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Consolidated Summary Report under Japanese GAAP for the second quarter of the fiscal year ending June 30, 2021

January 29, 2021

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 Code Number: 3836
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Securities report issue date: February 12, 2021
 Dividend payment date: -
 Supplementary information for financial statements: Available
 Explanatory meeting to be held: Yes

1. Consolidated results for the second quarter of the fiscal year ending June 30, 2021

(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	
		%		%		%		%		%
Second quarter of the fiscal year ending June 30, 2021	7,637	(1.2)	1,417	20.3	1,296	19.0	1,305	19.4	824	22.5
ended June 30, 2020	7,734	11.6	1,178	8.0	1,089	7.3	1,093	7.9	673	5.0

Comprehensive income (loss) for the 2Q of the fiscal year ending June 30, 2021 844 million yen (17.6%) for the 2Q of the fiscal year ended June 2020 718 million yen (13.7%)

	Net profit per share	Diluted net profit per share
Second quarter of the fiscal year ending June 30, 2021	yen 21.93	yen -
ended June 30, 2020	17.91	-

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

The Company conducted a 2-for-1 common stock split on December 1, 2019. Net income per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity Ratios
As of	Unit: million yen	Unit: million yen	%
December 31, 2020	11,294	7,717	68.3
June 30, 2020	11,780	7,194	61.1

(Reference) Net assets attributable to the company's shareholders As of December 31, 2020 7,717 million yen As of June 30, 2020 7,194 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, 2020	-	0.00	-	9.00	9.00
June 30, 2021	-	0.00	-	-	-
June 30, 2021 (Forecast)	-	-	-	10.00	10.00

Revisions to the most recently announced dividend forecast: None

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2021

(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, 2021	16,110	2.7	2,330	2.3	2,330	2.1	1,561	1.5	41.52

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

Notes

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

(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

(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 December 31, 2020	37,603,203 shares	As of June 30, 2020	37,586,982 shares
As of December 31, 2020	2,911 shares	As of June 30, 2020	2,911 shares
Second quarter of the fiscal year ending June 30, 2021	37,590,859 shares	Second quarter of the fiscal year ended June 30, 2020	37,574,282 shares

(Note) The Company conducted a 2-for-1 common stock split on December 1, 2019. Number of shares are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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 promises 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 conducted a 2-for-1 common stock split on December 1, 2019. Net income per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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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 second quarter of the current fiscal year are as follows.

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

	Fiscal Year ended June 30, 2020 Second quarter	Fiscal Year ending June 30, 2021 Second quarter	Year on Year Change	
			Amount	%
Revenue	7,734	7,637	(96)	(1.2)
Operating income	1,089	1,296	206	19.0
Ordinary income	1,093	1,305	212	19.4
Profit attributable to owners of parent company	673	824	151	22.5

At the end of the previous fiscal year, domestic companies began to postpone IT investment (frozen in some industries which underwent significant impacts) due to the spread of the new corona viral infectious diseases (COVID-19), and that began to affect orders received for the Group. As a result, we had a cautious outlook for the results particularly during the second half of the fiscal year under review.

The environment surrounding our Group was initially within the scope of this outlook, but on the other hand, various changes in society are stimulating the need for "management and decision-making based on data." Our Group's needs for products and services are on a recovery trend while transforming them into more sophisticated ones.

As a result, sales in the Business Intelligence Business, which had declined in the first quarter, began to increase, and the scale of the decline in sales in the Consolidated Accounting-related Business also shrank. In addition, the Outsourcing Business continued to achieve double-digit growth. As a result of these factors, revenues were 7,637 million yen (down 1.2% from the same quarter of the previous year), and although sales have not yet started to increase on a cumulative basis, revenue for the last three months have increased slightly, showing signs of recovery.

With regard to the increase in the ratio of recurring revenue (such as software maintenance fees, etc., which are continuously generated), which is 1 of the management targets in the Medium-Term Management Plan, the ratio increased to 36.9%, up 4.2 percentage points from the same quarter of the previous fiscal year. This was due to the growth in the Outsourcing Business, which has consistently maintained a recurring revenue ratio of around 90%, as well as the improvement in the ratio in the Consolidated Accounting-related Business and the Business Intelligence Business due to the increase in cloud sales, etc. The total amount also increased by 14.3%. In recent years, revenue equivalent to recurring revenue, which the Company consistently receive orders for similar services from the same customer, have been on the rise. At present, recurring revenue ratio is calculated without including these.

