28th Fiscal Period (July 1, 2023 to June 30, 2024)

Annual Securities Report

1 This document is a printed version of the Annual Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (hereinafter referred to as the "Act"), which was submitted using the Electronic Data Processing System for Disclosure (EDINET) as stipulated in Article 27-30-2 of the Act, together with a table of contents and pages.

2 This document is bound at the end with the audit report attached to the Annual Securities Report submitted in the manner described above and the internal control report/confirmation submitted in conjunction with the Annual Securities Report described above.

Avant group corporation

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[Cover]

Documents to be submitted	Annual Securities Report
Source Article	Article 24, Paragraph 1 of the Financial Instruments and Exchange Law
Submitted to	Director-General of Kanto Finance Bureau
Date of submission	September 20, 2024
Fiscal year	28th Fiscal Period (July 1, 2023 to June 30, 2024)
Company name	Avant group corporation
English translation	AVANT GROUP CORPORATION
Name and Title of Representative	Tetsuji Morikawa, President and Representative Director
Location of head office	15-2, Konan 2-chome, Minato-ku, Tokyo
Phone number	(03) 6864-0100 (Representative)
Name of Administrative Contact	Naoyoshi Kasuga, Director and Treasurer
Nearest contact point	15-2, Konan 2-chome, Minato-ku, Tokyo
Phone number	(03) 6388-6739
Name of Administrative Contact	Naoyoshi Kasuga, Director and Treasurer
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

Part I [Corporate Information

1. [Company Overview].

1-1 Selected Financial Data.

(1) Consolidated Financial Summary

Fiscal year		24th	25th	26th	27th	28th
Fiscal Year End		June 2020	June 2021	June 2022	June 2023	June 2024
Net sales	(Thousands of yen)	15,691,533	16,236,129	18,703,387	21,424,584	24,419,760
Ordinary profit	(Thousands of yen)	2,282,082	2,808,216	2,988,973	3,265,983	4,121,744
Net income attributable to owners of the parent	(Thousands of yen)	1,537,894	1,888,976	2,045,033	2,094,520	2,850,922
Comprehensive income	(Thousands of yen)	1,562,619	1,914,609	2,117,784	2,187,976	2,925,868
Net assets	(Thousands of yen)	7,194,333	8,787,207	10,597,663	12,328,516	13,293,728
Total assets	(Thousands of yen)	11,780,604	13,956,966	16,617,046	18,705,593	21,896,905
Net assets per share	(Yen)	191.42	233.70	281.68	327.51	362.95
Net income per share	(Yen)	40.92	50.24	54.37	55.65	76.62
Net income per share (diluted)	(Yen)	-	-	-	-	-
Capital adequacy ratio	(%)	61.1	63.0	63.8	65.9	60.7
Return on equity	(%)	23.5	23.6	21.1	18.3	22.3
price-earnings ratio	(times)	25.3	32.8	24.7	25.4	18.0
Cash flows from operating activities	(Thousands of yen)	1,890,755	2,561,689	3,026,616	2,175,390	3,680,627
Cash flows from investing activities	(Thousands of yen)	△420,430	△789,786	(398,957)	(795,616)	(630,871)
Cash flows from financing activities	(Thousands of yen)	(294,708)	(359,514)	△433,200	(507,174)	(1,981,911)
Cash and cash equivalents at end of year	(Thousands of yen)	6,370,860	7,786,223	10,002,870	10,881,311	11,976,585
Number of employees (average number of temporary employees)	(Persons)	1,055 (16)	1,107 (40)	1,226 (20)	1,389 (22)	1,522 (28)

1. Net income per share-fully diluted is not shown since there are no residual shares.
2. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group). The number of employees is the number of people on duty.
3. Effective December 1, 2019, the Company conducted a 2-for-1 stock split of common shares. Net assets per share and net income per share are calculated on the assumption that the stock split was conducted at the beginning of the 24th fiscal year.
4. Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) were applied from the beginning of the 26th fiscal year, and the key management indicators for the 26th and subsequent fiscal years are the indicators after the application of these accounting standards.

The Company has introduced a stock delivery trust for employees and executive officers effective from the current consolidated fiscal year, and the Company shares held by the trust account of the trust are included in the treasury stock deducted from the total number of shares issued and outstanding at the end of the period for the purpose of calculating net assets per share. In the calculation of net income per share, the Company shares held by the trust account of the trust are included in treasury stock, which is deducted from the average number of shares during the period.

(2) Parent Company Financial Summary

Fiscal Year		24th	25th	26th	27th	28th
Fiscal Year End		June 2020	June 2021	June 2022	June 2023	June 2024
Operating revenue	(Thousands of yen)	2,355,778	2,661,884	2,324,599	3,572,998	2,703,866
Ordinary profit	(Thousands of yen)	1,145,455	1,348,123	731,106	1,873,347	842,065
Net income	(Thousands of yen)	1,252,154	1,464,244	646,204	2,022,470	1,068,824
Share Capital	(Thousands of yen)	303,271	311,568	329,128	345,113	345,113
Total number of shares issued and outstanding	(Ltd.)	37,586,982	37,603,203	37,625,501	37,645,851	37,645,851
net assets	(Thousands of yen)	5,054,779	6,219,564	6,532,448	8,178,660	7,329,481
total assets	(Thousands of yen)	6,994,627	8,899,512	10,947,972	8,780,300	7,919,345
Net assets per share	(Yen)	134.49	165.41	173.63	217.27	200.11
Dividend per share (including interim dividend per share)	(Yen) (Yen)	9 (-)	11 (-)	13 (-)	15 (-)	19 (-)
Net income per share	(Yen)	33.32	38.95	17.18	53.74	28.73
Net income per share (diluted)	(Yen)	-	-	-	-	-
Capital adequacy ratio	(%)	72.3	69.9	59.7	93.1	92.6
Return on equity	(%)	27.5	26.0	10.1	27.5	13.8
Price-earnings ratio	(times)	31.1	42.3	78.2	26.3	48.0
Dividend payout ratio	(%)	27.0	28.2	75.7	27.9	66.1
Number of employees (of which average number of temporary employees)	(Persons)	36 (2)	45 (2)	47 (0)	37 (0)	37 (0)
Total Shareholder Return (Comparison index: TOPIX including dividends)	(%) (%)	103.6 (103.1)	165.3 (131.3)	136.6 (129.4)	144.7 (162.7)	143.5 (204.3)
Highest share price	(Yen)	1,198 (2,497)	1,872	1,727	1,616	1,555
Lowest share price	(Yen)	645 (1,775)	951	945	1,255	1,188

1. Net income per share-fully diluted is not shown since there are no residual shares.
2. The number of employees is the number of full-time employees (excluding employees on loan transferred from outside the Company and including employees on loan transferred from outside the Company to the Company). The number of employees is the number of people on duty.
3. The highest and lowest share prices are those quoted on the Tokyo Stock Exchange Prime Market from April 4, 2022, and those quoted on the First Section of the Tokyo Stock Exchange prior to April 3, 2022. The highest and lowest share prices for the 24th fiscal year are shown after the stock split, and the highest and lowest share prices before the stock split are shown in parentheses.
4. The Company conducted a 2-for-1 stock split of common stock as of December 1, 2019. Net assets per share and net income per share are calculated on the assumption that the stock split was conducted at the beginning of the 24th fiscal year.
5. Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) were applied from the beginning of the 26th fiscal year, and the key management indicators, etc. for the 26th and subsequent fiscal years are those after the application of these accounting standards.

6. The dividend per share for the 26th fiscal year includes a commemorative dividend of 1 yen per share for the 25th anniversary of the Company's founding.
7. The Company has introduced a stock delivery trust for employees and executive officers effective from the current fiscal year, and the Company shares held by the trust account of the trust are included in the treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year for the purpose of calculating net assets per share. In the calculation of net income per share, the Company shares held by the trust account of the trust are included in treasury stock, which is deducted from the average number of shares during the period.

1-2 History

Date	matter
May 1997	Diva Corporation (capitalized at 11 million yen) established in Ota-ku, Tokyo, for the purpose of developing, selling, and supporting consolidated accounting package software (product name: DivaSystem) and consolidated accounting operations.
October 1997	Started sales of DivaSystem
December 1998	Automatic cash flow statement generation functionality added to DivaSystem in response to changes in the accounting system In addition, a web data collection module is included to expand consolidated accounting operations support functions.
June 1999	Head office relocated to Minami-Oi, Shinagawa-ku, Tokyo
August 1999	Osaka Branch Office opened in Nishitenma, Kita-ku, Osaka City, Osaka Prefecture
September 2001	Head office relocated to Kamata, Ota-ku, Tokyo
June 2002	Started a practical course on consolidated accounting as part of support for consolidated accounting operations.
January 2004	Launched outsourcing services for consolidated financial closing operations.
November 2005	Moved Osaka Branch Office to Dojima, Kita-ku, Osaka City, Osaka Prefecture
February 2007	Listed on Osaka Securities Exchange Hercules (Tokyo Stock Exchange JASDAQ (Growth))
August 2007	DivaSystem Version 9 with Enhanced Management Consolidation Features is Launched with 500 DivaSystem Customers
October 2008	DIVA CORPORATION OF AMERICA (currently a consolidated subsidiary) established in California, U.S.A.
November 2009	Acquired all shares of Internet Disclosure Corporation (currently a consolidated subsidiary)
November 2010	Head office relocated to Konan, Minato-ku, Tokyo (current location)
August 2011	Diva Business Innovation Inc. established.
October 2012	Zeal Corporation (established in July 2012) took over the information system business from DHI Corporation.
October 2013	Changed the company name from Diva Corporation to Avant Corporation and shifted to a holding company structure Transferred the Company's software business to Diva Corporation, which was established through an incorporation-type demerger.
November 2014	Diva Corporation opens Shinjuku Office in Nishi-Shinjuku, Shinjuku-ku, Tokyo
June 2016	Diva Corporation merges with Diva Business Innovation Inc.
August 2017	FIERTE Corporation established.
September 2017	Changed from the JASDAQ (Growth) section of the Tokyo Stock Exchange to the Second Section of the same exchange.
October 2017	Diva Corporation's outsourcing-related business transferred to FIERTE Corporation.
March 2018	Listed on the First Section of the Tokyo Stock Exchange from the Second Section.
December 2018	Number of DivaSystem customers reaches 1,000
April 2022	Moved from the First Section to the Prime Market due to market classification revision by the Tokyo Stock Exchange.
October 2022	Avant Corporation changes its name to Avant Group Corporation Diva Corporation splits and succeeds to the business under the jurisdiction of the Corporate Performance Management Unit of Zeal Corporation, and changes its name to Avant Corporation (currently a consolidated subsidiary).FIERTE Corporation succeeded to the development business of Diva Corporation's consolidated closing support system by splitting its business and changing its name to DIVA Corporation (currently a consolidated subsidiary).
August 2024	Established DivaCygnet Private Limited (currently a consolidated subsidiary), a joint venture with Cygnet Infotech Private Limited, in Mumbai, India

1-3 Description of Business

The Group consists of the Company and six subsidiaries. (Six subsidiaries include DivaCygnet Private Limited, which is listed in the Notes to Consolidated Financial Statements (Significant Subsequent Events)). To realize our strategic materiality of "becoming a software company that helps improve corporate value," we develop, sell, and maintain software and systems that enable our clients to make timely and appropriate management decisions based on various types of information, both financial and non-financial, and to promote management reform, as well as contribute to the digital transformation of management by providing software-based consulting and BPO services. We also contribute to the digital transformation of management by providing software-based consulting and BPO services.

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

The position of the Company and its affiliates in the business of the Company and its affiliates and the relationship with the segments are as follows. Effective from the current fiscal year, the Company has reviewed its business segment classification method and changed its reportable segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and "Management Solutions Business”. The Company has changed its business segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and " Management Solutions Business.

For consolidated subsidiaries, please refer to "1.

(1) Consolidated Financial Disclosure Business

In addition to developing and maintaining DivaSystem, an in-house software package for consolidated management support and consolidated accounting, we also provide outsourcing services for consolidated and non-consolidated financial statements using DivaSystem, thereby helping companies create value through information disclosure. The positioning of our group is to establish a business model that integrates the software business and the outsourcing business.

The information retrieval service for disclosure documents by Internet Disclosure Corporation, which is provided mainly to audit firms, is also included in the Consolidated Financial Disclosure Business.

(2) Digital transformation promotion business

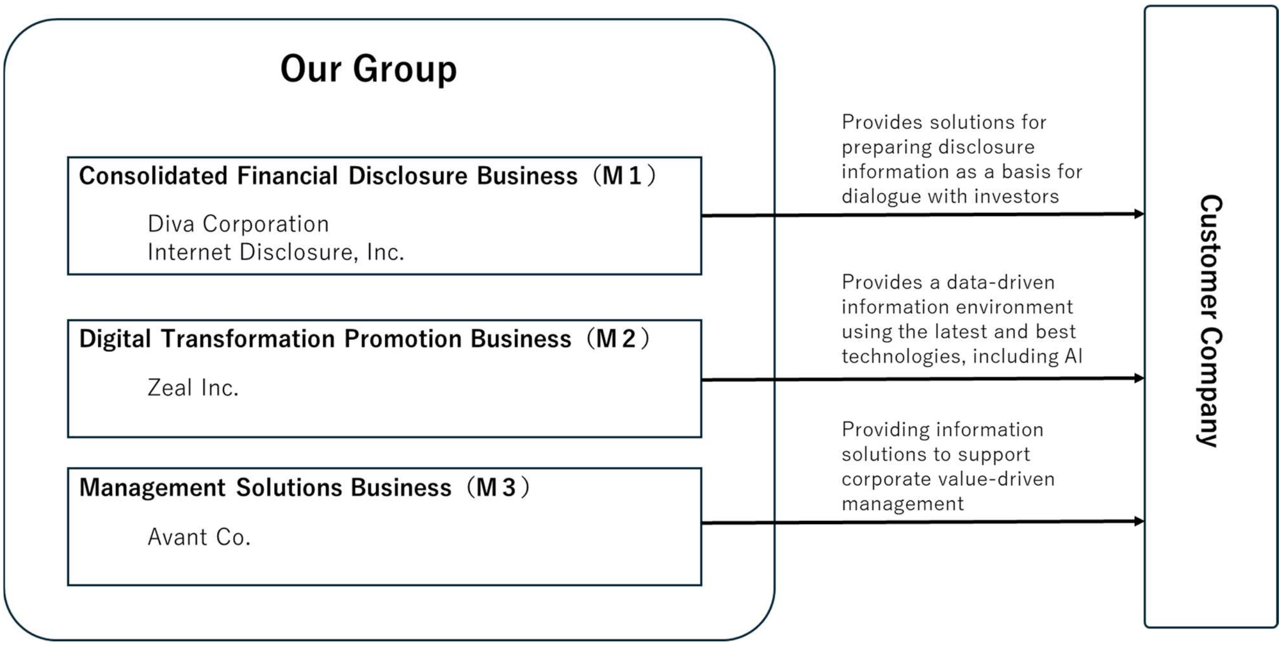
Through consulting and system development, we support the promotion of digital transformation and data-driven management of companies by providing everything from data platforms for utilizing all kinds of data surrounding companies to AI and BI solutions for analyzing, predicting, and visualizing data. The objective is also to expand the Group's product lineup by acquiring the latest information utilization methods specializing in data utilization, from major cloud vendors to multi-cloud compatible software and the latest technologies represented by generative AI, and by promoting the training of engineers and in-house development of data utilization infrastructure products.

(3) Business Management Solutions Business

With a focus on group management, consolidated accounting, and business management, we provide one-stop support from consulting to system planning, construction, implementation, operation, and maintenance, with the aim of visualizing and maximizing the "invisible value" of a company. In addition to developing software in-house, we also combine our software with software developed by other companies. The role of the company is to maximize the use of the Group's assets and to continuously create solutions that provide management information useful for improving corporate value.

［Business Chart］

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



1-4 Status of affiliated companies

Name	Address	Share Capital (Millions of yen)	Description of Principal Businesses	Percentage of voting rights owned or held (%)	Relation details
(Consolidated subsidiary)					
Avant Corporation (Note 2, 5)	Minato Ward, Tokyo	100	Business Management Solution Business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, and accounting services, Directors serve concurrently
Internet Disclosure Corporation (Note 2)	Chuo-ku, Tokyo	39	Consolidated financial disclosure business	100.0	Management guidance, dividend receipt, and cash management, Directors serve concurrently
Zeal Corporation (Note 2, 5)	Shinagawa Ward, Tokyo	100	Digital transformation promotion business	100.0	Management guidance, outsourced administration, dividend receipt, and fund management, Directors serve concurrently
Diva Corporation (Note 2, 5)	Shinjuku-ku, Tokyo	100	Consolidated financial disclosure business	100.0	Management guidance, outsourced administration, receipt of dividends, fund management, and accounting services, Directors serve concurrently
DIVA CORPORATION OF AMERICA (Note 2, 4	Burlingame,California, USA	USD 2,600,000	Other	100.0	Commissioned research, Directors serve concurrently

(Note) 1. In the column "Description of principal businesses," the names listed in the segment information are listed. “Other" is a business segment not included in each segment and includes research of IT products and services.
2. The company is a specified subsidiary.
3. Metapraxis Limited was excluded from the scope of equity-method affiliates because the Company no longer has a substantial influence over Metapraxis Limited during the current fiscal year.
4. DIVA CORPORATION OF AMERICA increased its capital through a shareholder allocation of 1,500,000 USD on March 7, 2024. There will be no change in the Company's voting rights ratio as a result of this capital increase.
5. "Principal Profit and Loss Information" of consolidated subsidiaries whose net sales (excluding inter-company sales among consolidated companies) exceed 10% of consolidated net sales

Item	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit before tax (e.g. salary) (Millions of yen)	Net income (Millions of yen)	Net assets (Millions of yen)	IBTM (Millions of yen)	Total assets (Millions of yen)
Avant Corporation	8,513	1,407	1,427	1,427	988	2,617	1,622	7,399
Zeal Corporation	8,846	1,633	1,640	1,633	1,135	1,774	1,836	3,914
Diva Corporation	7,150	1,692	1,700	1,700	1,193	2,006	1,871	5,196

*IBTM = Income before income taxes + management fees + employee stock-based compensation + trust fees

1-5 Information on Employees

(1) Employees of Consolidated Companies

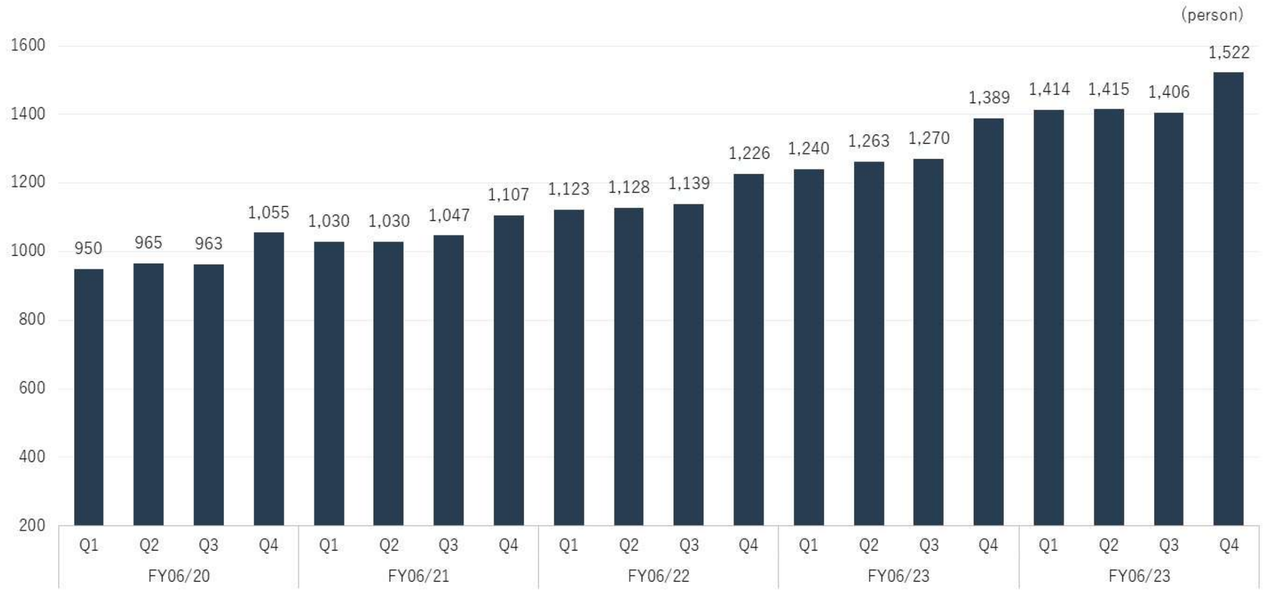
As of June 30, 2024

Name of segment	Number of employees (Persons)
Consolidated Financial Disclosure Business	545 (14)
Digital Transformation Promotion Business	491 (3)
Management Solutions Business	449 (11)
Corporate (common)	37 (0)
total amount	1,522 (28)

1. The number of employees indicates full-time employees (excluding employees transferred from the Group to companies outside the Group and including employees transferred from outside the Group to the Group). The number of employees is the number of people on duty.
2. The figures in parentheses in the "Number of employees" column indicate the annual average number of temporary employees.
3. Corporate (common) refers to employees of administrative departments, etc. that cannot be classified into specific segments.

The number of employees increased by 133 compared to the end of the previous fiscal year, mainly due to new hires associated with business expansion.

The number of employees by quarter is as follows.



(2) Employees of Parent Company

As of June 30, 2024

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (yen)
37 (0)	44.6	6.2	9,642,298

The number of employees indicates full-time employees (excluding employees seconded from the Company to outside companies and including employees seconded from outside companies to the Company). The number of employees is the number of full-time employees.

The figures in parentheses in the "Number of employees" column indicate the annual average number of temporary employees.

Average annual salary includes bonuses and substandard wages.

The number of employees by segment is not shown because the Company is a pure holding company.

(3) Status of labor unions

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

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers.

(1) Parent company

Current fiscal year				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Notes 2 & 3)	Wage Differentials of workers, male and female. (%) (Notes 1 & 3)		
		All workers	Full-time workers	Part-time worker with a fixed term contract of employment
14.8	0.0	68.3	70.4	-

(Notes) 1. Calculated in accordance with the provisions of the "Law Concerning the Promotion of Active Roles of Women in Their Professional Lives" (Law No. 64, 2015).

2. Based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76, 1991), the percentage of child care leave, etc. taken is calculated in accordance with Article 71-4, Item 1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ministry of Labor Ordinance No. 25, 1991).

3. "-" is shown when there are no workers to whom the calculation applies.

Consolidated subsidiaries

Current fiscal year					
Name	Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Notes 2 & 3)	of workers, male and female. Wage Differentials (%) (Notes 1 and 3)		
			All workers	Full time workers	Part-time worker with a fixed term contract of employment
Avant Co.	6.0	60.0	73.9	76.3	24.7
Internet Disclosure, Inc.	30.0	-	85.8	85.8	-
Zeal Inc.	9.9	61.5	84.5	84.2	81.4
Diva Corporation	10.0	30.0	72.3	73.4	28.0

(Notes) 1. Calculated in accordance with the provisions of the "Law Concerning the Promotion of Active Roles of Women in Their Professional Lives" (Law No. 64, 2015).

2. Based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76, 1991), the percentage of child care leave, etc. taken is calculated in accordance with Article 71-4, Item 1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ministry of Labor Ordinance No. 25, 1991).

3. "-" is shown when there are no workers to whom the calculation applies.

(c) Our Group

Current fiscal year				
Percentage of female workers in Management positions (%) (Note 3)	Percentage of male workers taking childcare leave (%) (Note 4)	of workers, male and female. Wage Differentials (%) (Note 3)		
		All workers	Full time workers	Part-time worker with a fixed term contract of employment
9.5	50.0	73.7	74.4	41.9

(Notes) 1. The consolidated subsidiaries are those defined in Article 2, Item 5 of the "Regulations Concerning Terms, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).

2. Overseas subsidiaries are not subject to the publication requirements of the "Law Concerning the Promotion of Active Roles of Women in the Workplace" (Law No. 64, 2015) and the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76, 1991), so the data for these subsidiaries are omitted.
3. Calculated in accordance with the provisions of the "Law Concerning the Promotion of Active Roles for Women in Their Professional Lives" (Law No. 64, 2015).
4. Based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76, 1991), the percentage of child care leave, etc. taken is calculated in accordance with Article 71-4, Item 1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ministry of Labor Ordinance No. 25, 1991).

2. Business

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

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

(1) Basic management policy of the company

The Group has set the "creation of a 100-year company" as its primary management goal to support the self-realization of members participating in the organization and to achieve continuous business growth through a self-reliant organization that is highly adaptable to the rapidly changing market environment.

By specializing in "group management," we are committed to developing and providing professional services based on software products and systems that enable us to gain a deeper understanding of our clients' businesses, and to making even greater contributions to our clients. These principles also indicate priorities for management decisions.

(1) Trust

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

(2) Profitability

We believe that orientation toward high profitability is the foundation for practicing what we want to do and preparing ourselves to respond flexibly to unforeseen future changes.

(3) Productivity

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

(4) Growth

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

(5) Serve society by mastering one's art

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

(2) Target Management Indicators

The Group positions six key management indicators: Net Sales, Net Income, Operating profit per Employee, Software Gross Profit, ROE, and DOE (Dividends on Equity). These specific goals are clearly stated in our new medium-term management plan, "BE GLOBAL 2028," which covers the five years through the fiscal year ending June 30, 2028.

In our new medium-term management plan, we aim to increase value-creating productivity through "operating profit per employee" through our software-centered strategy. This initiative will realize a "value creation spiral" aimed at increasing the value of human resources and corporate value. Specifically, we consider "software gross profit," which indicates the progress of our strategy, and "operating profit per employee," which indicates value creation productivity, as key strategic indicators.

(3) Medium- and long-term management strategies

(1) Sustainable earnings growth and business expansion

The Group was conducting its business activities based on the medium-term management plan, "BE GLOBAL 2023," which set out an aim to become a world-class software company. Based on this experience, in August 2023 we announced a new medium-term management plan, BE GLOBAL 2028, which aligns our business and group strategies.

The position of the BE GLOBAL 2028 plan is for the Group to "become a software company that helps increase corporate value". Our goal is to create a value-creating spiral in which software is used to provide value to customers and pursue higher productivity, and the resulting improved profits are used to reinvest in R&D and compensation, thereby increasing the company's own corporate value. We focus on markets that serve companies seeking a digital transformation of their operations, where we can be most effective.

As subcategories, Diva and Internet Disclosure are in the consolidated financial disclosure market, Zeal is in the BI, data infrastructure, and digital transformation market, and Avant is in the investor-oriented next-generation management information infrastructure market, each with growth potential of 15% to 30% per year.

As for the three new business segments, we have changed them to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and "Management Solution Business" starting from the fiscal year ending June 30, 2024, aiming for sustainable earnings growth and business expansion.

(2) Software Driven Strategy

The Group has adopted a "software driven strategy" as a means of realizing its strategic materiality. We will clarify the growth potential and profitability of each software product, measure the actual customer contribution, and continuously optimize the software. We use "software gross profit" as a metric to check the progress of our strategy.

