

Consolidated Summary Report under Japanese GAAP for the Fiscal Year Ended June 30, 2019

August 2, 2019

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 Code Number: 3836
 Representative: (Title) President, Group CEO (Name) Tetsuji Morikawa,
 For inquiry: (Title) Director, Group CFO (Name) Naoyoshi Kasuga TEL: (03) 6864-0100
 General meeting of shareholders: September 27, 2019 Dividend payment date: September 30, 2019
 Securities report issue date: September 27, 2019
 Supplementary information for financial statements: Available
 Explanatory meeting to be held: Yes (for institutional investors and analysts)

Stock exchange listings: Tokyo
 URL: <https://www.avantcorp.com/>

1. Consolidated Financial Data for the Fiscal Year ended June 30, 2019

(1) Consolidated results of operations

(Amounts of less than one million yen are rounded down.) (% represents the change from the previous fiscal year)

Fiscal Year Ended	Revenue		Operating Income		Ordinary Income		Net Income attributable to shareholders of Parent Company	
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%
June 30, 2019	14,077	16.2	1,966	20.5	1,972	20.8	1,317	24.0
June 30, 2018	12,110	15.0	1,631	24.9	1,632	24.7	1,062	60.0

(Note) Comprehensive income (loss) for the fiscal years ended June 30, 2019 and 2018 were 1,319 million yen (+23.4%) and 1,069 million yen (+60.6%), respectively.

Fiscal Year Ended	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Revenue
	yen	yen	%	%	%
June 30, 2019	70.13	-	24.6	20.5	14.0
June 30, 2018	56.57	-	24.5	20.2	13.5

(Reference) Income from investment in affiliates (Equity method) for the fiscal years June 30, 2019 and 2018 were nil million yen and nil million yen, respectively.

(Note) The stock split was conducted on November 1, 2017, at a ratio of 2 shares of common stock per 1 share of common stock. Net income per share is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial condition

As of	Total Assets	Total Net Assets	Ratio of Net Assets Attributable to the Company's shareholders to Total Assets	Total Net Assets per Share
	Unit: million yen	Unit: million yen	%	Yen
June 30, 2019	10,415	5,898	56.6	314.00
June 30, 2018	8,814	4,792	54.4	255.26

(Reference) Net assets attributable to the Company's shareholders as of June 30, 2019 and 2018 were 5,900 million yen and 4,792 million yen, respectively.

(Note) The stock split was conducted on November 1, 2017, at a ratio of 2 shares of common stock per 1 share of common stock. Net assets per share is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

Fiscal Year Ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Unit: million yen	Unit: million yen	Unit: million yen	Unit: million yen
June 30, 2019	1,320	(455)	(232)	5,195
June 30, 2018	1,159	(353)	(184)	4,566

2. Dividends on Common Stock

Fiscal Year Ended	Dividends per share					Total Dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
June 30, 2018	-	0.00	-	12.00	12.00	225	21.2	5.2
June 30, 2019	-	0.00	-	15.00	15.00	281	21.4	5.3
June 30, 2020 (Forecast)	-	0.00	-	18.00	18.00		25.0	

3. Consolidated Earnings Forecasts for the Fiscal Year ending June 30, 2020

(% represents the change from the previous fiscal year)

Fiscal Year ending June 30, 2020	Revenue		Operating Income		Ordinary Income		Net Income attributable to shareholders of Parent Company		Net Income per Share
	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	Unit: million yen	%	yen
	15,480	10.0	2,165	10.1	2,165	9.8	1,353	2.7	72.03

(Note) Since we manage our business on an annual basis, we have omitted the consolidated earnings forecasts for the second quarter (accumulated). For details, please refer to “1. Overview of business results, etc. (4) Forecasts” on page 7.

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

① Changes in accounting policies due to revision of accounting standards: No

② Changes in accounting policies due to reasons other than item ① above: No

③ Changes in accounting estimates: No

④ Correction of past errors: No

(3) Number of shares outstanding (common stock)

① Total shares outstanding including treasury stock

② Shares of treasury stock held

③ Average outstanding shares

As of June 30, 2019	18,785,094 shares	As of June 30, 2018	18,776,000 shares
As of June 30, 2019	1,421 shares	As of June 30, 2018	1,349 shares
Fiscal Year ended June 30, 2019	18,780,970 shares	Fiscal Year ended June 30, 2018	18,774,666 shares

(Note) The stock split was conducted on November 1, 2017, at a ratio of 2 shares of common stock per 1 share of common stock. Shares outstanding is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

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

*Notes for using earnings forecast in this report and others:

The forward-looking statements and other forward-looking statements contained in this material are based on information currently available to the Company and on certain assumptions that are judged to be reasonable, and the Company does not intend to promise that achievement. In addition, actual performance may differ greatly due to various factors. Please refer to “1. Overview of business results (4) Forecasts” on page 7 for the conditions that form the basis of the business forecast and notes on using the business forecast.

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1. Consolidated Results of Operations

(1) Discussion on Operations

Results of Operations for the Fiscal Year Ended June 30, 2019 was as follows;

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2018	Fiscal Year ended June 30,2019	Year on Year Change	
			Amount	%
Revenue	12,110	14,077	1,967	16.2
Operating Income	1,631	1,966	335	20.5
Ordinary Income	1,632	1,972	340	20.8
Net income attributable to shareholders of parent company	1,062	1,317	254	24.0

Consolidated revenue amounted to 14,077 million yen (up 16.2% from the previous fiscal year) as all three business segments, namely Consolidated Accounting business, Business Intelligence business and Outsourcing business grew steadily. The recurring revenue (such as maintenance fees for software) ratio to total revenue, which the Company sets as one of the management targets in the new medium-term management plan announced in September 2018, decreased slightly to 31.4% while recurring revenue itself increased by 11.8% compared to the previous fiscal year. Current fiscal year stood as a preparatory period to dramatically improve this ratio in the future, and there was also a strong increase in non-recurring service revenue mainly from recent large projects.

