance with this policy, we forecast a dividend of 15 yen per share for the current fiscal year.



2. Quarterly consolidated financial statements and notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (June 30, 2022)	First Quarter of the Fiscal Year ending June 30, 2023 (September 30, 2022)
Assets		
Current assets		
Cash and Deposits	9,444,021	8,349,213
Notes and accounts receivable – trade	3,024,049	2,998,983
Marketable securities	590,019	500,000
Work in progress	18,100	15,985
Raw materials and supplies	82,827	85,837
Prepaid expenses	539,637	607,341
Other	46,346	632,833
Allowance for doubtful accounts	(3,685)	(3,904)
Total current assets	13,741,316	13,186,290
Non-current assets		
Property, plant and equipment	398,117	423,534
Intangible assets		
Software	676,429	676,499
Other	521	225
Total intangible assets	676,951	676,724
Investments and other assets		
Investment securities	511,133	508,374
Long-term prepaid expenses	29,713	22,023
Leasehold and guarantee deposits	560,883	681,659
Deferred tax assets	568,997	313,910
Other	129,933	129,933
Total investments and other assets	1,800,661	1,655,900
Total non-current assets	2,875,730	2,756,159
Total assets	16,617,046	15,942,450

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (June 30, 2022)	First Quarter of the Fiscal Year ending June 30, 2023 (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	662,316	632,596
Lease obligations	12,428	12,086
Accounts payable – other, and accrued expenses	392,568	782,597
Income taxes payable	586,626	-
Unearned revenue	2,355,344	2,226,397
Asset retirement obligations	15,606	15,606
Provision for bonuses	1,050,315	338,193
Provision for bonuses to directors and other officers	170,813	43,640
Allowance for loss on orders received	17,743	15,268
Other	556,718	1,166,112
Total current liabilities	5,820,483	5,232,500
Non-current liabilities		
Lease obligations	18,324	15,272
Asset retirement obligations	180,576	213,487
Deferred tax liabilities	-	2,924
Total non-current liabilities	198,900	231,684
Total liabilities	6,019,383	5,464,185
Net assets		
Shareholders' equity		
Share capital	329,128	329,128
Capital surplus	265,928	265,928
Retained earnings	9,872,031	9,756,070
Treasury shares	(608)	(608)
Total shareholders' equity	10,466,479	10,350,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103,126	88,840
Deferred gains or losses on hedges	236	300
Foreign currency translation adjustments	27,820	38,605
Total accumulated other comprehensive income	131,183	127,746
Total net assets	10,597,663	10,478,264
Total liabilities and net assets	16,617,046	15,942,450

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

**Consolidated Quarterly Statements of Income
First Quarter of the Current Fiscal Year**

(Unit: thousand yen)

	First Quarter of the Previous Fiscal Year (From July 1, 2021 to September 30, 2021)	First Quarter of the Current Fiscal Year (From July 1, 2022 to September 30, 2022)
Net sales	4,047,484	5,025,971
Cost of sales	2,227,854	2,776,438
Gross profit	1,819,630	2,249,533
Selling, general and administrative expenses	1,357,970	1,634,571
Operating profit	461,660	614,962
Non-operating income		
Interest income	76	57
Dividends income	1,048	511
Subsidy income	1,350	220
Miscellaneous income	78	1,270
Other	47	33
Total non-operating income	2,601	2,092
Non-operating expenses		
Interest expense	209	144
Share of loss of entities accounted for using equity method	19,341	-
Loss on investments in investment partnerships	601	1,538
Commission expenses	1,430	1,423
Foreign exchange loss	311	1,660
Compensation for damages	-	10,831
Other	647	289
Total non-operating expenses	22,542	15,888
Ordinary profit	441,719	601,165
Income before income taxes	441,719	601,165
Income taxes - current	97,742	(32,530)
Income taxes - deferred	81,805	262,798
Total income taxes	179,547	230,267
Profit	262,172	370,898
Profit attributable to noncontrolling interests	-	-
Profit attributable to owners of the parent	262,172	370,898

Consolidated Quarterly Statements of Comprehensive Income
First Quarter of the Current Fiscal Year

(Unit: thousand yen)