With regard to profits, operating income was 1,296 million yen (up 19.0% from the same quarter of the previous year), ordinary income was 1,305 million yen (up 19.4%), and profit attributable to owners of parent was 824 million yen (up 22.5%), all of which were higher than the same quarter of the previous year, due to the effects of the improvement in profitability of projects through the increase in the ratio of in-house production and the reduction of non-urgent and non-urgent expenses that have been promoted since the expansion of COVID-19.

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, 2020 Second quarter	Fiscal Year ending June 30, 2021 Second quarter	Year on Year Change	
			Amount	%
Consolidated Accounting-related Businesses	4,165	3,897	(267)	(6.4)
Business Intelligence Business	2,870	2,878	7	0.3
Outsourcing Business	993	1,179	186	18.7
Elimination of inter-segment transactions	(294)	(317)	(22)	-
Consolidated Revenues	7,734	7,637	(96)	(1.2)

(ii) Operating income

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

	Fiscal Year ended June 30, 2020 Second quarter	Fiscal Year ending June 30, 2021 Second quarter	Year on Year Change	
			Amount	%
Consolidated Accounting-related Businesses	709	843	134	18.9
Business Intelligence Business	352	341	(10)	(2.9)
Outsourcing Business	234	295	60	25.9
Corporate Expenses and Elimination of inter-segment transactions	(207)	(185)	22	-
Consolidated operating income	1,089	1,296	206	19.0

With regard to the Consolidated Accounting-related Business segment, we had a cautious outlook for the first half of the fiscal year under review due to the impact of the slowdown in IT investment by customers due to the expansion of COVID-19 and the stagnation of economic activities due to the declaration of an emergency situation. Despite being within the scope of the forecast, revenues for the second quarter of the current fiscal year decreased by 6.4% from the same quarter of the previous fiscal year to 3,897 million yen. On the other hand, as a result of efforts to improve project profitability by increasing the ratio of in-house production and promoting cost reductions of nonurgent and nonurgent operations, operating income increased to 843 million yen (up 18.9% from the same quarter of the previous year), and the operating income margin also improved by 4.6 percentage points from the same quarter of the previous year. In addition, recurrent revenue ratio significantly improved from the previous fiscal year due to increased cloud sales and maintenance support options.

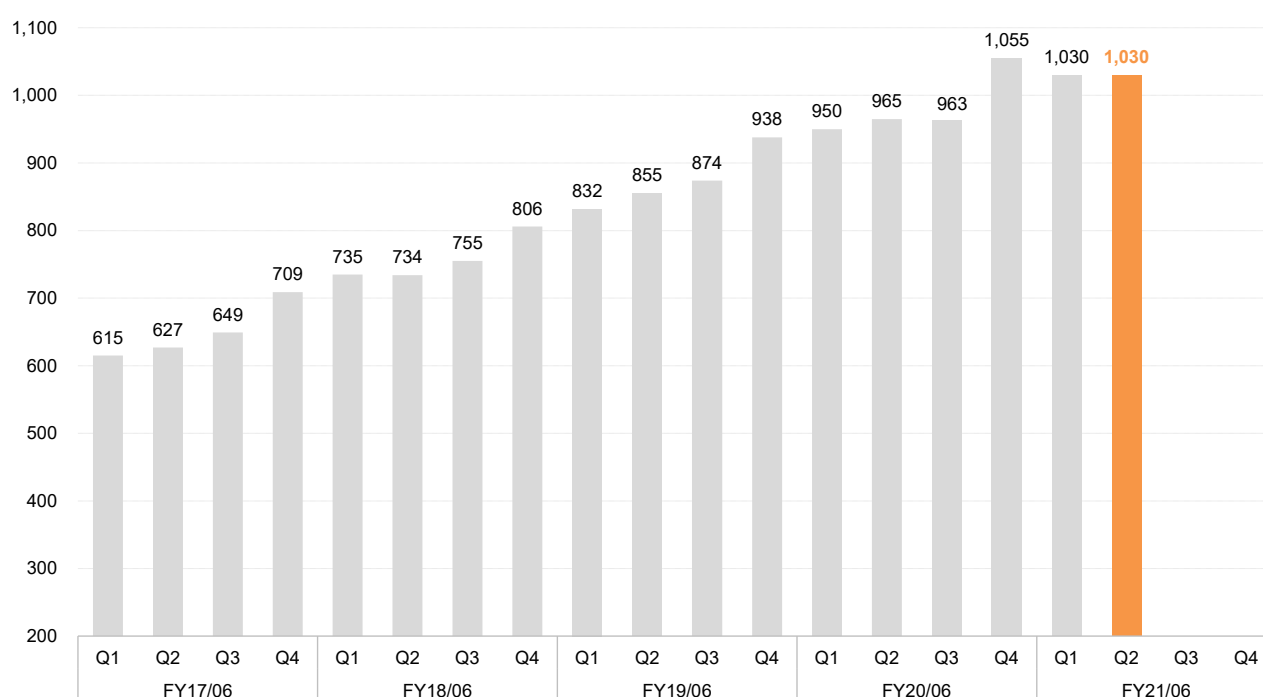
In the Business Intelligence Business segment, we believe that medium-term needs will increase because this business can contribute particularly to the promotion of digital transformation in the management of domestic companies. This trend has already begun to appear in the second quarter of the fiscal year under review, and net sales began to increase, albeit slightly, to 2,878 million yen (up 0.3% from the same quarter of the previous fiscal year). However, operating income decreased to 341 million yen (down 2.9% from the same quarter of the previous year) due to an increase in fixed-type expenses, such as office-related expenses opened in the previous fiscal year.