In terms of profits, in addition to revenue growth, efforts to improve project quality and productivity, and a decrease in the relative ratio of fixed expenses to revenue due to increased level of revenue, all contributed to improved profitability in all three business segments. All profitability indicators, including operating income of 1,966 million yen (up 20.5% from the previous fiscal year), ordinary income of 1,972 million yen (up 20.8 percent from the previous fiscal year), net income attributable to shareholders of parent company of 1,317 million yen (up 24.0% from the previous fiscal year), increased in four consecutive years and achieved a record high for the Group.

Results of each reporting segments are as follows;

① Revenue

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2018	Fiscal Year ended June 30,2019	Year on Year Change	
			Amount	%
Consolidated Accounting	7,261	8,034	773	10.6
Business Intelligence	3,953	4,990	1,036	26.2
Outsourcing	1,313	1,629	316	24.1
Intersegment elimination	(417)	(576)	(159)	—
Consolidated revenue	12,110	14,077	1,967	16.2

② Operating income

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2018	Fiscal Year ended June 30,2019	Year on Year Change	
			Amount	%
Consolidated Accounting	1,030	1,293	263	25.5
Business Intelligence	324	636	311	96.1
Outsourcing	213	318	104	48.9
Corporate expenses, elimination of transaction between the Company and subsidiaries	63	(281)	(344)	-
Operating Income	1,631	1,966	335	20.5

In the Consolidated Accounting business, revenue increased to 8,034 million yen (up 10.6% from the previous fiscal year) mainly because of continued revenue contribution from a large project received in the previous fiscal year. However, the profitability of this large-scale project is on a slight decline, and because the Group anticipates an increase in support related expenses as the project is expected to be fully operational in the next fiscal year, the Group decided to provide allowance. On the other hand, in other projects, the effects of quality improvement efforts gradually began to appear and as a result, profitability improved, resulting in operating income of 1,293 million yen (up 25.5% from the previous fiscal year).

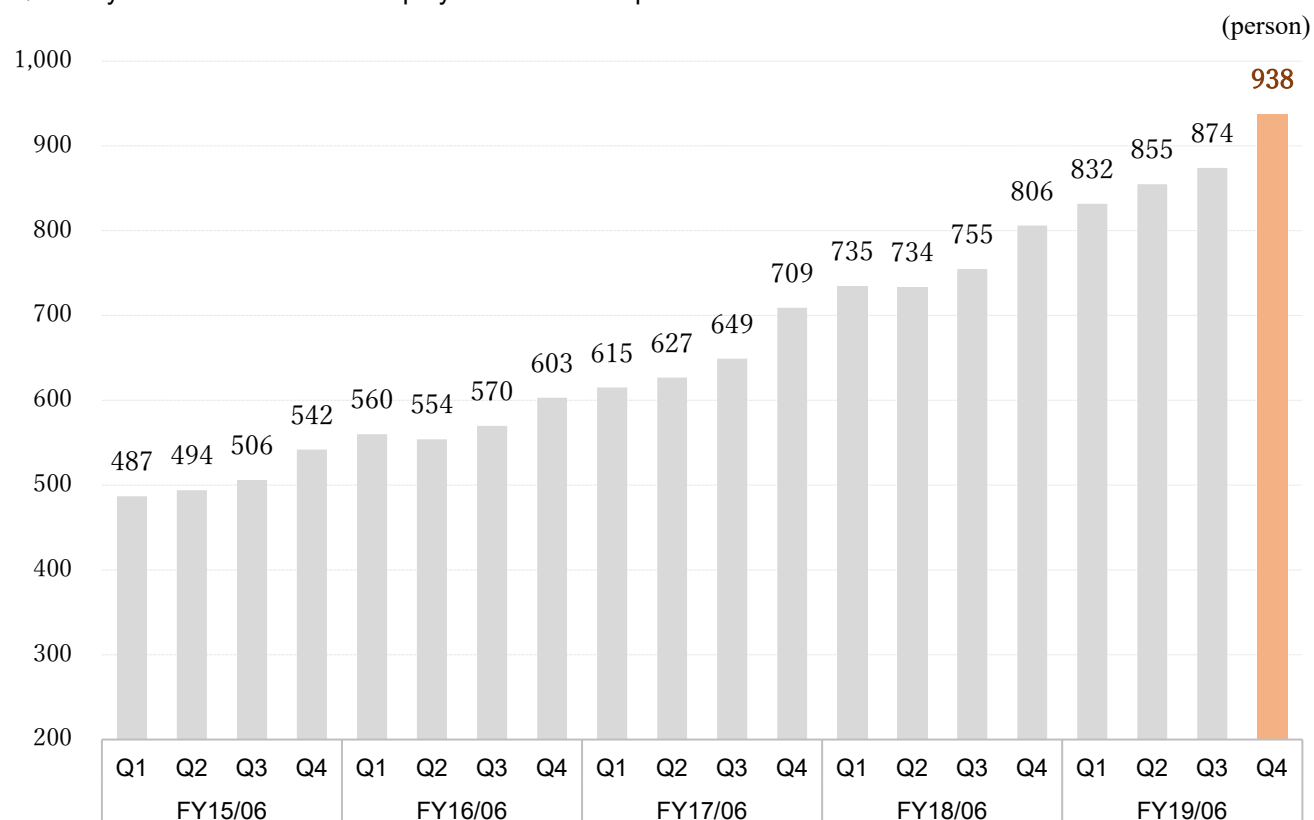
In the Business Intelligence business, revenue increased substantially to 4,990 million yen (up 26.2% compared to the previous fiscal year) mainly because we were able to receive orders for several large projects. As we increased personnel in this segment, expenses on personnel, hiring and cost related to the opening of new offices have increased. However, profitability has been greatly improved as we increased highly profitable prime contract projects, and as we increased quasi mandate contract in which consignor agrees to compensate works of consignee, regardless of progress or completion of the project, and thus reduced risk related to undertaking of projects and projects turning unprofitable, operating income increased to 636 million yen, an increase of 96.1% compared to the previous fiscal year.

