

October 4, 2022

Avant Group Corporation

Tetsuji Morikawa, President and Representative Director

For inquiries Corporate Communications Office 03-6864-0100 (main)

The status of the Company's corporate governance is as follows

## ***I. Basic Information on Corporate Governance and Capital Structure Basic Policy on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information***

### **1. Basic concept**

#### (1) Corporate Philosophy

Since our founding, our corporate philosophy has been to respect the Japanese management view of the company as a public institution of society and to develop as an organization that exists for the benefit of society.

We believe that the fundamental management perspective based on Japanese culture is to regard the company as a "public institution" of society. Even in a globalized society, we respect this management perspective as a cultural asset and strive to develop as an organization that exists for the benefit of society.

We describe our corporate activities based on this Japanese management perspective as "creating a 100-year company" and have positioned it as our corporate philosophy since our founding. It is not simply sustaining a company or brand. It is a 100-year company as a result of the management view as a public institution that is passed down from generation to generation, and all members of the company burn to provide value to society in a free and creative manner. To achieve this, we practice group management that fosters organizational independence and group synergy.

For group management that contributes to the growth of people and organizations, we place great emphasis on highly honed corporate governance. By continuing to learn and engage in dialogue with various stakeholders, we aim to develop our business with an open perspective so that we can provide value to society without being biased toward any particular stakeholder.

#### (2) Approach to Corporate Governance

Based on this corporate philosophy, we have established the "Avant Group Basic Policies on Corporate Governance" and are striving to enhance the transparency and soundness of management and to build a management system that enables prompt business execution based on accurate decision-making and appropriate monitoring of these activities. We are striving to enhance corporate governance.

URL:

[https://www.avantgroup.com/en/sustainability/governance/main/0/teaserItems1/01/linkList/0/link/CG\\_en.pdf](https://www.avantgroup.com/en/sustainability/governance/main/0/teaserItems1/01/linkList/0/link/CG_en.pdf)

## [Reasons for not implementing each principle of the Corporate Governance Code]

To realize our management philosophy, all of our employees share the values of (1) customer orientation, (2) high profit orientation, and (3) single-mindedness. These are values that lead to a virtuous cycle that supports such growth: putting the customer first, growing as a person through creative conversations with various stakeholders in order to meet the needs and expectations of customers amid various changes in the environment, creating new value that is second to none, and earning a high reputation. Diversity is an important issue for our company, as it is important to form an organization that transcends differences in age, gender, race, religion, hobbies and interests in order to share such values. However, in the fiscal year ending June 30, 2022, 7.7% of our managers were women, 5.4% were foreign nationals, and 80.8% were mid-career hires. We have people from various backgrounds working in our leadership positions.

We believe that the development of diversity will (1) enable employees to exchange opinions from a broader perspective, (2) enable us to make high-quality proposals to our customers, and (3) enhance our customers' evaluation of us, thereby improving employee job satisfaction. For this reason, the Group as a whole is a Great Place to Work.

### Supplementary Principle 4-1(iii): Succession Planning

We recognize that the succession of the Chief Executive Officer is an important management issue for the Company, and the Board of Directors began discussing it in the fiscal year ending June 30, 2018. In the fiscal year ending June 30, 2019, we will further incorporate the knowledge of an outside consulting firm and study the development of a comprehensive succession plan.

## [Disclosure based on each principle of the Corporate Governance Code]

### Principle 1-4: So-called "policy shareholdings" (Comply)

The Company has no so-called policy shareholdings. The purpose of the policy shareholdings is to maintain and strengthen inter-company transactions, and if acquired, the director in charge of finance will report regularly to the board of directors on the risks and returns, and approval by the board of directors is required in accordance with the "Fund Management Regulations" and other relevant regulations. The basic criterion for determining whether or not to exercise voting rights in relation to policy shareholdings is whether or not it is in line with the enhancement of the corporate value of both the Company and the investee company.

### Principle 1-7 Related Party Transactions] (Comply)

The Company's Board of Directors deliberates and resolves on any competing transactions or conflict-of-interest transactions by directors. At the end of each fiscal year, each Director, Audit Committee member, and Corporate Officer is asked to complete a questionnaire regarding transactions with related parties to

ensure that they do not harm the company or the common interests of shareholders. There are no related party transactions.

Principle 2-6: Exercise your function as an asset owner of a corporate pension plan] (Comply)

Although we do not have a corporate pension plan, we will function as an asset owner of a corporate pension plan if such a plan is introduced.

Principle 3-1: Enhance disclosure of information] (Comply)

- (1) We have established a philosophy system that includes the management philosophy of the Avant Group, and have published management strategies and a medium-term management plan to realize our management philosophy. The Management Philosophy is described in this report, but please refer to the details of the Management Philosophy, as well as the Management Strategy and Mid-term Management Plan, which are available on the Company's website.
- (2) Our basic approach to corporate governance, based on each of the principles of this Code, is described in "I.1 Basic Approach" of this report.
- (3) In determining the remuneration, etc. of directors and corporate auditors, our basic policy is to make it function effectively as compensation for their contribution to the enhancement of the Company's corporate value. Within the limit of the amount of remuneration, etc., resolved at the General Meeting of Shareholders, the distribution of such remuneration is determined by taking into consideration factors such as position, performance and results during the term of office. For details on the remuneration system for directors and corporate auditors, please refer to II. Matters Related to Organizational Structure, Organization and Operation, etc. [Related to Directors' Remuneration] "Disclosed Details of Policy for Determining Amount of Remuneration or Calculation Method" for the remuneration system for directors and corporate auditors. Details are explained in "Disclosed Details of Policy for Determining Amounts and Calculation Methods of Compensation.
- (4) In appointing senior management and nominating candidates for directors, the Company selects, by resolution of the Board of Directors, the most suitable candidates, taking into consideration their personalities, professional experience and abilities, and wide-ranging insight that will enhance corporate value, as well as their abundant experience and broad knowledge of the Company's business. The Board of Directors selects the most suitable person for the position by resolution of the Board of Directors. In addition, we also consider whether outside directors can fulfill their management oversight function from a neutral, fair, and objective standpoint.
- (5) Reasons for the appointment of candidates for Outside Directors and Outside Audit & Supervisory Board Members and their expected roles are disclosed in the Notice of Convocation of the General Meeting of Shareholders.

Supplemental Principle 3-1(iii): Sustainability Initiatives, etc.] (Comply)

As pointed out by the United Nations Intergovernmental Panel on Climate Change, global warming is progressing at a faster pace than expected, and we recognize that the impact of climate change on economic activities can no longer be ignored.

Our founding management philosophy of "creating a 100-year company" reflects our sustainability concept of realizing continuous business growth through a self-sustaining organization that is highly adaptable to a rapidly changing market environment. The company does not only need to pursue profits, but always considers how to realize sustainable corporate value creation in balance with society and the environment. We signed the UN Global Compact on August 25, 2020 and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on December 22, 2021. We will take this opportunity to consider and implement measures that can be taken as a group while conducting risk assessments to achieve sustainability.

As part of our environmental efforts, we will purchase "Green Power Certificates" issued by Japan Natural Energy Company, Limited for all electricity consumption at the offices of our group companies from July 1, 2021, based on the electricity consumption in the fiscal year ending June 30, 2020 (approximately 1.5 million kwh). We will purchase "Green Power Certificates" issued by Japan Natural Energy Company, Ltd. from July 1, 2021 for the entire power consumption at the offices of our group companies to reduce CO<sub>2</sub> emissions by approximately 660 tons-CO<sub>2</sub> per year and to promote the efficient use of electricity and the spread of power generation using natural energy to help prevent global warming. We will continue to make such efforts in the future, aiming to reduce greenhouse gas emissions by 50% by the fiscal year ending June 30, 2030, compared to the fiscal year ended June 30, 2005.