The Outsourcing Business segment also achieved double-digit increases in sales and profits, with net sales of 1,179 million yen (up 18.7% year-on-year) and operating income of 295 million yen (up 25.9% year-on-year), as a result of promoting sales and proposal activities with creativity and ingenuity, although market conditions are not optimistic, as evidenced by a trend of more cautious decision-making than in the past due to the uncertainty caused by the impact of the new Corona contagious disease.

The number of employees on a consolidated basis was 1,030 at the end of the second quarter, down 25 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 second 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, 2020		Fiscal Year ending June 30, 2021		Year on Year Change	
	Second quarter		Second quarter		Amount	
	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders	Orders Received	Outstanding Orders
Consolidated Accounting-related Business	3,901	1,910	3,667	1,769	(234)	(140)
Business Intelligence Business	2,912	1,245	3,462	1,438	550	192
Outsourcing Business	1,068	928	1,237	1,008	168	80
Elimination of inter-segment transactions	(304)	(312)	(351)	(242)	(46)	69
Total	7,578	3,771	8,016	3,974	438	202

(ii) Sales

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

	Fiscal Year ended June 30, 2020		Fiscal Year ending June 30, 2021		Year on Year Change	
	Second quarter		Second quarter		Amount	%
Consolidated Accounting-related Businesses		4,165		3,897	(267)	(6.4)
Business Intelligence Business		2,870		2,878	7	0.3
Outsourcing Business		993		1,179	186	18.7
Elimination of inter-segment transactions		(294)		(317)	(22)	-
Total		7,734		7,637	(96)	(1.2)

(Note) Consumption taxes are not included in the amounts shown in the tables in (i) and (ii) above.