(iii) Increase in value-creating productivity

We aim to approximately double net sales and triple net income during the term of the new medium-term management plan. We have positioned "value creation productivity" as a factor in achieving this. “Value Creation Productivity" is a concept that emphasizes both increased sales at the same input cost and reduced input costs for the same sales.

(4) Priority business and financial issues to be addressed

In August 2023, the Group announced its new medium-term management plan, "BE GLOBAL 2028," which identifies an action plan for the next five years that synchronizes business and group strategies.

In order to realize BE GLOBAL 2028, we must address the following issues.

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

The Group has positioned the market for the management digital transformation, for companies seeking to increase their corporate value as an area where we as a whole can be most useful. As subcategories, Diva and Internet Disclosure Co., Ltd. are in the consolidated financial disclosure market, Zeal is in the BI, data infrastructure, and digital transformation market, and Avant is in the investor-focused next-generation management information infrastructure market, each with growth potential of 15% to 30% per year. Avant is positioned in the next-generation management information infrastructure market from an investor's perspective.

In each market, it is necessary to accurately grasp what customers are seeking and to manifest the potential of the growth market.

2. Promotion of a software-driven strategy that contributes to our customers

The Group's strategic materiality is "to become a software company that helps increase corporate value," and the strategy to achieve this is positioned as the "Software Driven Strategy”.

We believe that in order to make our contribution to our customers more value-added, we should create a situation where management decisions are made from the perspective of increasing corporate value, and changing the information we bring to the Board of Directors is a way to do this. To this end, we will transform the board of directors with the power of software through full-scale sales of TRINITY BOARD, a board DX cloud and AVANT Compass, a corporate value analysis cloud, both of which were prepared in FY24 (fiscal year ending June 30, 2024).

We believe that by creating this state of affairs, the value of information brought to customers by each group company will increase, and the contribution to customers by the group as a whole will be of even higher added value.

3. Increase value-creating productivity

To achieve this, it is necessary to improve "sales productivity," which is the ability to increase sales per employee at the same investment cost (cost of sales and SG&A expenses), or to improve "investment cost productivity," which is the ability to lower investment costs for the same sales. The two aspects must be combined to improve "value-creating productivity”.

We believe that high value-added solutions combining software and services will increase "sales productivity," and we will achieve this by promoting the above software-driven strategy. We will also improve "investment cost productivity" by streamlining operations through the use of software, especially generative AI.

4. Development of an environment to enhance the value of human capital value

The three points will clarify what we should aim for, but the realization of these goals is predicated on improving the value of our human capital value. We will clarify the human resource requirements necessary to achieve our goals and fill the gaps by providing an environment for growth.

While focusing on the growth of existing employees, we will also invite talented human resources from outside the company when it is difficult to do so internally. We will seek to find human capital not only through regular recruitment, but also in network building related to software procurement.

5. Increase employee job satisfaction

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

6. Compliance

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

Sustainability

The Group's management philosophy, "Creation of a 100-Year Company," is to regard the company as a public institution of society and to develop sustainably as an organization that exists for the benefit of society. Our group's mission is to contribute to society by providing value in helping our customers use management information to create the future, but in the process of achieving this mission, we will be involved with a variety of stakeholders, so each and every member of the group must act with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness. Therefore, sustainable development will not be possible unless each and every member of the Group acts with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness. To this end, on July 22, 2020, the Group established the Group Human Rights Policy and Group Environmental Policy, and on August 25, 2020, the Group signed the United Nations Global Compact, declaring its endorsement, support, and implementation of essential values in four areas: human rights, labor, environment, and anti-corruption. On July 1, 2021, we decided to take the first step toward the realization of a sustainable society by converting all of our group's annual electricity consumption to "green power," thereby reducing greenhouse gas emissions to zero. In addition, the Group has been engaged in activities to support sporting events and cultural activities organized by local governments and industry associations.

2-2 Approached and Initiatives Concerning Sustainability

The Group's approach to sustainability and its initiatives are as follows.

Forward-looking statements in the text are based on the Group's judgment as of the end of the current consolidated fiscal year, and actual results may differ significantly due to various factors.

(1) Our Approach to Sustainability

The Group's management philosophy, "Creation of a 100-Year Company," sets out the company's thinking as being a public entity of society and its pursuit of sustainable development. We see our mission as adding value to management information and contributing to society with it. In collaboration with our stakeholders, we are convinced that our actions will lead to sustainable development if we always consider the balance between economic activities, environmental conservation, and social fairness.

(2) Sustainability Initiatives

(1) Governance

The Group has established a Compliance Committee, Risk Management Committee, and Information Security Committee, each chaired by a representative director, to ascertain the status of compliance, risk management, and information security management and to ensure appropriate risk management. The Group has also established a company-wide management system to ensure prompt response to compliance and information security issues. In addition, each committee sets important items related to compliance, information security, and risk, as well as targets for these items, and conducts monitoring and discussions on risk countermeasures on a regular basis. Important information is reported to the Board of Directors by the Group CRO for further discussion as appropriate.

2) Strategy

a. Sustainability Strategy

i) Environment - Climate Change

The direct greenhouse gas emissions (Scope 1) from the use of fuel, etc. by our group were zero, and the indirect greenhouse gas emissions (Scope 2) from the use of electricity, steam, and heat were 369.680 t-CO2 in the fiscal year ended June 30, 2024. On the other hand, indirect emissions (Scope 3) generated by procurement of raw materials, employee business trips, outsourced waste disposal, etc. amounted to 12,322.720t-CO2 in the fiscal year ended June 2024. In the medium to long term, we aim to reduce Scope 2 of total GHG emissions by 50% by the fiscal year ending June 30, 2030 compared to the fiscal year ending June 30, 2018 through carbon offsetting, in addition to curbing excessive electricity consumption by encouraging appropriate work hours and telecommuting. The company will also reduce the amount of carbon offsetting.

ii) Responsibility to society and customers

We believe that the greatest risk to the Group is the loss of continuity in the provision of services to customers due to cyber attacks. In particular, we consider the continuity of our group's services to be an extremely important issue because the services we provide contribute extensively to the formation of information that is critical to the survival of a company: the preparation of financial information for our clients and the generation and disclosure of information that contributes to management decisions. For such risks, the Risk Management Committee examines appropriate BCPs and reports its progress to the Board of Directors.

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

Through our software driven strategy, we aim to increase value creation productivity as measured by operating profit per worker, and through compensation returns and human resource investment, we will realize the creation of human capital value.

It is our people that not only provide services, but also create our software products, and business growth is sustainable through the creation of human capital value.

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

i. Training and Recruitment to Realize Business Strategies

Basic Human Resources Policy

At Avant Group, the action guidelines common to all group members toward our corporate philosophy of "Creating a 100-Year Company" are summarized in the three words "OPEN, VALUE, and STRETCH," which we refer to as our common VALUE.

Based on open communication, we will focus on developing and hiring people who are always willing to take on challenges for our customers.

OPEN: Open Communication

VALUE: Pursuit of customer satisfaction = value creation

STRETCH: Enjoy change and continue to challenge to be the best

Human resources policy linked to business strategy

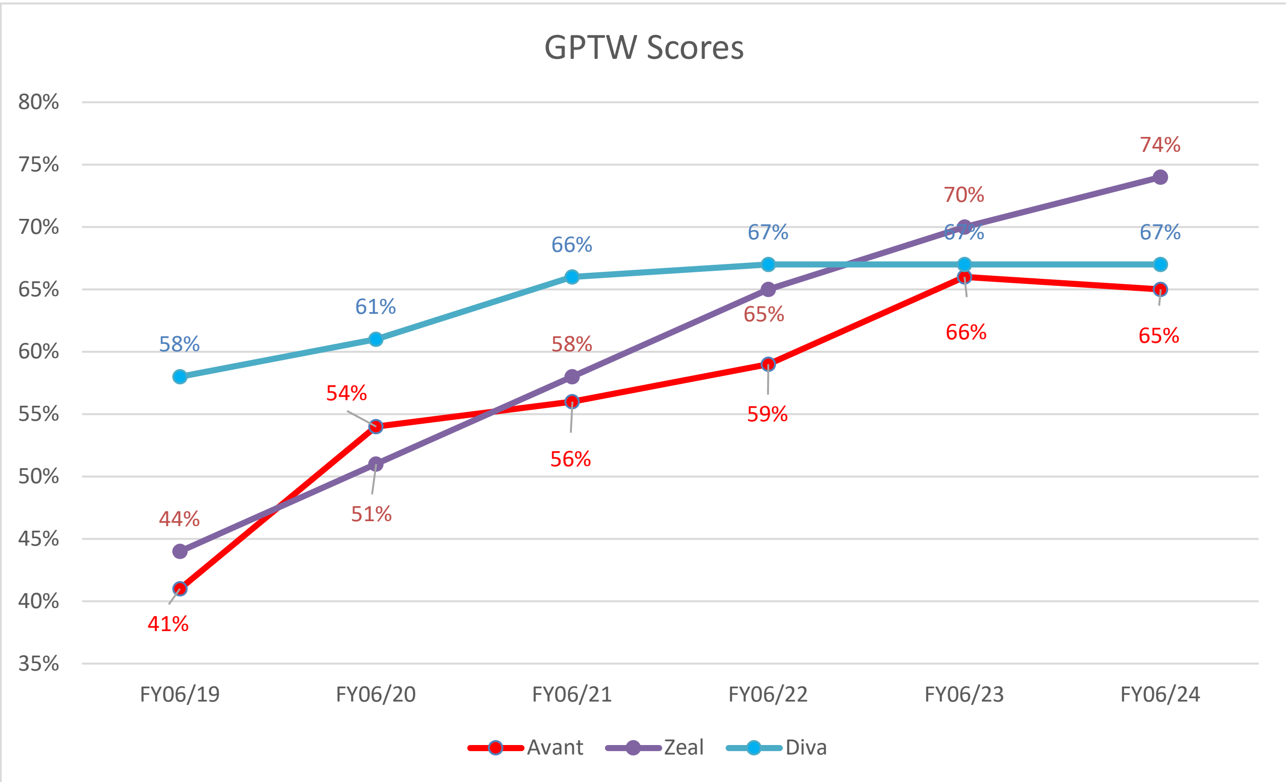
We aim to realize our strategic materiality through a software-driven strategy, starting with our business portfolio and human resources portfolio, all of which originate from software.

We also conduct human resource strategy with software at its core, determine what kind of human resources are optimal according to the business scale and knowledge accumulation, consider staff strategy according to the business, and take actions to recruit and train human resources necessary for the growth of our group to accelerate business growth.

ii. Increased employee satisfaction

Maximize performance by ensuring sufficient skills and a rewarding work ethic. The Group uses external assessment (GPTW®) scores as one indicator, and each Group company has set a GPTW score of 70% as a key KPI as a certified Best Workplaces level, and management has established a system to hold employees accountable for their progress.

We are promoting initiatives to create an environment in which the company and individuals can grow together in a highly transparent manner by implementing the PDCA cycle and verifying the appropriateness of actions.



iii. Develop human resources for next generation leaders who will support the future of the Avant Group.

The Group's Board of Directors considers the "development of next-generation leaders" to be a top priority issue, and holds in-depth discussions on the visibility of candidates, requirements for leaders, and the organization needed to achieve the medium-term management plan and the image of leaders who will lead it. Specific actions for development are implemented in levels, and we are promoting the expansion of successor candidates for a wide range of levels, such as leadership development programs for young people and opportunities for group executive officers to play unfamiliar games with the presidents of outside companies to enhance their perspectives and deepen their thinking.

At the same time, from the perspective of developing not only human resources within the company but also leaders in Japan, Group CEO Morikawa, who has experience in starting a business and IPOs, has been appointed as a visiting professor at Hitotsubashi University Graduate School of Business Administration, where he will teach courses from April 2024. Focusing on corporate value management, we hope to convey our commitment to the realities of our business portfolio, dialogue with investors, and what is needed in a leader, and hope that our experience with our group will be of some help in developing future leaders in Japan.

In addition, with the aim of raising employees' awareness of the company's corporate value and sharing the medium- to long-term results with other stakeholders by contributing to the enhancement of corporate value through their own actions, the Company will introduce a stock compensation plan (RS Trust), an incentive plan for employees, and will pay ¥50,000 equivalent per person per year in stock.

(iii) Risk management

The Group conducts an annual review of risks that may affect the achievement of the new medium-term management plan and the existing business base, and maintains a "management crisis list". In this list, risks with the potential to have a significant impact are classified as "material risks," and among the "material risks," risks that require rapid contingency measures in addition to controls during normal times and for which risk avoidance, reduction, transfer, and other measures should be initiated with priority are classified as "particularly material risks". The Group as a whole promotes priority control activities for each "material risk," and implements the risk management cycle (PDCA) by regularly monitoring the control status of "particularly important risks," confirming their effectiveness, and making recommendations for improvement, as well as conducting other activities necessary to ensure that risk management is thoroughly implemented. The Company also conducts other activities necessary for the penetration and thorough implementation of risk management.

Indicators and Targets

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

a. Environmental coefficient

	Actual results for the fiscal year ending June 30, 2023	Actual results for the fiscal year ending June 30, 2024	Target (for the fiscal year ending June 30, 2030)
GHG emissions (t-CO2)	11,478.015	12,692.401	-
GHG emissions (of which Scope 2)	358.734	369.680	360.049
GHG emissions (of which Scope 3)	11,119.281	12,322.720	-
Electricity consumption (thousand kWh)	975	999	-
of which renewable energy	100	100	-

b. Social coefficient

	Actual results for the fiscal year ending June 30, 2023	Actual results for the fiscal year ending June 30, 2024	target value
GPTW Score			
AVANT Co.	66	65	70
ZEAL	70	74	70
DIVA Corporation	67	67	70

(Note) 1. Actual results regarding differences in wages between male and female workers are shown in "1. Corporate Profile, 5. Employees, (4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers.

2. With regard to GHG emissions results for the period ending June 30, 2024, the electricity company coefficients for the period from April 2024 to June 2024 used in the Scope 2 calculations have not yet been published, so the electricity coefficients for March 2024 were used in the calculations. Please note that the actual GHG emissions may change when the electricity coefficient for the relevant period is recalculated after publication by the Ministry of the Environment.

3. For GHG emissions (t-CO2) targets, only Scope 2 is set.

2-3 Business and other risks

The Group has established a Compliance Committee, Risk Management Committee, and Information Security Committee, each chaired by a representative director, to monitor the status of compliance and risk management, manage risks appropriately, and has established a company-wide risk management system to promote prompt compliance responses.

In addition, we have developed a "management crisis list" of risks that may affect the achievement of our group's medium-term management plan, BE GLOBAL 2028, and our existing business base, which is reviewed on an annual basis.

In this list, we analyze and evaluate the frequency of occurrence and degree of impact that may affect management, and organize risks that may have a significant impact as "significant risks" and risks among "significant risks" that require prompt emergency responses in addition to normal controls, and for which measures such as risk avoidance, reduction, and transfer should be initiated on a priority basis as "particularly significant risks". The risks that require a rapid response in addition to the control during normal times, and for which measures such as risk avoidance, reduction, and transfer should be initiated with priority, are organized as "particularly important risks". For each "material risk," the Group as a whole promotes priority control activities, clarifies countermeasures and issues mainly for "particularly important risks", and implements a risk management cycle (PDCA) by regularly monitoring the control status, confirming its effectiveness, and making recommendations for improvement. In addition, we conduct other activities necessary for the penetration and thoroughness of risk management.

Among the risks listed below (1) through (15) that may have a significant impact on the achievement of the Group's business plan and the foundation of the Group's existence, among the items listed in "2. Of these, we have designated (1) as a "particularly important risk" and are promoting priority measures to address it.

Risks and uncertainties that may affect the Company's future performance and financial position include, but are not limited to, the following Forward-looking statements that are based on judgments made as of the end of the current fiscal year.

Particularly important risks

(1) Risks from cyber attacks

Some of the cloud services offered by the Group provide services that handle important customer data, such as institutional accounting, management accounting, and business management. If those services were to experience a service outage or loss of customer data due to a cyber attack, it could have a significant impact on customer operations. In addition, we recognize that this is a particularly important risk because the occurrence of such an event for reasons attributable to us could have a significant impact on our group's performance and financial position, including the payment of compensation for damages, and could also lead to a decline in our group's credibility and brand image. We recognize that this is a particularly important risk.

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

In addition, in the fiscal year ending June 30, 2025, we are focusing on strengthening our "structure" and "cyber resilience" and are working to develop and put in place a company-wide cyber security risk management strategy.

Significant Risks

(2) Risks related to equity participation and M&A

The Group aims to achieve sustainable earnings growth and business expansion under its medium-term management plan, "BE GLOBAL 2028". Therefore, it is our policy to make acquisitions and enter into capital tie-ups as necessary, while taking into consideration our business performance and financial position. However, in proceeding with M&A, there is a possibility that the transaction will not proceed as envisioned by our group due to the inability to find suitable candidates or to reach agreement on transaction terms, etc. In addition, problems that cannot be identified in the preliminary investigation, such as the occurrence of contingent liabilities or unrecognized liabilities after the investment or M&A, may lead to impairment of our group's business performance and financial position. In addition, problems that cannot be identified in the preliminary investigation, such as the occurrence of contingent liabilities or the discovery of unrecognized liabilities after investment or M&A, may lead to impairment of goodwill or other assets, which may affect the Group's performance and financial position.

The organization in charge of M&A conducts detailed due diligence on the financial position and contractual relationships of candidate companies in advance, and makes decisions based on verification and countermeasures for each identified risk. We also strive to reduce such risks by quantitatively and qualitatively understanding the business conditions of the investee companies involved in each business.

(3) Risks related to business investment and capital expenditure

In order to achieve the goals of our medium-term management plan "BE GLOBAL 2028," our group is investing in human resources and R&D, as well as in product development to strengthen product competitiveness, and in the development and expansion of our business infrastructure. However, it is possible that these business investments may not produce the expected investment results due to changes in the market environment or a gap between developed products and market needs. If the investment does not produce the expected effect, the Group's performance and financial position may be affected in the medium to long term.

In response to this risk, the Group carefully decides on business investments at the consideration stage after evaluating investment effects and risks in accordance with the authority stipulated in the "Authority Regulations" in advance. We are also working to prevent risks from materializing and reduce their impact by continuously monitoring progress against plans during the implementation stage and implementing necessary measures in a timely manner.

(4) Risks related to system outage of cloud service data

If a failure occurs in the cloud services provided by our group and the operation of the system or service is suspended, it may have a significant impact on customer operations. In addition, if problems such as loss of customer data were to occur, the impact would be even greater, and in some cases, compensation payments for damages incurred could have a significant impact on the Group's performance and financial position. In addition, any delay in the operation of the service will lead to a deterioration of the Group's social credibility and brand image.

To ensure stable system operation and the continuous provision of services, the Group is promoting various enhancement measures to both prevent failures from occurring and minimizing the impact of failures when they do occur.

(5) Risks related to changes in competition, technology, and market needs

In the cloud-based service market in which our group operates, many companies are developing their businesses, and the pace of technological innovation and changes in market needs is extremely fast, requiring operators of cloud-based service businesses to respond flexibly to these changes. Therefore, if we are unable to respond in a timely manner to intensifying competition from companies offering similar services to our group, technological innovations, or changes in market needs, or if we have to spend a lot of money on system investments and personnel expenses to respond to changes, our group's performance and financial position may be affected.

In response to this risk, the Group is not only building a system to keep abreast of the latest technological trends and changes in the environment, but is also working to improve its competitiveness by building services that pursue optimal usability, differentiating its sales areas, and enhancing customer support. We also strive to respond quickly to technological innovations and changes in market needs by securing and training excellent human resources.

(6) Risks related to securing and developing human resources

If the Group's ability to secure and develop talented human resources with the expertise needed to promote its business and achieve growth does not proceed as planned over the medium term, the Group's future growth potential and business performance and financial position may be affected.

In response to this risk, we are working to ensure competitiveness in recruitment by strengthening our recruitment and training systems and understanding the market's appropriate compensation levels, as well as reviewing our personnel evaluation system to ensure that new employees are able to contribute to the company and continue to work with us as soon as possible.

(7) Risks associated with changes in economic conditions

The Group uses cloud services provided by overseas companies and is affected by fluctuations in exchange rates as it pays for these services in U.S. dollars after putting in yen to pay the fees. Therefore, an increase in costs due to exchange rate fluctuations could affect the Group's performance and financial position.

The Company hedges this risk by settling accounts through foreign currency deposit accounts. The Company's policy is to use foreign currency deposits within the scope of actual demand and not to conduct transactions for speculative purposes.

(8) Risk of legal violations

The Group is subject to various laws and public regulations in the course of its business operations. Violations of these public regulations may result in disciplinary action by regulatory authorities, lawsuits, or even suspension of business activities, as well as damage to corporate brand value and loss of public trust. We believe that it is essential for a company to have an effective compliance system in order to fulfill its social responsibilities.

In response to this risk, the Group has not only established a system to keep abreast of the latest legal and regulatory trends, but has also formulated compliance regulations and other compliance-related rules to ensure the effective functioning of the compliance system and to ensure that all officers and employees are familiar with them through education. In addition, the Compliance Committee promotes activities by establishing quantitative checkpoints for compliance.

(9) Third party risk

In the cloud-based services business in which the Group operates, cloud services and network technologies are becoming increasingly complex, and system design and development costs are on the rise. Therefore, we use third parties such as system design and development vendors and cloud service vendors for the purpose of improving operational efficiency and productivity. In the event of a system failure or cyber attack at these third parties, there is a possibility that service provision may be disrupted, important information such as customer information may be leaked, and the business operations of our group may be disrupted. In addition, the Group's business performance and financial position could be affected by a decline or loss of trust in the Group due to compensation to customers who have suffered damage.

In order to prevent such adverse effects, the Group has established subcontracting management regulations and strives for ongoing risk management by verifying the appropriateness and suitability of business partners when subcontracting, providing guidance, and reviewing the management system during the contract period.

(10) Risks related to artificial intelligence ("AI")

The Group aims to achieve sustainable earnings growth and business expansion under its medium-term management plan "BE GLOBAL 2028," and is exploring the use of business management tools that incorporate AI. The speed of technological innovation related to AI is rapid, and it is assumed that consulting revenues in the program development area may shrink if various automatic creation technologies, including those in the programming language area, become popular. Competition is also intensifying, and if we are unable to hire highly specialized personnel to implement AI technology as planned, or otherwise fail to secure the necessary human resources, our business and earnings could be affected.

In response to this risk, the Group is not only building a system to keep abreast of the latest technological trends and changes in the environment, but is also exploring the use of AI technology in business areas and acquiring and securing highly specialized human resources who can handle AI system development.

(11) Risks related to dependence on management

Although our group's organization is currently working to develop human resources and establish an organizational structure, we recognize that our management is highly dependent on Tetsuji Morikawa, President and Representative Director, and if a situation were to happen to the President and Representative Director, it could affect the promotion of our business activities and our business performance and financial position.

To address this risk, we are working to formulate and execute a succession plan by appointing the next generation of leaders as directors of operating companies and entrusting them with the management of these companies, and by providing supervision and guidance from the holding company to develop successors.

(12) Risks related to service quality

The Group provides BPO services for undertaking financial closing operations and contracted development support for the introduction of software developed in-house or by third parties that is systematized according to customer needs. In the provision of services, there is a possibility that deviations from initial estimates may occur due to changes in accounting procedures, publication of practical guidelines, etc., ambiguities in contractual content or requirements, or other unforeseen technical problems or project management issues, which may increase costs or delay schedules. This can lead to cost increases and schedule delays. If a lawsuit is filed due to any factor, including the manifestation of such problems or quality deterioration, the Group's business performance and financial position could be significantly affected due to higher-than-expected costs and payment of compensation for damages resulting from delayed delivery.

To address this risk, we are taking measures to reduce the impact on our business performance and financial condition by insuring against contingencies, while improving project quality through the establishment of a quality control department. We are also working to strengthen our services through enhanced recruitment and in-house training of specialized human resources in the accounting and digital fields.

(13) Risks associated with product development quality

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

To address this risk, we have established a quality control department to reduce quality risk during product development.

(14) Information security risks such as data loss and information leakage

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

To address security risks, the Group implements firewalls, VPNs, and other system measures to monitor and prevent unauthorized access, and has established information security and personal information protection policies, which are reviewed in response to advances in information and communication technology and changes in social and regulatory environments. The Information Security Committee, headed by the President and CEO, has been established to formulate policies, implement measures, educate and enlighten employees, and conduct audits and evaluations. We have also acquired ISMS certification (ISO/IEC27001:2013), an international standard for objective evaluation and continuous improvement of these operations. We also conduct quarterly information security training to raise the security awareness of all executives, temporary employees, and outsourced employees.

(15) Natural disaster risk

Eruption of Mt. Fuji, typhoons, storm surges, etc., could result in the loss of important information assets, a shortage of work-ready personnel, or the collapse of infrastructure, making it impossible to resume business operations quickly. In addition, we recognize that the loss of important documents and data related to business execution and intellectual property due to damage caused by natural disasters such as earthquakes or fires at our group's business sites could hinder our business activities and affect our business performance and financial position, which is a particularly important risk.

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

2-4 Management's Discussion and Analysis of Financial Condition, Operating Results and Cash Flows

The following is a summary of the status of the Group's financial position, operating results, and cash flows ("operating results, etc.") for the consolidated fiscal year ended June 30, 2024, as well as the recognition, analysis, and discussion of the Group's operating results, etc. from the management perspective.

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

(1) Summary of Business Results.

New Medium-Term Management Strategy

In August 2023, our group formulated "BE GLOBAL 2028," a five-year medium-term management plan through FY28 (ending June 30, 2028), with the goal of "becoming a world-class software company".

The new medium-term management plan "BE GLOBAL 2028" aims to realize a value creation spiral starting from the improvement of value creation productivity brought about by the software driven strategy. We will realize the creation of human capital value by increasing value-creating productivity, as measured by operating profit per employee, through compensation returns and human resource investment. Since it is our people that not only provide services but also create software, business growth is sustainable through the creation of human capital value. This results in the creation of corporate value. An increase in corporate value increases the company's ability to raise funds and increase its capacity to make business investments, which in turn increases value-creating productivity.

The vector that this value creation spiral aims to achieve is the strategic materiality "to become a software company that helps increase corporate value".

Key quantitative targets of the medium-term management plan "BE GLOBAL 2028" and status of achievement

In September 2023, the Group launched "BE GLOBAL 2028," its five-year medium-term management plan through the fiscal year ending June 30, 2028, with the strategic materiality of "becoming a software company that helps improve corporate value". Net Sales, Net Income, Operating profit per Employee, Software Gross Profit, ROE, and DOE (Dividends on Equity) are positioned as key management indices in the plan.

