

December 28, 2023

Avant Group Corporation

Tetsuji Morikawa, President and Representative Director

For inquiries      Investor Relation 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.

<https://www.avantgroup.com/en/sustainability/governance/main/0/teaserItems1/01/linkList/0/link/AvantCorpPolicyonCorporateGovernance20220927.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, 2023, 8.8% of our managers were women, 4.3% were foreign nationals, and 82.3% 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(CEO) 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.

In September 2021, the Articles of Incorporation were amended to change the clause that the CEO is naturally the chairman of the Board of Directors to a system in which the CEO is selected from among the directors. In October 2022, the CEO, who was the founder of the company, was no longer concurrently serving as president of a business subsidiary.

Although no progress has been made on the CEO succession plan itself, we believe that progress is being made in separating the role of the founder and developing an environment for succession planning.

### [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 Annual General Shareholders' Meeting, 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 Annual General Shareholders' Meeting.

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, aiming to reduce greenhouse gas emissions by 50% in Scope 2 and 30% in Scope 3 by the fiscal year ending June 30, 2030, compared to the fiscal year ending June 30, 2018.

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, while deciding on matters stipulated by law and the Articles of Incorporation, as well as important matters concerning the Company and its subsidiaries in the Group, will transfer part of its authority to make business execution decisions to the executive directors in accordance with the transition to a company with an Audit Committee System in September 2022.. In October 2022, the Board of Directors transferred authority for the appointment of Executive Officers to Representative Director and President (Group CEO). In addition, a director or key member

of the Board of Directors of Avant Group attends the Board of Directors meetings of the Company's subsidiaries as an officer or observer, and keeps abreast of the management situation. Although the boards of directors of the Company's subsidiaries make decisions on important matters, the Group's holding company, Avant Group, must approve the following three matters that have a significant impact on the Group: (a) investments, (b) executive appointments, and (c) financing, including capital policies. 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 the Company's Board of Directors. The Company's Group Legal Office confirms that the Board of Directors of the Company's subsidiary convenes monthly.

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

The Board of Directors receives proposals from time to time from the Group CEO and Group CFO, who are directors, or the Group CxO, who is an executive officer delegated by the Group CEO, 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 Group CEO or Group CxO. 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 Annual General Shareholders' Meeting. 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 Annual General Shareholders' Meeting held on September 27, 2022. The proposal was approved and adopted, and the system has been introduced as a system. In addition, in order to further share value with shareholders in conjunction with the start of the new medium-term management plan, "Revision of the Performance-Based Stock Compensation Plan for Directors (excluding Directors who are members of the Audit Committee and Outside Directors)" was submitted as Proposal 3 to the 27th Annual General Shareholders' Meeting held on September 27, 2023, which was approved and adopted, and as a result, the plan has been revised. 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)

The Company has appointed the lead independent outside director since May 2018. The Board of Directors was reported on September 27, 2023 that Ms. Chie Goto was appointed as the Lead Independent Outside Director by mutual election among the Independent Outside Directors.

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 who are not Audit Committee Members (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 Annual General Shareholders' Meeting,
- (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, 2023, 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)

The Company's board of directors appoint directors among the candidates who have diverse and professional experiences and insights including leadership (experience as management), experience in IT industry/SaaS, insights of corporate value, experience in global business, insights of organizations and human resources, finance/accounting, legal and compliance with improvement of the corporate value as the purpose, and "Proposal 2: Election of four directors (except directors who are audit committee members)" is approved and passes as the original proposal, the Company's board of directors shall be composed of the following skill matrix. In addition, the Company's board of directors shall consist of 4 directors who are not audit committee members (2 outside and independent directors, 1 foreign resident) and 3 directors who are audit committee members. (2 outside and independent directors, 1 female), where the board of directors believe that diversity and balance of knowledge, experiences and skills of the human resources are fully considered and at the level to have advanced

decision-making skill. The reasons for the appointment of outside directors are disclosed in the Notice of Convocation of the Annual General Shareholders' Meeting.