Please refer to our website for more information on our sustainability initiatives.

<https://www.avantgroup.com/en/sustainability.html>

Supplementary Principle 4-1 (i) Scope of Delegation to Management] (Comply)

We have established a separation of management decision-making and supervision from business execution through the Board of Directors as a management decision-making and supervisory body and the Corporate Officer System as a business execution system based on such decision-making. A summary of this information is disclosed on the Company's website and in the Corporate Governance Report. The Board of Directors makes decisions on matters required by law and the Articles of Incorporation, as well as on important matters concerning the Company and the Group's subsidiaries. In addition, a director or key member of the board of directors of Avant attends meetings of the boards of directors of our subsidiaries and is aware of their business conditions. The Company has entered into a management guidance and business management agreement with its subsidiaries, under which the Company receives reports on important matters related to the execution of duties by directors, the results of which are reported to Avant's Board of Directors. The Group General Affairs Office of Avant confirms that the Board of Directors of the Company's subsidiaries meets monthly. Although the boards of directors of our subsidiaries make decisions on important matters, the rules and operations for (a) investment, including office contracts, (b) human resources, and (c) finance, including capital policy, are subject to approval

from the holding company, Avant.

### Principle 4-2 Roles and Responsibilities of the Board of Directors] (Comply)

The Board of Directors receives proposals from the Directors and Corporate Officers responsible for business execution from time to time, and thoroughly examines them from various perspectives to ensure that they are in line with the management philosophy, annual business plan, and medium-term business plan, etc. Proposals that are approved by the Board of Directors are implemented by the Directors and Corporate Officers in charge of each business field. The proposals approved by the Board of Directors are implemented under the leadership of the Director/Corporate Officer in charge of each business area. For its smooth execution, the Board of Directors will provide personnel, financial, and other necessary support.

### Supplementary Principle 4-2 (i) Compensation of sound management for sustainable growth] (Comply)

The Company's remuneration for directors and corporate auditors is divided into "basic remuneration based on the director's function" and "a remuneration system to achieve sustainable growth through a combination of bonuses linked to short-term and medium- to long-term business performance" and is determined within the remuneration limit resolved at the General Meeting of Shareholders. In order to reflect the medium-term business performance and risks of the Company and to encourage incentivization that contributes to the exercise of sound entrepreneurial spirit, "Establishment of Remuneration Amount for Directors (excluding Directors who are Audit Committee Members) and Remuneration Related to Performance-Linked Stock Compensation" was submitted as Proposal 5 and "Establishment of Remuneration Amount for Directors who are Audit Committee Members" as Proposal 6 at the 26th Ordinary General Shareholders Meeting held on September 27, 2022. The proposal was approved and adopted, and the system has been introduced as a system. For details on the remuneration system for directors and corporate auditors, please refer to II. Matters Related to Organizational Structure, Organization and Operation, etc. [Related to Directors' Remuneration] "Disclosed Details of Policy for Determining Amount of Remuneration or Calculation Method" for the remuneration system for Directors and Corporate Auditors. Details are explained in "Disclosed Details of Policy for Determining Amounts and Calculation Methods of Compensation.

### Supplementary Principle 4-8 (ii) Effective Use of Independent Outside Directors] (Comply)

Mr. Naohisa Fukutani was appointed as the first independent outside director at the regular board meeting on May 23, 2018.

### Principle 4-9: Criteria and Qualifications for Independence of Independent Outside Directors] (Comply)

The following independence criteria have been established for independent outside directors, based on the independence criteria stipulated by the Companies Act and financial instruments exchanges, and with a focus on ensuring the independence of those who serve as independent outside directors in terms of their substance. At Board of Directors meetings, outside directors actively provide opinions and advice from an objective and neutral

standpoint, contributing sufficiently to constructive deliberations.

### Independence Criteria for Outside Directors of the Avant Group

An outside director shall be considered 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 apply

- (1) Those who are currently, or have been for the past 10 years, an executive officer (executive director, executive officer, corporate officer, employee, or servant) 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 <sup>(Note 1)</sup> 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 <sup>(Note 2)</sup> other than remuneration for directors and corporate auditors as compensation for providing professional services such as consultants, lawyers, certified public accountants, and certified tax accountants to our Group, or a person who executes the duties of such a person.
- (5) Persons who receive donations or grants exceeding 15 million yen per year from our group or their executive officers
- (6) A person who belongs to an auditing firm that is the accounting auditor of the Group
- (7) Executives of companies to which the Group's executives are appointed as directors
- (8) Those who have met 2 to 7 above in the past 3 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 the 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 profits received from the Group exceeds 2% of the annual gross income of the organization or 15 million yen, whichever is higher, in the most recent fiscal year.

### [Supplementary Principle 4-10 (i) Use of Voluntary Mechanisms] (Comply)

The Company's Board of Directors consists of four directors (including two outside and independent directors and one foreign national) and three audit committee members (including two outside and independent directors and one female director). We believe that the independence, objectivity, and accountability of the decision-making process have been ensured. In order to strengthen the policy regarding the method of determining the content of remuneration, etc. and the content of determined remuneration, etc., the Company resolved to establish the Remuneration Advisory Committee as a voluntary advisory body at the Board of Directors meeting held on March 17, 2021. The Compensation Advisory Committee shall consist of at least three members, a majority of whom shall be independent directors, and the chairperson of the committee shall be selected from among the independent outside directors. We strive to ensure objectivity by, for example, taking advice from outside experts and considering market-wide or industry-wide standards. The Compensation Advisory Committee's deliberations are as follows

- (1) Policy for determining remuneration, etc. of directors and corporate officers,
- (2) Draft proposals on remuneration, etc. for directors, audit committee members and corporate officers to be submitted to the General Meeting of Shareholders,
- (3) Proposed policy regarding the determination of the content of compensation for individual directors and corporate officers to be submitted to the Board of Directors,
- (4) Proposed details of remuneration, etc. of individual directors and corporate officers to be proposed to the Board of Directors, and
- (5) Other matters deemed necessary by the Board of Directors with respect to each of the preceding items

The Board of Directors has confirmed, through the report of the Compensation Advisory Committee, that the method of determining the details of executive compensation and other compensation for the fiscal year ending June 30, 2022, and the details of the determined compensation are in line with such determination policy.

Supplementary Principle 4-11 (i) Diversity and Size of the Board of Directors as a Whole] (Comply)

With the aim of enhancing corporate value, the Company's directors are selected from among candidates with diverse and specialized knowledge and experience in management, legal and compliance, finance and accounting, M&A and finance, IT business, global, governance, human resources and organization, etc. The Company's Board of Directors consists of four directors (including two outside and independent directors and one foreign national) and three directors who are Audit & Supervisory Committee members (including two outside and independent directors and one foreign national). As a Board of Directors, we believe that the diversity of personnel and the balance of knowledge, experience, and abilities are well considered and at a level that maintains a high level of decision-making ability. The reasons for the appointment of outside directors are disclosed in the Notice of Convocation of the General Meeting of Shareholders.