The Outsourcing business also achieved a significant increase in revenue of 1,629 million yen (up 24.1% from the previous fiscal year) and operating income of 318 million yen (up 48.9% compared to the previous fiscal year), offsetting cost related to the opening of new office.

The elimination of intersegment transactions in revenue increased. When the outsourcing segment was split up in October 2017, the treatment for transactions of systems outsourcing was changed, and the Company started to outsource operations related to the treatment of tax on consolidated basis to the segment.

Finally, the number of consolidated employees was 938 at the end of the fiscal year, an increase of 132 from the beginning of the fiscal year.

Quarterly trends of number of employees of the Group



New orders and revenue of each reporting segment were as follows;

① New orders and outstanding orders

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2018		Fiscal Year ended June 30, 2019		Year on Year Change	
	New orders	Outstanding orders	New orders	Outstanding orders	Amount	
					New orders	Outstanding orders
Consolidated Accounting	7,732	2,433	7,774	2,173	42	(260)
Business Intelligence	4,221	929	5,265	1,204	1,043	274
Outsourcing	1,488	675	1,807	852	319	177
Elimination of intersegment transactions	(599)	(203)	(676)	(303)	(76)	(99)
Total	12,842	3,834	14,171	3,927	1,328	93

② Revenue

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2018	Fiscal Year ended June 30, 2019	Year on Year Change	
			Amount	%
Consolidated Accounting	7,261	8,034	773	10.6
Business Intelligence	3,953	4,990	1,036	26.2
Outsourcing	1,313	1,629	316	24.1
Elimination of intersegment transactions	(417)	(576)	(159)	—
Total	12,110	14,077	1,967	16.2

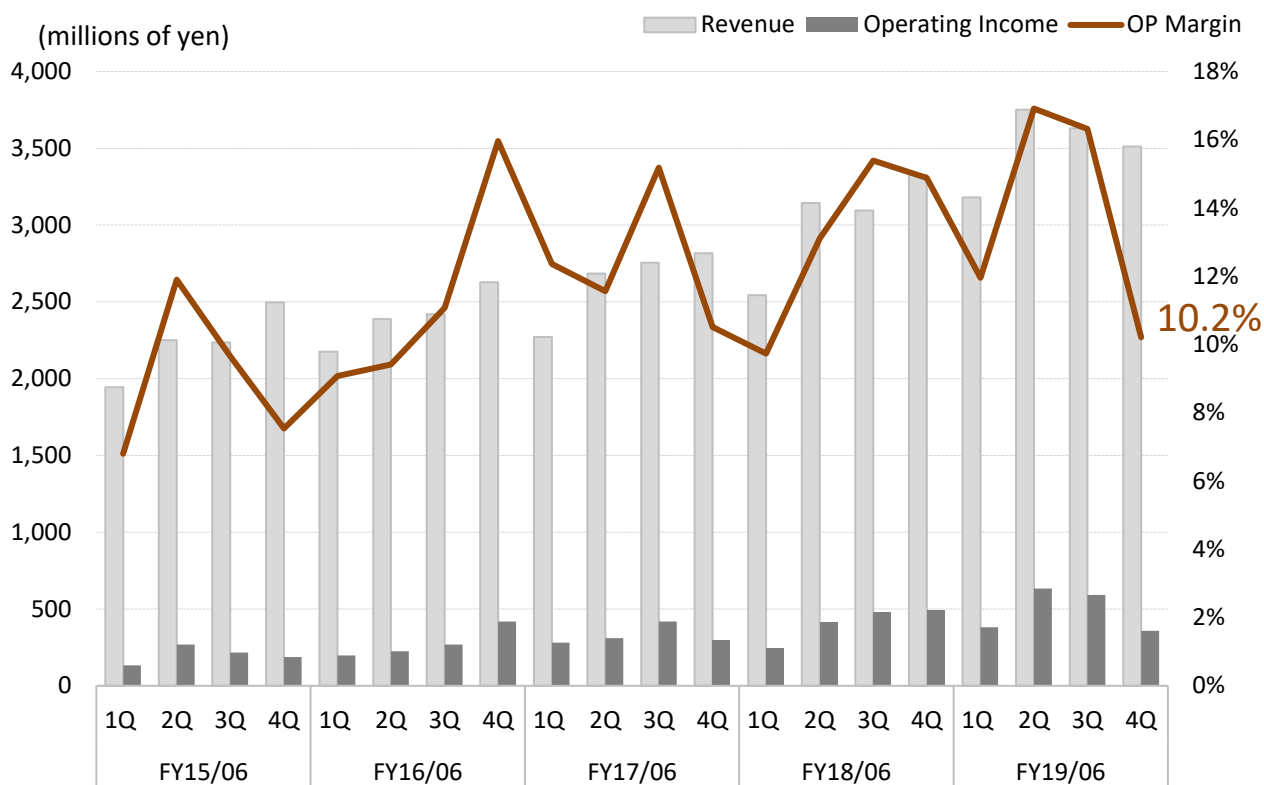
(Note) Figures in table ① and ② do not include consumption tax.