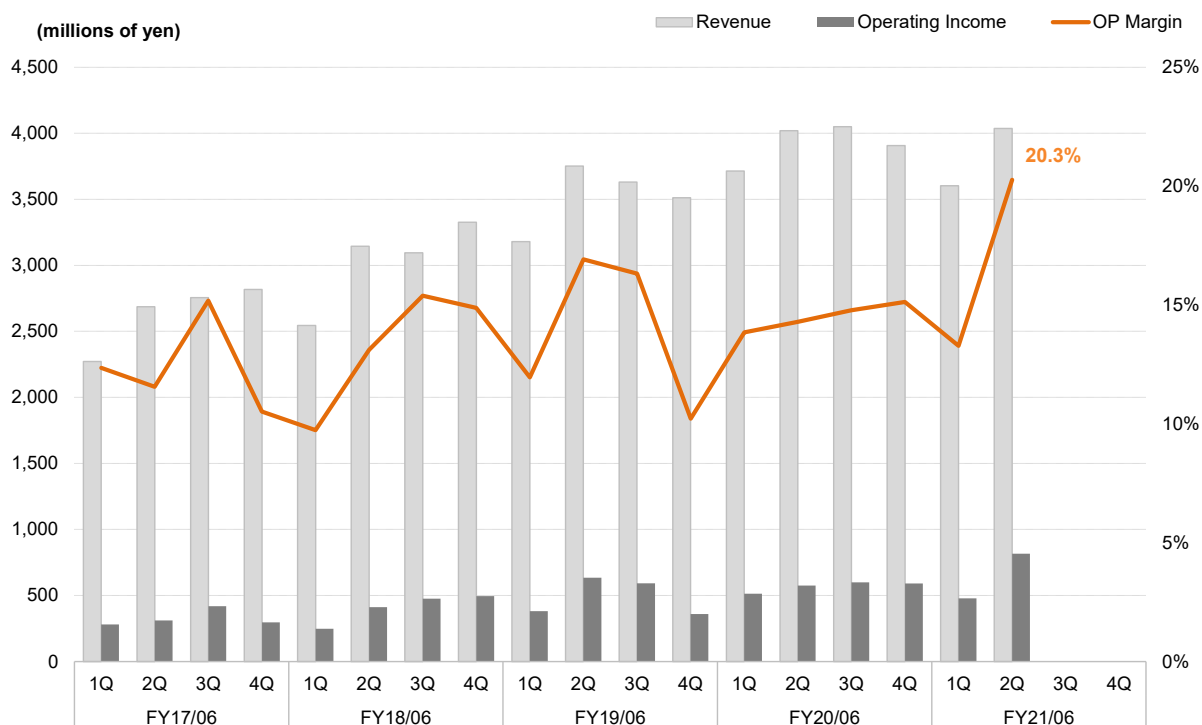
Quarterly trends in revenues and operating income are as follows:

Revenues and Operating Income for the Last four quarters

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

	Fiscal Year ended June 30, 2020		Fiscal Year ending June 30, 2021	
	Third quarter	Fourth quarter	First quarter	Second quarter
Revenue	4,050	3,906	3,601	4,036
Operating income	598	591	478	817
Operating income margin (%)	14.8	15.1	13.3	20.3

Quarterly trends of revenue, operating income and operating margins



(2) Discussion on Financial Condition

(i) Financial position

Total assets at the end of the second quarter amounted to 11,294 million yen (down 485 million yen from the end of the previous fiscal year). This was mainly due to a decrease of 360 million yen in current assets resulting from a cash and deposits of 206 million yen and a decrease of 251 million yen in notes and accounts receivable-trade.

On the other hand, total liabilities were 3,577 million yen (down 1,009 million yen from the end of the previous fiscal year). This was mainly due to a decrease of 357 million yen in unearned revenue, a decrease of 275 million yen in provision for bonuses, a decrease of 68 million yen in provision for directors' bonuses, and a decrease of 122 million yen in income taxes payable.

In addition, total net assets were 7,717 million yen (up 523 million yen from the end of the previous fiscal year), mainly due to the recording of profit attributable to owners of parent of 824 million yen and the payment of dividends of surplus of 338 million yen. As a result, the equity ratio was 68.3% (61.1% at the end of the previous fiscal year), an increase of 7.2% from the previous fiscal year. The Company believe that it maintains a stable financial balance without interest-bearing debt.

(ii) Cash Flow

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter of the current fiscal year decreased by 207 million yen from the end of the previous fiscal year to 6,163 million yen. The status of each cash flow and their factors are as follows.

<Cash flows from operating activities>

Net cash provided by operating activities amounted to 250 million yen. (13 million yen used for the same quarter of the previous year)

Major components of the increase included profit before income taxes of 1,306 million yen and a decrease in notes and accounts receivable-trade of 251 million yen. Major components of the decrease include a decrease in provision for bonuses of 275 million yen, a decrease in accrued consumption taxes of 157 million yen, a decrease in unearned income of 357 million yen, and income taxes paid of 479 million yen.