	Director				Directors who are Audit Committee Members		
	Tetsuji Morikawa	Hisayoshi Kasuga	Naohisa Fukutani	Jon Robertson	Tsuyoshi Noshiro	Chie Goto	Makoto Nakano
Management	•		•	•			•
Legal Affairs Compliance					•	•	
Finance & Accounting	•	•	•		•	•	•
M&A & Finance		•	•				•
IT Business	•			•			
Global		•	•	•			•
Governance	•	•	•	•	•	•	•
Human Resources & Organization	•		•	•	•	•	

Supplementary Principle 4-11 (2) Concurrent Directorships] (Comply)

The status of concurrent positions held by outside directors at other companies is disclosed annually in the Notice of Convocation of the General Meeting of Shareholders, Annual Securities Report, and Report on Corporate Governance. Regarding concurrent appointments at other companies, we confirm that there is

absolutely no obstacle to the execution of business as a director of the Company before appointing the director.

Supplementary Principle 4-11 (iii) Analysis and evaluation of the effectiveness of the board of directors as a whole and disclosure of the results] (Comply)

With the aim of realizing sustainable enhancement of corporate value, we recognize the issues related to the responsibilities, composition, and operation of the Board of Directors, and are committed to continuous improvement. The Board of Directors conducts an annual analysis and evaluation of the effectiveness of the Board of Directors based on each director's self-evaluation and other factors.

<Evaluation Method

However, the Board of Directors pointed out that it was difficult to clarify issues due to the focus on quantitative evaluation, and therefore, from the fiscal year ending June 30, 2020 onward, the Company will focus on its own questionnaire survey and conduct interviews with third-party directors as appropriate. However, the Board of Directors pointed out that the focus of the evaluation was mainly on quantitative evaluation and that it was difficult to clarify issues.

In order to identify issues more clearly after June 2021, we have created and implemented our own questionnaire form to allow participants to evaluate the issues and describe their opinions on how to respond to them. The survey was administered to all directors and auditors in July 2022, and the report was presented to the Board of Directors on August 5, 2022.

<Summary of evaluation results

Summarizing the survey responses, the effectiveness of the Board of Directors was generally highly rated and evaluated as being properly operated. On the other hand, some have pointed out that the discussion of various issues that were previously recognized as challenges has not progressed, and that more time should be spent on broader issues such as management strategies and mid-term management plans.

### (1) Organization of the Board of Directors

As for the organization of the Board of Directors, the following opinions and issues were noted

- Establishment of a nominating committee is not necessary, and the board of directors should thoroughly discuss the nomination process and fulfill its oversight responsibilities.
- Diversity of each director and expected roles need to be clarified.
- The system under which monitoring functions should be organized with a view to Avant's current and future vision.

### (2) Agenda for the Board of Directors Meeting

While it was recognized that progress has been made in discussions on the Corporate Officer personnel and executive compensation systems, it was pointed out that there has been no progress in discussions on the issues that had been pointed out as requiring continued discussion (Succession Plan, criteria for appointment and



dismissal of directors). It was also noted that capital policy and investor feedback need to be actively discussed.

### (3) Operation of the Board of Directors

More problems than ever were identified with the reporting system. An increasing number of participants pointed out that the points of resolution and report items were unclear and that they were not distributed or explained sufficiently in advance. It was also pointed out that periodic reporting projects, etc., should be simplified by focusing on key points, while at the same time providing opportunities to gain a deeper understanding of the strategies and actual conditions of operating companies.

#### < Future actions >

In light of the above remarks, we report that we will push for the following actions in the operation of the Board of Directors for the fiscal year ending June 30, 2023.

- (1) Discussions are held throughout the year and matters requiring reporting are discussed in the supervisory and executive
- (2) The materials should be accompanied by an executive summary, so that the principles can be explained by it.
- (3) Streamline discussion time by distributing materials a week in advance, or by explaining in advance.
- (4) Off-site and business briefings are regular.

#### Supplementary Principle 4-14 (ii) Training Policy for Directors] (Comply)

In selecting candidates for the Board of Directors, the Company considers whether they have character, experience, expertise and broad insight, and also places importance on their experience and knowledge of the Group's business activities. We provide compliance education and other training by attorneys and others to enable them to acquire the knowledge necessary to perform their duties. The training policy is stipulated in the "Basic Corporate Governance Policy" disclosed on the Company's website.

[https://www.avantgroup.com/en/sustainability/governance/main/0/teaserItems1/01/linkList/0/link/CG\\_en.pdf](https://www.avantgroup.com/en/sustainability/governance/main/0/teaserItems1/01/linkList/0/link/CG_en.pdf)

#### Principle 5-1: Policy on constructive dialogue with shareholders] (Comply)

The Company recognizes that active dialogue with shareholders and reflecting their opinions and requests in the management of the Company will contribute to the sustainable enhancement of the Company's corporate value. For this reason, starting in July 2019, we have established a system in which a director in charge of investor relations is assigned under the director in charge of finance, and we have established a dialogue with our shareholders and investors to gain their understanding of our management strategy and plans.

## 2. Capital Structure

## Corporate Governance

Avant Group Corporation

Foreign Shareholding Ratio	More than 10% but less than 20
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[Status of Major Shareholders]

Name or Designation	Number of shares held (shares)	Percentage (%)
Tetsuji Morikawa	9,764,000	25.95
The Master Trust Bank of Japan, Ltd.	3,067,700	8.15
Avant Employee Stock Ownership Plan	2,287,200	6.08
Tsuyoshi Noshiro	1,868,800	4.97
OBIC Business Consultant Co.	1,600,000	4.25
The Custody Bank of Japan, Ltd.	1,537,100	4.09
JP MORGAN CHASE BANK	1,146,900	3.05
SSBTC CLIENT OMNIBUS ACCOUNT	911,291	2.42
FCP SEXTANT AUTOUR DU MONDE	874,600	2.32
PCA Corporation	778,400	2.07

Name of controlling shareholder (excluding parent company)	nashi (Pyrus pyrifolia, esp. var. culta)
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Parent Company Name	nashi (Pyrus pyrifolia, esp. var. culta)
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Supplementary explanation

Not applicable.
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### 3. Company attributes

Scheduled Listing Market Classification	prime (lending) market
accounting period	June
type of industry	Information and communication industry
Number of (consolidated) employees as of the end of the immediately preceding fiscal year	More than 1,000
(Consolidated) sales in the immediately preceding fiscal year	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries as of the end of the immediately preceding fiscal year	Less than 10 companies

**4. Guidelines Concerning Minority Shareholders Protection Policy in Transactions with Controlling Shareholders**

Not applicable.

**5. Other special circumstances that could materially affect corporate governance**

Not applicable.