	Directors				Directors who are audit committee members.		
	Tetsuji Morikawa	Naoyoshi Kasuga	Jon Robertson	Tatsuya Kamoi	Tsuyoshi Noshiro	Chie Goto	Makoto Nakano
Insights of finance / accounting		●			●	●	●
Insights of legal and compliance					●	●	
Leadership	●		●	●			
IT industry / SaaS experience	●		●	●			
Insights of corporate value	●	●	●				●
Experience of global business		●	●	●			
Insights of organizations / human resources	●	●	●	●	●	●	●

Supplementary Principle 4-11 (ii) 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 Annual General Shareholders' Meeting, 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)

The Company has recognized the issue concerning duties, structure and operation, etc. of the board of directors and has been working on continuous improvement for the purpose of achieving improvement of continuous corporate value. The board of directors conducts analysis and evaluation every year concerning effectivity of itself in consideration of self-evaluations, etc. of each director.

<Evaluation Method>

We conducted evaluations by a third-party institution in view of enhancing independence and objectivity of the analysis and evaluation for the term ending June 2018 and the term ending June 2019, but there was an input from the board of directors that such evaluations focused on quantitative evaluation which makes the issues unclear. Therefore, we decided to conduct interviews for directors and auditors by a third-party institution as necessary mainly by our original surveys after the term ending June 2020.

Since June 2021, we have conducted the evaluations by independently preparing the survey form where evaluations of issues and opinions about the responding measures can be described in order to more clearly understand the issues. The survey was conducted for all directors including the audit committee members. in



June 2023 and such result was reported to the board of directors on July 19, 2023.

<Overview of evaluation result>

To summarize the survey responses, most of them mentioned that the monitoring function was enhanced by transforming to the company with the committee of audit, etc., and also that sufficient discussion was held on the management strategies and mid-term management plan which were the issues in the previous survey, resulting in high evaluation overall on effectivity of the board of directions, mentioning proper operation thereof. On the other hand, the timing to provide information to the outside directors and necessity of prior opinion exchange were pointed out, where we consider the need of specific measures.

(1) Organization of the Board of Directors

As organization of the board of directors, the following opinions and issues were pointed out.

- A committee of nomination is not necessary, but succession of Group CEO should be discussed at the board of directors' meeting.
- Information for discussion of KPI, etc. to be monitored in view of mid-and long term should be straightened for improvement of the corporate value.
- Training for the outside directors should be further enhanced.

(2) Agenda for the Board of Directors Meeting

There was an input that the case (succession plan of Group CEO) said to be necessary to be continuously discussed for a long time needs to be further discussed. Necessity of discussion on human investment and exploration and development of human resources was also pointed out.

(3) Operation of the Board of Directors

As for the reporting system, insufficiency in prior distribution and prior explanation was also pointed out as mentioned in the previous suggestion. There was some improvement in regard to the previous suggestion that there should be an opportunity to more deeply understand the strategies and actual situations of the company operating the business due to the offsite meeting.

< Future actions >

In consideration of the above suggestions, we have reported that we shall promote the following measures for operation of the board of directors in the term ending June 2024.

- (1) Reconsideration of the scheduled time in consideration of reorganization of the annual agenda and importance of the agenda
- (2) Thorough distribution of the materials with sufficient lead time or streamlining of discussion time by prior explanation
- (3) Understanding the needs of the outside directors to enhance the training contents for them

(4) Straightening of information for discussion on KPI to be monitored in view of mid-and long term

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.

[Actions to realize management conscious of cost of capital and share price] [English language disclosure available].

An overview is given in the 'Measures to realize management conscious of cost of capital and share price' disclosed on 28 December 2023. Please refer to.

URL: [https://www.avantgroup.com/en/ir/irnews/auto\\_20231227509936/pdfFile.pdf](https://www.avantgroup.com/en/ir/irnews/auto_20231227509936/pdfFile.pdf)

## Corporate Governance

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### 2. Capital Structure

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	25.94
The Master Trust Bank of Japan, Ltd.	3,197,300	8.49
Tsuyoshi Noshiro	1,868,800	4.96
The Custody Bank of Japan, Ltd.	1,801,800	4.79
OBIC Business Consultant Co.	1,600,000	4.25
Avant Group Employee Stock Ownership Plan	1,436,700	3.82
SSBTC CLIENT OMNIBUS ACCOUNT	1,262,502	3.35
JP MORGAN CHASE BANK	975,300	2.59
PCA Corporation	778,400	2.07
Tatsuru Nakayama	653,508	1.74