<Cash flows from investing activities>

Net cash used in investing activities was 102 million yen. (214 million yen used for the same quarter of the previous year)

The main breakdown of expenditures is 78 million yen for the acquisition of tangible fixed assets due to the expansion of offices, etc. and 90 million yen for the acquisition of intangible fixed assets due to the improvement of the IT infrastructure environment, etc. The main breakdown of income is 68 million yen for the collection of lease and guarantee deposits.

<Cash flows from financing activities>

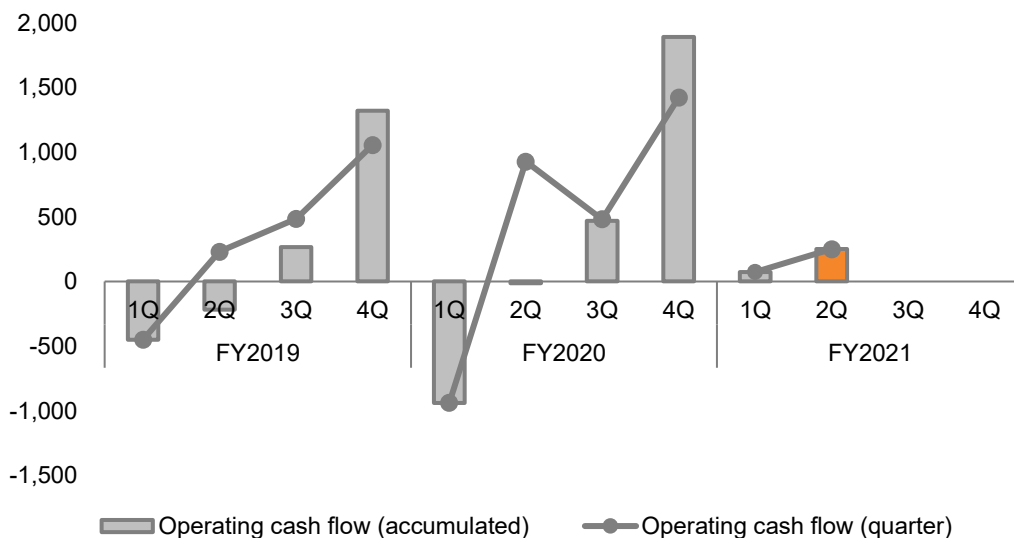
Net cash used in financing activities was 351 million yen. (287 million yen used for the same quarter of the previous year)

The main components of cash outflow were cash dividends paid of 338 million yen.

In our group, cash flow from operating activities in the second 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)



Accumulated cash flow from operation for the second quarter of fiscal year ending June 30, 2020 was use of 13 million yen.
 Accumulated cash flow from operation for the second quarter of fiscal year ending June 30, 2021 was 72 million yen.

(3) Earnings Forecasts

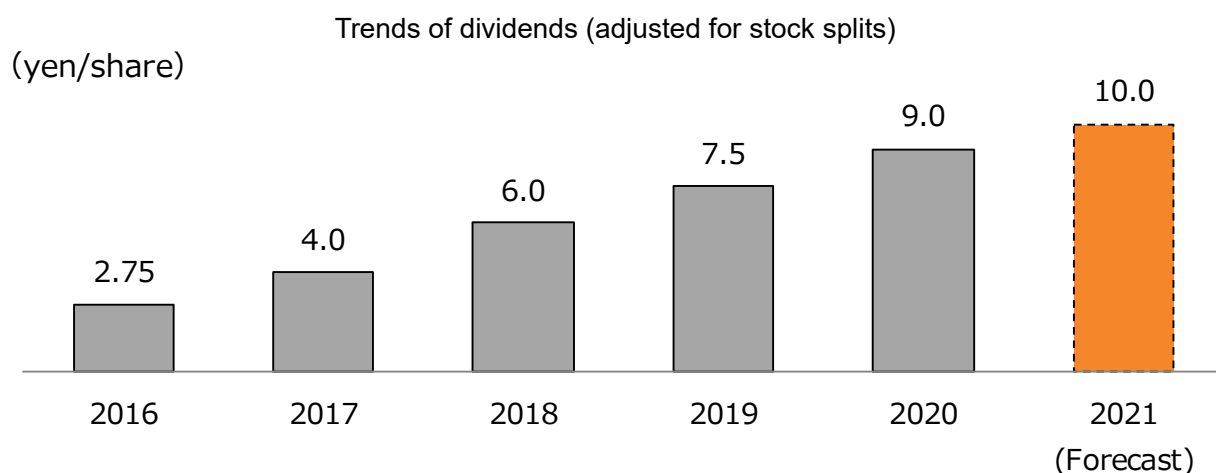
In September 2018, we announced our new medium-term management plan, a five-year plan for the year ending June 2023. In Fiscal Year ending June 2021, the third year of the plan, we plan to sustainably grow our three existing businesses while also promoting a variety of activities aimed at dramatically improving recurrent revenue ratio, which is one of the key goals of our medium-term management plan.