**II. Status of management decision-making, execution, and supervision organizations and other corporate governance systems**

**1. Matters pertaining to the composition and operation of the organization**

Organizational structure	Company with Audit Committee
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Directors

Number of Directors under the Articles of Incorporation	9
Term of directors under the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of outside directors designated as independent directors	4

Relationship with the company (1)

Name	Attribute	Relationship with the Company (*1)											
		a	b	c	d	e	f	g	indecent	I	J	K	
Naohisa Fukutani	Coming from another company												*
John Robertson	Coming from another company												*
Chie Goto	Coming from another company												*
Makoto Nakano	Coming from another company												*

1 Selected items regarding relationship with the company

- a. An executive person of a listed company or its subsidiary
- b. Executive or non-executive directors of the parent company of the listed company
- c. Executive officers of the listed company's sibling companies
- d. A person whose main business partner is a listed company or a person who executes the business of a listed company.
- e. A major business partner of the listed company or a person who executes the business of the listed company
- f. Consultants, accounting professionals, or legal professionals who receive a large amount of money or other assets from a listed company other than director's remuneration.
- g. A major shareholder of the listed company (if such major shareholder is a corporation, an executive person of such corporation)
- h. An executive person (only the person himself/herself) of a business partner of a listed company (not falling under any of d, e, and f).
- i. Executives of the party with whom the outside officers have a relationship of mutual appointment (the person himself/herself only)
- j. Executive officers of the recipient to whom the listed company has made a donation (in person only)
- k. Others

Relationship with company (2)

Name	Independent officer	Supplemental Explanation of Conforming Items	Reason for Appointment
Naohisa Fukutani	Yes	-	In addition to his experience in commercial and investment banking, his many years of experience in managing independent M&A advisory firms and providing management guidance to a wide variety of companies have provided him with valuable advice on formulating and executing management strategies and strengthening governance, and he has also served as the largest independent outside director and chairman of the Compensation Advisory Committee. He has also served as the first independent outside director and chairman of the Compensation Advisory Committee. We believe that he will continue to contribute to the supervision of management and the strengthening of corporate governance, and we respectfully request his continued appointment.
John Robertson	Yes	a wholly-owned subsidiary of the Company, has concluded a solution partnership agreement with GEAL Corporation, a wholly-owned subsidiary of the Company, and has a business relationship with Snowflake, Inc. However, the amount is less than 0.01% of consolidated net sales, which is within the 2% range of the Company's independence criteria for outside directors, and there is no risk of influencing the Company's decision-making process.	He has 30 years of experience leading highly international organizations in Japan and the Asia-Pacific region, and has excellent management, leadership, and communication skills. He has a deep knowledge of the latest IT technologies, including the cloud-native field, and has demonstrated his leadership skills with enthusiasm in the rapidly changing IT industry. We are seeking his continued appointment in the expectation that he will contribute to the achievement of our vision BE GLOBAL and our mid-term management plan to create corporate value through cloud computing.
Chie Goto	Yes	-	In addition to his work experience at general business companies, he is a licensed attorney and certified public accountant and has been involved in various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. He is currently fulfilling his responsibilities as an outside corporate auditor of the Company, and we believe that he will continue to provide useful advice in the process of management judgment and decision-making as a member of the Audit Committee, utilizing his extensive knowledge as a legal and accounting expert in the Company, thereby strengthening the functions of the Board of Directors of the Company.
Makoto Nakano	Yes	-	He has deep knowledge in a wide range of fields, including business administration, accounting, and corporate finance, and has established a broad research network in both business and academic fields on the theme of corporate value, which is also our materiality. He has conducted numerous financial and corporate value training programs for senior management of listed companies, and we believe that he will be able to appropriately perform his duties as an outside director of the Company as a member of the Audit Committee. In addition to advising us on how to improve the corporate value of our company and our clients, we expect him to play an active role in the development of our next generation management team.

## Corporate Governance

Avant Group Corporation

### Audit Committee

#### Composition of Committee Members and Attributes of the Chairperson

	Total members of the committee	(full-time) committee member	in-house director	Outside Director	Committee chairman
Audit Committee	3	1	1	2	None

Existence or non-existence of directors and employees to assist the Audit Committee in its duties	None
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#### Matters concerning the independence of such directors and employees from the executive directors

Two of the Company's three Directors who are Audit Committee members consist of independent Outside Directors, and they fulfill their responsibilities as Audit Committee members independently of the Executive Directors.

#### Collaboration among the Audit Committee, Accounting Auditor, and Internal Audit Department

The Audit Committee attends the accounting audit reporting meetings, receives reports from the audit firm, and has opportunities to listen to and discuss with each other to confirm the status of internal controls in operations and finances, thereby promoting cooperation.

The Audit Committee and internal audit staff work together to ensure efficient audits by coordinating operational audits and by providing opportunities for mutual listening and discussion to confirm that management and business execution are appropriate and efficient.

### [Voluntary Committee]

Existence or non-existence of a voluntary committee equivalent to a nominating committee or compensation committee	Yes
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#### Status of establishment of any committees, composition of members and attributes of the chair (chairman)

##### A voluntary committee equivalent to the Compensation Committee

Committee Name			Compensation Advisory Committee			
Total members of the committee	(full-time) committee member	in-house director	Outside Director	in-house expert	Other	committee chairman
3	1	1	2	0	0	Outside Director

## Corporate Governance

Avant Group Corporation

### Supplementary explanation

Not applicable.

### Relationship with Independent Directors and Independent Corporate Auditors

Number of independent directors	4 persons
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### Other Matters Concerning Independent Directors

Not applicable.

### Incentive-related

Status of Implementation of Measures to Provide Incentives to Directors	Introduction of performance-based compensation system
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### Supplemental Explanation for Applicable Items

The Company has introduced a performance-linked compensation system with the aim of clarifying the directors' responsibility for performance. The Company pays performance-linked bonuses to directors based on profits in the consolidated statements of income in accordance with the degree of achievement of the business plan. A performance-linked stock compensation plan was introduced at the 22nd Annual General Meeting of Shareholders held on September 19, 2018. This is a system that allows the flexible use of compensation in the form of shares rather than cash and performance-linked compensation, so that management can be given incentives to extract medium- and long-term corporate value creation.

Persons to whom stock options are granted	Not applicable.
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### Supplemental Explanation for Applicable Items

Not applicable.

### Director's remuneration

Disclosure Status	Individual compensation is not disclosed.
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### Supplemental Explanation of Applicable Items

The ratio of fixed remuneration and performance-linked remuneration for directors is as follows, using the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

#### Composition of Directors' Remuneration

	Fixed remuneration	Short-term performance-linked compensation	Long-term performance-linked compensation
Director	50-55% (50-55% of the total)	15%-20	30%.

The amounts of remuneration paid to directors and corporate auditors for the fiscal year ended March 31, 2012 were as follows. With respect to individual remuneration, etc. of these directors, the Board of Directors confirms that the method of determining the details of remuneration, etc. and the details of the determined remuneration, etc. are in line with the relevant determination policy, by receiving explanations of the calculation process described in (1) and (2) above, and by other means. (2) above.

## Corporate Governance

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Amount of remuneration, etc. paid to directors and corporate auditors				
Classification	Total amount of compensation, etc.	Total amount of remuneration, etc. by type		Number of eligible directors and officers
		basic remuneration	performance-based bonus	
Director (Excluding outside directors)	125 million yen	83 million yen	42 million yen	2 persons
Auditor (Excluding Outside Corporate Auditors)	11 million yen	11 million yen	-	1 person
Outside Director	43 million yen	43 million yen	-	3 persons
Outside Corporate Auditor	10 million yen	10 million yen	-	3 persons

(Note) 1. The amount paid to directors does not include the amount of employee salaries of directors who concurrently serve as employees.  
The above includes one corporate auditor who retired at the conclusion of the 25th Annual General Meeting of Shareholders held on September 28, 2021.