Quarterly trends of revenue and operating incomes are as follows;

(millions of yen [figures less than a million are rounded down])

	Fiscal Year ended June 30, 2019			
	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	3,180	3,752	3,631	3,512
Operating income	380	634	592	358
Operating profit margins (%)	12.0	16.9	16.3	10.2

Quarterly trends of revenue, operating income and operating profit margins



(2) Discussion on Financial Condition

Total assets at the end of the current fiscal year were 10,417 million yen (up 1,603 million yen from the end of the previous fiscal year). This was mainly due to an increase of 1,120 million yen in current assets on the back of an increase of 596 million yen in cash and deposits mainly due to net income attributable to shareholders of parent company of 1,317 million yen, and an increase of 512 million yen in accounts receivable and notes receivable. In addition, fixed assets increased by 480 million yen as a result of an increase of 212 million yen in deposits and guarantees due to increased office space etc., an increase of 123 million yen due to purchases of investment securities, an increase of 78 million yen in deferred tax assets, an increase of 54 million yen in tangible fixed assets resulting from the expansion of the floor and network facilities.

Meanwhile, total liabilities were 4,517 million yen (up 495 million yen from the end of the previous fiscal year). The main factors were an increase of 182 million yen in unearned revenue, an increase of 161 million yen in provision for bonuses, an increase of 77 million yen in trade payables and an increase of 55 million yen in allowance for loss on order received.

Total net assets amounted to 5,898 million yen (up 1,105 million yen from the end of the previous fiscal year) due to the posting of 1,317 million yen in net income attributable to shareholders of the parent company and the payment of 225 million yen in cash dividends. As a result, while the equity ratio improved by 2.2% points over the previous fiscal year to 56.6% (54.4% at the end of the previous fiscal year), we believe the Group maintains a stable financial balance without any interest-bearing debt.

Meanwhile, the Group adopted “A partial revision to “Accounting Standard pertaining to tax effect accounting”” (Corporate Accounting Standard No. 28, announced on February 16, 2018) etc. from the beginning of the current fiscal year. In this discussion of financial condition, comparison and analysis of the figures are made after relevant accounting standards were applied retrospectively to the figures of the previous fiscal year.

(3) Discussion on Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current fiscal year increased 628 million yen from the end of the previous fiscal year to 5,195 million yen. The situation of each cash flow and their factors are as follows.

(Net cash provided by operating activities)

Net cash provided by operating activities were 1,320 million yen (as compared to 1,159 million yen in the previous fiscal year). The main components of the increase were income before income taxes and minority interests of 2,003 million yen, an increase in unearned income of 182 million yen, amortization of fixed assets of 167 million yen, and an increase in reserve for bonuses of 161 million yen, and an increase in trade payables is 77 million yen. The main causes of decline are income taxes paid of 792 million yen, trade receivables increase 512 million yen, and inventories increase of 84 million yen.

(Net cash used in investing activities)

Net cash used in investment activities were 455 million yen (as compared to 353 million yen in the previous fiscal year). The main components of expenditures were deposits of security and security deposits of 215 million yen and acquisition of tangible fixed assets of 127 million yen from expansion of offices and network improvement.

(Net cash used in financial activities)

Funds used for financing activities were 232 million yen (as compared to 184 million yen in the previous fiscal year). The main breakdown of expenditures was 225 million yen in cash dividends paid.