Name of controlling shareholder (excluding parent company)	None
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Parent Company Name	None
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Supplementary explanation

Not applicable.
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## Corporate Governance

Avant Group Corporation

### 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	
John Robertson	Coming from another company												*
Tatsuya Kamoi	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
John Robertson	Yes	Snowflake Inc. where Mr. Jon Robertson is the president of Asia Pacific and Japan Region and the Company's wholly owned subsidiary, ZEAL Corporation have entered the solution partner agreement, where they are in the transactional relationship for the products provided by Snowflake Inc., but such amount is under 0.2% of the consolidated sales amount which is within 2% designated by the Company as the standard of independence, which shall not possibly cause an influence on the Company's decision making. 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.	With over 30 years of experience leading globally diverse organizations in Japan and the Asia-Pacific region, Mr. Robertson has demonstrated exceptional managerial, leadership, and communication skills. He possesses an in-depth understanding of cutting-edge IT technologies, including the cloud-native sector, and has consistently exhibited enthusiastic leadership in the fast-evolving IT industry. We anticipate that he will continue to contribute meaningfully, especially in achieving our vision of BE GLOBAL and in executing our mid-term business strategy through cloud technology.
Tatsuya Kamoi	Yes	-	He brings over two decades of experience in consulting and IT strategy implementation for both domestic and global enterprises. Furthermore, his leadership roles at Mercer Japan Ltd. and ABeam Consulting Ltd., coupled with his extensive background in human resources, make him an ideal candidate for contributing to our business oversight and the successful execution of our new mid-term business strategy "BE GLOBAL 2028."
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

## Corporate Governance

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			clients, we expect him to play an active role in the development of our next generation management team.
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### 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	<p>None</p> <p>The Company's Board of Directors has resolved the following in its "Basic Policy for the Development of Internal Control Systems," and when requested by Audit Committee members to assist them in their duties, a secretariat is promptly set up in accordance with the said policy.</p> <p>■Matters related to employees assisting the duties of Audit Committee members and matters related to ensuring the effectiveness of instructions to such employees</p> <p>• 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, they shall be notified that they are subject to the direction and orders of the Audit Committee.</p>
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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.
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#### 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
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## Corporate Governance

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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

Supplementary explanation

Not applicable.
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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.
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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

<p>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 Annual General</p>
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Shareholders' Meeting 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 Directors (excluding Directors who are Audit Committee Members) and Directors who are Audit Committee Members for the previous fiscal year are as follows. The Board of Directors confirms that the method of determining the details of remuneration and the details of the determined remuneration are in line with the relevant decision-making policy by receiving explanations of the calculation process for individual remuneration of directors.

Remuneration for Directors who are members of the Audit Committee is fixed remuneration only, in consideration of their responsibilities and roles in supervising and auditing the execution of business operations. The amount not exceeding 55,000 thousand yen per year will be determined through discussions among the Directors who are members of the Audit Committee.

#### 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	Non-monetary compensation, etc. of the left column.	
Directors (excluding Audit Committee members and outside directors)	106 million yen	86 million yen	19 million yen	2 million yen	2 persons
Audit Committee Members (excluding outside directors)	13 million yen	13 million yen	-	-	1 person
Corporate Auditors (excluding outside auditors)	3 million yen	3 million yen	-	-	1 person
Outside Corporate Directors	48 million yen	48 million yen	-	-	7 persons

- (Note) 1. Effective September 27, 2022, the Company transitioned from a company with a board of corporate auditors to a company with an audit committee.  
 2. The breakdown of the total amount of non-monetary compensation to directors (excluding Audit Committee Members and outside directors) is 2 million yen in medium- to long-term performance-linked compensation.  
 3. The above includes one director and one corporate auditor who resigned at the closing of the 26th Annual General Shareholders' Meeting held on September 27, 2022.

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

### Details of disclosure of policy for determining the amount of compensation or its calculation method

Remuneration for the Company's directors is divided into two categories: fixed remuneration (fixed periodic remuneration of the same amount) and performance-based remuneration.