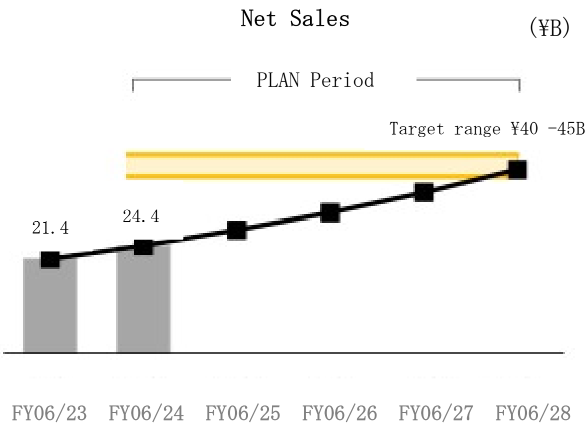
An Overview of Mid-Term Management Plan "BE GLOBAL 2028"

	FY23 Actual	FY24 Plan	FY24 Actual	FY28 Plan
Net sales	¥21.4B	¥24.0B	¥24.4B	¥40.0B-45.0B
Operating Income	¥2.1B	¥2.5B	¥2.85B	¥6.0B-7.0B
OI / person.	¥2.5M	¥2.6M	¥2.8M	¥3.5M-4.3M
Software Gross Profit	¥2.37B	¥1.93B	¥2.44B	¥5.5B-6.0B
ROE	18.3%	19.3%	22.3%	5-year average 20.0%
DOE	4.9%	5.3%	5.5%	8.0% or more

The targets for each of these items and the progress made during the current fiscal year are as follows

Net sales

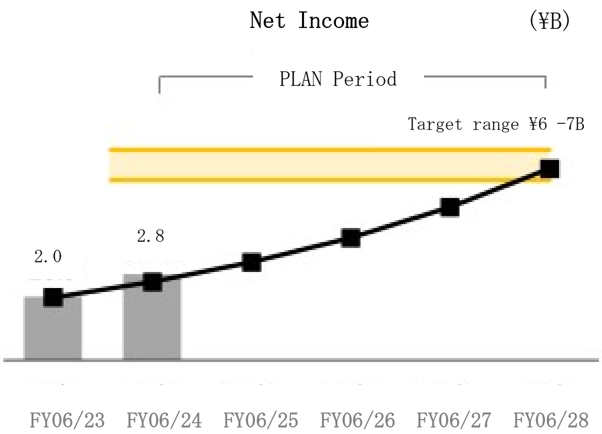
Our goal is for sales to reach the target range of 40-45 billion yen in the fiscal year ending June 30, 2028. This is the target level for the current medium-term management plan period if we continue to grow sales at an average growth rate of around 15% from the previous consolidated fiscal year. Against the backdrop of investment needs among Japanese companies to maintain and strengthen their competitiveness through "advancement of corporate management and business activities using data and digital technology," which is becoming a medium- to long-term trend among Japanese companies, the Digital Transformation Promotion Business in particular grew significantly, and the outsourcing business also continued to maintain a high growth rate. As a result, consolidated net sales increased 14.0% from the same period of the previous fiscal year to 24,419 million yen. We recognize that we are making steady progress toward the goals of our medium-term management plan.



[Net income]

With regard to net income, we aim to reach the target range of 6-7 billion yen in the fiscal year ending June 30, 2028, based on an average growth rate of 25% in our medium-term management plan.

In the current fiscal year, mainly to strengthen the software business, we saw increases in fixed personnel costs due to an increase in headcount, in outsourced processing costs to respond to an increase in orders, and in investment-oriented expenses to realize future growth, but there were factors to increase profits, including a decrease in one-time expenses incurred as a result of reorganization in the previous fiscal year and the effect of an increase in sales in the Digital Transformation Promotion Business. The increase was due to factors such as the effect of higher revenues from the digital transformation promotion business. Net income was 2,850 million yen, a significant 36.1% increase over the previous fiscal year, due to a reversal of extraordinary losses from impairment losses and other items in the previous fiscal year, as well as the effect of a lower effective tax rate in the current fiscal year due to a tax system to promote wage increases. As with sales, we recognize that we are making steady progress toward the goals of the medium-term management plan.

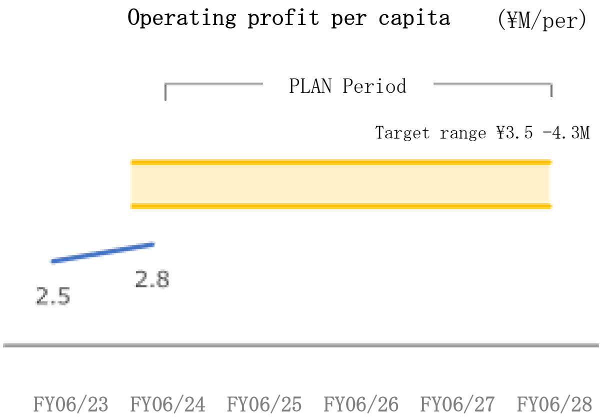


Operating profit per capita

The medium-term management plan aims to realize the strategic materiality "to become a software company that helps enhance corporate value" through a value creation spiral that leads to the creation of human capital value and corporate value, starting from the improvement of value creation productivity. Our goal is to increase "operating profit per employee," which indicates value creation productivity, to the target range of 3.5 to 4.3 million yen in the fiscal year ending June 30, 2028.

As for operating profit per employee for the current consolidated fiscal year, it was 2.8 million yen, an increase of 0.3 million yen from the previous consolidated fiscal year. The steady growth in profitability has enabled us to achieve our targets for the first year, and we have made a good start toward the goals of the medium-term management plan. At the same time, we recognize that securing human resources is an ongoing challenge, since sustainable growth requires a well-balanced improvement in the number of employees, the denominator of operating profit per employee, and operating profit, the numerator of operating profit per employee.

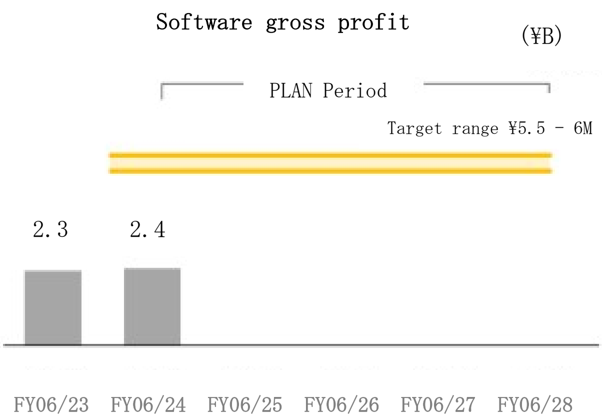
Note: Operating profit per employee is calculated using the average number of employees during the period.



Software gross profit

In this medium-term management plan, we aim to realize our strategic materiality "to become a software company that helps increase corporate value" through our software-driven strategy, in which software is the starting point for everything, including our business portfolio and human resources portfolio. Software gross profit is positioned as an indicator to measure the progress of the software-driven strategy. Our goal is to raise software gross profit to the target range of 5.5 to 6.0 billion yen by the fiscal year ending June 30, 2028.

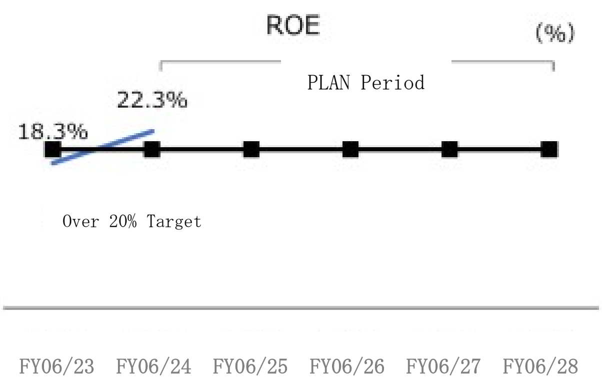
Software gross profit for the current fiscal year was 2,442 million yen, an increase of 75 million yen from the previous fiscal year. In the early stages of the current medium-term management plan, we are not yet at the stage of reaping the full benefits of the reorganization, and we expect that the effects will gradually become apparent over the five-year period as we progress with our software-driven strategy.



ROE

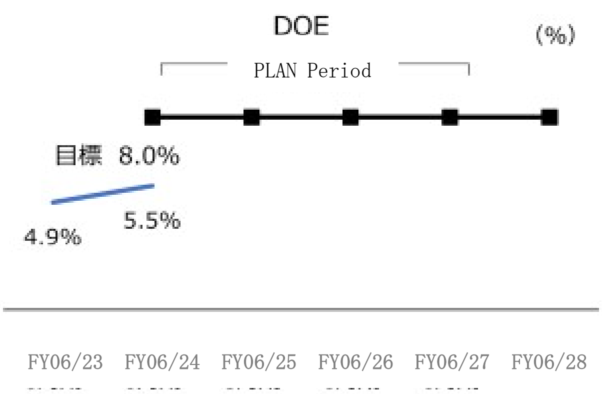
In order to realize our medium-term management plan, we recognize that it is necessary not only to expand the scale of existing businesses, but also to engage in investment activities from a medium- to long-term perspective, such as internal investment or capturing external growth. As a guideline for implementing investment activities, we have set a target for ROE, which the Group has maintained at around 20% over the long term, to remain at an average level of 20% or higher during the period of the medium-term management plan.

ROE for the current fiscal year was 22.3%, an improvement of 4.0 percentage points from the previous fiscal year, exceeding the target level of 20% set in the current medium-term management plan. In addition to the growth in net income, this was due to the introduction of a stock delivery trust for employees and executive officers and the impact of share buybacks as part of the Company's shareholder return policy.



DOE (dividend on equity)

The Group regards dividends as an important part of its shareholder return policy and focuses on the ratio of dividends to net assets, aiming to maintain and improve the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year. In the fiscal year ending June 30, 2028, the Company aims to achieve operating results and a financial condition oriented toward achieving the 8% ratio of dividends to net assets, which is the target to be achieved during the period of this medium-term management plan. The dividend per share upon achievement is expected to be 51 yen.



For the current fiscal year, a resolution is scheduled to be passed at the 28th annual general meeting of shareholders scheduled to be held on September 25, 2024, to increase dividends by 4 yen per share to 19 yen per share, based on the basic policy of continuous stable dividends. The ratio of dividends to net assets has remained at approximately 5.5%, well above the average for companies listed on the Tokyo Stock Exchange, and we recognize that we are making steady progress toward the goals of our medium-term management plan.

A detailed analysis of the operating results is provided below.

(2) Operating Results

Consolidated financial results for the current fiscal year are as follows

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

	27th Fiscal Period (ending June 30, 2023)	28th fiscal year (ending June 30, 2024) (current fiscal year)	Compared to the previous consolidated fiscal year.	
			Increase/Decrease	Percentage change (%)
Net sales	21,424	24,419	2,995	14.0
Operating profit	3,289	4,099	809	24.6
Ordinary profit	3,265	4,121	855	26.2
Net income attributable to owners of the parent	2,094	2,850	756	36.1

In terms of consolidated net sales, the digital transformation promotion business in particular grew strongly against the backdrop of investment needs among Japanese companies to maintain and enhance their competitiveness through the "advancement of corporate management and business activities using data and digital technology," which is becoming a medium- to long-term trend among our clientele. In addition, the outsourcing business also maintained a high growth rate.

Effective from the current fiscal year, the Company has reviewed its business segment classification method and changed its reportable segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and " Management Solutions Business". The Company has changed its business segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and "Management Solutions Business". In accordance with this change, the results for the same period of the previous fiscal year for each reportable segment have been restated to reflect the new segment classifications.

The Consolidated Settlement and Disclosure Business supports the creation of value through corporate disclosure by developing and maintaining DivaSystem, an in-house software package for consolidated management support and consolidated accounting, and by providing outsourcing services for consolidated and non-consolidated settlement of accounts using the software. The positioning of our group is to establish a business model that integrates the software business and the outsourcing business.

The information retrieval service for disclosure documents by Internet Disclosure Corporation, which is provided mainly to audit firms, is also included in the Consolidated Financial Disclosure Business.

The Digital Transformation Promotion Business provides consulting and system development services, including data platforms for utilizing all kinds of data surrounding companies and AI/BI solutions for analyzing, predicting, and visualizing data, in order to help companies promote digital transformation and data-driven management. We support the promotion of digital transformation and data-driven management of companies through consulting and system development. The objective is also to expand the Group's product lineup by acquiring the latest information utilization methods specializing in data utilization, from major cloud vendors to multi-cloud compatible software and the latest technologies represented by generative AI, and by promoting the training of engineers and in-house development of data utilization infrastructure products.

The Management Solution Business provides one-stop support from consulting to system planning, construction, implementation, operation, and maintenance, with the aim of visualizing and maximizing the "invisible value" of a company, focusing on group management, consolidated accounting, and business management. In addition to developing software in-house, we also combine our software with software developed by other companies. The role of the company is to maximize the use of the Group's assets and to continuously create solutions that provide management information useful for improving corporate value.

Despite higher fixed personnel costs due to an increase in headcount, higher outsourced processing costs to respond to an increase in orders, and greater investment-related expenses to achieve future growth, mainly to strengthen the software business, a decrease in one-time expenses incurred as a result of reorganization in the previous fiscal year and the effect of higher sales in the Digital Transformation Promotion Business resulted in operating profit of 4,099 million yen (up 24.6% year-on-year) and ordinary profit of 4,121 million yen (up 24.6% year-on-year). However, the decrease in one-time expenses associated with organizational restructuring in the previous fiscal year and the effect of increased revenue from the Digital Transformation Promotion Business resulted in operating profit of 4,099 million yen (up 24.6% year-on-year), ordinary profit of 4,121 million yen (up 26.2% year-on-year), and net income attributable to owners of the parent of 2,850 million yen (up 36.1% year-on-year).

The status of each reportable segment is as follows

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

	27th Fiscal Period (ending June 30, 2023)	28th fiscal year (ending June 30, 2024) (current fiscal year)	Compared to the previous consolidated fiscal year.	
			Increase/Decrease	Percentage change (%)
Consolidated Financial Disclosure Business	6,902	7,537	635	9.2
Digital Transformation Promotion Business	7,272	8,846	1,574	21.7
Management Solutions Business	7,883	8,518	634	8.1
Elimination of intersegment transactions	△633	△483	150	-
consolidated net sales	21,424	24,419	2,995	14.0

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

	27th Fiscal Period (ending June 30, 2023)	28th fiscal year (ending June 30, 2024) (current fiscal year)	Compared to the previous consolidated fiscal year.	
			Increase/decrease	Percentage change (%)
Consolidated Financial Disclosure Business	1,586	1,840	253	16.0
Digital Transformation Promotion Business	1,118	1,633	515	46.1
Management Solutions Business	1,321	1,407	86	6.6
Corporate expenses and elimination of transactions between the Company and its segments, etc.	△736	△782	△46	-
Consolidated operating profit	3,289	4,099	809	24.6

In the Consolidated Financial Disclosure Business, the software business has been improving under the new structure by reviewing pricing strategies and strategically reducing intra-group contract development transactions for product maintenance and other operational support, while the outsourcing business continued to maintain a high growth rate and contributed to revenue growth. However, the outsourcing business continued to maintain a high growth rate and contributed to revenue growth, resulting in a 9.2% year-on-year increase in net sales to 7,537 million yen. In terms of profitability, the outsourcing business drove growth, resulting in an increase in operating profit to 1,840 million yen (up 16.0% year-on-year).

In the Digital Transformation Promotion Business, the need to utilize data for decision-making related to management and business promotion continues to accelerate, and the number of projects centered on "cloud data platform construction" is on the rise, with an increase in large-scale projects and expansion in the scale of ongoing projects greatly driving revenue growth. The increase in the number of large-scale projects and the expansion of the scale of ongoing projects greatly drove the increase in revenue. As a result, net sales increased to 8,846 million yen (up 21.7% year-on-year). Although personnel costs increased to secure human resources to provide services and subcontracting expenses continued to rise to compensate for these increases, the profit margin improved as a result of revenue growth that exceeded these increases, resulting in a significant increase in operating profit to 1,633 million yen (up 46.1% year-on-year).

In the Management Solutions Business, while the transformation of the profit structure centered on the software business is still in progress, results in the area of group business management solutions are beginning to show results, and the fourth quarter saw a large increase in sales compared to the previous year's single quarter due to orders for large projects and other factors, with sales increasing to 8,518 million yen (up 8.1% year-on-year). In terms of profitability, operating profit increased to 1,407 million yen (up 6.6% year-on-year), despite factors that increased costs, such as higher personnel expenses to secure a workforce for future growth and increased depreciation and amortization expenses and system development costs associated with the strengthening of the software business.

(Production, Orders and Sales)

a. Production

Not applicable.

b. Orders received

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

Name of segment	Orders received (Millions of yen)	YoY change (%)	Order backlog (Millions of yen)	YoY change (%)
Consolidated Financial Disclosure Business	8,269	11.2	4,681	18.5
Digital Transformation Promotion Business	9,211	16.3	2,069	21.4
Management Solutions Business	9,410	17.6	4,006	28.7
Elimination of intersegment transactions	△711	-	△1,974	-
Total	26,180	17.0	8,782	25.1

c. Sales

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

Name of segment	Sales (Millions of yen)	YoY change (%)
Consolidated Financial Disclosure Business	7,537	9.2
Digital Transformation Promotion Business	8,846	21.7
Management Solutions Business	8,518	8.1
Elimination of intersegment transactions	△483	-
Total	24,419	14.0

(Note) Sales results by major customer and the ratio of such sales results to total sales results are not stated because there is no major customer whose sales results account for more than 10% of the total sales results.

(3) Financial Position

Total assets at the end of the fiscal year ended June 30, 2024 were 21,896 million yen (up 3,191 million yen from the end of the previous fiscal year). This was mainly due to a 557 million yen increase in cash and deposits, a 1,477 million yen increase in notes and accounts receivable, trade and contract assets, a 296 million yen increase in prepaid expenses, and a 264 million yen increase in investment securities.

Meanwhile, total liabilities amounted to 8,603 million yen (up 2,226 million yen from the end of the previous fiscal year). This was mainly due to a 166 million yen increase in notes and accounts payable-trade, a 337 million yen increase in accounts payable-other and accrued expenses, a 630 million yen increase in income taxes payable, a 549 million yen increase in contract liabilities, and a 281 million yen increase in allowance for bonuses.

Total net assets amounted to 13,293 million yen (up 965 million yen from the end of the previous fiscal year), reflecting net income attributable to parent company shareholders of 2,850 million yen, purchase of treasury stock of 1,396 million yen, and payment of dividends from surplus of 564 million yen. As a result, the equity ratio was 60.7% (65.9% at the end of the previous fiscal year), down 5.2 percentage points from the previous fiscal year, but we believe we still maintain a highly stable financial balance with low interest-bearing debt.

(4) Cash Flows

Cash and cash equivalents ("cash") at the end of the current fiscal year increased 1,095 million yen from the end of the previous fiscal year to 11,976 million yen. Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year increased by 1,095 million yen from the end of the previous fiscal year to 11,976 million yen. The status of each cash flow and their factors are as follows (Net cash provided by (used in) operating activities)

Net cash provided by operating activities was 3,680 million yen. (2,175 million yen earned in the previous fiscal year)

The main factors of increase were income before income taxes and minority interests of 4,131 million yen, depreciation and amortization of 543 million yen, increase in accounts payable and accrued expenses of 400 million yen, refund of income taxes of 565 million yen, and increase in allowance for bonuses of 281 million yen, while the main factors of decrease were increase in accounts receivable and contract assets of 1,476 million yen The main factors of decrease were income taxes paid of 1,273 million yen.

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

Funds used in investing activities totaled 630 million yen. (795 million yen used in the previous fiscal year)

Major expenditures included 159 million yen for the purchase of property, plant and equipment, 222 million yen for the purchase of intangible assets, and 189 million yen for the purchase of investment securities.

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

Net cash used in financing activities amounted to 1,981 million yen. (507 million yen used in the previous fiscal year)

The main accounts of cash outflow were 1,396 million yen for purchase of treasury stock and 564 million yen for cash dividends paid.

Cash flows from operating activities are usually low in the early part of the consolidated fiscal year due to the payment of income taxes and performance-linked bonuses to executives and employees, and gradually increase from the mid-term onward, resulting in positive cash flows for the full year.

Maintenance fees in the Management Solutions Business and fees paid in the outsourcing business are paid in advance for the year before the services are provided, making this a business model that requires very little working capital to begin with. On the other hand, since the Digital Transformation Promotion Business requires payment of outsourcing expenses, etc., in advance, increased working capital needs will arise as sales grow. In addition to the total cash position, the group as a whole has established commitment lines of 3.5 billion yen in total with each bank with which it does business.

(5) Analysis of Capital Resources and Liquidity of Funds

In order to realize sustainable growth of corporate value and increase shareholder returns through such growth, the Group's basic policy is to maintain and pursue an optimal capital structure that improves capital efficiency while also ensuring financial soundness and flexibility.

The Group's main capital requirements are for office and IT-related capital expenditures and recurring working capital, which it procures from its own funds and bank borrowings as appropriate.

There were no loans outstanding at the end of the current fiscal year. The Company also holds 10,874 million yen in cash and deposits and recognizes that it has the necessary funds.

With regard to the liquidity of funds, we strive to make effective use of surplus funds at each group company through inter-group fund management agreements, and we have commitment line agreements with financial institutions to prepare for sudden demand for funds or unforeseen circumstances.

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

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

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

(1) Deferred tax assets

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

(2) Allowance for bonuses

Actual bonus payments are determined based on the external environment and the Group's situation at the time of payment, and therefore, if actual payments differ from estimates, additional expenses may be required. Therefore, if the actual amount to be paid differs from the estimated amount, additional expenses may need to be recorded.

(3) Allowance for loss on order received

To prepare for future losses on order contracts, the Group provides for estimated losses to be incurred in the following consolidated fiscal years and thereafter. If actual incurred costs differ from estimates, additional provisions may be required.

2-5 Important management contracts, etc.

Execution of joint venture agreement

Based on the resolution of the Board of Directors meeting held on April 26, 2024, the Company entered into a joint venture agreement with Cygnet Infotech Private Limited (https://www.cygnet.one) on April 30, 2024, and established a joint venture company "DivaCygnet Private Limited" on August 5, 2024, which is jointly owned by the two companies in accordance with this agreement. DivaCygnet Private Limited was established on August 5, 2024.

For details, please refer to (Significant Subsequent Events) in "5.

(Termination of Strategic Partnership Agreement)

Due to the acquisition of Fluence by Anaplan, the strategic partnership agreement between the Company and Fluence has been terminated. After the termination of this agreement, Fluence continues to do business with our group companies.

Name of Contracting Company	Name of counterparty	Location of counterparty	Contract date	contract period	Contents of Contract
AVANT corporation	Fluence Technologies, Inc.	Canada	10/31/2023	From October 31, 2023 October 30, 2028 (automatic renewal every year thereafter)	(1) Strategic partnership agreement for joint development of next-generation management strategy solutions Exclusive distribution rights in Japan for Fluence's products (some products are not included in this category)

2-6 Research and development activities

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

The total amount of research and development expenses spent in the fiscal year ended June 30, 2024 was 190 million yen.

Research and development activities by segment are as follows

(1) Consolidated Financial Disclosure Business

We are working on the development of products such as platform platforms for providing services.

(2) Digital Transformation Promotion Business

We are working to develop products and solutions that are necessary for our customers to promote digital transformation.

(3) Management Solutions Business

We continue to develop products to meet the diverse needs of our customers and contribute to solving their problems.

3 Information on Facilities

3-1 Summary of capital investment, etc.

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

Capital investment in the fiscal year ended June 30, 2024 totaled 360 million yen (including software). The capital investment by segment was 42 million yen for the consolidated financial disclosure business, 7 million yen for the digital transformation promotion business, 118 million yen for the business management solutions business, and 191 million yen for the corporate (common) business. The main items were new building facilities related to offices, addition of tools, furniture and fixtures related to internal network facilities, and introduction of software for in-house use, and there was no disposal or sale of significant facilities in the current fiscal year.

3-2 Major facilities

Major facilities in our group are as follows.

(1) Parent company

As of June 30, 2024

Office (Location)	Name of segment	Equipment	Book value (Millions of yen)					Number of employees (persons)
			Building	Tools, furniture and fixtures	software	Other	total amount	
Head Office (Minato-ku, Tokyo)	Corporate (common)	Office equipment software	-	48	230	42	321	37
Shinjuku Office (Shinjuku-ku, Tokyo)	Corporate (common)	Office Facilities	-	0	-	-	0	-

(Notes) 1. In addition to property, plant and equipment, software (excluding software for sale on the market) is included.
2. The head office, together with some of its offices and facilities, is leased from a consolidated subsidiary.
3. "Other" in the book value consists of telephone subscription rights and trademark rights.

(2) Domestic Subsidiaries

As of June 30, 2024

Company Name	Segment name	Office (Location)	Equipment	Book value (Millions of yen)					Number of employees (persons)
				Building	Tools, furniture and fixtures	software	Other	total amount	
AVANT CORPORATION	business management solution (esp. to a problem) business	Head Office (Minato-ku, Tokyo)	Office equipment software	83	14	108	-	205	392
		Osaka Office (Osaka City, Osaka Prefecture)	Office Facilities	0	1	-	-	1	57
Internet Disclosure Co., Ltd.	Consolidated financial disclosure business	Head office (Chuo-ku, Tokyo)	Office Facilities	-	42	-	-	42	11
ZEAL CORPORATION	Digital Transformation Promotion Business	Head office (Shinagawa-ku, Tokyo)	Office equipment software	5	9	2	1	18	455
		Osaka Office (Osaka, Japan)	Office Facilities	7	1	-	-	8	31

		Sapporo Office (Sapporo, Hokkaido)	-	-	-	-	-	-	5
DIVA CORPORATION	Consolidated Financial Disclosure Business	Head office (Shinjuku-ku, Tokyo)	Office Facilities software	178	31	10	-	220	443
		Konan Office (Minato-ku, Tokyo)	Office Facilities software	53	11	11	-	76	91

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

3-3 Plans for new installation, retirement, etc. of facilities

(1) New installation of important facilities, etc.

Not applicable.

(2) Retirement, etc. of important facilities

Not applicable.

4 Information on the Parent Company

4-1 Status of Shares, etc.

(1) Total number of shares, etc.

Total number of shares

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

(2) [Outstanding shares] (3) [Outstanding shares] (4) [Outstanding shares

Type of share	Number of shares issued as of the end of the fiscal year (June 30, 2024)	Number of shares issued as of the date of submission (September 20, 2024)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Contents
Common shares	37,645,851	37,645,851	Tokyo Stock Exchange prime (lending) market	Number of shares per unit 100 shares
Total	37,645,851	37,645,851	-	-

(2) Status of stock acquisition rights, etc.

(i) Details of stock option plan

Not applicable.

(ii) Contents of Rights Plan

Not applicable.

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

Not applicable.

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

Not applicable.