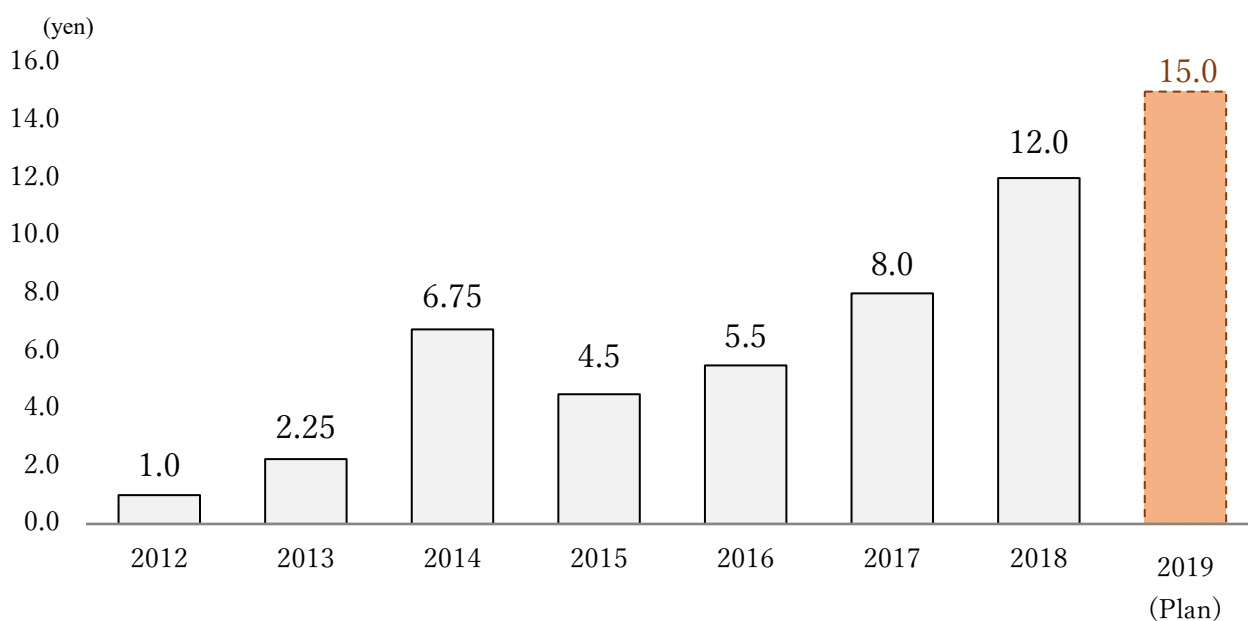
(4) Forecasts

In September 2018, we announced the five-year plan (the target to be achieved in five years) ending June 2023 as the new medium-term management plan. In the fiscal year ending June 2020, which will be the second year of the plan, while promoting the growth of the existing three businesses, we will also execute various initiatives to dramatically improve the recurring revenue ratio, which is one of the important goals of the medium-term business plan. As a result of these efforts, we are forecasting consolidated revenue of 15,480 million yen (up 10.0% from the current fiscal year) and operating income of 2,165 million yen (up 10.1% from the current fiscal year).

With regard to dividends, the Group maintains existing policy of stable dividends (in principle, the dividend per share shall not fall below the previous fiscal year), in the light of indicators such as dividends on equities and dividend yield to exceed the average of all listed companies. Dividends for the current fiscal year of 15 yen per share will be put for approval at the general meeting of shareholders scheduled for September 27, 2019.

We plan to pay a dividend of 18 yen per share for the next fiscal year in accordance with the policy.

Trends of dividends (adjusted for stock split)



2. Basic Rationale for Selection of Accounting Standards

For the time being, the Group continues to prepare consolidated financial statements on generally accepted accounting principles in Japan. With regard to the adoption of IFRS, the Group will respond appropriately, taking into consideration various domestic and international circumstances.

3. Unaudited Consolidated Financial Statements

(1) Consolidated Balance Sheet

(thousands of yen)

	Previous Fiscal Year (June30, 2018)	Current Fiscal Year (June 30, 2019)
Assets		
Current assets		
Cash and deposits	4,564,255	5,160,507
Notes and accounts receivable - trade	2,013,110	2,525,653
Securities	33,217	—
Work in process	106,290	178,271
Raw materials and supplies	4,397	16,584
Prepaid expenses	448,594	482,079
Other	111,131	40,668
Allowance for doubtful accounts	△3,444	△5,296
Total current assets	7,277,553	8,398,467
Non-current assets		
Property, plant and equipment		
Buildings	310,482	361,585
Accumulated depreciation	△194,422	△215,623
Buildings, net	116,060	145,962
Tools, furniture and fixtures	557,878	639,336
Accumulated depreciation	△451,513	△515,429
Tools, furniture and fixtures, net	106,365	123,906
Construction in progress	—	7,228
Total property, plant and equipment	222,425	277,096
Intangible assets		
Software	171,964	164,304
Other	821	782
Total intangible assets	172,785	165,087
Investments and other assets		
Investment securities	274,536	397,868
Long-term prepaid expenses	—	14,468
Leasehold and guarantee deposits	475,123	687,567
Deferred tax assets	314,479	392,827
Other	87,963	91,437
Allowance for doubtful accounts	△10,576	△9,591
Total investments and other assets	1,141,525	1,574,578
Total non-current assets	1,536,737	2,016,762
Total assets	8,814,290	10,415,229

(thousands of yen)

	Previous Fiscal Year (June 30, 2018)	Current Fiscal Year (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	434,099	511,503
Lease obligations	3,127	3,515
Accounts payable - other and accrued expenses	342,710	377,355
Income taxes payable	422,738	296,693
Unearned revenue	1,674,694	1,857,288
Provision for bonuses	561,766	723,591
Provision for bonuses for directors (and other officers)	114,483	138,778
Provision for loss on order received	4,310	60,058
Other	313,096	379,272
Total current liabilities	3,871,026	4,348,056
Non-current liabilities		
Lease obligations	8,934	6,862
Asset retirement obligations	141,867	162,262
Total non-current liabilities	150,801	169,124
Total liabilities	4,021,828	4,517,181
Net assets		
Shareholders' equity		
Capital stock	288,400	295,525
Capital surplus	225,200	232,325
Retained earnings	4,270,775	5,362,527
Treasury shares	△301	△404
Total shareholders' equity	4,784,074	5,889,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,124	11,067
Deferred gains or losses on hedges	37	3
Foreign currency translation adjustment	226	△2,995
Total accumulated other comprehensive income	8,388	8,075
Total net assets	4,792,462	5,898,048
Total liabilities and net assets	8,814,290	10,415,229

(2) Consolidated Statement of Earnings and Comprehensive Income

[Consolidated Statement of Earnings]

(thousands of yen)

	Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)	Current Fiscal Year (period from July 1, 2018 to June 30, 2019)
Net sales	12,110,795	14,077,976
Cost of sales	6,946,881	7,779,392
Gross profit	5,163,914	6,298,583
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	263,975	286,139
Employees' salaries and bonuses	796,389	1,049,858
Provision for bonuses	554,839	723,591
Provision for bonuses for directors (and other officers)	111,212	138,778
Legal welfare expenses	127,080	170,081
Subcontract expenses	60,848	48,429
Rents	267,885	303,661
Utilities expenses	139,096	150,092
Commission expenses	412,866	452,307
Depreciation	85,103	103,830
Research and development expenses	151,676	215,633
Other	561,495	689,725
Total selling, general and administrative expenses	3,532,469	4,332,129
Operating profit	1,631,445	1,966,453
Non-operating income		
Interest income	703	507
Dividend income	3,086	3,573
Foreign exchange gains	—	416
Gain on transfer of business	4,999	—
Gain on sales of goods	1,391	—
Compensation for transfer	—	8,137
Other	896	1,427
Total non-operating income	11,077	14,062
Non-operating expenses		
Interest expenses	214	149
Loss on investments in partnership	1,554	2,571
Commission expenses	2,712	2,649
Foreign exchange losses	733	—
Share issuance cost	—	942
Compensation for damage	4,872	1,620
Total non-operating expenses	10,089	7,933
Ordinary profit	1,632,433	1,972,583
Extraordinary income		
Settlement received	20,000	31,200
Total extraordinary income	20,000	31,200
Profit before income taxes	1,652,433	2,003,783
Income taxes - current	598,699	766,968
Income taxes - deferred	△8,327	△80,233
Total income taxes	590,372	686,734
Profit	1,062,061	1,317,048
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,062,061	1,317,048

[Consolidated Statement of Comprehensive Income]

(thousands of yen)

	Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)	Current Fiscal Year (period from July 1, 2018 to June 30, 2019)
Profit	1,062,061	1,317,048
Other comprehensive income		
Valuation difference on available-for-sale securities	9,032	2,943
Deferred gains or losses on hedges	△1	△34
Foreign currency translation adjustment	△1,789	△3,221
Total other comprehensive income	7,240	△313
Comprehensive income	1,069,302	1,316,735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,069,302	1,316,735
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Net Assets

Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)

(thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	288,400	225,200	3,358,911	(276)	3,872,234
Changes for the year					
Issue of new shares					
Dividends			(150,197)		(150,197)
Net income attributable to shareholders of parent company			1,062,061		1,062,061
Purchase of treasury stock				(24)	(24)
Net changes of items other than shareholders' equity					
Total changes for the year	-	-	911,864	(24)	911,839
Balance at the end of the year	288,400	225,200	4,270,775	(301)	4,784,074

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the beginning of the year	(908)	39	2,016	1,147	3,873,381
Changes for the year					
Issue of new shares					
Dividends					(150,197)
Net income attributable to shareholders of parent company					1,062,061
Purchase of treasury stock					(24)
Net changes of items other than shareholders' equity	9,032	(1)	(1,789)	7,240	7,240
Total changes for the year	9,032	(1)	(1,789)	7,240	919,080
Balance at the end of the year	8,124	37	226	8,388	4,792,462

Current Fiscal Year (period from July 1, 2018 to June 30, 2019)

(thousands of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	288,400	225,200	4,270,775	(301)	4,784,074
Changes for the year					
Issue of new shares	7,125	7,125			14,250
Dividends			(225,295)		(225,295)
Net income attributable to shareholders of parent company			1,317,048		1,317,048
Purchase of treasury stock				(103)	(103)
Net changes of items other than shareholders' equity					
Total changes for the year	7,125	7,125	1,091,752	(103)	1,105,899
Balance at the end of the year	295,525	232,325	5,362,527	(404)	5,889,973

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the beginning of the year	8,124	37	226	8,388	4,792,462
Changes for the year					
Issue of new shares					14,250
Dividends					(225,295)
Net income attributable to shareholders of parent company					1,317,048
Purchase of treasury stock					(103)
Net changes of items other than shareholders' equity	2,943	(34)	(3,221)	(313)	(313)
Total changes for the year	2,943	(34)	(3,221)	(313)	1,105,586
Balance at the end of the year	11,067	3	(2,995)	8,075	5,898,048

(4) Consolidated Statement of Cash Flows

(thousands of yen)