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 Shareholders' Meeting held on September 27, 2022, approved the annual amount of fixed remuneration to the Company's directors as 150,000 thousand yen or less (This does not include the employee's salary of directors who also serve as employees.).

Performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is linked to business performance for each fiscal year, and (2) medium- to long-term performance-linked remuneration, which is linked to changes in indicators during the subject period. 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 long term and to promote further value sharing between Directors and shareholders. As a result of the approval of the revision of the medium- to long-term performance-linked remuneration at the 27th Annual General Shareholders' Meeting held on September 27, 2023, the maximum amount of short-term performance-linked remuneration is 41,250 thousand yen per director per year, and the medium- to long-term performance-linked remuneration consists of two parts: a part in which the Company's common stock is delivered on condition that the Company's stock price increases in value from the beginning of the subject period, and a part in which the Company's common stock is delivered in a number calculated according to the Company's stock growth rate during the subject period. The maximum amount of such compensation is 100,000 thousand yen per subject period, and the number of shares to be delivered to each Director under this plan is 60,000 thousand yen per year per Director. The maximum number of shares to be issued to each director is 60,000 shares per year, and the total number of shares to be issued to all directors is 100,000 shares per year.

If any of the events of forfeiture of rights (as determined by the Board of Directors) necessary to achieve the purpose of the stock compensation plan, such as the subject director's resignation from the post of director of the Company without just cause and certain acts of misconduct, is found to have occurred, the monetary compensation will not be paid to the subject director and no shares of the Company's stock will be delivered.

The amount of remuneration for directors who are members of the Audit Committee is also fixed, and is determined through consultation between the Audit Committee members, taking into consideration the division of duties between directors and Audit Committee members, within the limit of the amount of remuneration resolved at the General Shareholders' Meeting. The maximum amount of remuneration was resolved at the 26th Annual General Shareholders' Meeting held on September 27, 2022 to be within 55,000 thousand yen per year.

■ Purpose of performance-linked compensation and performance-linked stock compensation, basis for

indicators, and specific calculation methods

## 1. Short-term performance-linked remuneration

This is a remuneration system in which a monetary amount calculated in conjunction with the year-on-year change in consolidated net income, which is consistently emphasized in the Company's medium- to long-term management strategy, new medium-term management plan, and annual business results, is paid. The amount is calculated by multiplying the base amount (performance-linked bonus base amount), which is determined according to position and other factors, by the short-term incentive coefficient, which is set in the range of 0% to 150% according to the change in consolidated net income from the previous fiscal year. The following details were resolved at the Board of Directors meeting held on August 23, 2023.

Short-term performance-linked remuneration = Short-term performance remuneration standard amount × Short-term incentive coefficient

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 coefficient shall be the value calculated by the following formula.

- ① If "a" is less than or equal to "b" : 0
- ② When "a" exceeds "b" and is less than "b" x 137.5% : ("a"÷"b"-1) / 0.375 x 1.5
- ③ When "a" is greater than 137.5% of "b" : 1.5

## 2. Medium- to long-term performance-linked remuneration

The Company has introduced this plan to the subject directors for the purpose of further sharing value between the subject directors and shareholders through a sustainable increase in the share price, and to give the subject directors an incentive to continuously improve the Company's corporate value. The plan consists of two parts: a part in which shares of the Company's common stock are delivered at the end of the subject period on the condition that the Company's stock price has increased in value from the beginning of the subject period ("Part I"); and a part in which the Company's common stock is delivered in a number calculated based on the Company's stock growth rate during the subject period ("Part II"). The subject period for both parts is from September of each year to September of the following year, and the outline of each part is as follows.

For any Part, upon the issuance of shares or disposal of treasury stock by the Company, shares of common stock of the Company will be delivered to the Subject Directors after the end of the Subject Period by way of payment of monetary compensation claims and having all such monetary compensation claims contributed in kind.