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

date	Increase/decrease in total number of shares issued and outstanding (shares)	Outstanding balance of total shares issued and outstanding (shares)	Increase/decrease in capital (Millions of yen)	Balance of capital (Millions of yen)	Increase (decrease) in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 17, 2019 (Note 1)	8,397	18,793,491	7	303	7	240
December 1, 2019 (Note 2)	18,793,491	37,586,982	-	303	-	240
October 16, 2020 (Note 3)	16,221	37,603,203	8	311	8	248
November 12, 2021 (Note 4)	8,705	37,611,908	6	318	6	255
November 12, 2021 (Note 5)	13,593	37,625,501	10	329	10	265
October 28, 2022 (Note 6)	16,134	37,641,635	12	341	12	277
October 28, 2022 (Note 7)	4,216	37,645,851	3	345	3	281

(Notes) 1. Due to the issuance of new shares as restricted stock compensation.
Issue price 1,845 yen
Capital contribution 922.5 yen
Allottees A total of ten (10) executive officers of the Company and directors of the Company's subsidiaries
2. Due to a stock split (1:2).
3. Issuance of new shares as compensation for restricted stock.
Issue price 1,023 yen
Capitalization 511.5 yen
Allottees A total of 11 executive officers of the Company and directors of the Company's subsidiaries
4. Issuance of new shares as performance-linked stock-based compensation.
Issue price 1,575 yen
Capitalization 787.5 yen
Allottee One director of the Company
5. Issuance of new shares as compensation for restricted stock.
Issue price 1,575 yen
Capitalization 787.5 yen
Allottees A total of 13 executive officers of the Company and directors of the Company's subsidiaries
6. Issuance of new shares as compensation for restricted stock.
Issue price 1,571 yen
Capitalization 785.5 yen
Allottees Total of 15 executive officers of the Company and directors of the Company's subsidiaries
7. issuance of new shares as performance-linked stock-based compensation.
Issue price 1,571 yen
Capitalization 785.5 yen
Allottee One director of the Company

(5) Status by Owner

As of June 30, 2024

Classification	Status of Shares (Number of Shares per Unit: 100 shares)								Number of shares constituting less than one unit (shares)
	Government and local governments	Financial institutions	Financial instruments traders	Other corporations	Foreign corporations, etc.		Individuals and Others	Total	
					Non-Personal	Individual			
Number of shareholders (persons)	-	12	22	34	112	19	2,394	2,593	-
Number of shares held (Unit)	-	52,737	3,827	33,008	62,866	1,612	222,339	376,389	6,951
Percentage of shares held (%)	-	14.01	1.02	8.77	16.70	0.43	59.07	100.00	-

Notes 1. 367,098 shares of treasury stock (3,670 units in "Individuals and others" and 98 shares in "Status of odd-lot shares")

2. "Financial Institutions" includes 6,523 units of shares held by a stock grant trust for employees and executive officers.

(6) Status of Major Shareholders

As of June 30, 2024

Name or Designation	Address (e.g. of house)	Number of shares held (shares)	Ratio of shares held to total number of shares issued and outstanding (excluding treasury stock)
Tetsuji Morikawa	Minato Ward, Tokyo	9,764,000	26.19
The Master Trust Bank of Japan, Ltd.	Akasaka Intercity AIR 1-8-1 Akasaka, Minato-ku, Tokyo	3,270,100	8.77
Tsuyoshi Nojo	Asaka City, Saitama Prefecture	1,868,800	5.01
OBIC Business Consultant Co.	8-1, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo	1,600,000	4.29
The Custody Bank of Japan, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,457,600	3.91
Avant Group Employee Stock Ownership Plan	15-2, Konan 2-chome, Minato-ku, Tokyo	1,380,453	3.70
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	995,400	2.67
PCA Corporation	1-2-21 Fujimi, Chiyoda-ku, Tokyo	778,400	2.09
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	9 AVENUE PERCIER 7 5008 PARIS	750,000	2.01
Northern Trust Co. (avfc) re the Highclere international Investors Smaller Companies Fund (Standing proxy: The Hongkong and Shanghai	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	658,100	1.77

Name or Designation	Address (e.g. of house)	Number of shares held (shares)	Ratio of shares held to total number of shares issued and outstanding (excluding treasury stock)
Banking Corporation Limited, Tokyo Branch)			
Total	-	22,522,853	60.41

(Notes) 1. Of the above number of shares held, the number of shares related to trust business is as follows.
The Master Trust Bank of Japan, Ltd.
The Custody Bank of Japan, Ltd. (Trust Account) 524,600 shares
2. The Company has introduced a stock delivery trust for employees and executive officers, and 652,300 shares of the Company's stock held by Japan Custody Bank, Ltd. (Trust Account) are not included in treasury stock.
3. In addition to the above, the Company holds 367,098 shares of treasury stock.

(7) Status of voting rights

(1) Outstanding shares

As of June 30, 2024

Classification	Number of shares	Number of voting rights	Contents
Non-voting stock	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Full voting shares (Treasury stock, etc.)	(Treasury shares) common shares 367,000	-	-
Shares with full voting rights (Other)	common shares 37,271,900	372,719	-
Odd lot shares	common shares 6,951	-	-
Total number of shares issued and outstanding	37,645,851	-	-
Voting rights of all shareholders	-	372,719	-

(Note 1) "Shares with full voting rights (other)" includes 652,300 shares of the Company (6,523 voting rights) held by a share delivery trust for employees and executive officers.
2. 98 shares of treasury stock owned by the Company are included in the common stock in the column of "shares less than one unit.

(2) Treasury stock, etc.

As of June 30, 2024

Name or title of owner	Owner's address	Number of shares held in treasury (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Ratio of shares held to total number of shares issued and outstanding (%)
(Treasury stock) Avant group corporation	Konan, Minato-ku, Tokyo 2-15-2	367,000	-	367,000	0.98
plan	-	367,000	-	367,000	0.98

(Note) Treasury stock does not include 652,300 shares of the Company's stock held by a stock delivery trust for employees and executive officers.

(8) Details of the Directors' and Employees' Share Ownership Plan

Introduction of an employee stock issuance trust

Outline of the Employee Stock Grant Trust

At a meeting of the Board of Directors held on August 4, 2023, the Company resolved to establish the "Trust for Employee Stock Issuance" (the "Plan") as an incentive plan for the employees of the Company group (the "Employees").

Under this plan, a trust (the "Trust") is established with money contributed by the Company as the source of funds, and the Trust holds shares of the Company's common stock (the "Company's shares"). The Trust acquires shares of the Company's common stock ("the Company's shares") and delivers the Company's shares to each employee through the Trust. The Trust is an incentive plan under which the Company acquires shares of the Company's common stock (the "Company's Shares") and delivers the Company's Shares to each employee through the Trust. Such shares will be delivered to each employee in accordance with the share delivery rules established by the Board of Directors of the Company.

The acquisition of the Company's shares by the Trust will be funded entirely by the Company, so there will be no burden on the employees.

2. Total number of shares to be acquired by eligible employees

323,400 shares

3. Scope of persons who are entitled to beneficial interests and other rights under the plan

Employees who meet the requirements for beneficiaries as stipulated in the Share Delivery Regulations

(Introduction of a stock delivery trust for executive officers)

Outline of Share Ownership Plan for Executive Officers

At a meeting of the Board of Directors held on December 20, 2023, the Company resolved to add the Company's executive officers to the above "Employee Stock Grant Trust" as an incentive plan for the Company's executive officers. (Additional trust date: December 28, 2023)

2. Total number of shares to be acquired by the subject executive officers

328,900 shares

3. Scope of persons who are entitled to beneficial interests and other rights under the plan

Executive officers who meet the requirements for beneficiaries as stipulated in the Share Delivery Regulations

4-2 Status of Acquisition of Treasury Stock, etc.

Type of shares, etc.] Acquisition of common stock pursuant to Article 155, Item 3 and Article 155, Item 7 of the Companies Act

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

Not applicable.

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

Classification	Number of shares	Total value (yen)
Resolutions adopted by the Board of Directors (April 26, 2024) (Acquisition period May 1, 2024 - November 30, 2024)	1,200,000	1,000,000,000
Treasury stock acquired prior to the current fiscal year	-	-
Treasury stock acquired in the current fiscal year	364,100	477,635,185
Total number and value of remaining resolution shares	835,900	522,364,815
Unexercised ratio as of the end of the current fiscal year (%)	69.7	52.2
Treasury stock acquired during the period	251,500	351,295,589
Unexercised ratio as of the date of submission (%)	48.7	17.1

(Note) 1. At the above Board of Directors meeting, it was resolved that the method of acquisition of treasury stock shall be by purchase on the market at the Tokyo Stock Exchange.

2. Acquisition period and treasury stock acquired are based on the execution date.

3. The number of shares acquired during the period and the unexercised ratio (%) as of the date of submission do not include the number of shares acquired from September 1, 2024 to the date of submission of this annual securities report.

4. Treasury stock acquired does not include the number of shares acquired by the Trust for Employees and Executive Officers.

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

classification	Number of shares	Total value (yen)
Treasury stock acquired in the current fiscal year	-	-
Treasury stock acquired during the period	34	56,236

(Note: The number of shares of treasury stock acquired during the period under review does not include the number of shares purchased from September 1, 2024 to the date of submission of this annual securities report.

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

Classification	Current fiscal year		the current term	
	Number of shares	Total amount of disposal value (yen)	Number of shares	Total amount of disposal value (yen)
Acquired treasury stock offered to subscribers	-	-	-	-
Acquired treasury stock disposed of for cancellation	-	-	-	-
Mergers, share exchanges, and stock issuance, Transferred in connection with a corporate separation. Treasury stock acquired	-	-	-	-
Other(-)	-	-	-	-
Number of treasury stock held	367,098	-	618,632	-

(Note) 1. The number of treasury stock held during the period does not include the number of shares purchased from September 1, 2024 to the date of submission of this annual securities report.

2. The number of treasury stock held is based on the delivery date.

3. The number of treasury stock held does not include the number of the Company's shares held by the Stock Delivery Trust Account for Employees and Executive Officers.

4-3 Dividend policy

The Company regards the payment of dividends from retained earnings as an important matter of shareholder return policy, and is oriented toward maintaining and improving the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year, paying attention to indicators such as the ratio of dividends to net assets.

Currently, the Company intends to pay dividends from surplus once a year as a year-end dividend, and the decision-making body for this distribution of surplus is the general meeting of shareholders.

Based on the basic policy of continuous stable dividends, a resolution is scheduled to be adopted at the 28th Ordinary General Meeting of Shareholders to be held on September 25, 2024, to pay a dividend of 19 yen per share for the current fiscal year.

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

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

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

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (yen)
September 25, 2024 Resolution at the ordinary general meeting of shareholders (planned)	708	19.00

4-4 Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

(i) Basic Policy on Corporate Governance

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

To this end, we have established the "Avant Group Corporate Governance Basic Policy" and are striving to enhance corporate governance by building a management system that will allow for increased transparency and soundness of management, prompt business execution based on accurate decision-making, and appropriate monitoring of these activities.

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

Outline of Corporate Governance System

The Company's Articles of Incorporation were amended at the Ordinary General Meeting of Shareholders held on September 27, 2022, to include the transition to a company with an Audit Committee, and as a result, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit Committee on the same date.

Due to the transition to a company with an audit committee system, the Company has seven directors (including four outside directors) as of the date of submission of the Annual Securities Report, consisting of four directors (excluding directors who are members of the audit committee) and three directors who are members of the audit committee.

The appointment of four directors (excluding directors who are members of the Audit and Supervisory Committee) and three directors (including two outside directors) who are members of the Audit and Supervisory Committee are proposed as an agenda item (for resolution) at the 28th Ordinary General Meeting of Shareholders to be held on September 25, 2024.

As of the date of submission of the Annual Securities Report, the members of the Board of Directors are as follows

President and Group CEO: Tetsuji Morikawa
Director in charge of Finance Group CFO: Naoyoshi Kasuga
Director (Outside) Independent Director: John Robertson
Director (Outside) Independent Director: Tatsuya Kamoi
Director (Audit & Supervisory Board Member): Tsuyoshi Nojo
Director (Audit Committee Member) (Outside) Independent Director: Chie Goto
Director (Audit Committee Member) (Outside) Independent Director: Makoto Nakano

The Company's business execution system consists of the President and Representative Director appointed by the Board of Directors, the Director in charge of finance, and the Executive Officers, who share responsibility for business execution. The Group Management Committee is chaired by the Group CEO and attended by the Group CFO, Group COO, Group CBO, Group CRO, Group CPO, Group CDO, Group CSO, Group CHRO, and Group CLO, with the aim of achieving sustainable growth and increasing corporate value through group management. The members of the Group Management Committee report to the Board of Directors on important matters concerning the execution of group management operations. In addition, all members of the Group Management Committee participate in the Board of Directors meetings of each major group company in an effort to understand the status of business execution and risk management at each company.

The Company has established and operates an internal whistle-blowing system, whereby outside attorneys and directors who are members of the Audit Committee serve as contact points for violations of laws and ordinances and other acts that may be questionable under the law.

The Audit & Supervisory Board Members audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and by examining the status of business execution, etc., in accordance with the audit policy determined by the Audit & Supervisory Board. The Audit Committee monitors management from a fair and objective standpoint with respect to the execution of duties by directors in accordance with the audit policies and assignments determined by the Audit Committee members and in accordance with the audit plan.

As of the date of submission of the Annual Securities Report, the members of the Audit Committee are as follows

Director (Audit & Supervisory Board Member): Tsuyoshi Nojo
Director (Audit Committee Member) (Outside) Independent Director: Chie Goto
Director (Audit Committee Member) (Outside) Independent Director: Makoto Nakano

The Company has established a voluntary Compensation Advisory Committee to include an objective perspective in the compensation decision-making process and to strengthen the supervisory function of the Board of Directors. As of the date of filing the Annual Report, the Compensation Advisory Committee consists of the following members

Director (Audit Committee Member) (Outside) Independent Director: Chie Goto (Compensation Advisory Committee Chair)

Director (Outside) Independent Director: Tatsuya Kamoi

President and Group CEO: Tetsuji Morikawa

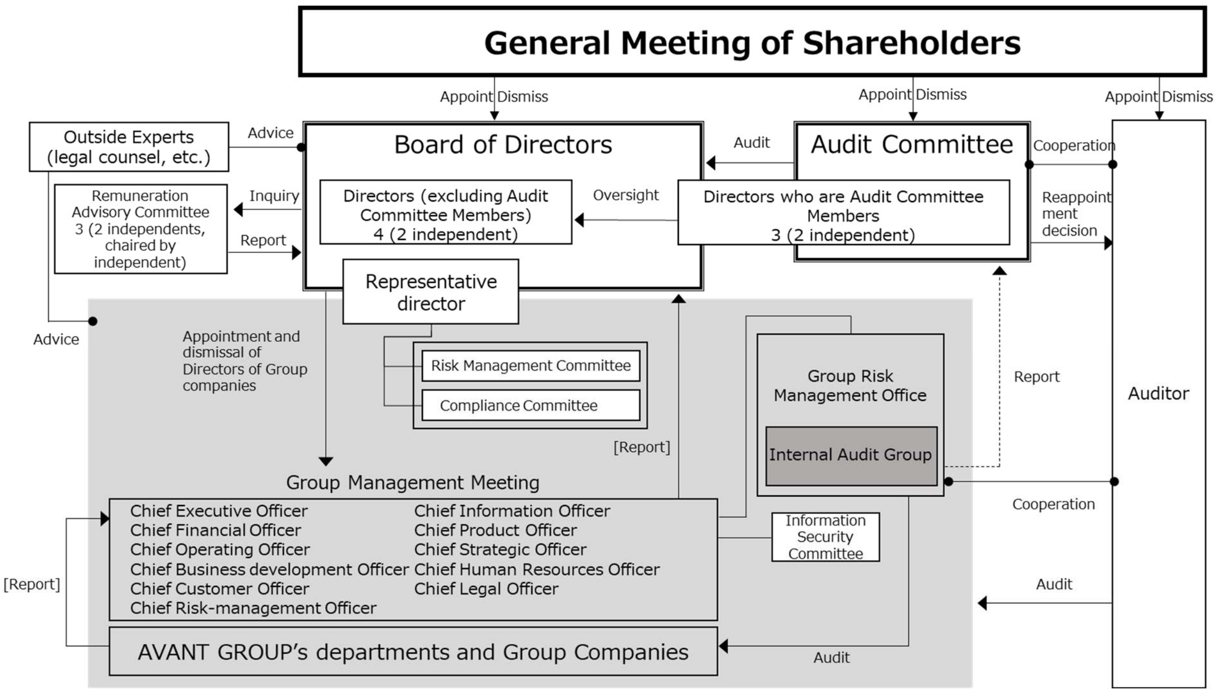
Reasons for adopting a corporate governance structure

In order to further enhance corporate governance by strengthening the supervisory function of each director by the Board of Directors, the Company has changed from a company with a Board of Corporate Auditors to a company with an Audit Committee upon approval at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022.

Through the corporate governance system described below, the Company ensures speedy and efficient decision-making while properly monitoring and auditing the directors' execution of their duties to ensure management transparency.

The Company has also adopted sound corporate governance by incorporating outside opinions through the appointment of several outside directors and the establishment of a Compensation Advisory Committee whose members include outside Audit and Supervisory Committee members.

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



(iii) Other matters relating to corporate governance

1. System to ensure the appropriateness of business operations

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

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

Directors shall comply with the Group's Code of Conduct, take the initiative in properly executing operations in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors' Regulations, and other internal regulations, and shall ensure that all employees are fully aware of the Code of Conduct.

The risk managers of each Avant Group company, appointed by the chairman of the Risk Management Committee, shall deliberate and review important issues and responses at the Risk Management Committee, and report to the Board of Directors.

The Compliance Committee shall confirm the status of compliance and deliberate and examine important issues and responses at the Compliance Committee meetings, and report to the Board of Directors.

The Company shall establish and operate an internal whistle-blowing system, with outside attorneys and directors who are members of the Audit and Supervisory Committee as contact persons, to report violations of laws and ordinances and other legally questionable acts, etc.

The Audit & Supervisory Board Members shall audit the execution of duties by the Directors by attending meetings of the Board of Directors and other important meetings and by investigating the status of business execution, etc., in accordance with the audit policy determined by the Audit & Supervisory Board.

(2) System for the storage and management of information related to the execution of duties by directors

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

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

To prevent risks as well as to properly manage operations and funds by monitoring performance status through rolling forecast management in a cycle appropriate to the business environment, with respect to the progress of business performance and thorough control of expenses.

The Risk Management Committee shall be established, chaired by the Representative Director, and the risk management managers of each Avant Group company appointed by the chairperson shall deliberate and review important issues and responses at the Risk Management Committee, and report to the Board of Directors.

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

Establish an Information Security Committee to strengthen the management of information assets and its response.

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

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

The Company's Board of Directors shall meet once a month as a general rule, and as necessary, the Board of Directors shall meet as needed to make decisions and promptly execute business operations, and to supervise the status of important management decisions and business operations by the directors.

The various meetings and committees, of which directors are in charge or are members, shall deliberate and decide on business execution within the scope of their authority as stipulated in the rules and regulations.

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

The term of office of directors who are not members of the Audit and Supervisory Committee shall be one year in order to clarify management responsibility and to respond to changes in the business environment.

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

The Company shall support the development and improvement of internal control systems and promote them in cooperation with subsidiaries, while respecting the autonomy of the subsidiaries.

The Company's subsidiaries shall enter into a management guidance and business management agreement and establish a system under which the Company receives reports on important matters concerning the execution of duties by Directors and others. Although the board of directors of the Company's subsidiaries make decisions on important matters, the Company shall obtain approval from the Board of Directors of the Company for three matters that have a significant impact on the Group: (a) investment, (b) personnel of directors and officers, and (c) financing, including capital policy.

The Company's subsidiaries shall hold regular meetings of the Board of Directors once a month as a basic rule and hold meetings as necessary for decision-making and prompt business execution, and the Company's Group Legal Affairs Office shall confirm the status of the meetings.

Employees of the Company's subsidiaries are required to report or consult with the internal reporting system office if they become aware of any violation of laws, the Articles of Incorporation or internal rules, or any conduct that is contrary to socially accepted norms.

The Compliance Committee shall provide support for legal compliance and other compliance-related issues of subsidiaries.

The Company shall also strive to prevent risks by appropriately managing operations and funds and reporting to the Company.

The internal audit group will conduct internal audits on a regular basis and report the results to the Company's directors and the Audit and Supervisory Committee for necessary control to ensure the appropriateness of operations of the Company's subsidiaries.

(6) Matters related to employees assisting the duties of Audit Committee members and matters related to ensuring the effectiveness of instructions to such employees

In the event that the Audit Committee requests the Board of Directors to establish a secretariat to assist it in its duties, the secretariat shall be established by appointing appropriate personnel from inside and outside the Company. In the case of employees, the Audit Committee shall make it known to them that they are subject to the Audit Committee's instructions and orders.

(7) Systems for reporting to the Audit Committee by Directors and employees who are not Audit Committee members, and systems for reporting to the Audit Committee by Directors, Audit & Supervisory Board Members, employees of subsidiaries, or persons who receive reports from these persons.

The Audit Committee members may attend meetings of the Board of Directors and other important meetings, inspect documents necessary for auditing, and request explanations from directors and employees.

The Company and its subsidiaries' directors, corporate auditors, and employees shall report to the Company's Audit Committee on matters that have a material impact on the Company's operations and performance.

(2) The Company shall prohibit any disadvantageous treatment of a person who makes a report to the Audit Committee by reason of the fact that such report is made to the Audit Committee.

(8) Other systems to ensure that audits by the Audit Committee are conducted effectively

The Audit Committee shall meet regularly with the President and Representative Director to exchange opinions on business execution policies, risks and issues to be addressed, and important audit issues.

The Audit Committee shall regularly exchange opinions with the accounting auditor.

(2) In the event that any Audit Committee member requests advance payment or reimbursement of expenses incurred in the performance of his/her duties, such expenses shall be borne by the Company, except in cases where such payment or reimbursement is found not to be necessary.

(9) Basic Policy on Elimination of Antisocial Forces

With respect to the exclusion of antisocial forces, in addition to the basic policy regarding the internal control system, the Company shall endeavor to develop a system as follows.

The Group's Code of Conduct declares the exclusion of antisocial forces and the prohibition of antisocial activities, and the Group receives written pledges from directors and employees regarding the Code of Conduct and the management of confidential information every year.

The General Affairs Department shall be in charge of appointing a person in charge of preventing unjustified demands, and shall cooperate with the competent police to eliminate antisocial forces, etc. In addition, we will confirm the antisocial forces of our business partners at the time of signing the basic agreement, and strive to thoroughly inform and strengthen our response to the exclusion of antisocial forces.

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

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

The following is a summary of operations during the fiscal year ended June 30, 2024.

The Company has chosen to establish a company with an Audit Committee in order to strengthen the supervisory function of the Board of Directors and further enhance corporate governance.

The Risk Management Committee met regularly to review risks and consider countermeasures in response to the changing business environment across the Group, and the Board of Directors received reports from the Group CRO to ascertain the status of risk management.

The Compliance Committee met regularly to promote corporate ethics and compliance, and the committee discussed and deliberated on important issues and responses.

The Information Security Committee met on a regular basis to strengthen information asset management and information security across the Group.

During the period under review, the Board of Directors held 13 meetings, focusing on the steady implementation of the medium-term management plan and the agenda to strengthen governance and oversight.

The Audit Committee members attended meetings of the Board of Directors, the Group Management Committee, the Board of Directors of subsidiaries, and other important meetings, and regularly exchanged opinions with the President and Representative Director and the independent auditors to ensure the effectiveness of audits.

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

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

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

The Company has concluded a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Directors, Audit & Supervisory Board Members, Corporate Auditors, Executive Officers, and employees of the Company and its subsidiaries are insured, and the Company pays all premiums for all insured persons. The policy will cover claims for damages, settlements, and costs of litigation and other losses incurred by the insured in the event that the insured receives a claim for damages during the insurance period as a result of the insured's performance of his/her duties, but will not cover claims arising from breach of trust, criminal acts, fraud, intentional violations, or insider trading, etc. However, claims arising from breach of trust, criminal acts, fraud, willful misconduct, insider trading, etc. are not covered by the policy.

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

Acquisition of treasury stock

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

Interim dividend

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

(g) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than nine (9) Directors. The Company's Articles of Incorporation also stipulate that the Company shall have no more than five (5) Directors who are members of the Audit Committee.

(viii) Requirements for resolution for election of directors

The Company's Articles of Incorporation stipulate that directors shall be elected by a resolution of a majority of the voting rights of shareholders present at a general meeting of shareholders where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present.

In addition, the Articles of Incorporation stipulate that the resolution for the election of directors shall not be by cumulative voting.

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

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

(x) Exemption of Directors from liability

The Company has established the minimum liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act in order to enable directors (including those who were previously directors) to fully perform their expected roles in the performance of their duties. The Company stipulates in its Articles of Incorporation that directors (including former directors) may be exempted from liability for damages under Article 423, Paragraph 1 of the Companies Act by a resolution of the Board of Directors up to the amount obtained by deducting the minimum liability amount stipulated in laws and regulations from the amount of liability for damages if the requirements stipulated in laws and regulations are met, in order to enable them to fully perform their roles expected of them in the performance of their duties. を定款に定めております。

(xi) Activities of the Board of Directors

Activities during the current fiscal year are as follows

Title	Name	Attendance record
Representative director (i.e. someone chosen by the board of directors from among the directors to actually represent the company)	Tetsuji Morikawa	13 times / 13 times
Board member	Hisayoshi Kasuga	13 times / 13 times
Board member	Naohisa Fukutani	3 times / 3 times
Board member	John Robertson	11 times / 13 times
Board member	Tatsuya Kamoi	10 times / 10 times
Director (Audit Committee Member)	Tsuyoshi Nojo	13 times / 13 times
Director (Audit Committee Member)	Chie Goto	13 times / 13 times
Director (Audit Committee Member)	Makoto Nakano	13 times / 13 times

(Note) The Board of Directors held 13 meetings between July 2023 and June 2024. Of the total 1,606 minutes, 603 minutes (about 37%) was spent on financial matters, including reports on the stock price and monthly business results and resolutions on the next medium-term management plan, 415 minutes (about 25%) on management strategies, including group organization strategies, Investments, such as the establishment of a joint venture in India, were discussed for 275 minutes (approximately 17%), and governance, such as the board operation policy based on the board effectiveness evaluation, was discussed for 193 minutes (approximately 12%).

⑫ Activities of the Compensation Advisory Committee

Activities during the current fiscal year are as follows

Title	Name	Attendance record
Representative director (i.e. someone chosen by the board of directors from among the directors to actually represent the company)	Tetsuji Morikawa	6 times / 6 times
Board member	Naohisa Fukutani	2 times / 2 times
Board member	Tatsuya Kamoi	4 times / 4 times
Director (Audit Committee Member)	Chie Goto	6 times / 6 times

（Note: The Compensation Advisory Committee met six times from July 2023 to June 2024.

During the current fiscal year, the Compensation Advisory Committee reviewed the executive compensation system, STI/LTI policy, outside director compensation, and the RS Trust for Group Executive Officers (LTI).

(2) Status of Directors and Officers

(1) Board of Directors and Executive Officers

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

The following is a summary of the directors and officers as of September 20, 2024 (the date of filing the annual report).