Existence or non-existence of a policy for determining the amount of remuneration or its calculation method	Yes
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### Details of disclosure of policy for determining the amount of compensation or its calculation method

<p>Remuneration for the Company's directors is divided into two categories: fixed remuneration (fixed periodic remuneration of the same amount) and performance-linked remuneration.</p> <p>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 maximum amount, the 26th Annual General Meeting of Shareholders held on September 27, 2022, approved the annual amount of fixed remuneration to the Company's directors as 150,000 thousand yen or less (the number of directors immediately after the said meeting is four).</p> <p>Performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is a bonus linked to business performance for each fiscal year, and (2) medium- to long-term performance-linked remuneration, which is linked to changes in indices over a target period of three years (Note). The medium- to long-term performance-linked bonuses are stock-based compensation in the form of common shares of the Company, with the aim of providing Directors with incentives to enhance the Company's corporate value over the longer term and to promote further value sharing between Directors and shareholders. The introduction of performance-linked remuneration was approved at the 26th Ordinary General Meeting of Shareholders held on September 26, 2022, and the maximum amount is 41,250 thousand yen per director per year (the number of directors immediately after the said meeting is 4 (including 2 outside directors)). In addition, at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022, the introduction of medium- to long-term performance-linked compensation as stock-based compensation was approved, with the maximum amount of compensation being 100,000 thousand yen per subject period and the number of shares to be delivered by the Company to subject directors under this plan being The maximum amount of compensation is 100,000,000 yen per subject period, and the number of shares to be issued to each director under the plan is limited to 60,000 shares per</p>
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year and 100,000 shares in total per year for all directors (four directors (including two outside directors) immediately after the said shareholders' meeting).

If any of the events (determined by the Board of Directors) that are necessary for the achievement of the purpose of the stock compensation plan, such as the subject director's resignation from the post of director of the Company without justifiable reason or certain acts of misconduct, occur, the monetary compensation under the plan will not be paid to the subject director and no shares of the Company will be delivered to him.

In addition, with respect to the President and Representative Director among the eligible directors, if the annual growth rate (CAGR) of adjusted earnings per share for the three-year period ending at the end of the eligible period) is less than 18%, no monetary compensation will be paid to the President and Representative Director under this plan and no shares of the Company will be delivered to him.

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.

(Note) Three years from the month containing the date of the Company's annual general meeting of shareholders for each year. The initial coverage period will run from September 2018 through September 2021, and thereafter from September of each year through September of the three years following that year.

### 3. Remuneration for Directors who are Audit Committee Members

The amount of remuneration for Directors who are members of the Audit Committee is also fixed and is determined by consultation between the Audit Committee members, taking into consideration the division of duties between Directors and Audit Committee members, within the maximum amount of remuneration resolved at the General Meeting of Shareholders. The maximum amount of remuneration was resolved at the 26th 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 compensation is a compensation system in which compensation is paid in cash and is linked to the year-on-year increase or decrease in consolidated operating income, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan, and annual performance. The amount is calculated by multiplying the base amount, which is determined according to position, by the short-term incentive coefficient, which ranges from 0% to 200% depending on the change in consolidated operating income from the previous year. Previously, the Company's stock price was also considered as a coefficient, but since the rate of increase in the Company's stock price is reflected in the mid- to long-term performance-linked compensation, the Board of Directors resolved on August 19, 2020 to use the rate of increase in consolidated operating income as the coefficient from the 25th fiscal year onward. Specifically, it is calculated

by the following formula

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

**Short-term incentive coefficient**

Rate is calculated under the following formula where (a) represent consolidated operating profit for the current year and (b) represents consolidated operating profit of previous fiscal year

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

※ The short-term incentive coefficient is limited to 2.0.

Consolidated operating income for the current fiscal year, which serves as a performance indicator, was 3,247 million yen, a 115% change from the consolidated operating income of the previous fiscal year (2,826 million yen (note)). As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.24 as shown below, and 124% of the short-term performance-linked remuneration base amount was paid as short-term performance-linked remuneration.

$$\text{Short-term incentive coefficient} = 1 + 0.5 \times (\text{Consolidated operating income for the current period: 3,247 million yen} - (\text{Consolidated operating income for the previous period: 2,826 million yen} \times 112\%)) \div (\text{Consolidated operating income for the previous period: 2,826 million yen} \times 6\%) = 1.24$$

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current consolidated fiscal year, but operating income for the previous consolidated fiscal year has been restated after the application of the said accounting standard and others when calculating performance-linked compensation.

2. medium- to long-term performance-linked compensation

This is a performance share unit plan under which the Company's common stock is paid as a performance-linked stock compensation plan in order to provide directors with incentives to improve the Company's corporate value over the long term and to promote further value sharing between directors and shareholders. The number of shares 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 according to our stock growth rate, which is a representative indicator of our 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. After the end of the subject period, monetary compensation claims will be paid to the subject directors, and upon the issuance of shares or disposal of treasury stock by the Company, the Company shares will be delivered by having all such monetary compensation claims contributed in kind.

**Medium-to long-term compensation (number of shares delivered) = Standard number of shares × stock compensation ratio**

**Share issuance ratio**

- (i) If our equity growth rate (A) is less than 100% : 0
- (ii) When A is between 100% and 112% : 33% × (A-100%) ÷ 12%
- (iii) When A is 112% to 150% : 33% + 67% × (A-112%) ÷ 38%
- (iv) When A exceeds 150% : 100%

**A Our stock price growth rate**

TSR during the period  
Rate of increase in TOPIX

**Our Total Shareholder Return/ total stockholder return (TSR)**

Simple average of the closing prices of our shares for the month of the end of the applicable period (September in 3 years) plus the total amount of dividends per share related to dividends of surplus during the applicable period

Simple average of the closing prices of our shares in the month of the beginning of the period covered (September)

**TOPIX Growth Rate**

Simple mean of TOPIX at the end of the period (September after 3 years)  
Simple averages of TOPIX for the beginning month (September of the year)

With regard to the stock-based compensation for the President and Representative Director, the Company's medium- to long-term management strategy calls for an annual growth rate of 18% in operating income, and therefore, the Company received approval at the 25th Annual General Meeting of Shareholders held on September 28, 2021 to limit the grant of such stock-based compensation if the adjusted net income per share for the three-year period up to the end of the subject period (CAGR) is less than 18%.

Our total shareholder return for the period covered from September 2018 to September 2021 was 204.1% and TOPIX growth rate was 118.1%, resulting in our equity growth rate of 172.8% in A above. Since this corresponds to (4): 100% of the above share delivery ratio, 100% of the 8,705 shares, which is the standard number of shares delivered, were delivered.

**Support system for outside directors**

Currently, there is no dedicated person to assist outside officers (including directors who are members of the Audit and Supervisory Committee), but administrative and other duties, including liaison, are assisted by the person in charge of the Administrative Division.

The Company makes every effort to provide information on necessary matters, such as materials for Board of Directors meetings, etc., to outside directors through explanations, guidance, etc., in advance as much as possible, from the person in charge of administrative support, and to outside audit committee members through full-time audit committee members or a person in charge of administrative support.

**2. Items related to functions such as business execution, auditing and supervision, nomination, and compensation decisions (overview of current corporate governance system)**

**(1) Board of Directors**

The Company's Board of Directors currently consists of four directors (including two outside directors) and three audit committee members (including two outside directors). In principle, the regular meeting of the Board of Directors is held on the second business day following the third Monday of each month, and extraordinary meetings of the Board of Directors are held as necessary to make important management decisions.

### (2) Execution system

The Representative Director, the Director in charge of finance, and the Corporate Officer, who are appointed by the Board of Directors, share responsibility for business execution. The representative directors and directors in charge of business management of each group company, each of whom is a corporate officer of the Company, report on the status of business execution at the Group Management Committee chaired by the Group CEO, and the following group CxOs report on their respective responsibilities for the execution of group-wide strategies. The following Group CxOs report on their respective responsibilities with respect to the execution of the Group's overall strategy.