Due to the expansion of COVID-19, there have been moves, although temporally, by domestic companies to postpone IT investment, and there are concerns about the impact on our Group's operating results, particularly in the first half of the fiscal year. Nevertheless, with the exception of certain industries that have significant impacts, there is a growing need for digital transformation (DX), and we believe that the Group's needs for its products and services have not diminished or disappeared, but rather that medium-to long-term needs are rising.

As a result, the Company forecasts a 2.7% increase in net sales to 16,110 million yen and a 2.3% increase in operating income to 2,330 million yen.

This forecast has been formulated on the assumption that the impact of the outbreak of the new Corona contagious disease on IT investment by domestic companies will converge to some extent within 2020 and will gradually become normalized in 2021. If this persists in the future, our Group's results of operations may be worse than anticipated.

With regard to dividends, in accordance with our previous policy, we will raise the dividend on equity ratio while always keeping in mind that it will always exceed the average for all listed companies. At the same time, we will strive to pay a stable dividend (in principle, dividends per share will not fall below the level of the previous fiscal year). In accordance with this policy, the Company forecasts a dividend of 10 yen per share for the fiscal year under review.



2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(thousands of yen)	
	End of previous fiscal year (As of June 30, 2020)	End of second quarter of the fiscal year under review (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	6,335,623	6,129,467
Notes and accounts receivable - trade	2,343,601	2,091,879
Securities	10,783	10,352
Work in process	140,960	189,297
Raw materials and supplies	15,587	62,261
Other	664,284	664,233
Allowance for doubtful accounts	(5,610)	(3,217)
Total current assets	9,505,230	9,144,275
Non-current assets		
Property, plant and equipment	469,392	431,416
Intangible assets		
Software	190,781	239,814
Other	744	725
Total intangible assets	191,526	240,540
Investments and other assets		
Investment securities	428,261	474,356
Leasehold and guarantee deposits	674,355	607,390
Deferred tax assets	369,737	252,886
Other	142,101	143,856
Total investments and other assets	1,614,455	1,478,489
Total non-current assets	2,275,373	2,150,446
Total assets	11,780,604	11,294,722

	(thousands of yen)	
	End of previous fiscal year (As of June 30, 2020)	End of second quarter of the fiscal year under review (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	428,418	447,296
Lease obligations	14,299	14,083
Accounts payable - other, and accrued expenses	333,436	305,017
Income taxes payable	122,303	—
Unearned revenue	2,075,741	1,718,477
Provision for bonuses	719,089	443,302
Provision for bonuses for directors (and other officers)	120,998	52,403
Provision for loss on order received	15,887	3,599
Asset retirement obligations	—	8,417
Other	483,988	347,493
Total current liabilities	4,314,163	3,340,090
Non-current liabilities		
Lease obligations	45,297	37,891
Asset retirement obligations	226,810	198,709
Other	—	468
Total non-current liabilities	272,107	237,069
Total liabilities	4,586,270	3,577,159
Net assets		
Shareholders' equity		
Share capital	303,271	311,568
Capital surplus	240,071	248,368
Retained earnings	6,618,666	7,104,952
Treasury shares	(476)	(476)
Total shareholders' equity	7,161,533	7,664,413
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,859	61,195
Deferred gains or losses on hedges	6	(32)
Foreign currency translation adjustment	(3,065)	(8,012)
Total accumulated other comprehensive income	32,800	53,149
Total net assets	7,194,333	7,717,563
Total liabilities and net assets	11,780,604	11,294,722