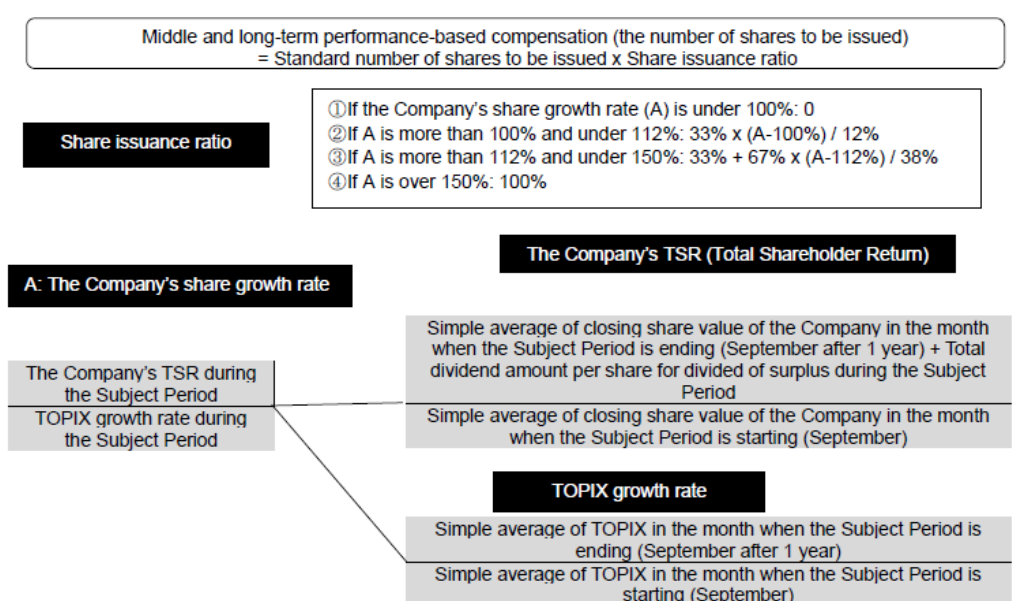
### (1) Part I

In Part I, the Company's ordinary shares shall be issued in the number determined by the Company's board of directors under the following condition; when comparing average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period starts (September of every year)

with average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period ends (September of the following year), the latter exceeds the former.

(2) Part II

In Part II, the number of shares of the Company's common stock to be delivered to each eligible director after the end of the applicable period will be determined by multiplying the base number of shares to be delivered by the share delivery ratio determined by the Company's share growth rate, which is a representative indicator of the Company's corporate value. The Company's stock growth rate will be calculated by dividing the Company's TSR (Total Shareholder Return) during the subject period by the growth rate of the TOPIX (Tokyo Stock Exchange Stock Price Index) 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) is less than 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), no monetary compensation claims will be paid under Part II to the subject director for the relevant subject period, nor will any common stock be 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 who are not Audit Committee Members (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

Business execution is conducted by representative directors and directors in charge of finance appointed by the Board of Directors, and by executive officers. The Group Management Committee is chaired by the Group CEO and attended by the Group CFO, who is the director in charge of finance, and the Group COO, Group CBO, Group CRO, Group CDO, Group CPO, Group CSO, Group CHRO, and Group CLO, who are the executive officers, 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. The official name of each CxO is as follows.

Chief Executive Officer,  
Chief Financial Officer,  
Chief Operating Officer,  
Chief Business development Officer,  
Chief Risk management Officer,  
Chief Digital transformation Officer,  
Chief Product Officer,  
Chief Strategic Officer,  
Chief Human Resources Officer,  
Chief Legal Officer

In addition, all members of the Group Management Committee participate in the Board of Directors meetings of each major group company to monitor the execution status of each company and to manage risks.

#### (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.

The Audit Committee assigns an Audit Committee member, selected in accordance with the Companies Act, to attend meetings of the Board of Directors and other important meetings. In addition, the Audit Committee shall hear reports from directors on the status of business operations, inspect important approval documents, etc., examine the status of operations and assets at each department, and exchange information with internal audits. At the end of the fiscal year, the Audit Committee prepares an audit report after reviewing the business report, financial statements, and supplementary schedules based on the results of the accounting audit.

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.