Chief Executive Officer, and

Chief Finance Officer

Chief Operating Officer, and

Chief Business development Officer

Chief Digital transformation Officer

Chief Risk Management Officer

Chief Legal Officer, and

Chief Human Resources Officer

The Group Management Committee discusses important issues with the aim of achieving sustainable growth and increasing corporate value through group management, and important matters are referred to the Board of Directors through the Group CEO and Group CFO.

### (3) Auditing and supervision

The Company has adopted an Audit Committee system, and the Audit Committee consists of three members: one full-time director and two outside directors.

Audit Committee members attend meetings of the Board of Directors and other important meetings, hear reports from directors on the status of business operations, inspect important approval documents, and investigate the status of operations and assets in each department. The audit report is prepared after reviewing the business report, financial statements, and supplementary schedules based on the results of the accounting audit during the fiscal year.

We have also entered into an audit contract with Deloitte Touche Tohmatsu LLC to ensure the accuracy of financial figures and to strengthen information disclosure by establishing an appropriate financial reporting system.

### (4) Policy on Determination of Directors' Remuneration

The remuneration system for directors is explained in detail in [Relationships with Remuneration for Directors] (Details of Disclosure of Policy for Determining Amount of Remuneration or Calculation Method of

Remuneration).

### 3. Reasons for selecting the current corporate governance structure

On October 1, 2013, the Company was established as a holding company with a business support function to support the growth of the Group's operating companies, with the aim of developing the Group through consolidated management. The directors of the group operating companies, who are familiar with the business and organization of the group, will make decisions and execute operations promptly, while the Company will assume governance and control functions for each company, aiming for an organizational structure that clarifies the functions, authority and responsibilities of each group company.

To this end, we have decided to strengthen the supervisory function of the Board of Directors by appointing outside directors and having our Board of Directors specialize in management functions, while at the same time establishing a system that enables objective judgment of the status of governance and control of the Group from a fair and neutral standpoint and ensures transparency in decision-making and its process.

We believe that the objectivity and neutrality of the management oversight system is fully functioning through audits by the two outside directors in addition to audits by the full-time director.

**III. Implementation Status of Measures Concerning Shareholders and Other Stakeholders**

**1. Efforts to revitalize the General Meeting of Shareholders and facilitate the exercise of voting rights**

	supplementary explanation
Early dispatch of notices of convocation of general meetings of shareholders	As a rule, we try to ship 3 weeks prior to the event date.
Set up shareholder meetings to avoid concentration days	After confirming with the trust bank regarding the date of concentration of shareholders' meetings, the date of the meeting is set to avoid the concentration date.
Exercise of voting rights by electromagnetic means	You can exercise your voting rights via the Internet. The "Smart Exercise" voting website for smartphones has been adopted starting with the 24th Ordinary General Meeting of Shareholders to be held in September 2020.
Participation in electronic voting platforms and other efforts to improve the environment for institutional investors to exercise their voting rights	The Company joined the voting platform starting with the 25th Annual General Meeting of Shareholders to be held in September 2021.
Provision of the notice of convocation (summary) in English	The convocation notices, with some exceptions, are also translated into English and posted on the Company's and the Tokyo Stock Exchange's websites.
Other	We have continued to use PowerPoint to provide easy-to-understand explanations of matters explained at the General Meeting of Shareholders and to devise ways to manage the proceedings, etc. We also began live and archived video distribution of the General Meeting of Shareholders from the 24th Ordinary General Meeting of Shareholders to be held in September 2020. The Company's website contains notices of convocation, shareholder communications, notices of resolutions, and extraordinary reports of voting results in Japanese and English.

**2. Status of IR-related activities**

	supplementary explanation	Explanation by the representative himself/herself
Prepare and publish	The disclosure policy is published on our website (IR page) as	

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disclosure policy	"Information Disclosure Policy".	
Regular information meetings for individual investors	Although the timing is irregular, we will consider holding briefings for individual investors as needed.	No
Regular briefings for analysts and institutional investors	The Company holds financial results briefings twice a year, once in the second quarter and once after the announcement of these financial results.	Yes
Holding regular briefings for overseas investors	In the fiscal year ended June 30, 2017, we held our first presentation for international investors. We are continuing to strengthen our information dissemination to overseas investors and are actively responding to their needs through individual meetings, etc. However, we do not plan to hold regular information meetings at this time.	No
IR materials posted on website	We have opened an IR site on our website, where we post timely disclosure materials, financial results presentation materials, financial reports, etc. on a quarterly basis, as well as video recordings of financial results briefings.	
Establishment of a department (person in charge) for IR	Beginning in July 2019, a structure has been put in place to assign a director of investor relations under the director in charge of finance, which is carried out in cooperation and collaboration with the personnel in charge of each relevant department.	
Other	Not applicable.	

### 3. Status of efforts to respect the position of stakeholders

	supplementary explanation
Respect for the position of stakeholders is stipulated in internal rules and regulations.	<p>The Company has established "Insider Information Management Regulations" for the purpose of promoting caution in the handling of information and preventing information leaks and insider trading.</p> <p>In addition, we have established the "AVANT Code of Conduct" to set forth our basic compliance policy and the "Compliance and Risk Management Regulations" to ensure thorough compliance and risk management. In order to realize the Group's philosophy of "Creating a 100-Year Company," we believe it is important for each and every employee to be aware of their relationship with society and</p>

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	<p>the environment, and to act accordingly. These policies were approved by the Board of Directors on July 22, 2020.</p>
<p>Implementation of environmental preservation activities, CSR activities, etc.</p>	<p>With reference to the amount of electricity used in the fiscal year ending June 30, 2020 (approximately 1.5 million kwh), from July 1, 2021, we will purchase "Green Power Certificates" issued by Japan Natural Energy Company, Ltd. We will purchase "Green Power Certificates" issued by Japan Natural Energy Company, Ltd. to reduce CO2 emissions by approximately 660 tons-CO<sub>2</sub> per year and promote efficient use of electricity and the spread of power generation from natural energy sources to help prevent global warming.</p> <p>Since the fiscal year ending June 30, 2017, as part of our mecenat activities, we have participated in the MOMAT Support Circle, a corporate program of the National Museum of Modern Art, Tokyo, to support the Museum's activities. On August 25, 2020, Avant Group also signed the United Nations Global Compact, which is highly compatible with the Group's philosophy system. We also joined the Global Compact Network Japan, a local network in Japan. The Avant Group supports the ten principles of the United Nations Global Compact, which are "human rights," "labor," "environment," and "anti-corruption," and is actively working to resolve social issues in order to realize a sustainable society. We will actively work to solve social issues in order to realize a sustainable society.</p>
<p>Establishment of policies, etc. related to the provision of information to stakeholders</p>	<p>The Company has prepared an "Information Disclosure Policy" which is available on the Company's website (IR page). (<a href="https://www.avantgroup.com/en/ir/policy.html">https://www.avantgroup.com/en/ir/policy.html</a>)</p>
<p>Other</p>	<p>Based on the AVANT Code of Conduct, we are committed to a highly transparent organization and to activities and actions that respect all stakeholders involved in the Group's business by always striving to create new value through a thorough customer orientation and by enjoying our own growth.</p>



### *IV. Matters Concerning Internal Control Systems, etc.*

#### **1. Basic Policy and Status of Internal Control System**

In order to fulfill the responsibilities of corporate organization and activities as a public organ of society and to ensure the growth of business and the continuous and efficient operation of the corporate organization, the Company has established the General Meeting of Shareholders as the highest organ of the Company and has established the following organizational design and internal control system.