	First Quarter of the Previous Fiscal Year (From July 1, 2021 to September 30, 2021)	First Quarter of the Current Fiscal Year (From July 1, 2022 to September 30, 2022)
Profit	262,172	370,898
Other comprehensive income		
Valuation difference on available-for-sale securities	8,679	(14,286)
Deferred gains or losses on hedges	11	64
Foreign currency translation adjustments	1,468	9,011
Share of other comprehensive income of affiliates accounted for by the equity method	(852)	1,773
Total other comprehensive income	9,306	(3,437)
Comprehensive income	271,479	367,461
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	271,479	367,461
Comprehensive income attributable to noncontrolling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	First Quarter of the Previous Fiscal Year (From July 1, 2021 to September 30, 2021)	First Quarter of the Current Fiscal Year (From July 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	441,719	601,165
Depreciation	60,818	101,795
Share-based payment expenses	3,861	4,457
Increase (decrease) in allowance for doubtful accounts	92	218
Increase (decrease) in provision for bonuses	(427,828)	(712,122)
Increase (decrease) in provision for bonuses for directors (and other officers)	(96,827)	(127,172)
Increase (decrease) in provision for loss on orders received	10,290	(2,474)
Interest and dividend income	(1,125)	(568)
Interest expenses	209	144
Commission expenses	1,430	1,423
Share of loss (profit) of entities accounted for using equity method	19,341	-
Loss (gain) on investments in investment partnerships	601	1,538
Subsidy income	(1,350)	(220)
Decrease (increase) in trade receivables	449,871	25,116
(Increase) decrease in inventories	(2,779)	(895)
Increase (decrease) in notes and accounts payable - trade	(17,156)	(29,720)
Increase (decrease) in accounts payable and accrued expenses	288,406	128,193
Increase (decrease) in accrued consumption taxes	(7,958)	(85,244)
Increase (decrease) in unearned revenue	(356,315)	(128,946)
Increase (decrease) in deposits received	235,680	691,949
Other, net	(66,950)	(67,512)
Subtotal	534,032	401,125
Interest and dividends received	1,235	759
Interest payments	(209)	(144)
Amount of grants received	1,350	220
Income taxes paid	(710,025)	(893,709)
Net cash provided by (used in) operating activities	(173,617)	(491,747)
Cash flows from investing activities		
Proceeds from redemption of marketable securities	-	90,019
Purchase of property, plant and equipment	(68,642)	(16,518)
Purchase of intangible assets	(146,408)	(50,717)
Purchase of investment securities	△11,044	(13,935)
Payment of leasehold and guarantee deposits	(168,288)	(120,775)
Proceeds from refund of leasehold and guarantee deposits	216,775	-
Other, net	96	371
Net cash provided by (used in) investing activities	(177,512)	(111,554)
Cash flows from financing activities		
Repayment of finance lease obligations	(3,528)	(3,392)
Disbursement of commissions paid	-	(1,500)
Dividends paid	(413,602)	(489,092)
Net cash provided by (used in) financing activities	(417,131)	(493,985)
Effect of exchange rate change on cash and cash equivalents	1,158	6,161
Net increase (decrease) in cash and cash equivalents	(767,102)	(1,091,126)
Cash and cash equivalents at beginning of period	7,786,223	10,002,870
Cash and cash equivalents at end of period	7,019,120	8,911,744

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Change in accounting policy)

<Application of the "Guidance on Accounting Standard for Measurement of Fair Value">

The Company adopted the "Guidance on Accounting Standard for Measurement of Fair Value (ASBJ Guidance No. 31, June 17, 2021). Hereafter referred to as the "Guidance on Accounting Standard for Fair Value Calculation)" from the beginning of the first quarter of the current consolidated fiscal year and will apply the new accounting policy in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

<Application of the "Treatment of Accounting and Disclosure for Application of the Group Totalization System">

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group totalization system. In accordance with this change, the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting are in accordance with "Treatment of Accounting and Disclosure for Application of the Group Totalization System (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42"). In addition, in accordance with Paragraph 32 (1) of the PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy upon the application of PITF No. 42.

<Accounting estimates related to the spread of new coronavirus infections>

There has been no significant change in the assumptions regarding the impact of the new coronavirus infection described in (Additional Information) (Accounting Estimates Regarding the Spread of the New Coronavirus Infection) in the Annual Securities Report for the previous fiscal year.

(Segment information)

Previous quarter (From July 1, 2021 to September 30, 2021)

1. Information on revenues and profits or losses by reported segment

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Revenue				
Sales to customers	1,949,559	1,558,785	539,140	4,047,484
Intersegment sales	8,154	5,625	171,534	185,314
Total	1,957,714	1,564,410	710,674	4,232,799
Segment profit	286,556	187,044	161,200	634,802

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

(thousands of yen)

Profit	Amount
Reportable segments total	634,802
Elimination of transactions between the Company and segments	187,147
Corporate expenses (Note)	(360,668)
Others	379
Operating income in the quarterly consolidated statements of income	461,660

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

Current quarter (From July 1, 2022 to September 30, 2022)