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

Title	Name	Date of Birth	Brief personal record		Term of office	Number of shares held (shares)
Representative director (i.e. someone chosen by the board of directors from among the directors to actually represent the company) president (e.g. of a company) (Group CEO)	Tetsuji Morikawa	Born on February 23, 1966	April 1990 May 1997 October 2013 March 2017 September 2020	Joined Price Waterhouse Consultants, Inc. Established the Company as President and Representative Director (to present) CEO, DIVA CORPORATION OF AMERICA (present post) External Director, Kayac Corporation (present post) Group CEO (to present)	(Note 3)	9,764,000
Board member Treasurer (Group CFO)	Hisayoshi Kasuga	Born on May 13, 1963	April 1987 August 1999 January 2005 October 2010 February 2011 September 2011 September 2020	Joined Long-Term Credit Bank of Japan, Ltd. Joined New York Stock Exchange Asia Pacific Office Executive Officer, New York Stock Exchange Joined the Company General Manager, President's Office Director, in charge of Finance of the Company (to present) Group CFO (current position)	(Note 3)	19,721
Board member	John. Robertson	Born on October 29, 1968	January 1994 July 1996 July 1999 July 2002 January 2004 January 2007 January 2012 December 2014 March 2015 September 2020 March 2021	Sales Manager, M3i Systems, Inc. Sales Director, SAP America, Inc. Managing Director, EMC Corporation Senior Director, Reuters K.K. (now Thomson Reuters K.K.) EMC Corporation Vice President, Customer Operations, VMware, Inc. Vice President, Head of ASEAN, VMware Singapore Pte. Vice President, VMware, Inc. President and Representative Director, VMware, Inc. Director of the Company (to present) President, Snowflake Inc. for Asia Pacific and Japan (to present)	(Note 3)	-
Board member	Tatsuya Kamoi	Born on February 10, 1961	April 1983 January 2006 January 2012 August 2014 October 2019 April 2020 April 2023 September 2023 April 2024	Joined Seiko Epson Corporation Executive Officer and IBM Business, IBM Japan Ltd. Director, Consulting Services, Inc. Managing Executive Officer, IBM Japan Ltd. Representative Director and President, Mercer Japan Co. Mercer Far East Market Leader Joined NEC Corporation Senior Corporate Executive Representative Director, ABeam Consulting Ltd. Executive Vice Chairman, ABeam Consulting Ltd. Director of the Company (to present) Director, ABeam Consulting Ltd.	(Note 3)	-

Title	Name	Date of birth	Brief personal record		Term of office	Number of shares held (shares)
Board member (Audit & Supervisory Board Member)	Tsuyoshi Nojo	Born on January 6, 1961	October 1985 April 1989 July 1989 February 1998 June 2000 September 2001 September 2011 September 2022	Joined Aoyama Audit Corporation Registered as a Certified Public Accountant Joined Sanyo Finance Co. Joined the Company General Manager, Administration Division Director, in charge of Finance of the Company Full-time Corporate Auditor of the Company Director and Full-time Audit & Supervisory Board Member of the Company (to present)	(Note 4)	1,868,800
Board member (Audit & Supervisory Board Member)	Chie Goto	Born on November 30, 1958	April 1984 April 1988 September 1994 October 2006 January 2011 September 2021 September 2022 June 2023 June 2024	Joined Société World Inc. Joined Tokyo Student Career Information Center Co. Joined Yamada & Partners Accounting Office Registered as a lawyer and joined Sakura Kyodo Law Office Registered as a Certified Public Accountant Partner, Sakura Kyodo Law Office (Current position) Corporate Auditor of the Company Director and Audit & Supervisory Committee Member of the Company (to present) Director, Asahi International Corporation (present post) Outside Director (Member of the Audit Committee), Toho Holdings Co.	(Note 4)	-
Board member (Audit & Supervisory Board Member)	Makoto Nakano	Born on January 14, 1968	April 1995 April 1996 April 2001 April 2007 April 2009 April 2018 January 2021 September 2022	Full-time Lecturer, Faculty of Commerce, Yokohama City University Associate Professor, Faculty of Commerce, Yokohama City University Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Associate Professor, Graduate School of Commerce, Hitotsubashi University Professor, Graduate School of Commerce, Hitotsubashi University Professor, Graduate School of Business Administration, Hitotsubashi University (current position) International Association for Accounting Education & Research (IAAER) Vice Chairman (to present) Director and Audit & Supervisory Committee Member of the Company (to present)	(Note 4)	3,500
plan						11,656,021

(Notes) 1. Directors John Robertson and Tatsuya Kamoi, and Directors (Audit & Supervisory Board Members) Chie Goto and Makoto Nakano are outside directors as defined in Article 2, Item 15 of the Companies Act.

2. The Company has introduced an executive officer system to speed up business execution and clarify responsibilities and authority. The total number of executive officers is 15.

3. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2023 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2024.

4. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2022 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2024.

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

The Company proposes "Election of Four (4) Directors (excluding Directors who are Audit Committee Members)" and "Election of Three (3) Directors who are Audit Committee Members" as proposals (matters to be resolved) for the 28th Ordinary General Meeting of Shareholders to be held on September 25, 2024. If the proposal is approved, the status of the Company's officers will be as follows The titles and brief biographies include the details of the resolutions of the Board of Directors meeting to be held immediately after the 28th Ordinary General Meeting of Shareholders.

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

Title	Name	Term of office
President and Representative Director (Group CEO)	Tetsuji Morikawa	(Note 3)
Director, Finance (Group CFO)	Hisayoshi Kasuga	(Note 3)
Board member	John Robertson	(Note 3)
Board member	Tatsuya Kamoi	(Note 3)
Director and Audit Committee Member	Tsuyoshi Nojo	(Note 4)
Director and Audit Committee Member	Chie Goto	(Note 4)
Director and Audit Committee Member	Makoto Nakano	(Note 4)

(Notes) 1. Directors John Robertson and Tatsuya Kamoi, and Directors (Audit & Supervisory Board Members) Chie Goto and Makoto Nakano are outside directors as defined in Article 2, Item 15 of the Companies Act.

2. The Company has introduced an executive officer system to speed up business execution and clarify responsibilities and authority. The total number of executive officers is 15.

3. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2024 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2025.

4. The term of office is from the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2024 to the close of the ordinary general meeting of shareholders for the fiscal year ending June 30, 2026.

(2) Status of Outside Directors and Outside Corporate Auditors

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

Outside Director John Robertson has extensive experience in various business and organizational operations in the IT industry in Japan and Asia, and we believe that he will contribute to the overall supervision of the Company's management and the strengthening of corporate governance.

Outside Director Tatsuya Kamoi has experience in consulting and IT development for global companies in Japan and overseas, business experience in the area of human resource management, and corporate management experience as a CEO appointed from outside the Company. We believe that he will be able to contribute to the supervision of the Company's overall management and the strengthening of corporate governance.

Outside Audit & Supervisory Board Member Chie Goto is a licensed attorney and certified public accountant and has extensive knowledge of legal and financial accounting matters.

Makoto Nakano, an Outside Audit & Supervisory Board Member, has deep knowledge in a wide range of fields including business administration, accounting and corporate finance.

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

Makoto Nakano, an outside director and member of the Audit and Supervisory Board, is a shareholder of the Company, but his shareholding ratio is less than 1% and he is not a major shareholder.

The Company has designated Outside Director John Robertson, Outside Director Tatsuya Kamoi, Outside Audit & Supervisory Board Member Chie Goto, and Outside Audit & Supervisory Board Member Makoto Nakano as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and has notified the Exchange of such designation.

In addition, the Company has entered into liability limitation agreements with all outside directors and audit committee members, the outline of which is that the maximum amount of liability for compensation under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount stipulated by law if the requirements stipulated by law are met.

In appointing outside directors and outside audit committee members, the Company has established the following independence criteria, based on the independence criteria stipulated by the Companies Act and financial instruments exchanges, and focusing on ensuring the independence of those who will become independent outside directors in terms of their substance.

Outside Directors and Outside Audit & Supervisory Board Members shall be deemed to be independent if, as a result of an investigation to the extent reasonably possible by the Company, it is determined that none of the following items applies to them.

(1) A person who is currently, or has been for the past 10 years, an executive officer (executive director, executive officer, corporate officer, employee, or employee) of the Company or its subsidiaries or affiliates (collectively, the "Company Group"),

(2) A person who directly or indirectly holds 10% or more of the total voting rights of the Company or its executive person,

(3) A person with whom our Group has a major transaction (Note 1) or with whom our Group has a major transaction (Note 1), or a person who executes the business of such a person,

(4) A person who receives a large amount of money or other financial benefits other than director's remuneration (Note 2) as compensation for providing professional services such as consultants, lawyers, certified public accountants, and tax accountants to our Group, or a person who executes the duties of such a person,

(5) A person who receives donations or grants exceeding 15 million yen per year from our group or its executive person,

(6) A person who belongs to an auditing firm that is the accounting auditor of the Group,

(7) An executive officer of a company that has appointed an executive officer of the Group as a director,

(8) Applicants who have met 2 through 7 above in the past three years,

(9) Spouse or relative up to the second degree of kinship of a person falling under 1-8 above.

(Note 1) Major transactions are defined as transactions involving the transfer of more than 2% of annual consolidated net sales or loans exceeding 2% of total consolidated assets.

(Note 2) "Large amount" means that, in the case of an individual who provides professional services, the annual profit received from this Group, excluding director's remuneration, exceeds 15 million yen in the most recent fiscal year. In the case of an organization such as a corporation, partnership, etc., the amount of such profit received from our group in the most recent fiscal year exceeds 2% of the organization's total annual revenue or 15 million yen, whichever is higher.

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

Outside directors and outside audit committee members attend monthly meetings of the Board of Directors and ask questions, provide advice and comments on the status of business execution as appropriate, thereby strengthening governance.

The outside audit committee members and the internal auditors attend the accounting audit reporting meetings and have opportunities to listen to and discuss with each other and with the accounting auditors and internal auditors to confirm the status of internal controls in operations and finances.

In addition, the outside audit committee members and internal auditors work together and have a system in place that allows them to request investigations and reports as necessary to confirm that management and business operations are being conducted appropriately and efficiently.

(3) Information on audit

(i) Status of Audit by Audit and Supervisory Committee

Organization, Personnel and Procedures of the Audit Committee

As of the date of submission of the Annual Securities Report, the Company's Audit Committee consists of three Audit Committee members, two of whom are outside Audit Committee members, who monitor and audit the Company's management based on their expertise and experience. The Audit Committee meetings are held to report on the status of each other's duties and to share the understanding of audit operations.

Two Audit Committee members are certified public accountants and have considerable knowledge of finance and accounting.

2. Activities of the Audit Committee

During the fiscal year under review, the Audit Committee held a total of 19 meetings, and attendance by individual Audit Committee members was as follows.

Title	Name	Attendance/number of times held
Director and Audit Committee Member	Tsuyoshi Nojo	19 times / 19 times
Director, Audit & Supervisory Board Member (Outside)	Chie Goto	19 times / 19 times
Director, Audit & Supervisory Board Member (Outside)	Makoto Nakano	19 times / 19 times

Specific matters considered by the Audit Committee include the formulation of audit policies and plans, the status of the development and operation of internal control systems, and the determination of the appropriateness of the accounting auditor's audit methods and results.

In accordance with the audit policy and work assignment determined by the Audit Committee, Audit Committee members communicate with directors, attend meetings of the Board of Directors and other important meetings, inspect important approval documents, and examine the business and financial conditions at the head office and major business offices. In addition, the Company communicates and exchanges information with directors and others of subsidiaries, confirms business reports from subsidiaries, and confirms reports from accounting auditors on the status and results of audits.

(2) Status of Internal Audits

Internal audits at the Company are conducted by three internal audit staff members of the Internal Audit Department, who monitor the Company's business activities from a fair standpoint, make improvements and provide guidance to contribute to proper business execution and appropriate disclosure of financial information, and report to the President and Director in charge of finance based on audit results. In addition, the Company shares internal audit plans and internal audit reports with the accounting auditors and the Audit Committee.

(iii) Status of accounting audit

Name of Audit Firm

Deloitte Touche Tohmatsu LLC

Continuous audit period

24 years

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

3. Certified public accountants who have performed services

Designated and Engagement Partner Takaya Goukon

Designated and Engagement Partner Kenji Oyama

4. Composition of assistants for audit services

Certified Public Accountants	5 persons
Others	9 persons

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

5. Selection policy of the audit firm and reasons for reappointment

Quality control, independence, professionalism, communication with auditors and management, and response to fraud risk, frequency of accounting scandals, improvement of audit procedures, and partner rotation, with reference to the "Practical Guidelines for Auditors and Others Concerning Evaluation of Accounting Auditors and Establishment of Selection Standards" published by the Japan Corporate Auditors Association, etc, Selection (reappointment) is based on comprehensive consideration of factors such as quality control, independence, expertise, communication with auditors and management, response to fraud risk, frequency of accounting scandals, improvement of audit procedures, partner rotation, and low dependence on audit fees.

In addition, the Audit Committee will dismiss the accounting auditor with the unanimous consent of the Audit Committee if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act.

Evaluation of the Audit Firm by the Audit Committee

The Audit Committee of the Company comprehensively evaluates the audit system and performance of duties of the accounting auditor.

(iv) Details of audit fees, etc.

Compensation to Certified Public Accountants, etc.

Classification	Fiscal year ended June 30, 2023		Fiscal year ended June 30, 2024	
	Remuneration based on audit certification services (Millions of yen)	Compensation for non-audit services (Millions of yen)	Remuneration based on audit certification services (Millions of yen)	Compensation for non-audit services (Millions of yen)
Parent company	30	1	32	-
Consolidated subsidiaries	-	-	-	-
Total	30	1	32	-

(Note: The Company's non-audit services in the previous fiscal year consisted of advisory services related to human rights due diligence. In addition to the above, additional remuneration of 2 million yen was paid in the current fiscal year for the audit of the previous fiscal year.

2. Remuneration to the same network as the audit certified public accountants, etc. (excluding 1.)

Classification	Fiscal year ended June 30, 2023		Fiscal year ended June 30, 2024	
	Remuneration based on audit certification services (Millions of yen)	Compensation for non-audit services (Millions of yen)	Remuneration based on audit certification services (Millions of yen)	Compensation for non-audit services (Millions of yen)
Parent company	-	-	-	0
Consolidated subsidiaries	-	-	-	-
Total	-	-	-	0

(Note: The Company's non-audit services in the current fiscal year consisted of general tax consultation.

3. Details of compensation based on other important audit attestation services

Not applicable.

Policy for determining audit fees

The Articles of Incorporation stipulate that the amount of remuneration for auditing certified public accountants, etc. shall be determined by the Representative Director with the consent of the Audit Committee, taking into consideration the number of audit days and other factors.

Reasons for the Audit Committee's Consent to the Remuneration, etc. of the Accounting Auditor

The Audit Committee, based on the "Practical Guidelines for Auditors and Others Concerning the Evaluation of Accounting Auditors and the Establishment of Selection Criteria for Accounting Auditors" published by the Japan Corporate Auditors Association, examined whether the content of the audit plan reported by the audit firm, the execution of duties in the previous consolidated fiscal year, and the basis for calculating the remuneration estimate were appropriate, and gave its consent to the audit firm's remuneration, etc. under Article 399, Paragraphs 1 and 3 of the Companies Act. The Company consents to the remuneration, etc., of the audit corporation pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act of Japan.

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

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

1 Remuneration System and Process for Determining Remuneration Amounts

The Company's policy and calculation method for determining compensation for directors and executive officers, as well as the criteria for the compensation structure and amount of compensation for directors and executive officers, are determined by resolutions of the Board of Directors held on September 1, 2023 and September 27, 2023, respectively (a summary of the contents of these resolutions is provided below under " 2. Compensation of Directors (excluding Directors who are members of the Audit Committee)" and "(ii) Purpose, Basis of Indicators and Specific Calculation Methods of Performance-Linked Compensation and Performance-Linked Stock Compensation" below). (See Section 2.1.2.).

The Company also resolved to establish a Compensation Advisory Committee as a voluntary advisory body to strengthen the independence, objectivity, and accountability of the decision-making process. The Compensation Advisory Committee consists of two independent directors and the Group CEO, and its chairman is selected from among the independent outside directors. The Group CHRO consults with the Compensation Advisory Committee, which provides advice and recommendations, and the Board of Directors makes decisions based on the advice of the Committee. The Compensation Advisory Committee's agenda includes the following

(a) Policy for Determining Remuneration, etc. for Directors and Executive Officers

(b) Draft proposals on remuneration, etc. for directors, corporate auditors and executive officers to be proposed at the General Meeting of Shareholders

(c) Proposed policy regarding the determination of the content of compensation, etc. for each individual director and executive officer to be brought before the Board of Directors

(d) Proposed details of remuneration, etc. for individual directors and executive officers to be proposed to the Board of Directors

(e) Other matters deemed necessary by the Board of Directors with respect to each of the preceding items.

The remuneration, etc. of directors (excluding directors who are members of the Audit Committee) for the fiscal year ended June 30, 2024 is as follows. The Board of Directors has determined that the remuneration, etc. of Directors (excluding Directors who are members of the Audit Committee) for the current fiscal year is in line with the policy for determining the remuneration, etc. of individual Directors, based on explanations received from the Remuneration Advisory Committee and other factors.

2. Remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee)

The Company's directors' remuneration is divided into two categories: fixed remuneration paid monthly (regular remuneration) and performance-linked remuneration paid at a certain time each year.

Fixed remuneration is paid in a standard amount by position, taking into consideration the level commensurate with the required abilities and responsibilities. As for the limit, the annual amount of fixed remuneration to the Company's directors was approved at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 as 150,000 thousand yen or less (the number of directors immediately after the said meeting is 4 (including 2 outside directors)).

Performance-linked remuneration shall be paid to directors excluding outside directors (hereinafter referred to as "eligible directors" in this section. The short-term performance-linked remuneration consists of (1) a bonus linked to business performance for each fiscal year and (2) medium-term performance-linked remuneration consisting of performance-linked stock compensation linked to changes in indices during the subject period. The medium-term performance-linked remuneration is a stock-based remuneration in which shares of the Company's common stock are delivered to the subject directors, with the aim of further sharing value between the subject directors and shareholders through sustained improvement of the Company's stock price and providing incentives for the subject directors to continuously enhance the Company's corporate value. At the 26th Ordinary General Meeting of Shareholders held on September 27, 2022, it was approved that the maximum amount of performance-linked bonuses shall be 41,250 thousand yen per year per eligible director (the number of eligible directors immediately after the said meeting shall be two). The maximum amount of the medium-term performance-linked remuneration was approved at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 as 100,000,000 yen per subject period, and the number of shares to be delivered to the subject directors under this plan is 60,000 shares or less per subject director and 100,000 shares or less in total per year for all subject directors. The maximum number of shares to be issued to each eligible director under the plan is 100,000,000 yen per eligible period.

The terms and conditions of the medium-term performance-linked remuneration are reviewed by resolution of the General

Meeting of Shareholders as necessary, and the most recent resolution was approved at the 27th Ordinary General Meeting of Shareholders held on September 27, 2023, consisting of two parts: (1) a part in which the Company's common stock is delivered at the end of a one-year subject period on the condition that the Company's stock price has risen from the beginning of the subject period, (The number of eligible directors immediately after the said shareholders' meeting was two).

The ratio of each remuneration is 45%-50% fixed remuneration, 15%-20% short-term performance-linked remuneration, and 35% medium-term performance-linked remuneration, using the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

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

3. Remuneration for Directors who are Audit Committee Members

The amount of remuneration for Directors who are members of the Audit and Supervisory Committee is fixed remuneration only, in consideration of their responsibilities and roles in supervising and auditing the execution of business operations, and is determined within the maximum amount of remuneration resolved at the General Meeting of Shareholders, based on discussions among Directors who are Audit and Supervisory Committee members, taking into account such factors as whether they serve full-time or part-time, whether they are inside or outside Directors, and the division of duties. The maximum amount of remuneration was resolved at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 to be no more than 55,000 thousand yen per year (the number of directors who are members of the Audit Committee immediately after the said meeting is three).

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

Short-term performance-linked compensation

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

Short-term performance-linked remuneration = Short-term performance-linked remuneration standard amount x short-term incentive coefficient

(1) Parent company

Directors (excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee) Hereinafter referred to as "Subject Directors" in this "2) Purpose, Basis of Indicators, and Specific Calculation Methods of Performance-Linked Remuneration and Performance-Linked Stock Compensation"). The short-term performance-linked remuneration to be paid to Directors (excluding Outside Directors and Directors who are members of the Audit Committee) shall be paid in an amount calculated in conjunction with the year-on-year increase or decrease in consolidated net income after taxes, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan, and annual business results. The amount is calculated by multiplying the base amount (performance-linked bonus base amount), which is determined according to position, by the short-term incentive coefficient, which ranges from 0% to 150% according to the change in consolidated net income after taxes from the previous year.

The coefficients are calculated as follows

If consolidated net income after tax for the current period is "a" and consolidated net income after tax for the previous period is "b," the value calculated by the following formula is used as the coefficient.

(i) If "a" is less than or equal to "b":0

(ii) If "a" exceeds "b" and is less than "b" × 137.5%: (a÷b-1)÷0.375 × 1.5

(iii) If "a" is 137.5% or more of "b": 1.5

Net income after taxes for the current fiscal year, which serves as a performance indicator, was 2,850 million yen, a 136% change from the consolidated net income after taxes of the previous year (2,094 million yen). Short-term performance-linked compensation was paid at 144% of the short-term performance compensation base amount.

Short-term incentive coefficient = (1)

(Consolidated net income after taxes for the current period: 2,850 million yen / Consolidated net income after taxes for the previous period: 2,094 million yen - 1) / 0.375 x 1.5 = 1.44

(2) Subsidiaries of the Parent Company

The performance-linked bonuses paid to directors (limited to those who are executive officers of the Company) of the Company's subsidiaries are indexed to GPP, which is calculated by adding the IBTM profit margin to the sales growth rate of the relevant subsidiary.

GPP = Sales growth rate + IBTM profit margin (Note)

(Note) Sales growth rate = (sales for the current fiscal year / sales for the previous fiscal year) -1

IBTM profit margin = IBTM / net sales

*IBTM = Income before income taxes + management fee (2.3% of prior year sales) + employee stock compensation (number of employees enrolled from August 1, 2023 to June 30, 2024 x 50 thousand yen) + trust fee

*The 28th term is subject to enrollment from August 1, 2023 to June 30, 2024, and the 29th and subsequent terms are subject to enrollment from July 1 to June 30.

The amount of the performance-linked bonus is determined by multiplying the performance-linked bonus base amount by the short-term incentive coefficient, which is set in the range of 0% to 150% depending on the degree of achievement of the GPP. The coefficients are calculated as follows

(i) If GPP is 17.3 points or less: 0

(ii) If GPP is more than 17.3 points but less than 22.3 points: (GPP - 17.3 points) / 10 points

(iii) If GPP is more than 22.3 points but less than 27.3 points: 0.5 + ((GPP - 22.3 points) / 20 points)

(iv) If GPP is more than 27.3 points but less than 42.3 points: 0.75 + ((GPP - 27.3 points) / 60 points)

(5) If GPP is more than 42.3 points and less than 62.3 points: 1 + ((GPP - 42.3 points) / 40 points)

(6) If GPP exceeds 62.3 points: 1.5

A. AVANT| CORPORATION

The GPP performance indicator for the fiscal year ended June 30, 2024, was 27.1 points.

As a result of applying this to the formula in (3) above, the short-term incentive coefficient is 0.74 as shown below, and therefore, 74% of the short-term performance-linked compensation standard amount (46 million yen) will be paid as short-term performance-linked compensation.

Short-term incentive coefficient = 0.5 + (GPP: 27.1 points - 22.3 points) / 20 points = 0.74

B. Zeal Corporation

The GPP performance indicator for the fiscal year ended June 30, 2024, was 42.2 points.

As a result of applying this to the formula in (iv) above, the short-term incentive coefficient was 1.0 as shown below, and therefore, 100% of the base amount (32 million yen) of short-term performance-linked compensation will be paid as short-term performance-linked compensation. Short-term incentive coefficient = 0.75 + ((GPP: 42.2 - 27.3 points) / 60 points) = 1.0

C. DIVA Corporation

The GPP performance indicator for the fiscal year ended June 30, 2024, was 35.8 points.

As a result of applying this to the formula in (iv) above, the short-term incentive coefficient is 0.89 as shown below, and therefore, 89% of the short-term performance-linked compensation standard amount (52 million yen) will be paid as short-term performance-linked compensation.

Short-term incentive coefficient = 0.75 + ((GPP: 35.8 - 27.3 points) / 60 points) = 0.89

2. Medium-term performance-linked compensation

This is a performance-linked stock compensation plan under which shares of the Company's common stock are delivered in accordance with the degree of achievement of performance targets.

The period for which a decision has been made as to whether or not to pay the allowance in the current fiscal year will be from September 2020 to September 2023. The number of shares to be delivered will be determined by multiplying the number of shares determined by our board of directors (the base number of shares to be delivered) by the share delivery ratio determined in the range of 0% (our stock growth rate is less than 100%) to 100% (our stock growth rate is more than 150%) depending on our stock growth rate (Note), a representative indicator of our corporate value during the above three-year period.

(Note) The Company's stock growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period.

Achievement of Performance Indicators for Medium-term Performance-Linked Compensation

The period for which a decision has been made as to whether or not to pay the allowance in the fiscal year ended June 30, 2024 will be from September 2020 to September 2023. Our total shareholder return was 135.0%, which translates into a TOPIX growth rate of 145.7% and our equity growth rate of 92.7%. Since this is a case where the Company's stock growth rate is less than 100%, the share delivery ratio is 0%, and medium-term performance-linked compensation is not paid.

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

Executive Classification	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation by type (Millions of yen)			Number of eligible directors (persons)
		Fixed remuneration	Performance-linked remuneration	Of those, Non-monetary compensation, etc.	
Board Member (excluding audit committee members and outside directors)	137	88	49	0	2
Audit and Supervisory Board Member (excluding outside directors)	16	16	-	-	1
External Directors and External Corporate Auditors	42	42	-	-	5

(Note) The above includes one director who retired at the conclusion of the 27th Ordinary General Meeting of Shareholders held on September 27, 2023.

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

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

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

Not applicable.

(vi) Performance-linked remuneration for directors (excluding directors who are members of the Audit Committee) for the next fiscal year

Purpose of performance-linked bonus and performance-linked stock compensation, rationale for the indicators, and specific calculation methods

Short-term performance-linked compensation

Short-term performance-linked remuneration will continue to be as described in "1. Short-term performance-linked remuneration" in (2) above.

2. Medium-term performance-linked compensation

This is a performance-linked stock compensation plan under which shares of the Company's common stock are delivered in accordance with the degree of achievement of performance targets.

Medium-term performance-linked remuneration will continue to be as described in "2. Medium-term performance-linked remuneration" in (2) above.

The period covered will be from September 2021 to September 2024.

In addition to the above, the Company will initiate a medium-term performance-linked compensation program covering the period from September 2023 to September 2024. It consists of a portion (Part I) in which shares of the Company's common stock are delivered at the end of the applicable period (from September of each year to September of the following year) on the condition that the Company's stock price has increased in value since the beginning of the applicable period, and a portion (Part II) in which a number of shares of the Company's common stock calculated based on the Company's stock growth rate are delivered.

Part I will compare the average closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period begins (September of each year) with the average closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period ends (September of the following year) and, on the condition that the latter exceeds the former, the Company's Board of Directors will determine the number of shares to be issued. The Company will deliver the number of shares of common stock determined by the Board of Directors of the Company on the condition that the latter exceeds the former.

Part II will deliver a number of shares of the Company's common stock calculated by multiplying the number of shares determined by the Company's Board of Directors (the base number of shares to be delivered) by a share delivery ratio determined according to the Company's stock growth rate, which is a representative indicator of the Company's corporate value. The Company's stock growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period. The specific calculation method is as follows

If the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month ending the subject period (September of one year later) falls below the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month beginning the subject period (September of the current year), then for the subject period, monetary compensation claims under Part II will not be paid to the subject director and no shares of common stock of the Company will be delivered.