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

Quarterly Consolidated Statements of Income

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2019 to December 31, 2019)	Second quarter of fiscal year under review (From July 1, 2020 to December 31, 2020)
Net sales	7,734,551	7,637,964
Cost of sales	4,355,103	4,111,324
Gross profit	3,379,448	3,526,640
Selling, general and administrative expenses	2,290,405	2,230,618
Operating profit	1,089,042	1,296,022
Non-operating income		
Interest income	211	214
Dividend income	3,017	2,997
Gain on investments in investment partnerships	1,554	3,899
Foreign exchange gains	152	—
Subsidy income	1,890	3,280
Reversal of allowance for doubtful accounts	—	2,393
Other	195	1,195
Total non-operating income	7,020	13,981
Non-operating expenses		
Interest expenses	243	533
Commission expenses	1,557	2,747
Foreign exchange losses	—	377
Share issuance costs	413	424
Other	—	71
Total non-operating expenses	2,214	4,154
Ordinary profit	1,093,848	1,305,849
Extraordinary income		
Gain on sales of non-current assets	—	641
Total extraordinary income	—	641
Profit before income taxes	1,093,848	1,306,491
Income taxes - current	293,805	380,747
Income taxes - deferred	126,902	101,200
Total income taxes	420,708	481,948
Profit	673,140	824,542
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	673,140	824,542

Quarterly Consolidated Statements of Comprehensive Income

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2019 to December 31, 2019)	Second quarter of fiscal year under review (From July 1, 2020 to December 31, 2020)
Profit	673,140	824,542
Other comprehensive income		
Valuation difference on available-for-sale securities	43,036	25,336
Deferred gains or losses on hedges	15	(38)
Foreign currency translation adjustment	2,073	(4,947)
Total other comprehensive income	45,124	20,349
Comprehensive income	718,265	844,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	718,265	844,892
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

	(thousands of yen)	
	Second quarter of previous fiscal year (From July 1, 2019 to September 30, 2019)	Second quarter of fiscal year under review (From July 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,093,848	1,306,491
Depreciation	89,341	126,480
Share-based remuneration expenses	3,666	6,339
Increase (decrease) in allowance for doubtful accounts	(8,627)	(2,393)
Increase (decrease) in provision for bonuses	(254,644)	(275,786)
Increase (decrease) in provision for bonuses for directors (and other officers)	(79,402)	(68,594)
Increase (decrease) in provision for loss on order received	(59,445)	(12,288)
Interest and dividend income	(3,229)	(3,212)
Interest expenses	243	533
Loss (gain) on sales of property, plant and equipment	—	(641)
Commission expenses	1,557	2,747
Share issuance costs	413	424
Loss (gain) on investments in investment partnerships	(1,554)	(3,899)
Subsidy income	(1,890)	(3,280)
Decrease (increase) in trade receivables	124,551	251,723
Decrease (increase) in inventories	28,027	(95,011)
Increase (decrease) in trade payables	51,177	18,884
Increase (decrease) in accounts payable - other, and accrued expenses	(58,406)	(14,177)
Increase (decrease) in accrued consumption taxes	3,461	(157,809)
Increase (decrease) in unearned revenue	(292,395)	(357,264)
Increase (decrease) in deposits received	(23,240)	8,485
Other, net	(7,820)	(4,431)
Subtotal	605,633	723,319
Interest and dividends received	3,307	3,347
Interest paid	(243)	(533)
Proceeds from subsidy income	1,890	3,280
Income taxes paid	(623,886)	(479,054)
Net cash provided by (used in) operating activities	(13,297)	250,358
Cash flows from investing activities		
Purchase of property, plant and equipment	(132,764)	(78,064)
Proceeds from sales of property, plant and equipment	—	641
Purchase of intangible assets	(38,239)	(90,911)
Purchase of investment securities	(10,850)	(10,463)
Payments of leasehold and guarantee deposits	(35,286)	(330)
Proceeds from refund of leasehold and guarantee deposits	3,009	68,583
Other, net	59	8,239
Net cash provided by (used in) investing activities	(214,070)	(102,306)
Cash flows from financing activities		
Repayments of finance lease obligations	(2,541)	(8,537)
Commission fee paid	(2,562)	(4,132)
Dividends paid	(281,755)	(338,256)
Other, net	(413)	(424)
Net cash provided by (used in) financing activities	(287,272)	(351,351)
Effect of exchange rate change on cash and cash equivalents	2,427	(4,187)
Net increase (decrease) in cash and cash equivalents	(512,212)	(207,486)
Cash and cash equivalents at beginning of period	5,195,137	6,370,860
Cash and cash equivalents at end of period	4,682,924	6,163,373

(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.