- Accurate decision-making and prompt execution of operations by establishing a board of directors and selecting a representative director.
- Establishment of an Audit Committee to improve the soundness of management and strengthen the monitoring and supervisory functions of the Audit Committee members.  
(Full-time directors' function to audit operations, outside directors' function to monitor directors and supervise decision-making)
- Establish an accounting auditor to ensure the appropriateness of financial reporting and internal controls through accounting audits and improve disclosure and information provision functions.
- Compliance and Risk Management Committee ("CRM Committee"), chaired by the President, and Information Security Committee to ensure compliance with laws, regulations, and rules and to address significant risks.

In addition, the Board of Directors has adopted the following basic policy regarding the development of internal control systems.

#### (1) Compliance System of Directors

##### (i) Compliance System of Directors

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

- Directors shall comply with the "AVANT Code of Conduct," practice the "AVANT Values," and properly execute their duties in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors Regulations, and other internal regulations.
- In executing business operations, directors make decisions after comprehensive review at meetings of the Board of Directors and various cross-organizational meetings.
- The CRM managers of each Group company, appointed by the CRM Committee Chairman, shall deliberate and review important issues and responses concerning corporate ethics, compliance and risk management at the CRM Committee and promptly report them to the Board of Directors.
- A reporting system for violations of laws and regulations and other legally questionable acts, etc., shall be established and operated with a contact person who is a legal advisor and a director who is a member of the Audit and Supervisory Committee.

- Under the audit policy determined by the Audit Committee, Audit Committee members audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and by investigating the status of business execution.

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

- The Company's Board of Directors basically meets once a month on a regular basis, and as necessary, the Board of Directors meets as needed to make decisions and promptly execute operations, as well as to supervise the status of important management decisions and business execution by directors.
- Various meetings and committees, of which directors are in charge or members, deliberate and decide on business execution within the scope of their authority.
- Promote decentralization of management through organization based on management policies and business plans.
- In order to clarify management responsibility and respond to changes in the business environment, the term of office of directors is set at one year.

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

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

(2) System to ensure the appropriateness of the company's operations

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

- We will implement a rolling forecasting management cycle to monitor the progress of business performance and expense management, in accordance with the business environment, in order to properly manage operations and funds and to prevent risks.
- We manage risks related to compliance, information assets, and other business matters by preparing and disseminating necessary rules, manuals, etc.
- In addition, the CRM Committee will strengthen the management and response to ensure compliance.
- In addition, the Information Security Committee will strengthen the management of and response to the management of information assets.
- We shall consult with and receive advice and guidance from third parties with expertise, such as lawyers, accounting auditors, and tax accountants, as necessary in the performance of our business.

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

- Employees shall comply with the "AVANT Code of Conduct," practice the "AVANT Values," and perform their duties in accordance with laws, the Articles of Incorporation, and internal regulations.
- In order to raise employees' awareness of compliance and promote socially responsible behavior, the Company will promote the development of internal rules and regulations and conduct internal audits under the direction of the President.
- When an employee becomes aware of a violation of laws and regulations, the Articles of Incorporation or internal rules, or an act contrary to socially accepted norms, the employee shall report or consult with the Internal Reporting Desk.
- In the event that a member of the Audit Committee expresses an opinion or request for improvement regarding the employee compliance system or the whistle-blowing system, the Director shall promptly respond or make improvements at the CRM Committee.

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

- Our subsidiaries shall comply with our management policy and the "AVANT Code of Conduct" and share the practice of "AVANT Value" to contribute to the enhancement of the Group's corporate value.
- While respecting the autonomy of its subsidiaries, the Company will support the development and improvement of internal control systems and promote them in cooperation with its subsidiaries.
- The Company's subsidiaries have entered into a management guidance and business management agreement, under which the Company receives reports on important matters related to the execution of duties by directors and others. The board of directors of our subsidiary makes decisions on important matters, but the rules and operations for (a) investment including office contracts, (b) personnel matters, and (c) finance including capital policy are subject to approval from the holding company, Avant.
- The Company's subsidiaries hold regular monthly meetings of the Board of Directors as a basic rule and hold meetings as needed for decision-making and prompt business execution, with the Company's Group General Affairs Department confirming the status of the meetings.
- As part of the establishment of the Group's overall compliance system, employees of the Company's subsidiaries are required to report or consult with the internal reporting system office when they become aware of any violation of laws, the Articles of Incorporation, internal rules, or any act that is contrary to socially accepted norms.
- The CRM Committee will provide support for violations of laws and regulations and other compliance-related issues at subsidiaries.
- With respect to the progress of business performance of our subsidiaries and thorough

management of expenses, we will implement risk prevention through appropriate management of operations and funds and reporting to the Company by monitoring the status of business performance through rolling forecast management in accordance with the budget management regulations and in a cycle appropriate to the business environment.

- The Internal Audit Group of the Group Risk Management Office conducts periodic internal audits of the appropriateness of the operations of the Company's subsidiaries and reports the results to the Company's Directors and Audit Committee for necessary control.

#### (4) System to ensure the appropriateness of financial reporting

Under the direction of the Board of Directors, the Company shall establish a maintenance and operation system to ensure the legality and appropriateness of financial reporting and shall periodically conduct self-assessments and independent evaluations of internal control over financial reporting, as well as have them audited by an accounting auditor.

#### (5) Basic Policy on Elimination of Antisocial Forces

In the "AVANT Code of Conduct," we declare the elimination of antisocial forces and the prohibition of antisocial activities. Our basic policy is to have no relationship with antisocial forces that threaten the safety and order of society and the sound activities of companies, and not to accept any unreasonable or illegal demands.

In addition to appointing a person in charge of preventing improper demands and making efforts to collect information and check business partners on a routine basis, the Company will take prompt action in an organized manner by maintaining close contact with relevant administrative agencies, lawyers, and other experts when a case arises.

## 2. Basic Policy on Elimination of Antisocial Forces and Status of Improvement

With regard to the exclusion of antisocial forces, in addition to the basic policy regarding the internal control system, the Company will make efforts to improve the system as follows.

- (1) In the "AVANT Code of Conduct," we declare the exclusion of antisocial forces and the prohibition of antisocial activities. In addition, we receive written pledges from directors and employees every year regarding the "Code of Conduct and Management of Confidential Information," and confirm that they are well informed about compliance, including the elimination of antisocial forces.
- (2) The Group General Affairs Office, as the department in charge, has appointed a person in charge of preventing unjustified demands, and is to cooperate with the competent police to eliminate antisocial forces, etc. In addition, we 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.