The medium-term performance-linked remuneration covering the period from September 2024 to September 2025 will be changed to a system under which the Company's common stock will be delivered through a trust to be established by monetary contribution by the Company. After the end of the performance evaluation period, the trust will deliver shares of the Company's common stock to the subject director(s) in accordance with the degree of achievement of the performance targets, but the shares delivered will be subject to a transfer restriction to the effect that they cannot be transferred, pledged or otherwise disposed of until the day the subject director(s) retire from their positions as either a director or executive officer of the Company.

Details of Stock Compensation Plan

The stock compensation plan is a stock-based compensation plan under which a trust (the "Trust") established by the Company through monetary contribution by the Company will pay compensation in the form of shares of the Company's common stock (the "Company's Shares") to the Trustee. The Trust is a trust (the "Trust") established by the Company by contributing money to the Company. The Trust is a stock compensation plan under which the Company acquires shares of the Company's common stock (hereinafter referred to as the "Company's Shares"), and the Trust delivers to each Director a number of Company shares equivalent to the number of points granted by the Company to each Director (such shares shall be subject to a restriction on transfer by concluding a restriction on transfer agreement between the Company and each Director). The Trust is a stock-based compensation plan.

The number of the Company's shares to be delivered to Directors shall be one share per point. However, in the event of a stock split, reverse stock split, or other event in which it is deemed reasonable to adjust the number of shares of the Company's stock per point, a reasonable adjustment will be made in accordance with such split ratio, reverse stock split ratio, etc.

i	Eligibility for this program	Directors of the Company (excluding directors who are members of the Audit and Supervisory Committee and outside directors)
ii	Applicable period	From October 1, 2024 to September 30, 2028 (However, the term may be extended for a period of up to five (5) years on a case-by-case basis by a decision of the Board of Directors of the Company.
iii	The maximum amount of money that the Company will contribute to the Trust as funds for the acquisition of the Company's shares necessary for the delivery of the Company's shares to the Targets in i during the period subject to ii.	Total 400,000 thousand yen (In the case of an extension of the subject period, the amount is calculated by multiplying the number of years of the extended subject period by 100,000,000 yen.)
iv	Maximum total number of points to be awarded to i.	100,000 points per fiscal year (However, 60,000 points per director)
v	Criteria for granting points	In accordance with the share issuance regulations established by the Board of Directors, the Company shall grant a number of points within the above (1) in accordance with the level of achievement of the position and performance targets, etc.
vi.	Outline of the timing and conditions of delivery of the Company's shares to the subject of i.	At a certain time in each fiscal year during the trust period, the Trustee shall acquire beneficial interests in the Trust and receive delivery of the Company's shares from the Trust on the condition that the Trustee enters into a limited transfer agreement with the Company as described in 4. below and follows other prescribed procedures.
vii	Restricted transfer period in the restricted transfer agreement set forth in Section 4.	From the date of delivery of the Company's shares until the time immediately following retirement from any of the following positions: director or executive officer of the Company, director or executive officer of a subsidiary of the Company, or any other position predetermined by the Board of Directors of the Company
vii i	Conditions for point expiration	a) Those who retire from the office of director or executive officer for their own reasons in the middle of their term of office (except in cases where the Board of Directors deems it unavoidable due to business-related injury or illness, etc.) b) Those who are dismissed or resign from the office of director due to causing damage to the Company or other illegal acts, etc. c) Those who are dismissed or resign from the office of director without following the procedures specified by the Board of Directors (except in cases where the Trustee of the Trust and the Company's group companies deem such circumstances unavoidable) (excluding cases in which the Trustee of the Trust and the Company's group companies deem that there are unavoidable circumstances) d) Any other person who is determined by the Board of Directors to be unsuitable as an eligible person.
ix	Exercise of voting rights pertaining to the Company's shares in the Trust	Uniform non-exercise based on the instructions of a trust administrator who is independent of the Company and its officers.
x	Handling of dividends pertaining to the Company's shares in the Trust	Dividends on the Company's shares in the Trust Account will be received by the Trust and used to pay for the acquisition of the Company's shares and the Trustee's trustee fees related to the Trust. In the event of termination of the Trust, the dividends, etc. remaining in the Trust shall be distributed to the Directors in office at that time on a pro rata basis according to the number of points held by each of them in accordance with the provisions of the Rules on the Delivery of Shares to Directors.

4. Restriction on transfer of the Company's shares to be issued to the Directors

In delivering shares of the Company's stock to Directors, the Company and the Directors shall enter into a transfer restriction agreement (the "Transfer Restriction Agreement") that includes, in summary, the following details.

(1) Restricted period of transfer

Directors shall be entitled to receive the shares delivered under the Plan (the "Delivered Shares") (i) Directors shall not transfer, grant a security interest in, or otherwise dispose of the Delivered Shares during the period from the date of delivery of the Delivered Shares to the time immediately following their retirement from their positions as directors or executive officers of the Company, directors or executive officers of the Company's subsidiaries, or any other positions predetermined by the Board of Directors of the Company (the "Restricted Period"). The Granted Shares may not be transferred, pledged or otherwise disposed of during the Restricted Period.

(2) Acquisition of the Delivered Shares without Consideration

In the event that a Director resigns during the Term of Office for his/her own reasons or for any other reason stipulated in the Restriction Agreement during the Restriction Period, the Company shall naturally acquire all or part of the Granted Shares for no consideration.

(3) Treatment in organizational restructuring, etc.

If, during the Restriction Period, a merger agreement under which the Company becomes a defunct company, a share exchange agreement under which the Company becomes a wholly owned subsidiary, a share transfer plan or any other matters relating to organizational restructuring, etc. are approved at a general meeting of shareholders of the Company (however, if approval by a general meeting of shareholders is not required, the Board of Directors of the Company), the Restriction on Transfer of the Granted Shares shall be cancelled as of the business day immediately preceding the day on which the organizational restructuring, etc. takes effect.

5. Composition of Directors' Remuneration

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

	Fixed remuneration (monetary)	Short-term performance-linked compensation (monetary)	Medium-term performance-linked compensation (shares)
Directors (excluding directors who are members of the Audit and Supervisory Committee)	45%-50	15%-20	35%.

Since outside directors are independent from the execution of business, they are paid only fixed remuneration.

(5) Shareholdings

(i) Criteria and approach to classification of investment shares

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

(c) Investment shares held for pure investment purposes

Classification	Current fiscal year		Previous fiscal year	
	Number of Issues	Total amount shown on balance sheet (Millions of yen)	Number of Issues	Total amount shown on balance sheet (Millions of yen)
Unlisted stocks	1	0	1	0
Shares other than unlisted shares	1	408	1	363

Classification	Current fiscal year		
	Total dividends received (Millions of yen)	Total gain/loss on sale (Millions of yen)	Total valuation gains/losses (Millions of yen)
Unlisted stocks	0	-	-
Shares other than unlisted shares	8	-	317

5 Financial Statements and notes

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

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

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

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

2. Audit Attestation

The Company's consolidated financial statements for the consolidated fiscal year (July 1, 2023 to June 30, 2024) and business year (July 1, 2023 to June 30, 2024) have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Law. Deloitte Touche Tohmatsu LLC.

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

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

5-1 Consolidated Financial Statements, etc.

(1) Consolidated financial statements

(i) Consolidated Balance Sheets

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 (June 30, 2023)	Current fiscal year (June 30, 2024)
Assets		
Current assets		
Cash on hand and in banks	10,317,243	10,874,892
Notes, accounts receivable – trade and contract assets	[1] 2,963,130	[1] 4,440,280
Marketable securities	500,000	500,000
Work in progress	13,620	5,880
Raw materials and supplies	112,676	81,871
Prepaid expenses	824,824	1,120,837
Accounts receivable	573,606	518,540
Key money	315	527,976
Other	49,879	135,407
Allowance for doubtful accounts	△3,622	△4,141
Total current assets	15,351,673	18,201,545
Fixed assets		
Property, plant and equipment		
Building	417,933	561,381
Accumulated depreciation	(157,247)	(233,278)
Buildings, net	260,685	328,102
Vehicles	843	1,956
Accumulated depreciation	△843	△936
Vehicles, net	0	1,020
Tools, furniture and fixtures	669,026	748,417
Accumulated depreciation	(494,223)	(588,552)
Tools, furniture and fixtures, net	174,803	159,864
Construction in progress	51,978	-
Total property, plant and equipment	487,466	488,987
Intangible fixed assets		
Trademark	-	42,527
Software	728,306	609,376
Other	225	225
Total intangible fixed assets	728,532	652,129
Investments and other assets		
Investments in securities	772,046	1,037,000
Long-term prepaid expenses	66,028	19,118
Lease and guarantee deposits	575,243	630,981
Deferred tax asset	590,209	728,290
Other	134,393	138,853
Total investments and other assets	2,137,920	2,554,243
Total fixed assets	3,353,919	3,695,360
Total assets	18,705,593	21,896,905

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 (June 30, 2023)	Fiscal year ened June 30, 2024 (June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	634,758	801,391
Lease obligations	12,257	6,005
Accounts payable and accrued expenses	512,708	850,208
Income taxes payable	354,192	984,232
Contract liabilities	2,796,086	3,345,483
Allowance for bonuses	1,038,329	1,319,768
Allowance for bonuses to directors and corporate auditors	172,380	170,155
Allowance for loss on orders received	61,594	17,912
Allowance for stock benefits	-	129,618
Accrued consumption taxes	355,400	461,061
Deposit (received)	184,269	221,975
Other	142	-
Total current liabilities	6,122,119	8,307,815
Fixed liabilities		
Lease obligations	6,039	-
Asset retirement obligations	210,900	295,362
Deferred tax liabilities	38,016	-
Total long-term liabilities	254,956	295,362
Total liabilities	6,377,076	8,603,177
Total net assets		
Shareholderss' equity		
Share capital	345,113	345,113
Capital surplus	281,913	281,913
Retained earnings	11,477,458	13,763,738
Treasury stock	△608	(1,396,622)
Total shareholders' equity	12,103,876	12,994,141
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	183,925	224,019
Deferred gains or losses on hedges	302	2,862
Foreign currency translation adjustments	40,411	72,704
Total accumulated other comprehensive income	224,639	299,586
Total net assets	12,328,516	13,293,728
Total liabilities and net assets	18,705,593	21,896,905

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Unit: Thousands of yen)

	Consolidated fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023)	Consolidated Fiscal Year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024)
Net sales	1 21,424,584	1 24,419,760
cost of sales	3 12,028,711	3 13,491,038
Gross profit	9,395,873	10,928,722
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	396,002	401,146
Employees' salaries and bonuses	1,598,420	1,812,545
Provision for bonuses	1,047,155	1,277,449
Provision for directors' bonuses	173,579	167,627
Legal welfare expenses	246,204	276,140
Stock compensation expense	19,995	145,975
Outsourcing expenses	76,652	97,870
Expenses for rent of space, land, etc.	231,184	184,546
Utilities charge	84,138	82,190
Fees and commissions	746,590	858,541
Depreciation and amortization	269,179	259,901
Research and development expenses	2 375,674	2 190,124
Other	841,702	1,075,538
Total selling, general and administrative expenses	6,106,482	6,829,599
Operating profit	3,289,390	4,099,123
Non-operating income		
Interest income	96	109
Dividends received	10,192	12,296
Gain on investment in partnership	7,386	12,864
Subsidy income	531	9,404
Other	4,559	15,875
Total non-operating income	22,766	50,550
Non-operating expenses		
Interest expense	485	243
Loss on investment in partnership	11,975	13,750
Commission Payments	15,388	10,863
Foreign exchange loss	4,426	2,483
Stock issuance expenses	228	-
Damages	13,377	-
Other	289	589
Total non-operating expenses	46,172	27,929
Ordinary profit	3,265,983	4,121,744

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: June 30, 2024 To: June 30, 2024
Extraordinary profit		
Insurance income	-	5 14,030
Penalty income	-	6 16,961
Total extraordinary profit	-	30,991
Extraordinary loss		
Impairment loss	4 186,613	-
Settlement money	-	7 21,076
Total extraordinary loss	186,613	21,076
Income before income taxes and minority interests	3,079,370	4,131,659
Corporate, inhabitant and enterprise taxes	1,009,937	1,475,358
Income taxes-deferred	△25,087	(194,621)
Total income taxes	984,850	1,280,736
Net income	2,094,520	2,850,922
Net income attributable to noncontrolling interests	-	-
Net income attributable to owners of the parent	2,094,520	2,850,922

Consolidated Statements of Comprehensive Income

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal Year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Net income	2,094,520	2,850,922
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	80,798	40,093
Deferred gains or losses on hedges	66	2,560
Foreign currency translation adjustments	12,591	32,292
Total other comprehensive income	[1] 93,456	[1] 74,946
Comprehensive income	2,187,976	2,925,868
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,187,976	2,925,868
Comprehensive income attributable to noncontrolling interests	-	-

Consolidated Statements of Changes in Net Assets

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

(Unit: Thousands of yen)

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

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

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Unit: Thousands of yen)

	Shareholders' Equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	345,113	281,913	11,477,458	△608	12,103,876
Changes of items during the period					
Dividends from surplus			(564,642)		(564,642)
Net income attributable to owners of the parent			2,850,922		2,850,922
Acquisition of treasury stock				((477,635)	(477,635)
Acquisition of treasury stock by stock delivery trust				△918,379	△918,379
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	2,286,279	(1,396,014)	890,264
Balance at end of period	345,113	281,913	13,763,738	(1,396,622)	12,994,141

	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 beginning of period	183,925	302	40,411	224,639	12,328,516
Changes of items during the period					
Dividends from surplus					(564,642)
Net income attributable to owners of the parent					2,850,922
Acquisition of treasury stock					(477,635)
Acquisition of treasury stock by stock delivery trust					△918,379
Net changes of items other than shareholders' equity	40,093	2,560	32,292	74,946	74,946
Total changes of items during the period	40,093	2,560	32,292	74,946	965,211
Balance at end of period	224,019	2,862	72,704	299,586	13,293,728

Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Cash flows from operating activities		
Income before income taxes and minority interests	3,079,370	4,131,659
Depreciation and amortization	449,223	543,472
Impairment loss	186,613	-
Insurance income	-	△14,030
Penalty income	-	△16,961
Settlement money	-	21,076
Increase (decrease) in allowance for doubtful accounts	△63	519
Increase (decrease) in accrued bonuses	△11,986	281,438
Increase (decrease) in accrued bonuses to directors and corporate auditors	8,190	△2,225
Increase (decrease) in allowance for loss on orders received	43,850	(43,681)
Increase (decrease) in allowance for stock benefits	-	129,618
Interest and dividend income	△10,288	△12,406
Interest expense	485	243
Commission Payments	15,388	10,863
Stock issuance expenses	228	-
Damages	13,377	-
(Gain) loss on investments in partnership	4,589	886
Subsidy income	△531	△9,404
Stock compensation expense	20,262	16,906
Decrease (increase) in trade receivables and contract assets	61,014	(1,476,902)
(Increase) decrease in inventories	(25,368)	38,545
Decrease (increase) in prepaid expenses	(279,472)	(284,188)
Increase (decrease) in notes and accounts payable-trade	(27,558)	166,633
Increase (decrease) in accounts payable and accrued expenses	(118,623)	400,793
Increase (decrease) in accrued consumption taxes	△51,169	110,242
Increase (decrease) in contract liabilities	440,741	549,397
Increase (decrease) in deposits received	35,591	37,706
Other	(95,345)	(223,260)
subtotal	3,738,519	4,356,941
Interest and dividends received	10,480	12,406
Interest payments	△485	△243
Amount of damages paid	(13,377)	-
Amount of grants received	531	9,404
Amount of insurance proceeds received	-	14,030
Amount of penalty received	-	16,961
Settlement Payment Amount	-	△21,076
Income taxes paid	(1,560,275)	(1,273,477)
Income taxes refunded	-	565,680
Cash flows from operating activities	2,175,390	3,680,627

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Cash flows from investing activities		
Proceeds from redemption of marketable securities	90,019	-
Purchases of property, plant and equipment	(225,602)	△159,798
Payments for fulfillment of asset retirement obligations	△12,269	-
Payments for acquisition of intangible assets	(521,790)	(222,203)
Payments for purchases of investment securities	(152,926)	(189,992)
Payment for lease and guarantee deposits	△120,775	(55,737)
Proceeds from collection of lease and guarantee deposits	139,792	-
Payments for insurance reserve fund	△4,459	△4,459
Other	12,396	1,320
Cash flows from investing activities	(795,616)	(630,871)
Cash flows from financing activities		
Repayment of finance lease obligations	△12,455	△12,291
Disbursement of commissions paid	△5,397	△8,962
Payments for purchase of treasury stock	-	(1,396,014)
Dividends paid	(489,092)	(564,642)
Other	△228	-
Cash flows from financing activities	(507,174)	(1,981,911)
Effect of exchange rate changes on cash and cash equivalents	5,841	27,428
Net increase (decrease) in cash and cash equivalents	878,441	1,095,273
Cash and cash equivalents at beginning of year	10,002,870	10,881,311
Cash and cash equivalents at end of year	[1] 10,881,311	[1] 11,976,585

Notes

(Basis of Presenting Consolidated Financial Statements)

Scope of Consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 5

AVANT CORPORATION

Internet Disclosure Co., Ltd.

ZEAL CORPORATION

DIVA CORPORATION

DIVA CORPORATION OF AMERICA

2. Application of equity method

Not applicable.

Metapraxis Limited was excluded from the scope of application of the equity method since the Company no longer has a substantial influence over Metapraxis Limited during the fiscal year ended June 30, 2024.

3. Fiscal Year of Consolidated Subsidiaries

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

Matters Related to Accounting Policies

(1) Valuation standards and methods for significant assets

(1) Marketable securities

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Available-for-sale securities

- Other than stocks and other securities with no market price

Market value method (unrealized gains or losses are reported as a separate component of net assets, with cost of sales determined by the moving-average method)

- Non-marketable equity securities, etc.

Cost method based on the moving average method

For investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the Company uses the most recent financial statements available according to the reporting date stipulated in the partnership agreement as the basis for calculating the net amount equivalent to its interest in the partnership.

(2) Inventories

I Work in process

Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

II Raw materials

Cost method based on the first-in, first-out method (the amount on the balance sheet is calculated by writing down the book value of assets which decreased in profitability)

Supplies

Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

(2) Depreciation method for significant depreciable assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method

However, buildings and equipment acquired on or after April 1, 2016 are depreciated using the straight-line method.

Principal useful life

Buildings 2 to 18 years

Tools, furniture and fixtures: 2 to 15 years

(2) Intangible fixed assets

Straight-line method

Principal useful life

Software

I Software for sale on the market

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

II Software for in-house use

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

Trademark

10 years

(c) Lease assets

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

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

(3) Accounting for significant deferred assets

(1) Stock issuance expenses

The entire amount is expensed at the time of expenditure.

(4) Basis for significant reserves

(1) Allowance for doubtful accounts

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

(2) Allowance for bonuses to employees

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

(iii) Allowance for bonuses to directors and corporate auditors

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

4) Allowance for loss on orders received

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

(5) Allowance for stock benefits

To provide for the payment of Company shares to employees and executive officers in accordance with the share issuance rules, the Company records an amount based on the estimated amount of share benefit obligations as of the end of the current fiscal year.

(5) Basis for recording significant revenues and expenses

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

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Calculate the transaction price

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

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

In our group, we are engaged in the consolidated financial disclosure business, the digital transformation promotion business, and the business management solution business.

The Consolidated Settlement of Accounts Disclosure Business mainly provides outsourcing services for consolidated settlement of accounts and consolidated tax payments.

Since control over the services is transferred to the customer when the services are provided, the Company recognizes revenue over the contract period based on the determination that the performance obligation is satisfied in proportion to the progress of service delivery.

The Digital Transformation Promotion Business mainly provides system integration services for the utilization of information called BI (Business Intelligence), cloud data platform implementation support services, and software license and hardware sales and maintenance. The Company also sells and maintains software licenses and hardware.

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

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

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

The business management solutions business provides license sales of DivaSystem, a proprietary software package for consolidated management and consolidated accounting, implementation consulting services, and ongoing maintenance services, including version upgrades after the start of operations. The company also provides maintenance services, including version upgrades, after the product is put into operation.

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

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

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

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

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

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

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

(7) Significant hedge accounting methods

(i) Hedge accounting method

Deferred hedge accounting is adopted.

(ii) Hedging instruments and hedged items

Hedging instrument: Foreign currency deposits

Hedged items: Anticipated transactions denominated in foreign currencies

(iii) Hedging policy

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

(iv) Methods of evaluating the effectiveness of hedges

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

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

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

(9) Application of group aggregation system

The Company and its domestic subsidiaries apply the group totalization system and account for income taxes and local income taxes or tax effect accounting related to these taxes and disclosures in accordance with the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (Practical Solutions Statement No. 42, August 12, 2021). The Company has adopted the accounting treatment and disclosure of corporate income taxes and local corporate income taxes.

(Critical Accounting Estimates)

Not applicable.

(Change in accounting policy)

Not applicable.

(Unapplied accounting standards, etc.)

· "Accounting Standard for Corporate, Inhabitant and Enterprise Taxes" (ASBJ Statement No. 27, October 28, 2022)
· "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
· "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

The classification of income taxes to be recorded when taxed on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries and other securities when group corporate taxation is applied.

(2) Scheduled date of application

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

(3) Effect of adoption of the accounting standard

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

(Change of display method)

(Notes to Consolidated Balance Sheets)

"Accrued consumption taxes" and "Deposits received," which were included in "Other" under "Current assets" and "Other" under "Current liabilities" in the previous consolidated fiscal year, are separately presented in the current consolidated fiscal year due to their increased importance in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 623,801 thousand yen presented as "Other" in "Current assets" in the consolidated balance sheets for the previous fiscal year was reclassified as "Accounts receivable-other" of 573,606 thousand yen, "Deposits received" of 315 thousand yen, and "Other" of 49,879 thousand yen, and 539,812 thousand yen presented as "Other" in "Current liabilities" was 539,812 thousand yen presented as "Other" in "Current liabilities" were reclassified as "Consumption taxes payable" of 355,400 thousand yen, "Deposits received" of 184,269 thousand yen, and "Other" of 142 thousand yen.

(Notes to Consolidated Statements of Income)

"Stock compensation expense," which was included in "Other" under "Selling, general and administrative expenses" in the previous fiscal year, is separately presented in the current fiscal year due to its increased importance in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 861,698 thousand yen presented as "Other" in "Selling, general and administrative expenses" in the consolidated statement of income for the previous fiscal year has been reclassified as "Stock compensation expenses" of 19,995 thousand yen and "Other" of 841,702 thousand yen.

(Additional Information)

(Transactions in which the Company's shares are issued to employees and executive officers through a trust)

The Company has introduced a stock grant trust as an incentive for its employees and executive officers ("Employees, etc.") to receive benefits and to enhance the Company's corporate value.

Outline of Transaction

Under this plan, points are granted to employees, etc. who meet certain requirements based on the Share Delivery Regulations established by the Company in advance, and the Company shares corresponding to the number of points granted to such beneficiaries will be delivered to those employees, etc. who meet the requirements to become beneficiaries as stipulated in the Share Delivery Regulations. The shares to be provided to the employees are acquired in accordance with the amount set in the trust in advance, including the future portion, and are segregated and managed as trust assets.

2. Shares of the Company remaining in the Trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value (excluding the amount of incidental expenses). The book value and number of such treasury stock amounted to 918,379 thousand yen and 652,300 shares, respectively, at the end of the current fiscal year.

(Notes to Consolidated Balance Sheets)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Bills receivable	2,041	21,659
Accounts receivable	2,281,617	3,593,552
Contract asset	679,471	825,069

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total amount of loan commitments	3,500,000	3,500,000
Loan balance	-	-
balance (of an account)	3,500,000	3,500,000

(Notes to Consolidated Statements of Income)

1. Revenue from contracts with customers

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

Total amount of research and development expenses

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Research and development expenses included in general and administrative expenses	375,674	190,124

3. Provision for loss on order received included in cost of sales

(Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
	43,850	(43,681)

Impairment loss

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

In the fiscal year ended June 30, 2023, the Group recorded an impairment loss on the following asset groups.

(1) Summary of assets for which impairment losses were recognized, and the amount of impairment losses

(Thousands of yen)

Location	Application	Type	Impairment loss
DIVA CORPORATION (Shinjuku-ku, Tokyo)	Idle assets	Software	186,613

(2) Background leading to recognition of impairment loss

The software was an investment in application development aimed at reducing costs in the cloud operation service of DivaSystem LCA, the company's flagship product at DIVA CORPORATION. Subsequently, in October 2022, a group-wide organizational restructuring took place, and in the process of reviewing the new medium-term management strategy for the following fiscal year and beyond, it was determined that it would be difficult to achieve a recovery plan for the asset in question at the time of its initial development, and thus an impairment loss was recognized.

(3) Asset grouping method

In principle, the Group groups its business assets based on business segments for management accounting purposes in which income and expenditure are managed on an ongoing basis, while idle assets and assets scheduled for disposal are grouped by individual asset category.

(4) Calculation method of recoverable amount

The recoverable amount is measured by value in use.

Although the Company had recorded software in progress as unreleased development costs for this asset, the recoverable amount was written down to zero because the Company concluded that it was not feasible to continue development using the same methods as existing businesses or methods that were converted to similar methods.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Not applicable.

5. Insurance income

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

Not applicable.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

The Company records insurance claims for losses incurred between the Company and its customers arising from or related to unexpected processing associated with the use of external cloud services.

6. Penalty income

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

Not applicable.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

The Company records the portion of penalty income resulting from the termination of partnership agreements for the convenience of the counterparty.

7. Settlement

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

Not applicable.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

The Company records losses incurred between the Company and its customers arising from or related to unexpected processing associated with the use of external cloud services.

(Notes to Consolidated Statements of Comprehensive Income)

Reclassification adjustments and tax effects related to other comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Net unrealized gains (losses) on available-for-sale securities, net of taxes		
Amount accrued in the current period	116,999	57,486
reclassification adjustment	-	-
Before tax effect adjustment	116,999	57,486
Tax effect amount	△36,200	(17,393)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	80,798	40,093
Deferred gains or losses on hedges		
Amount accrued in the current period	95	3,690
reclassification adjustment	-	-
Before tax effect adjustment	95	3,690
Tax effect amount	△29	△1,130
Deferred gains or losses on hedges	66	2,560
Foreign currency translation adjustments		
Amount accrued in the current period	12,591	32,292
Foreign currency translation adjustments	12,591	32,292
Total other comprehensive income	93,456	74,946

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

	Number of shares at the beginning of the current fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
outstanding stocks				
Common stock (Note)	37,625,501	20,350	-	37,645,851
total amount	37,625,501	20,350	-	37,645,851
treasury stock				
common stock	2,998	-	-	2,998
total amount	2,998	-	-	2,998

(Note) Increase in outstanding shares

Increase due to issuance of new shares as restricted stock compensation 16,134 shares

Increase due to issuance of new shares as performance-linked stock compensation 4,216 shares

Matters related to dividends

(1) Dividends paid

resolution	Type of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Reference Date	effective date
September 27, 2022 Ordinary General Meeting of Shareholders	common stock	489,092	13.00	June 30, 2022	September 28, 2022

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

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

Scheduled to be resolved	Type of shares	Source of dividends	Total amount of dividends (thousand yen)	Dividend per share (yen)	Reference Date	effective date
September 27, 2023 Ordinary General Meeting of Shareholders	common stock	Retained earnings	564,642	15.00	June 30, 2023	September 28, 2023

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

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

	Number of shares at the beginning of the current fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
outstanding stocks				
common stock	37,645,851	-	-	37,645,851
total amount	37,645,851	-	-	37,645,851
treasury stock				
Common stock (Note 1.2)	2,998	1,016,400	-	1,019,398
total amount	2,998	1,016,400	-	1,019,398

(Note 1) The increase of 1,016,400 common stocks in treasury stock consists of 364,100 shares acquired through a resolution of the Board of Directors and 652,300 shares acquired through a stock delivery trust for employees and executive officers.