	Previous Year from 2017 to 2018)	Fiscal (period July 1, 2018 to June 30,2019)	Current Year from 2018 to June 30, 2019)	Fiscal (period July 1, 2019 to June 30, 2020)
Cash flows from operating activities				
Profit before income taxes		1,652,433		2,003,783
Depreciation		126,665		167,080
Amortization of goodwill		28,275		—
Share-based compensation expenses		—		3,562
Increase (decrease) in allowance for doubtful accounts		14,021		866
Increase (decrease) in provision for bonuses		128,790		161,824
Increase (decrease) in provision for bonuses for directors (and other officers)		13,516		24,294
Increase (decrease) in provision for loss on order received		△108,602		55,748
Interest and dividend income		△3,789		△4,080
Loss (gain) on sale of businesses		△4,999		—
Compensation for removal		—		△8,137
Interest expenses		214		149
Commission expenses		2,712		2,649
Share issuance cost		—		942
Compensation for damage		4,872		1,620
Loss (gain) on investments in partnership		1,554		2,571
Settlement received		△20,000		△31,200
Decrease (increase) in notes and accounts receivable - trade		△532,270		△512,541
Decrease (increase) in inventories		72,815		△84,168
Decrease (increase) in prepaid expenses		△52,952		△28,377
Increase (decrease) in notes and accounts payable - trade		12,240		77,404
Increase (decrease) in accounts payable - other and accrued expenses		44,774		24,533
Increase (decrease) in accrued consumption taxes		28,323		37,548
Increase (decrease) in unearned revenue		128,317		182,593
Other, net		29,309		△4,807
Subtotal		1,566,222		2,073,860
Interest and dividend income received		3,933		4,138
Interest expenses paid		△191		△149
Proceeds from compensation for removal		—		5,695
Compensation for damage paid		△4,872		△1,620
Settlement package received		20,000		31,200
Income taxes paid		△425,619		△792,905
Net cash provided by (used in) operating activities		1,159,472		1,320,217
Cash flows from investing activities				
Proceeds from redemption of securities		—		33,780
Purchase of property, plant and equipment		△52,770		△127,242
Purchase of intangible assets		△146,468		△54,554
Purchase of investment securities		△131,370		△90,911
Payments for leasehold and guarantee deposits		△27,442		△215,592
Purchase of insurance funds		△4,459		△4,459
Proceeds from sale of businesses		5,000		—
Other, net		3,601		3,640
Net cash provided by (used in) investing activities		△353,910		△455,340

	(thousands of yen)	
	Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)	Current Fiscal Year (period from July 1, 2018 to June 30, 2019)
Cash flows from financing activities		
Repayments of long-term loans payable	△28,830	—
Repayments of finance lease obligations	△3,087	△3,414
Commission fee paid	△2,493	△2,252
Purchase of treasury shares	△24	△103
Cash dividends paid	△150,197	△225,295
Other, net	—	△942
Net cash provided by (used in) financing activities	△184,632	△232,007
Effect of exchange rate change on cash and cash equivalents	△1,726	△4,607
Net increase (decrease) in cash and cash equivalents	619,201	628,261
Cash and cash equivalents at beginning of period	3,947,673	4,566,875
Cash and cash equivalents at end of period	4,566,875	5,195,137

(5) Notes to the Consolidated Financial Statements

(Notes on Going-Concern Assumptions)

Not applicable

(Changes in Basis of presentation)

(Changes due to the application of "A partial revision of "Accounting Standard for Tax Effect Accounting"")

The Company adopted "A partial revision of "Accounting Standard for Tax Effect Accounting (Business Accounting Standard No. 28 February 16, 2018)"" from the beginning of the current fiscal year. Deferred tax assets are now classified as investments and other assets, and deferred tax liability is classified as a fixed liability.

As a result, in the consolidated balance sheet of the previous fiscal year, the "deferred tax assets" of 253,352 thousand yen included in "current assets" is now included in the "deferred tax assets" of 314,479 thousand yen" in "investment and other assets".

(Consolidated statement of income statement)

In the previous fiscal year, "Gain on sale of goods" of "non-operating income", which was presented independently, was 10% or less of the total non-operating income, so it is included in "Others" in the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, in the consolidated statement of income for the previous fiscal year, "Gain on sale of goods" of 1,391 thousand yen and "Others" 896 thousand yen displayed in "non-operating income" were rearranged as "others" 2,288 thousand yen.

(Additional Information)

(Application of consolidated tax treatment)

The Company and its domestic subsidiaries have adopted the consolidated tax treatments from the current fiscal year.

(Segment Information and Others)

1. Summary of reportable segments

(1) Reason to determine the report segment

The Group's reportable segments was set up so that the Board of Directors can monitor regularly the separate financial information among our constituent units and make decisions on allocation of management resources and evaluate results of operations.

The Group is working to make management information “usable (Consolidated Accounting business),” “visible (Business Intelligence business)” and “reliable (Outsourcing business)” and thus measures performance of the three business portfolios; “Consolidated Accounting business”, “Business Intelligence business” and “Outsourcing business” as reportable segments.

(2) Products and services included in each reportable segment

In Consolidated Accounting business, DIVA Corporation sells licenses and offer consulting service to implement the packaged software called DIVASystem, an internally developed package software for consolidated management and consolidated accounting. After the implementation, the Company also provide maintenance services, including software upgrades. Its consulting services also includes solutions related to IFRS, advanced management solutions, and budget management / management accounting solutions.

Consolidated Accounting business also reflects results of Internet Disclosure Co., Ltd. which offers search engines on disclosure information to audit corporations.

In the Business Intelligence business, ZEAL Corporation offers system integration services for effective management of various information among corporations, which is generally called Business Intelligence (BI). Through integration and organization of a large amount of data in a company's operating system, the Company can offer that information in reports and graphs and the management of the company can make decisions. In another words, the Company's system integration service is designed to help customers improve their ability to use information.

In the Outsourcing business, FIERTE Corporation offers outsourcing services on consolidated accounting and consolidated tax payment operations. While acting on behalf of the customers, the Company's solution can promote task diversification among employees and eliminate bottleneck, so that customers can devote more time on value-creating operations such as analysis and utilization of various information, and thus create value to their operations and management.

2. Formula to calculate revenue, profit or loss, assets, liabilities and other items by reportable segment

The reported method of accounting for operating segments is the same as formula generally used in the preparation of consolidated financial statements.

Profits for reportable segments are based on operating income.