(Segment information)

Previous quarter (From July 1, 2019 to December 31, 2019)

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

(thousands of yen)

	Reportable segments			Total
	Consolidated Accounting-related Business	Business Intelligence Business	Outsourcing Business	
Revenue				
Sales to customers	4,155,300	2,857,187	722,063	7,734,551
Intersegment sales	9,906	13,360	271,457	294,725
Total	4,165,206	2,870,548	993,521	8,029,277
Segment profit	709,833	352,042	234,736	1,296,611

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	1,296,611
Elimination of transactions between the Company and segments	343,119
Corporate expenses (Note)	(551,448)
Others	759
Operating income in the quarterly consolidated statements of income	1,089,042

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

Current quarter (From July 1, 2020 to December 31, 2020)

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

(thousands of yen)

	Reportable segments			Total
	Consolidated Accounting-related Business	Business Intelligence Business	Outsourcing Business	
Net sales				
Sales to customers	3,883,251	2,876,507	878,205	7,637,964
Intersegment sales	14,067	1,751	301,430	317,250
Or transfer amount				
Total	3,897,319	2,878,259	1,179,635	7,955,214
Segment profit	843,897	341,821	295,501	1,481,221

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	1,481,221
Elimination of transactions between the Company and its segments	375,211
Corporate expenses (Note)	(558,775)
Others	(1,634)
Operating income in the quarterly consolidated statements of income	1,296,022

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

(Significant Subsequent Events)

(Made an equity-method affiliate by concluding capital and business alliance agreements and acquiring shares)

At a meeting of the Board of Directors held on January 20, 2021, the Board resolved to enter into a capital and business alliance with Metapraxis Limited ("Metapraxis").

Capital and Business Alliance Agreement

(1) Purpose of Agreement

To realize our mission of achieving the mass market of management information, we are developing a variety of products and solutions through in-house development. In addition, we are advancing negotiations with a variety of internal and external companies with a view to acquiring products and solutions through M&A and alliances.

This is part of the 5-year medium-term BE GLOBAL program to Fiscal Year 2023, which aims to raise recurring revenue ratio to 70% in order to expand business and improve corporate value.

(2) Contents of the contract

(a) Scope of the business alliance

Under the agreement between the Company and Metapraxis, the Avant Group collectively with Metapraxis will work on the development of the Japanese version of "Empower," the Metapraxis business intelligence technology. Empower has been developed by Metapraxis and is marketed in the European and U.S. markets, and the Company will acquire an exclusive right to market the solution in Japan.

(b) Content of the capital alliance

On the premise of a business alliance, the Company agrees to subscribe to a preferred share issue by Metapraxis, making AVANT the second-largest shareholder of Metapraxis, and the Company will dispatch two directors to the board of Metapraxis, which will become an equity-method affiliate of the Company.

(3) Outline of the counterparty

Name: Metapraxis Limited

Location: St George's House, 5 St George's Road, London SW19 4DR United Kingdom

Name and Title of Representative: Simon Bittlestone CEO

Business: Development and sales of software

Date of establishment: February 1, 1979

(4) Schedule

Date of resolution by the Board of Directors: January 20, 2021

Conclusion of capital and business alliance agreement: Early February 2021 (planned)

(5) Number of shares to be acquired and post-acquisition equity ratio

Number of shares to be acquired: 201,631 shares

Planned acquisition price: A reasonable amount has been calculated and determined through mutual consultation, but due to confidentiality obligations under the transfer agreement, the acquisition price will not be disclosed.

Percentage of ownership after the acquisition: 13.04%

Percentage of voting rights held after the acquisition: 21.81%

(6) Outlook

As a result of this capital and business alliance, Metapraxis will become an equity-method affiliate of the Company, but the impact on the Company's business performance will be minimal, including no change in the forecast for the fiscal year ending June 30, 2021. If there are any matters that need to be disclosed in the future, we will make an announcement as soon as possible.