2. The number of treasury stock of common stock as of the end of the current consolidated fiscal year includes 652,300 shares of the Company's stock held by a stock delivery trust for employees and executive officers.

Matters related to dividends

(1) Dividends paid

resolution	Type of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Reference Date	Effective date
September 27, 2023 Ordinary General Meeting of Shareholders	Common stock	564,642	15.00	June 30, 2023	September 28, 2023

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

Scheduled to be resolved	Type of shares	Source of dividends	Total amount of dividends (thousand yen)	Dividend per share (yen)	Reference Date	Effective date
September 25, 2024 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	708,296	19.00	June 30, 2024	September 26, 2024

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on September 25, 2024 includes dividends of 12,393 thousand yen for the Company's shares held by a share delivery trust for employees and executive officers.

(Notes to Consolidated Statements of Cash Flows)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Cash and bank deposits	10,317,243	10,874,892
key money	315	527,976
Securities (negotiable certificates of deposit)	500,000	500,000
Investment securities (MMF)	63,753	73,716
Cash and cash equivalents	10,881,311	11,976,585

(Lease transactions)

Finance lease transactions (Lessee)

Finance lease transactions that do not transfer ownership

1. Description of leased assets

   property, plant and equipment

   Office equipment (tools, furniture and fixtures).

2. Depreciation method of leased assets

   Leased assets are depreciated using the straight-line method over the lease term with a residual value of zero.

(Financial instruments)

Matters Concerning the Status of Financial Instruments

(1) Policy for financial instruments

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

(2) Description of financial instruments, their risks and risk management system

Trade notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. However, the Company manages this risk by strictly managing credit for each customer and regularly monitoring collection due dates and balances in order to promptly identify and mitigate concerns about collection due to deterioration of financial conditions and other factors.

Held-to-maturity securities are exposed to foreign exchange and interest rate risk, although credit risk is minimal because only bonds with high credit ratings are included in the investment securities. Available-for-sale securities are exposed to market price fluctuation risk and foreign exchange fluctuation risk, but the Company reviews its holdings on an ongoing basis, taking into account market prices and other factors. Investments in limited liability investment partnerships are exposed to the risk of a decline in the principal amount invested due to changes in the business and financial conditions of the issuer of the incorporated shares. However, the Company manages this risk by periodically obtaining the financial statements of the partnerships and monitoring their financial conditions and operations.

Lease and guarantee deposits are security deposits under lease contracts for head office, branch offices, and subsidiaries, and are exposed to credit risk of the lessee. However, the Company confirms the credit risk of the lessee at the time of contracting to reduce such risk.

Trade payables, such as notes and accounts payable and accounts payable-other, are mostly due within one year. Lease obligations related to finance lease transactions are mainly for the purpose of financing capital investment, and the longest term of payment is nine months after the balance sheet date. These are exposed to liquidity risk (risk of being unable to make payments when due), but the Group manages this risk by confirming and managing the cash schedule and payment account balances on a monthly basis.

(3) Supplementary Explanation on Matters Concerning Fair Value of Financial Instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors.

2. Fair value of financial instruments

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

Fiscal year ended June 30, 2023

(Thousands of yen)

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

1 The items "Cash and deposits," "Notes, accounts receivable-trade and contract assets," "Marketable securities," "Deposits received," "Accounts receivable-other," "Notes and accounts payable-trade," "Accounts payable-other and accrued expenses," "Income taxes payable," "Accrued consumption taxes" and "Deposits received" are omitted from the table because being cash and short maturities their value approximates their book value.

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

Classification	Fiscal year ended June 30, 2023 (Thousands of yen)
Unlisted stocks	0

3 Investments in partnerships and other similar entities in which the net amount equivalent to the equity interest is recorded on the consolidated balance sheets are omitted. The amount of the said investment on the consolidated balance sheet is 111,294 thousand yen.

4 In accordance with generally accepted accounting principles for investment trusts, the NAV of the investment trusts is considered to be the fair value, and such investment trusts are included in the above table.

Fiscal year ended June 30, 2024

(Thousands of yen)

	Amount shown on consolidated balance sheet	Market value	Difference
(1) Investment securities *2			
Available-for-sale securities	865,551	865,551	-
(2) Lease and guarantee deposits (including current portion)	630,981	620,488	△10,493
Total assets	1,496,533	1,486,040	△10,493
(1) Lease obligations (including current portion)	6,005	6,006	0
Total liabilities	6,005	6,006	0

1

The items "Cash and deposits," "Notes, accounts receivable-trade and contract assets," "Marketable securities," "Deposits received," "Accounts receivable-other," "Notes and accounts payable-trade," "Accounts payable-other and accrued expenses," "Income taxes payable," "Accrued consumption taxes" and "Deposits received" are omitted from the table because being cash and short maturities their value approximates their book value.

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

Classification	Fiscal year ended June 30, 2024 (Thousands of yen)
Unlisted stocks	0

3 Investments in partnerships and other similar entities in which the net amount equivalent to the equity interest is recorded on the consolidated balance sheets are omitted. The amount of the said investment on the consolidated balance sheet is 171,448

thousand yen.

4 In accordance with generally accepted corporate accounting standards, the NAV of investment trusts is regarded as the fair value of the investment trusts, and such investment trusts are included in the above table.

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

Fiscal year ended June 30, 2023

(Thousands of yen)

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

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

Fiscal year ended June 30, 2024

(Thousands of yen)

	Within 1 year	Due after one year through five years	Due after 5 years through 10 years	Over 10 years
Cash on hand and at bank	10,874,892	-	-	-
Notes and accounts receivable - trade	3,615,211	-	-	-
Marketable securities and investment securities (Note)				
Held-to-maturity debt securities				
(1) Corporate bonds	-	-	-	-
(2) Other	500,000	-	-	-
total amount	14,990,104	-	-	-

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

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

Fiscal year ended June 30, 2023

(Thousands of yen)

	Within 1 year	Due after one year through two years	Due after 2 years through 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Lease obligations	12,257	6,039	-	-	-	-

Fiscal year ended June 30, 2024

(Thousands of yen)

	Within 1 year	Due after one year through two years	Due after 2 years through 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Lease obligations	6,005	-	-	-	-	-

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

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

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

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

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

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

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

Fiscal year ended June 30, 2023

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investments in securities				
Available-for-sale securities				
stock (company)	363,960	-	-	363,960
Other	-	296,791	-	296,791
total assets	363,960	296,791	-	660,751

Fiscal year ended June 30, 2024

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investments in securities				
Available-for-sale securities				
stock (company)	408,240	-	-	408,240
Other	-	407,311	50,000	457,311
total assets	408,240	407,311	50,000	865,551

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

Fiscal year ended June 30, 2023

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Lease and guarantee deposits (including current portion)	-	571,937	-	571,937
total assets	-	571,937	-	571,937
Lease obligations (including current portion)	-	18,300	-	18,300
Total liabilities	-	18,300	-	18,300

Fiscal year ended June 30, 2024

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Lease and guarantee deposits (including current portion)	-	620,488	-	620,488
total assets	-	620,488	-	620,488
Lease obligations (including current portion)	-	6,006	-	6,006
Total liabilities	-	6,006	-	6,006

(Note 1) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investments in securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. Mutual funds, etc., are classified as Level 2 fair value because they are not frequently traded in the market and are not considered quoted prices in active markets. Unlisted equity warrants are calculated using significant unobservable inputs and are classified as Level 3 fair value.

Lease and guarantee deposits

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

Lease obligations

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

2. Information on fair value of Level 3 financial instruments whose fair value is reported in the consolidated balance sheets

Notes have been omitted due to immateriality.

(Marketable securities)

Held-to-maturity debt securities

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

(Thousands of yen)

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

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Thousands of yen)

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

Available-for-sale securities

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

(Thousands of yen)

Classification	Consolidated Balance Sheet Amount	Acquisition cost	Difference
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stock (company)	363,960	90,554	273,405
Other	90,338	71,948	18,389
subtotal	454,298	162,503	291,795
Securities whose reported amounts in consolidated balance sheets do not exceed acquisition cost			
Stock (company)	-	-	-
Other	206,453	246,217	△39,764
Subtotal	206,453	246,217	△39,764
Total amount	660,751	408,720	252,030

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

2. Investments in Investment Business Limited Liability Partnership (amount on consolidated balance sheet: 111,294 thousand yen) are not included in "Available-for-sale securities" in the table above.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Thousands of yen)

Classification	Consolidated Balance Sheet Amount	Acquisition cost	Difference
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stock (company)	408,240	90,554	317,685
Other	87,836	58,251	29,584
subtotal	496,076	148,806	347,269
Securities whose reported amounts in consolidated balance sheets do not exceed acquisition cost			
Stock (company)	-	-	-
Other	369,475	391,929	(22,453)
Subtotal	369,475	391,929	(22,453)
total amount	865,551	540,736	324,815

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

2. Investments in limited liability investment partnerships (171,448 thousand yen on the consolidated balance sheet) are not included in "Other securities" in the table above.

(Derivative transactions)

Not applicable.

(Retirement benefits)

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

(Stock options, etc.)

Not applicable.

(Tax effect accounting related)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
(Deferred tax assets)		
Tax loss carryforwards	139,045	174,598
Unpaid Enterprise tax	52,932	110,914
Unpaid Business tax	8,643	9,502
Accounts payable and accrued expenses	6,346	-
Allowance for bonuses	352,143	454,391
Allowance for bonuses to directors and corporate auditors	53,137	56,915
Allowance for stock benefits	-	41,761
Allowance for loss on orders received	21,309	6,196
Advance received	577	8
Allowance for doubtful accounts	1,253	1,432
Stock compensation expense	10,120	11,280
Depreciation and amortization	111,157	77,059
Loss on valuation of investment securities	3,062	87,697
Asset retirement obligations	29,683	101,275
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,401	6,875
Other	18,930	34,078
Subtotal of deferred tax assets	814,744	1,173,990
Valuation allowance for net operating loss carryforwards for tax purposes	(139,045)	(174,598)
Valuation allowance for total future deductible temporary differences, etc.	△3,062	(109,745)
Subtotal of valuation allowance	(142,107)	(284,344)
Total deferred tax assets	672,637	889,646
(Deferred tax liabilities)		
Deferred gains or losses on hedges	133	1,263
Buildings and equipment (asset retirement costs)	30,506	53,758
Net unrealized gains (losses) on available-for-sale securities, net of taxes	89,805	106,334
Total deferred tax liabilities	120,445	161,355
Net deferred tax assets	552,192	728,290

(Note 1) Valuation allowance increased by 142,237 thousand yen. This increase was mainly due to an increase in loss on valuation of investment securities.

2. Amount of net operating loss carryforwards for tax purposes and their deferred tax asset carryforwards by expiration date

Fiscal year ended June 30, 2023

(Thousands of yen)

	Within 1 year	More than 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	total amount
Tax loss carryforwards	-	-	-	-	-	139,045	139,045
Valuation allowance	-	-	-	-	-	(139,045)	(139,045)
Deferred tax asset	-	-	-	-	-	-	-

Tax loss carryforwards are multiplied by the effective statutory tax rate.

Fiscal year ended June 30, 2024

(Thousands of yen)

	Within 1 year	More than 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total amount
Tax loss carryforwards	-	-	-	-	12,605	161,993	174,598
Valuation allowance	-	-	-	-	△12,605	(161,993)	(174,598)
Deferred tax asset	-	-	-	-	-	-	-

Tax loss carryforwards are multiplied by the effective statutory tax rate.

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

For the previous and current fiscal years, notes are omitted because the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting is less than 5/100 of the statutory tax rate.

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

The Company and its domestic consolidated subsidiaries apply the group totalization system, and in accordance with the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (Practical Issues Task Force No. 42, August 12, 2021), the accounting treatment of income taxes and local income taxes or tax effect accounting related to these taxes, and disclosures are made. The Company has adopted the accounting treatment and disclosure of corporate income taxes and local corporate income taxes.

(Business Combinations, etc.)

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

(Transactions under common control, etc.)

At a meeting of the Board of Directors held on June 22, 2022, the Company's Board of Directors resolved a policy of reorganization of the Group (corporate separation between consolidated subsidiaries), and as of July 15, 2022, DIVA Corporation, a consolidated subsidiary of the Company, will transfer to FIERTE Corporation, a consolidated subsidiary of the Company, the consolidated financial settlement support (hereinafter referred to as "DivaSystem LCA" and "DivaSystem FBX") by way of absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 1"). Ltd. will succeed to the business under the jurisdiction of the Corporate Performance Management Unit through an absorption-type company split (hereinafter referred to as "Absorption-type Company Split No. 2"). (hereinafter referred to as the "Second Absorption-Type Split"), and the Company's consolidated subsidiary, Jirushi Corporation, executed an absorption-type split agreement with DIVA CORPORATION on October 1, 2022.

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

After trade name change	Before the trade name change
Avant group corporation	Avant corporation
Avant corporation	Diva corporation
Diva corporation	FIERTE Corporation

Absorption-type demerger No. 1

(1) Outline of Transaction

(i) Name and description of the subject business

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

(2) Date of business combination

October 1, 2022

(3) Legal form of business combination

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

(4) Name of the company after the combination

Diva corporation

Avant corporation

(5) Other matters related to the outline of transactions

In order to realize the Group's strategic materiality, we are accelerating the growth of existing businesses and creating new growth businesses through organizational restructuring.

(2) Outline of accounting procedures implemented

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

Absorption-type demerger No. 2

(1) Outline of Transaction

(i) Name and description of the subject business

Businesses under the jurisdiction of the Corporate Performance Management Unit

(2) Date of business combination

October 1, 2022

(3) Legal form of business combination

Company split with Zeal Corporation as the splitting company and DIVA Corporation as the succeeding company.

(4) Name of the company after the combination

Avant corporation

Zeal corporation

(5) Other matters related to the outline of transactions

In order to realize the Group's strategic materiality, we are accelerating the growth of existing businesses and creating new growth businesses through organizational restructuring.

(2) Outline of accounting procedures implemented

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

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

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

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

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

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

(Thousands of yen)

	Fiscal year ended June 30, 2023 From: June 30, 2023 To: June 30, 2023)	Fiscal year ended June 30, 2024 From: June 30, 2024 To: June 30, 2024)
Balance at beginning of term	196,183	210,900
Increase due to acquisition of property, plant and equipment	104,817	83,960
Increase due to change in estimate	-	-
Adjustments due to passage of time	542	502
Decrease due to fulfillment of asset retirement obligations	(90,642)	-
Balance at end of year	210,900	295,362

(Revenue Recognition)

1. Information on disaggregating revenue from contracts with customers

As stated in "5. Accounting Section 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements (Segment Information, etc.) Segment Information," the Company has changed the classification of its reportable segments from the current consolidated fiscal year, and the figures for the previous consolidated fiscal year are based on the classification after the change.

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

(Unit: Thousands of yen)

	Reportable Segment			Total amount
	Consolidated financial disclosure business	Digital transformation promotion business	Business management solution business	
Goods to be transferred at one point in time or service	144,550	43,382	233,669	421,602
Goods or services transferred over a period of time	6,192,852	7,224,209	7,585,919	21,002,982
Revenue from contracts with customers	6,337,403	7,267,592	7,819,589	21,424,584
Other revenues	-	-	-	-
Sales to external customers	6,337,403	7,267,592	7,819,589	21,424,584

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Unit: Thousands of yen)

	Reportable Segment			Total amount
	Consolidated financial disclosure business	Digital transformation promotion business	business management solution business	
Goods to be transferred at one point in time or service	179,031	36,834	148,019	363,885
Goods or services transferred over a period of time	6,988,003	8,777,211	8,290,660	24,055,874
Revenue from contracts with customers	7,167,034	8,814,046	8,438,680	24,419,760
Other income	-	-	-	-
Sales to external customers	7,167,034	8,814,046	8,438,680	24,419,760

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

The basis for understanding revenues is described in "(5) Basis for Recognition of Significant Revenues and Expenses" in "4.

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

(1) Contract assets and contract liabilities

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Receivables arising from contracts with customers (beginning balance)	2,512,036	2,283,659
Receivables arising from contracts with customers (ending balance)	2,283,659	3,615,211
Contract assets (beginning balance)	512,013	679,471
Contract assets at end of period	679,471	825,069
Contract liabilities (beginning balance)	2,355,344	2,796,086
Contract liabilities at end of period	2,796,086	3,345,483

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

Contract liabilities primarily relate to unearned revenues from customers. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized in the previous fiscal year that was included in contract liabilities at the beginning of the previous fiscal year was 2,093,460 thousand yen. The amount of revenue recognized in the current fiscal year that was included in contract liabilities as of the beginning of the period was 2,718,403 thousand yen.

(2) Transaction price allocated to remaining performance obligations

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

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Within 1 year	6,977,186	8,559,443
More than 1 year	44,255	222,844
Total amount	7,021,442	8,782,287

(Segment Information, etc.)

Segment information

1. Overview of reportable segments

(1) Method of determining reportable segments

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

Effective from the current fiscal year, the Company has reviewed its business segment classification method and changed its reportable segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and "Business Management Solutions Business". In accordance with this change, the results for the same period of the previous fiscal year for each reportable segment have been restated to reflect the new segment classifications.

(2) Products and services in each reportable segment

The Consolidated Financial Disclosure Business supports the creation of value through corporate disclosure by developing and maintaining DivaSystem, an in-house software package for consolidated management support and consolidated accounting, and by providing outsourcing services for consolidated and non-consolidated settlement of accounts using the software. The positioning of our group is to establish a business model that integrates the software business and the outsourcing business.

The information retrieval service for disclosure documents by Internet Disclosure Corporation Co., Ltd., which is provided mainly to audit firms, is also included in the Consolidated Financial Disclosure Business.

The Digital Transformation Promotion Business provides consulting and system development services, including data platforms for utilizing all kinds of data surrounding companies and AI/BI solutions for analyzing, predicting, and visualizing data, to support the promotion of digital transformation and data-driven management of companies. We support the promotion of digital transformation and data-driven management of companies through consulting and system development. The objective is also to expand the Group's product lineup by acquiring the latest information utilization methods specializing in data utilization, from major cloud vendors to multi-cloud compatible software and the latest technologies represented by generative AI, and by promoting the training of engineers and in-house development of data utilization infrastructure products.

The Management Solution Business provides one-stop support from consulting to system planning, construction, implementation, operation, and maintenance, with the aim of visualizing and maximizing the "invisible value" of a company, focusing on group management, consolidated accounting, and business management. In addition to developing software in-house, we also combine our software with software developed by other companies. The role of the company is to maximize the use of the Group's assets and to continuously create solutions that provide management information useful for improving corporate value.

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

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

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

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

(Unit: Thousands of yen)

	Reportable Segment			Total amount
	Consolidated financial disclosure business	Digital transformation promotion business	Business management solution business	
Net sales				
Sales to external customers	6,337,403	7,267,592	7,819,589	21,424,584
Intersegment sales or transfer amount	564,907	4,652	63,735	633,295
Total	6,902,310	7,272,245	7,883,325	22,057,880
Segment income	1,586,534	1,118,289	1,321,030	4,025,854
Segment assets	4,963,529	3,104,831	5,312,410	13,380,772
Segment liabilities	3,025,887	1,626,943	3,508,508	8,161,340
Other Items				
Depreciation and amortization	120,934	40,603	134,463	296,001
Impairment loss	186,613	-	-	186,613
Increase in property, plant and equipment and intangible assets	149,035	10,906	15,033	174,975

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Unit: Thousands of yen)

	Reportable Segment			Total amount
	Consolidated financial disclosure business	Digital transformation promotion business	Business management Solution Business	
Net sales				
Sales to external customers	7,167,034	8,814,046	8,438,680	24,419,760
Intersegment sales or transfer amount	370,623	32,882	79,640	483,146
Total	7,537,658	8,846,928	8,518,320	24,902,907
Segment income	1,840,440	1,633,351	1,407,897	4,881,689
Segment assets	5,894,144	3,915,781	7,821,307	17,631,233
Segment liabilities	3,449,792	2,141,607	4,782,143	10,373,543
Other Items				
Depreciation and amortization	155,629	12,479	245,465	413,575
Impairment loss	-	-	-	-
Increase in property, plant and equipment and intangible assets	80,215	16,342	172,375	268,933

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

(Unit: Thousands of yen)

Net sales	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total of reportable segments	22,057,880	24,902,907
Elimination of transactions between the Company and its segments	(633,295)	(483,146)
Net sales in consolidated financial statements	21,424,584	24,419,760

(Unit: Thousands of yen)

Profit	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total of reportable segments	4,025,854	4,881,689
Elimination of transactions between the Company and its segments	808,924	908,866
Corporate expenses (Note)	(1,538,347)	(1,682,534)
Other	△7,040	△8,898
Operating profit in consolidated financial statements	3,289,390	4,099,123

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

(Unit: Thousands of yen)

Assets	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total of reportable segments	13,380,772	17,631,233
Elimination of transactions between the Company and its segments	(1,993,083)	(2,133,586)
Corporate assets (Note)	7,295,686	6,415,802
Other	22,218	△16,543
Total assets in consolidated financial statements	18,705,593	21,896,905

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

(Unit: Thousands of yen)

Liabilities	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total of reportable segments	8,161,340	10,373,543
Elimination of transactions between the Company and its segments	(2,078,750)	(2,056,449)
Corporate liabilities (Note)	256,865	281,514
Other	37,621	4,569
Total liabilities in consolidated financial statements	6,377,076	8,603,177

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

(Unit: Thousands of yen)

Other Items	Total of reportable segments		Adjustment (Note)		Amount recorded in consolidated financial statements	
	Previous fiscal year	Current consolidated fiscal year	Previous fiscal year	Current consolidated fiscal year	Previous fiscal year	Current consolidated fiscal year
Depreciation and amortization	296,001	413,575	153,222	129,897	449,223	543,472
Impairment loss	186,613	-	-	-	186,613	-
Increase in property, plant and equipment and intangible assets	174,975	268,933	446,699	113,069	621,674	382,002

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

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

The following is a summary of the results of the survey.

Related information

Fiscal year ended June 30, 2023 (July 1, 2022 to June 30, 2023) and Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Tangible fixed assets

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

3. Information by major customer

Not applicable since no customer accounts for 10% or more of the sales to external customers in the consolidated statements of income.

Information on impairment loss on fixed assets by reportable segment

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

(Unit: Thousands of yen)

	Reportable Segment			Total amount
	Consolidated financial disclosure business	Digital transformation promotion business	Business management Solution Business	
Impairment loss	186,613	-	-	186,613

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Not applicable.

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

Not applicable.

Information on gain on negative goodwill by reportable segment] [Information on gain on negative goodwill by reportable segment

Not applicable.

Related Party Information

Transactions with related parties

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

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

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

Not applicable.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

Not applicable.

(Per share information)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023)	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024)
Net assets per share	327.51	362.95
Net income per share	55.65	76.62s

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

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

(Thousands of yen)

Item	As of (June 30, 2023)	As of (June 30, 2024)
Total net assets	12,328,516	13,293,728
Amount deducted from total net assets	-	-
Net assets related to common stock at the end of the period (thousand yen)	12,328,516	13,293,728
Number of shares of common stock used in the calculation of net assets per share at the end of the period (shares)	37,642,853	36,626,453

(Note: The Company has introduced a share grant trust for employees and executive officers effective from the fiscal year ended June 30, 2024, and the Company shares held by the share grant trust for employees and executive officers, which are recorded as treasury stock in shareholders' equity as of June 30, 2024, are included in treasury stock, which is deducted from the number of shares outstanding at the end of the fiscal year in calculating net assets per share. The number of such treasury stock at the end of the fiscal year deducted for the calculation of net assets per share is 652,300 shares for the fiscal year under review.

The basis for calculating net income per share is as follows

(Thousands of yen)

Item	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023)	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024)
Net income attributable to parent company shareholders	2,094,520	2,850,922
Amount not attributable to common shareholders	-	-
Net income attributable to owners of the parent relating to common stock.	2,094,520	2,850,922
Average number of shares of common stock during the period (shares)	37,636,218	37,206,951

(Note) The Company has introduced a share grant trust for employees and executive officers effective from the current fiscal year, and the Company's shares held by the share grant trust for employees and executive officers, which are recorded as treasury stock in shareholders' equity for the current fiscal year, are included in treasury stock, which is deducted in calculating the average number of shares during the period for the purpose of calculating net income per share. The average number of such treasury stock deducted from the calculation of net income per share is 405,844 shares for the current fiscal year.

(Significant subsequent events)

(Establishment of joint venture (subsidiary))

At the Board of Directors meeting held on April 26, 2024, the Company resolved to establish DivaCygnet Private Limited, a joint venture with Cygnet Infotech Private Limited (https://www.cygnet.one). Based on this resolution, the Company entered into a joint venture agreement on April 30, 2024 and established the joint venture on August 5, 2024. DivaCygnet Private Limited is a consolidated subsidiary of the Company.

(1) Background of Joint Venture Establishment

In order to become a "world-class software company" and to obtain software development capabilities on a global level, we have outsourced the development of our software products to Cygnet Infotech Private Limited, which is based in India and aims to "improve the lives of people around the world with technology-enabled, data-driven solutions". Through collaboration with the company, the two companies have identified the growth potential of the Indian software market and the sales potential of the Group's software products in India, and as a result of discussions between the two companies, they have decided to establish a joint venture company with joint investment.

(2) Business and Purpose of the Joint Venture

Through the joint venture with the company, we intend to strengthen the Indian market by conducting research and business development of our group's software sales in the Indian market.

(3) Outline of Joint Venture Company

(i)	Name	DivaCygnet Private Limited
(ii)	Location	Bandra Kurla Complex, Mumbai, Maharashtra
(iii)	Title and name of representative	CEO: Surendra Sharma
(iv)	Business	Investigation of the Group's software sales in the Indian market and business development
(v)	Share Capital	60 million Indian rupees
(vi)	Date of Establishment	August 5, 2024
(vii)	Accounting period	March
(viii)	Net assets	60 million Indian rupees
(ix)	Total assets	60 million Indian rupees
(x)	Investment Ratio	Avant Group Inc.: 80%. Cygnet Infotech Private Limited: 20%.