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

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Revenue				
Sales to customers	2,399,169	1,916,764	710,037	5,025,971
Intersegment sales	10,339	25	176,089	186,454
Total	2,409,508	1,916,789	886,127	5,212,425
Segment profit	393,338	287,924	198,621	879,884

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

(thousands of yen)

Profit	Amount
Reportable segments total	879,884
Elimination of transactions between the Company and its segments	207,106
Corporate expenses (Note)	(472,408)
Others	379
Operating income in the quarterly consolidated statements of income	614,962

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

(Revenue recognition)

Breakdown of revenue from contracts with customers

Previous quarter (From July 1, 2021 to September 30, 2021)

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	79,252	16,053	36,735	132,042
Goods or services that are transferred over a period of time	1,870,306	1,542,731	502,404	3,915,442
Net sales to external customers	1,949,559	1,558,785	539,140	4,047,484

Current quarter (From July 1, 2022 to September 30, 2022)

(thousands of yen)

	Reportable segments			Total
	Group Governance Business	Digital Transformation Business	Outsourcing Business	
Goods or services transferred at a point in time	82,342	24,390	86,536	193,270
Goods or services that are transferred over a period of time	2,316,826	1,892,373	623,500	4,832,701
Net sales to external customers	2,399,169	1,916,764	710,037	5,025,971

(Significant Subsequent Events)

(Transactions under common control, etc.)

At a meeting of the Board of Directors held on June 22, 2022, the Company's Board of Directors resolved a policy of reorganization (corporate separation among consolidated subsidiaries) of the Group, and on July 15, 2022, DIVA CORPORATION, a consolidated subsidiary of the Company agreed that it will succeed to the development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX") by way of an absorption-type company split (hereinafter referred to as "Absorption-Type Company Split No. 1") and ZEAL CORPORATION, a consolidated subsidiary of the Company agreed that it will succeed to the business under the jurisdiction of the Corporate Performance Management Unit through an absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 2"). These agreements were executed on October 1, 2022.

In conjunction with this reorganization, the trade names of the Company and its consolidated subsidiaries were changed as follows on October 1, 2022.

After	Before
AVANT GROUP CORPORATION	AVANT CORPORATION
AVANT CORPORATION	DIVA CORPORATION
DIVA CORPORATION	FIERTE CORPORATION

Absorption-type Split No. 1

(1) Outline of the Transaction

- (i) Name and description of the business subject to the transaction
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
DIVA CORPORATION will be the splitting company and FIERTE CORPORATION will be the successor

company.

- (iv) Name of the company after the business combination
FIERTE CORPORATION (DIVA CORPORATION after the trade name change)
- (v) Other matters related to the outline of the transaction
In order to realize the materiality of our group, we will accelerate the growth of existing businesses and create new growth businesses through reorganization.

(2) Outline of Accounting Procedures Implemented

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

2nd Absorption-type Split

(1) Outline of the transaction

- (i) Name and description of the business subject to the transaction
Business under the jurisdiction of Corporate Performance Management Unit
- (ii) Date of business combination
October 1, 2022
- (iii) Legal form of business combination
A corporate split in which ZEAL CORPORATION will be the splitting company and DIVA CORPORATION will be the successor company
- (iv) Name of the company after the combination
DIVA CORPORATION (After the trade name change: AVANT CORPORATION)
- (v) Other matters related to the outline of the transaction
In order to realize the materiality of our group, we will accelerate the growth of existing businesses and create new growth businesses through reorganization.

(2) Outline of Accounting Procedures Implemented

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

(Issuance of new shares as performance-linked stock compensation and restricted stock compensation)

At the Board of Directors meeting held on October 7, 2022, the Company's Board of Directors resolved to issue new shares of stock to the Company's Directors under the performance-linked stock compensation plan and to issue new shares as restricted stock compensation to the Company's Corporate Officers and Directors of the Company's subsidiaries. The payment procedure was completed on October 28, 2022.

Outline of Issuance of New Shares

(1) Payment date	October 28, 2022
(2) Class and number of shares to be issued	20,350 shares of common stock of the Company
(3) Issue price	1,571 yen per share
(4) Total amount of issuance	31,969,850 yen
(5) Capitalization	785.5 yen per share
(6) Total amount of capital incorporation	15,984,925 yen
(7) Allottees of shares, number of allottees and number of shares to be allotted	1 director of the Company: 4,216 shares Corporate Officer of the Company and directors of the Company's subsidiaries, totaling 15 directors: 16,134 shares
(8) Other	A securities registration statement in accordance with the Financial Instruments and Exchange Act has been filed for this issuance of new shares.