**V. Other Other**

**1. introduction of anti-takeover measures**

Introduction of anti-takeover measures	Not applicable.
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Supplemental Explanation for Applicable Items

Not applicable.
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**2. Other matters related to corporate governance structure, etc.**

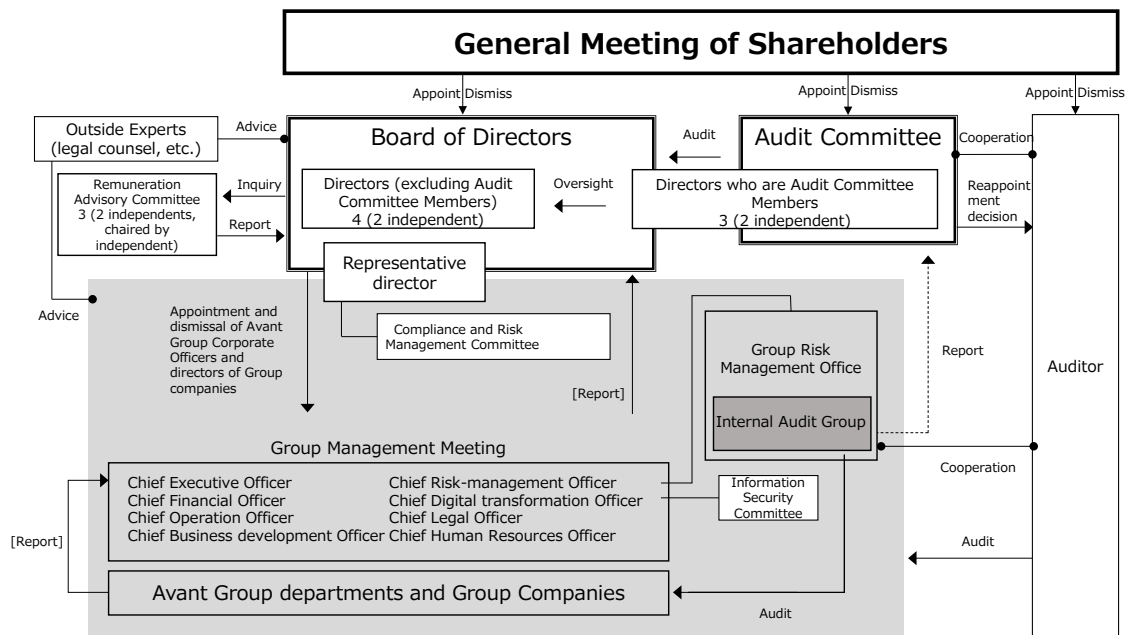
<p>The status of the Company's internal system for the timely disclosure of corporate information is as follows.</p> <p>(1) Basic Policy on Timely Disclosure of Corporate Information</p> <p>We recognize that the timely disclosure of corporate information is the only means by which the Company can be widely understood in fulfilling its social responsibilities, and that it is an important function that plays a role in coordinating with the Company's stakeholders and in forming corporate governance. We will provide such information in a timely, appropriate, and fair manner.</p> <p>(2) Status of Internal System for Timely Disclosure</p> <p>Material facts concerning the Company's business operations, etc. are managed by the director in charge, who is responsible for handling information, and the Group Corporate Management Office, the division in charge, is responsible for timely disclosure, and is working to strengthen and improve the timely disclosure system.</p> <p>Since we handle our customers' financial information, we make every effort to thoroughly familiarize our customers with the Financial Instruments and Exchange Law, securities exchange regulations, and internal "Insider Information Management Regulations," and conduct training as part of our internal education curriculum.</p> <p>In light of the social climate and impact of information management, we have also established an Information Security Committee, which is currently formulating a security policy and related rules and regulations to strengthen our company-wide information management system.</p> <p>(3) Timely Disclosure Flow</p> <p>Important matters related to business operations, etc. are communicated and shared at each meeting and in reports, and matters subject to timely disclosure are subject to the prescribed disclosure procedures under the supervision of the person in charge of information handling.</p> <p>Information on urgent matters, decisions on other important matters, and information on financial results are gathered by the Information Management Manager, who scrutinizes and confirms the contents, and information deemed subject to timely disclosure is disclosed by means of release distribution and posting on the Company's website after the prescribed disclosure procedures are completed.</p> <p>(4) Monitoring of Timely Disclosure System</p> <p>1) Audit Committee</p> <p>The Company attends meetings of the Board of Directors and other important meetings to report important</p>
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occurrences and audit the status of decisions related to corporate information, and comprehensively monitors the operation of internal systems related to timely disclosure, including confirmation of financial results information and financial status.

2) Board of Directors regarding timely disclosure

The Company's Board of Directors, including certified public accountants, confirms the appropriateness of the preparation of timely disclosure documents and securities reports to be resolved by the Board of Directors with respect to financial information and other matters that are subject to timely disclosure.

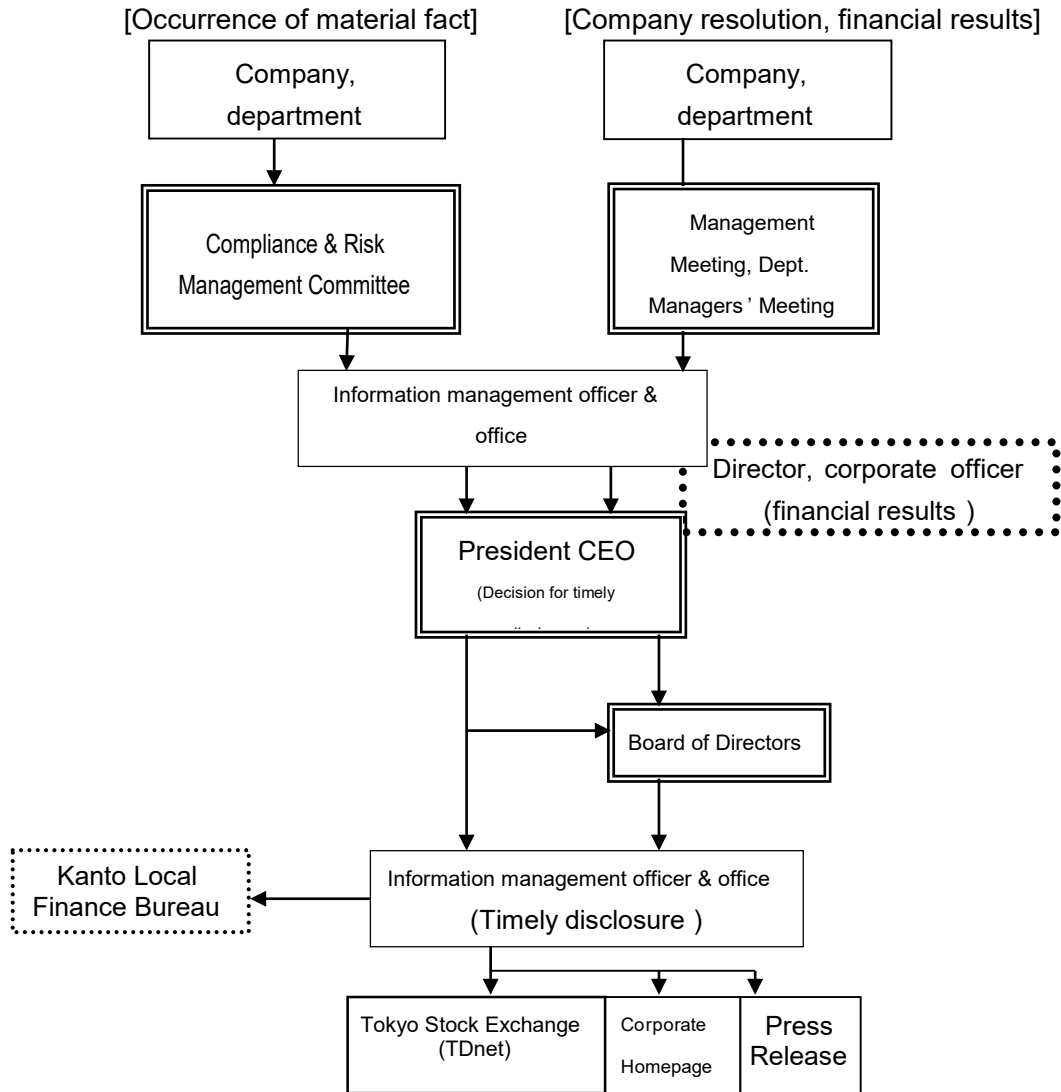
Schematic diagram (reference material)]



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Outline of Timely Disclosure System (schematic diagram)



Ends