(4) Outline of the counterparty to the joint venture agreement

<table>
<tr><td>(i)</td><td>Name</td><td colspan="2">Cygnet Infotech Private Limited</td></tr>
<tr><td>(ii)</td><td>Location</td><td colspan="2">16-Swastik Society, near Amco Bank, Stadium Circle, Opposite Diamond Plaza, Navrangpura, Ahmedabad - 380009, Gujarat, India</td></tr>
<tr><td>(iii)</td><td>Title and name of representative</td><td colspan="2">Managing Director, Founder & CEO: Niraj Hutheesing</td></tr>
<tr><td>(iv)</td><td>Business</td><td colspan="2">Contracted development of software and development and sales of in-house software</td></tr>
<tr><td>(v)</td><td>capital stock</td><td colspan="2">52 million Indian rupees</td></tr>
<tr><td>(vi)</td><td>Date of Establishment</td><td colspan="2">August 22, 2000</td></tr>
<tr><td>(vii)</td><td>Major Shareholders and Shareholding Ratio</td><td colspan="2">Niraj Hutheesing: 87.77%.</td></tr>
<tr><td rowspan="3">(viii)</td><td rowspan="3">Listed companies and Relationship with the Company</td><td>Capital ties</td><td>Not applicable.</td></tr>
<tr><td>Personal relations</td><td>Not applicable.</td></tr>
<tr><td>Business relations</td><td>The Company has been developing software products for the company.
Commissioned.</td></tr>
</table>

(5) Future schedule

Business start date	August 23, 2024

(5) Consolidated supplementary schedules

Schedule of Bonds

Not applicable.

Schedule of Borrowings, etc.

(Thousands of yen)

Classification	Balance at the beginning of current period	Balance at the end of current period	Average interest rate (%)	Repayment deadline
Current portion of long-term debt	-	-	-	-
Current portion of lease obligations	12,257	6,005	4.5	-
Long-term debt (excluding current portion)	-	-	-	-
Lease obligations (excluding current portion)	6,039	-	-	-
Other interest-bearing liabilities	-	-	-	-
Total amount	18,296	6,005	-	-

(The average interest rate is the weighted average interest rate for the balance at the end of the fiscal year.

Asset Retirement Obligations

(Thousands of yen)

Classification	Balance at the beginning of current period	Increase in the current period	Decrease in the current period	Balance at the end of current period
Obligation to restore property to its original condition in connection with a real estate lease contract	210,900	84,462	-	295,362

(2) Others

Quarterly information for the Fiscal year ended June 30, 2024

(Thousands of yen)

(Cumulative period)	First Quarter	Second Quarter	3rd Quarter	Fiscal year ended June 30, 2024
Net sales	5,646,570	11,742,720	17,806,215	24,419,760
Income before income taxes and minority interests	679,179	1,893,644	3,091,580	4,131,659
Net income attributable to owners of the parent	482,969	1,216,824	1,974,253	2,850,922
Net income per share (Yen)	12.86	32.51	52.90	76.62

(Note) The Company has introduced an employee stock issuance trust from the first quarter of the current fiscal year, and the Company shares held by the trust account of the trust are included in treasury stock for the calculation of net income per share for the period, which is deducted from the average number of shares during the period. In addition, the Company has introduced a share grant trust for executive officers from the second quarter of the current fiscal year, and the Company shares held by the share grant trust for employees and executive officers are included in treasury stock as a deduction in the calculation of average number of shares outstanding during the period for the purpose of calculating net income per share for the quarter.

(Accounting period)	First Quarter	Second Quarter	3rd Quarter	4th Quarter
Net income per share (Yen)	12.86	19.66	20.42	23.78

(Note) The Company has introduced an employee stock issuance trust from the first quarter of the current fiscal year, and the Company shares held by the trust account of the trust are included in the treasury stock deducted from the average number of shares during the period for the purpose of calculating net income per share.

In addition, the Company has introduced a share grant trust for executive officers from the second quarter of the current fiscal year, and the Company shares held by the trust for employees and executive officers are included in treasury stock as a deduction in the calculation of the average number of shares outstanding during the period for the purpose of calculating quarterly net income per share.

5-2 Financial Statements, etc.

(1) Financial statements

(1) Balance Sheet

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Assets		
Current assets		
Cash on hand and at bank	5,119,866	3,506,376
Accounts receivable	[1] 83,870	[1] 98,511
Marketable securities	500,000	500,000
Supplies	20,517	21,154
Prepaid expenses	64,338	111,635
Short-term loans receivable	[1] 100,000	-
(Cash) advance	[1] 27,186	[1] 36,860
Accounts receivable	[1] 737,390	[1] 530,597
Key money	-	526,961
Other	[1] 2,532	43,735
Total current assets	6,655,702	5,375,833
Fixed assets		
Property, plant and equipment		
Tools, furniture and fixtures	294,946	314,094
Accumulated depreciation	(217,466)	△265,596
Tools, furniture and fixtures, net	77,480	48,498
Construction in progress	51,978	-
Total property, plant and equipment	129,458	48,498
Intangible fixed assets		
Trademarks	-	42,527
Software	193,892	230,714
Other	225	225
Total intangible assets	194,117	273,468
Investments and other assets		
Investments in securities	660,751	865,551
Shares of subsidiaries and affiliates	1,043,737	1,270,357
Long-term prepaid expenses	18,934	9,628
Lease and guarantee deposits	165	2,194
Insurance reserve	59,511	63,971
Other	[1] 17,920	[1] 9,840
Total investments and other assets	1,801,022	2,221,545
Total fixed assets	2,124,598	2,543,511
Total assets	8,780,300	7,919,345

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Liabilities		
current liabilities		
Lease obligations	3,772	1,458
Arrears	1 178,829	1 114,766
Accrued expenses	8,584	25,627
Accrued income taxes	2,019	1,936
Deposit (received)	18,183	21,434
Allowance for bonuses	66,337	53,372
Allowance for bonuses to directors and corporate auditors	21,059	48,899
Deposits received from subsidiaries and affiliates	200,000	200,000
Allowance for stock benefits	-	72,618
Other	37,251	-
Total current liabilities	536,039	540,114
Fixed liabilities		
Lease obligations	1,458	-
Asset retirement obligations	22,300	22,437
Deferred tax liabilities	41,841	27,312
Total long-term liabilities	65,600	49,749
Total liabilities	601,640	589,864
Total net assets		
Shareholders’ equity		
Share capital	345,113	345,113
Capital surplus		
Capital reserve	281,913	281,913
Total capital surplus	281,913	281,913
Retained earnings		
Legal retained earnings reserve	374	374
Other retained earnings		
Retained earnings brought forward	7,367,640	7,871,821
Total retained earnings	7,368,014	7,872,195
Treasury shares	△608	(1,396,622)
Total shareholders' equity	7,994,432	7,102,599
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	183,925	224,019
Deferred gains or losses on hedges	302	2,862
Total valuation and translation adjustments	184,228	226,882
Total net assets	8,178,660	7,329,481
Total liabilities and net assets	8,780,300	7,919,345

(2) Statements of Income

(Unit: Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023)	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024)
Operating revenue		
Management fee	[1] 936,226	[1] 1,049,718
Dividends received from affiliates	2,636,255	1,654,000
Other	516	148
Total operating revenues	3,572,998	2,703,866
Operating expenses		
Cost of sales	518	-
Selling, general and administrative expenses	1,696,182 [*1, *2]	1,856,660 [*1, *2]
Total operating expenses	1,696,700	1,856,660
Operating profit	1,876,298	847,206
Non-operating income		
Interest income	[1] 2,022	[1] 758
Dividends received	10,192	12,296
Profit on currency exchange	-	4,434
Subsidy income	-	202
Other	3,216	2,375
Total non-operating income	15,431	20,067
Non-operating expenses		
Interest expense	[1] 24	[1] 4
Fees and commissions	5,791	10,863
Loss on investment partnership management	11,975	13,750
Foreign exchange loss	71	-
Stock issuance expenses	228	-
Other	289	589
Total non-operating expenses	18,381	25,207
Ordinary profit	1,873,347	842,065
Extraordinary profit		
Penalty income	-	[3] 16,961
Total extraordinary profit	-	16,961
Income before income taxes and minority interests	1,873,347	859,026
Corporate, inhabitant and enterprise taxes	(159,743)	(176,745)
Income taxes-deferred	10,621	△33,052
Total income taxes	△149,122	(209,797)
Net income	2,022,470	1,068,824

(3) Statements of Changes in Net Assets

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

(Unit: Thousands of yen)

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

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

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Unit: Thousands of yen)

	Shareholders Equity					
		Capital surplus		Retained earnings		
	Share capital	Capital reserve	Total capital surplus	Legal retained earnings reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	345,113	281,913	281,913	374	7,367,640	7,368,014
Changes of items during the period						
Dividends from surplus					(564,642)	(564,642)
Net income					1,068,824	1,068,824
Acquisition of treasury stock						
Acquisition of treasury stock by stock delivery trust						
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	-	-	504,181	504,181
Balance at end of current period	345,113	281,913	281,913	374	7,871,821	7,872,195

	Share capital		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Available-for-sale securities Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	△608	7,994,432	183,925	302	184,228	8,178,660
Changes of items during the period						
Dividends from surplus		(564,642)				(564,642)
Net income		1,068,824				1,068,824
Acquisition of treasury stock	(477,635)	(477,635)				(477,635)
Acquisition of treasury stock by stock delivery trust	△918,379	△918,379				△918,379
Net changes of items other than shareholders' equity		-	40,093	2,560	42,653	42,653
Total changes of items during the period	(1,396,014)	△891,833	40,093	2,560	42,653	(849,179)
Balance at the end of current period	(1,396,622)	7,102,599	224,019	2,862	226,882	7,329,481

Notes

Significant Accounting Policies

Valuation standards and methods for assets

(1) Valuation standards and methods for securities

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Stocks of subsidiaries and affiliates

Cost method based on the moving average method

Other marketable securities

Other than stocks and other securities with no market price

Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is determined by the moving-average method)

Non-marketable equity securities, etc.

Cost method based on the moving average method

For investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), the Company uses the most recent financial statements available according to the reporting date stipulated in the partnership agreement as the basis for calculating the net amount equivalent to its interest in the partnership.

(2) Valuation standards and methods for inventories

Supplies

Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

Depreciation method for fixed assets

(1) Tangible fixed assets

Declining-balance method

However, buildings and equipment acquired on or after April 1, 2016 are depreciated using the straight-line method.

Principal useful life

Tools, furniture and fixtures 4 to 15 years

(2) Intangible assets

Straight-line method

Principal useful life

Software

I Software for sale on the market

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

II Software for in-house use

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

Trademarks

10 years

Accounting for deferred assets

(1) Stock issuance expenses

The entire amount is expensed at the time of expenditure.

Basis for reserves

(1) Reserve for bonuses

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

(2) Allowance for bonuses to directors and corporate auditors

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

(3) Allowance for stock benefits

To provide for the payment of Company stock to employees and executive officers in accordance with the stock delivery regulations, the Company records an amount based on the estimated amount of stock delivery obligations as of the end of the fiscal year under review.

5. Basis for recording revenues and expenses

The Company's revenues consist of management guidance fees and outsourcing fees from subsidiaries.

The performance obligation is to provide contracted services to the subsidiary in accordance with the terms of the contract, and the Company's performance obligation is fulfilled when the services are provided, and thus revenue and expenses are recognized at that time.

6. Other important matters that serve as the basis for the preparation of financial statements

(1) Hedge accounting method

Hedge accounting method

Deferred hedge accounting is adopted.

Hedging instruments and hedged items

Hedging instrument: Foreign currency deposits

Hedged items: Anticipated transactions denominated in foreign currencies

Hedging policy

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

Methods of evaluating the effectiveness of hedging

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

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

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

(3) Application of group aggregation system

The Company applies the group totalization system and accounts for corporate and local income taxes or tax effect accounting related to these taxes and disclosures in accordance with the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (Practical Issues Task Force No. 42, August 12, 2021).

(Critical Accounting Estimates)

Not applicable.

(Change in accounting policy)

Not applicable.

(Additional Information)

(Transactions in which the Company's shares are issued to employees and executive officers through a trust)

Notes are omitted because the same information is presented in "Notes (Additional Information)" in the consolidated financial statements.

(Notes to Balance Sheet)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Short-term monetary claims	384,047	150,207
Short-term monetary obligations	114,703	36,241
Long-term monetary claims	17,920	9,840

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Total amount of loan commitments	3,500,000	3,500,000
Loan balance	-	-
balance (of an account)	3,500,000	3,500,000

(Notes to Statements of Income)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Transaction volume from business transactions	1,237,180	1,215,422
Non-operating transactions	398,371	715

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

The following is a summary of the results of the study.

	Fiscal year ended June 30, 2023 From: July 1, 2022 To: June 30, 2023	Fiscal year ended June 30, 2024 From: July 1, 2023 To: June 30, 2024
Officer's compensation or remuneration	150,343	147,512
Employee salaries and bonuses	296,179	337,582
Provision for bonuses	66,337	47,601
Provision for directors' bonuses	22,257	45,725
Depreciation and amortization	154,919	135,711
Fees and commissions	479,291	411,026
Equipment software expenses	233,374	332,478

3. Penalty income

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

Not applicable.

Fiscal year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

The Company records the portion of penalty income resulting from the cancellation of partnership agreements for the convenience of the counterparty.

(Marketable securities)

Fiscal year ended June 30, 2023

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

Fiscal year ended June 30, 2024

The fair value of shares of subsidiaries (amount on the balance sheet: 1,270,357 thousand yen) is not stated because such shares do not have market prices.

(Tax effect accounting related)

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
(Deferred tax assets)		
Tax loss carryforwards	139,045	174,598
Enterprise tax payable	426	504
Business office tax payable	407	528
Allowance for bonuses	15,850	16,342
Allowance for bonuses to directors and corporate auditors	782	14,972
Allowance for stock benefits	-	22,235
Depreciation and amortization	16,357	8,086
Loss on valuation of investment securities	3,062	3,061
Loss on valuation of stocks of subsidiaries and affiliates	84,635	124,726
Asset retirement obligations	5,497	6,870
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,401	6,875
Other	2,374	25,915
Subtotal of deferred tax assets	274,839	404,719
Valuation allowance for net operating loss carryforwards for tax purposes	(139,045)	(174,598)
Valuation allowance for total future deductible temporary differences, etc.	(87,697)	(149,835)
Subtotal of valuation allowance	△226,742	(324,434)
Total deferred tax assets	48,097	80,284
(Deferred tax liabilities)		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	89,805	106,334
Other	133	1,263
Total deferred tax liabilities	89,938	107,597
Net deferred tax assets and liabilities	(41,841)	(27,312)

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

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	-%	0.0%
Dividends received and other items not permanently includable in income	△43.0%	△59.0%
Valuation allowance	0.5%	5.3%
Other	4.0%	△1.3%
Effective tax rate after application of tax effect accounting	△7.9%	△24.4%

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

The Company applies the group totalization system and accounts for corporate and local income taxes or tax effect accounting related to these taxes and disclosures in accordance with the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (Practical Issues Task Force No. 42, August 12, 2021).

(Revenue Recognition)

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

(Significant subsequent events)

(Establishment of joint venture (subsidiary))

Notes are omitted because the same information is presented in "Notes (Significant Subsequent Events)" in the consolidated financial statements.

(4) Annexed Schedule

Schedule of Tangible Fixed Assets, etc.

(Unit: Thousands of yen)

Classification	Type of Assets	Balance at beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Amortization for the year	Balance at end of current period	Accumulated depreciation
Property, plant and equipment	Tools, furniture and fixtures	77,480	19,148	-	48,129	48,498	265,596
	Construction in progress	51,978	-	51,978	-	-	-
	Total	129,458	19,148	51,978	48,129	48,498	265,596
Intangible fixed assets	Trademarks	-	47,253	-	4,725	42,527	-
	Software	193,892	201,152	81,473	82,856	230,714	-
	Other	225	-	-	-	225	-
	Total	194,117	248,405	81,473	87,581	273,468	-

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

Tools, furniture and fixtures	Network equipment	16,533 thousand yen
Trademark	Avant Group company name and logo	47,253 thousand yen
Software	New software and existing updates	153,217 thousand yen

The main details of the decrease are as follows:

Software	Contract Cancellation	50,883 thousand yen

Allowance Schedule

(Unit: Thousands of yen)

Classification	Balance at beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of current period
Allowance for bonuses	66,337	53,372	66,337	53,372
Allowance for bonuses to directors and corporate auditors	21,059	48,899	21,059	48,899
Allowance for stock benefits	-	72,618	-	72,618

(2) Details of major assets and liabilities

Omitted due to the preparation of consolidated financial statements.

(3) Others

Not applicable.

6 Summary of share administration of the Parent company.

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

7 Reference Information of the Parent Company

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

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

7-2 Other reference information

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

(1) Annual Securities Report and its attachments and confirmations

Business year (27th period) (from July 1, 2022 to June 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on September 25, 2023

(2) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on September 25, 2023

(3) Quarterly Report and Written Confirmation

(July 1, 2023 - September 30, 2023) (July 1, 2023 - September 30, 2023) (July 1, 2023 - September 30, 2023) (July 1, 2023 - September 30, 2023) (July 1, 2023 - September 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2023

(Oct. 1, 2023 - Dec. 31, 2023) (Oct. 1, 2023 - Dec. 31, 2023) (Oct. 1, 2023 - Dec. 31, 2023) (Oct. 1, 2023 - Dec. 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2024

(Jan. 1, 2024 - Mar. 31, 2024) (Jan. 1, 2024 - Mar. 31, 2024) (Jan. 1, 2024 - Mar. 31, 2024) (Jan. 1, 2024 - Mar. 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on May 14, 2024

(4) Extraordinary Report

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

Submitted to the Director-General of the Kanto Local Finance Bureau on September 29, 2023

Extraordinary Report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (Change in specified subsidiaries) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 30, 2024

(5) Status Report on Purchase of Own Shares

Reporting period (From April 1, 2024 to April 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on May 15, 2024

Reporting period (From May 1, 2024 to May 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on June 14, 2024

Reporting period (From June 1, 2024 to June 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on July 12, 2024

Reporting period (From July 1, 2024 to July 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on August 14, 2024

Reporting period (From August 1, 2024 to August 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on September 12, 2024

Part II Information on Guarantee Companies, etc. of the Parent Company.

Not applicable.

Independent Auditor's Report and Internal Controls Audit Report

September 19, 2024

Avant group corporation
To: Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated and Engagement Partner	certified public accountant	Takaya Goukon
Designated and Engagement Partner	certified public accountant	Kenji Oyama

<Consolidated Financial Statement Audit

Audit Opinion

We have audited the consolidated financial statements of Avant Group Inc. listed in the "Status of Accounting" for the consolidated fiscal year from July 1, 2023 to June 30, 2024, including the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, the consolidated statement of cash flows, the notes to consolidated financial statements, and the related consolidated supplementary schedules of Avant Group Inc.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avant Group Inc. and consolidated subsidiaries as of June 30, 2024, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

Key Audit Considerations

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

Revenue recognition for system development services, etc., for which performance obligations are satisfied over a certain period of time	
Details and Reasons for Decision of key audit considerations.	Audit Responses
As described in [Notes] (Revenue Recognition), sales of goods and services transferred over a certain period in the Consolidated Financial Disclosure Business, the Digital Transformation Promotion Business, and the Management Solution Business amounted to 24,055,874 thousand yen and accounted for 98.5% of the sales in the consolidated statements of income. These sales include consulting services for the introduction of DivaSystem, etc. and system development services, etc. The company has adopted the method of estimating the degree of progress in fulfilling performance obligations and recognizing revenue based on such degree of progress over a certain period, except for contracts with very short service periods, as described in "Notes: (Basis of Presenting Consolidated Financial Statements), 4. As stated in Note 4 (5), except for contracts with very short service periods, the Company estimates the degree of completion of performance obligations and recognizes revenue based on the degree of completion over a certain period of time. Sales related to implementation consulting services and system development services are subject to estimation uncertainty for the following reasons Since the deliverables are intangible, it is relatively difficult to ascertain the actual conditions pertaining to the fulfillment of performance obligations. Since each contract and transaction is individualized, with each transaction having different customer requirements and specifications, it is necessary to properly understand the details of the contract and the transaction, and the amount of revenue recognized may differ depending on the results of such judgment. Revenue is recognized for transactions in progress at the end of the fiscal year based on estimates of progress. Based on the above, we concluded that the appropriateness of revenue recognition for implementation consulting services and system development services, for which performance obligations are satisfied over a certain period of time, was particularly important in our audit of the consolidated financial statements for the current fiscal year and constituted a "major audit consideration.	We performed the following audit procedures to test the appropriateness of revenue recognition for system development services, etc., for which performance obligations are satisfied over a certain period of time. (1) Assessment of internal control We evaluated the maintenance and operation of internal controls established to ensure that sales are properly recorded by reviewing purchase orders and acceptance receipts for each transaction, calculating the percentage of completion, and approving the recording of sales. (2) Examination of whether sales are properly recorded The sales figures in the sales management system for each month were reviewed for consistency with the sales figures in the accounting system. The following studies were conducted for transactions for which acceptance inspection had been completed as of the end of the fiscal year. - With respect to transactions that were more expensive than other transactions recorded in prior years and the current fiscal year, the Company reviewed relevant documents and questioned personnel in charge to understand the details of the transactions, and reconciled them to related vouchers such as purchase orders, acceptance inspection forms, invoices, and payment vouchers. Furthermore, we verified that there was a cost incurred for the said transaction by viewing the time and attendance data entered into the time and attendance management system. - In addition to the above, several randomly selected transactions were cross-checked with related vouchers such as purchase orders, receipt of inspection, invoices, and payment vouchers. The following studies were conducted for transactions in progress at the end of the period. - With respect to transactions with higher assumed gross profit margins than other transactions recorded in prior years and the current fiscal year, and transactions with large actual costs relative to the amount of the order, the Company reviewed relevant documents and asked questions of the persons in charge to understand the details of the transactions and to reconcile them with the purchase orders. In addition, we verified that the progress rate for the relevant transactions was properly calculated by checking against the man-hour estimation data, viewing the time and attendance data entered into the time and

	attendance management system, and checking against the invoices and other documents. - In addition to the above, a similar review was conducted for several randomly selected transactions.

Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and the financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the Audit Committee is responsible for monitoring the directors' performance of their duties in the development and operation of the reporting process for other statements.

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

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

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

We have no other matters to report.

Management and Audit Committee Responsibility for the Consolidated Financial Statements

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

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

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

Auditor's Responsibility in an Audit of Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

The auditor shall report to the Audit Committee that the auditor has complied with the rules on professional ethics in Japan regarding independence and matters that may reasonably be considered to affect the auditor's independence, and if any measures have been taken to remove impediments or to reduce impediments to an acceptable level If safeguards have been applied, report on the details of such safeguards.

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

Internal Control Audit

Audit Opinion

We have audited the internal control report of Avant Group Inc. as of June 30, 2024 for the purpose of providing our audit certification in accordance with the second paragraph of Article 193-2 of the Financial Instruments and Exchange Law.

In our opinion, the internal control report referred to above, in which Avant Group Inc. indicated that its internal control over financial reporting as of June 30, 2024 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, based on criteria established in Internal Control over Financial Reporting generally accepted in Japan. In our opinion, the internal control report referred to above presents fairly, in all material respects, the results of the evaluation of internal control over financial reporting in conformity with the evaluation criteria for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

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

Management and Audit Committee Responsibility for Internal Control Report

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

The Audit Committee is responsible for monitoring and verifying the maintenance and operation of internal control over financial reporting.

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

Auditor's Responsibility in Internal Control Audits

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

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

The Company shall perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.

The Board will consider the presentation of the internal control report as a whole, including the statements made by management regarding the scope of evaluation of internal control over financial reporting, the evaluation procedures and the evaluation results.

Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising, and performing the audit of the internal control report. The auditor is solely responsible for its audit opinion.

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

The auditor shall report to the Audit Committee that the auditor has complied with the rules on professional ethics in Japan regarding independence and matters that may reasonably be considered to affect the auditor's independence, and if any measures have been taken to remove disincentive or to reduce the disincentive to an acceptable level If safeguards have been applied, report on the details of such safeguards.

Compensation Related Information

The amounts of remuneration paid to us and to persons in the same network as us for audit attestation services and non-audit services for the Company and its subsidiaries are included in (3) [Status of Audits] of Corporate Governance included in "Status of the Parent Company".

Interests

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

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

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

Independent Auditor's Report

September 19, 2024

Avant group corporation
To: Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated and Engagement Partner	Certified public accountant	Takaya Goukon
Designated and Engagement Partner	Certified public accountant	Kenji Oyama

Financial statement audit

Audit Opinion

We have audited the financial statements of Avant Group Inc. listed in the "Status of Accounting" section of the Securities Registration Report for the 28th fiscal year from July 1, 2023 to June 30, 2024, including the balance sheet, the statement of income, the statement of changes in net assets, the significant accounting policies, the other notes, and the supplementary schedules, for the purpose of providing audit certification in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Law.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avant Group Inc. as of June 30, 2024, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

Key Audit Considerations

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

Appropriateness of valuation of shares of affiliated companies	
Details and Reasons for Decision of key audit considerations.	Audit Responses
As stated in the balance sheet, the company recorded 1,270,357 thousand yen in shares of affiliated companies as of June 30, 2024, which amounted to 16.0% of total assets. As stated in [Notes] (Significant Accounting Policies) 1. Valuation Standards and Methods for Assets (1) Valuation Standards and Methods for Securities, the company considers the acquisition cost to be the balance sheet amount of shares of subsidiaries and affiliates, but if the real value of such shares declines significantly due to deterioration in the financial condition of the company issuing such shares and the possibility of recovery is not supported by sufficient evidence, a substantial impairment loss must be recognized. Regarding the need for impairment of shares of subsidiaries and affiliates in the audit for the current period, we have ascertained the status of the real value of each share of subsidiaries and affiliates calculated based on the acquisition cost and the net assets per share of the issuing company, and we are not in a situation where the risk of material misstatement is assessed to be high. However, due to the high monetary importance of shares of affiliated companies in the balance sheet, we determined that the appropriateness of the valuation of such shares of affiliated companies was particularly important in our audit of the financial statements for the current fiscal year and constituted a "major audit consideration".	In considering the appropriateness of the valuation of the shares of affiliated companies, we principally applied the following auditing procedures We reviewed the financial information of each issuing company to determine whether the effective value of the shares of affiliated companies was appropriately calculated based on the net assets per share of the issuing company, compared the acquisition cost of the shares of affiliated companies with the effective value, and evaluated the appropriateness of management's judgment as to whether impairment loss was necessary. With respect to the financial information used as the basis for the calculation of the net assets per share of the subsidiaries that are material in monetary terms, we have evaluated the reliability of such financial information based on our review and audit procedures performed as part of the audit of the consolidated financial statements and the results of that review and audit.

Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and the financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the Audit Committee is responsible for monitoring the directors' performance of their duties in the development and operation of the reporting process for the other statements.

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

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

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

We have no other matters to report.

Management and Audit Committee Responsibility for Financial Statements

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

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

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

Auditor's Responsibility in an Audit of Financial Statements

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

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

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

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

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

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

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

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

The auditor shall report to the Audit Committee that the auditor has complied with the rules on professional ethics in Japan regarding independence and matters that may reasonably be considered to affect the auditor's independence, and if any measures have been taken to remove disincentive or to reduce the disincentive to an acceptable level If safeguards have been applied, report on the details of such safeguards.

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

<Compensation Related Information

Compensation-related information is presented in the auditor's report on the consolidated financial statements.

interests

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

and above

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

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