Intersegment sales and transfers are based on market prices.

3. Information on ordinary revenue, income or loss, assets and liabilities, and others by reporting segment

Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)

(thousands of yen)

	Reporting segment			Totals
	Consolidated Accounting	Business Intelligence	Outsourcing	
Revenue				
Sales to outside customers	7,254,776	3,869,213	986,805	12,110,795
Intersegment sales and adjustments	6,461	84,272	326,656	417,391
Total	7,261,238	3,953,486	1,313,462	12,528,187
Segment income	1,030,095	324,551	213,780	1,568,427
Segment assets	4,314,199	1,725,388	809,951	6,849,539
Segment liabilities	3,042,027	1,069,845	542,298	4,654,171
Other relevant information				
Depreciation	59,903	2,856	7,485	70,245
Amortization of goodwill	-	28,275	-	28,275
Increase in tangible fixed assets and intangible fixed assets	160,248	18,089	11,056	189,394

Current Fiscal Year (period from July 1, 2018 to June 30, 2019)

(thousands of yen)

	Reporting segment			Totals
	Consolidated Accounting	Business Intelligence	Outsourcing	
Revenue				
Sales to outside customers	8,003,563	4,939,485	1,134,927	14,077,976
Intersegment sales and adjustments	30,956	50,894	495,036	576,888
Total	8,034,520	4,990,380	1,629,964	14,654,864
Segment income	1,293,140	636,362	318,399	2,247,901
Segment assets	4,726,842	2,365,146	958,819	8,050,809
Segment liabilities	3,268,109	1,486,644	551,303	5,360,057
Other relevant information				
Depreciation	77,939	15,286	9,558	102,784
Amortization of goodwill	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	28,295	48,247	24,325	100,869

4. The difference between the total amount of reportable segments and the amount recorded in consolidated financial statements and the main contents of the difference (differences related to adjustments)

(thousands of yen)

Revenue	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	12,528,187	14,654,864
Elimination of transaction between the Company and segment	(417,391)	(576,888)
Revenue reported in consolidated financial statements	12,110,795	14,077,976

(thousands of yen)

Profits	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	1,568,427	2,247,901
Elimination of transaction between the Company and segment	1,059,915	703,749
Corporate expenses (Note)	(996,899)	(977,867)
Others	2	(7,329)
Operating Income reported in consolidated financial statements	1,631,445	1,966,453

(Note) Corporate expenses mainly consist of general and administrative expenses not attributable to the reporting segments.

(thousands of yen)

Assets	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	6,849,539	8,050,809
Elimination of transaction between the Company and segment	(2,289,230)	(2,369,062)
Corporate assets (Note)	4,264,447	4,762,084
Others	(10,465)	(28,600)
Total assets reported in consolidated financial statements	8,814,290	10,415,229

(Note) Corporate assets mainly consist of assets not attributable to the reporting segments.

(thousands of yen)

Liabilities	Previous Fiscal Year	Current Fiscal Year
Total amount of reportable segments	4,654,171	5,306,057
Elimination of transaction between the Company and segment	(1,106,464)	(1,311,727)
Corporate liabilities (Note)	484,583	546,654
Others	(10,461)	(23,803)
Total liabilities reported in consolidated financial statements	4,021,828	4,517,181

(Note) Corporate liabilities mainly consist of liabilities not attributable to the reporting segments.

(thousands of yen)

Other items	Reported segments		Adjustments (Notes)		Amounts reported in consolidated financial statements	
	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year
Depreciation	70,245	102,784	56,419	64,296	126,665	167,080
Amortization of goodwill	28,275	-	-	-	28,275	-
Increase in tangible fixed assets and intangible fixed assets	189,394	100,869	54,476	112,144	243,870	213,013

(Notes) Adjustment for depreciation and amortization mainly refers to depreciation and amortization for assets not attributable to the reportable segments. Adjustments to increases in tangible fixed assets and intangible fixed assets mainly relate to assets not attributable to reporting segments.

(Per-share Information)

	Previous Fiscal Year (period from July 1, 2017 to June 30, 2018)	Current Fiscal Year (period from July 1, 2018 To June 30, 2019)
Net assets per share	255.26 yen	314.00 yen
Net income per share	56.57 yen	70.13 yen

Note 1. Diluted net income per share is not provided as there are no potential shares.

2. The stock split was conducted on November 1, 2017, at a ratio of 2 shares of common stock per 1 share of common stock. net assets per share and net income per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.
3. The basis for calculating net assets per share is as follows;

Items	Previous Fiscal Year (As of June 30, 2018)	Current Fiscal Year (As of June 30, 2019)
Total of net assets (thousands of yen)	4,792,462	5,898,048
Amount deducted from total of net assets (thousands of yen)	-	-
Net assets attributable to common stock (thousands of yen)	4,792,462	5,898,048
Number of common stock outstanding for calculating net assets per share (shares)	18,774,651	18,783,673

4. The basis for calculating net income per share is as follows;

Items	Previous Fiscal Year (Period from July 1, 2017 to June 30, 2018)	Current Fiscal Year (Period from July 1, 2018 to June 30, 2019)
Net income attributable to shareholders of parent company (thousands of yen)	1,062,061	1,317,048
Amounts not attributable to shareholders of common stock (thousands of yen)	-	-
Net income attributable to shareholders of common stock of parent company (thousands of yen)	1,062,061	1,317,048
Average number of common stock outstanding (shares)	18,774,666	18,780,970

(Subsequent Events)

Not applicable