Accordingly, at the monthly meeting of the Board of Directors held in September 2013, the composition of the Board of Directors was changed from six executive directors to three executive directors and one outside director to allow the Company's Board of Directors to focus on management functions and to establish a structure that allows the Board of Directors to objectively determine the status of governance and control of the Group from a fair and neutral standpoint and to ensure transparency in decision-making and its process, thereby strengthening the supervisory function of the Board of Directors. Subsequently, the number of outside directors was increased to two at the Annual General Shareholders' Meeting in September 2014, and by the Annual General Shareholders' Meeting in September 2020, the number of outside directors was increased to three, making outside directors a majority on the Board of Directors. In addition, at the Annual General Shareholders' Meeting held in September 2022, the Company changed to a company with an Audit Committee System and delegated a part of the authority to make business execution decisions to the executive directors. In order to accommodate

changes in the diversity of the Board of Directors and changes in the Group CEO, the Board of Directors' Regulations stipulate that the authority to make business execution decisions to be delegated is to be reviewed and decided by the Board of Directors immediately after each Annual General Shareholders' Meeting.

From the perspective of creating a 100-year company, we have chosen the current corporate governance structure in our exploration of the above-mentioned ideal forms of governance.

In March 2021, the Company established the Compensation Advisory Committee. The Audit Committee, which is in charge of auditing, consists of one full-time director and two outside directors, and we believe that the objectivity and neutrality of the management oversight system are fully functioning. The committee on nominations regarding director candidates is currently not established because the total number of directors of the Company is seven and the majority of the directors are independent outside directors, and the Company has determined that discussion of the composition of the Board of Directors should be conducted by all directors.

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

**1. Efforts to revitalize the Annual General Shareholders' Meeting 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 Annual General Shareholders' MeetingAnnual Annual General Shareholders' Meeting 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 Annual General Shareholders' Meeting 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 Annual General Shareholders' Meeting and to devise ways to manage the proceedings, etc. We also began live and archived video distribution of the Annual General Shareholders' Meeting from the 24th Annual General Shareholders' Meeting 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



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		himself/herself
Prepare and publish disclosure policy	The disclosure policy is published on our website (IR page) as "Information Disclosure Policy".	
Regular information meetings for individual investors	Although the timing is irregular, we will consider holding briefings for individual investors as needed.	Yes
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 a regulation concerning standards of conduct for members of the entire Group in order to ensure thorough awareness of corporate ethics and compliance among all members to set forth our basic compliance policy and the "Compliance and Risk</p>

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	<p>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 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 Group's Code of Conduct, we are committed</p>

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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.

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

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

###### **(1) Basic Concepts on Internal Control Systems**

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 Annual General Shareholders' Meeting 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.
- Establish an Audit Committee and audit Directors' execution of their duties by the Audit Committee. In addition, determining the details of proposals concerning the appointment and dismissal of the accounting auditors and the non-reappointment of the accounting auditors.
- Establish an accounting auditor to ensure the appropriateness of financial reporting and internal controls through accounting audits and improve disclosure and information provision functions.
- The Risk Management Committee, Compliance Committee, and Information Security Committee, chaired by the President and Representative Director, are responsible for responding to important risks, ensuring compliance with laws and regulations, and ensuring information security.

###### **(2) Status of Internal Control System**

The following basic policy regarding the development of internal control systems has been resolved by the Board of Directors and is in operation.

###### **(i) Basic policy regarding the development of internal control systems**

###### **(a) System to ensure that execution of duties by the directors and staff complies with the laws and Articles of Incorporation**

- The directors shall comply with the Group's standards of conduct, conform to the laws/Articles of Incorporation and rules of board of directors and other internal rules, etc., appropriately execute the operations by taking the initiative as the model and thoroughly have the staff informed.
- The person responsible for risk management of each Group company, appointed by the chairman of the Risk Management Committee, shall deliberate and review the important issues and responses at the Committee and promptly report them to the Board of Directors.
- The compliance managers of each Group company, appointed by the chairman of the Compliance Committee, shall deliberate and review the important issues and responses at the Committee and promptly report them to the Board of Directors.
- For breach of the laws and other legally doubtful conducts, etc., the whistle-blowing system of which contact is an external lawyer and the director who is committee member of audit, etc. shall be

established and operated.

- The audit committee members shall audit execution of duties by the directors through attendance for the board of directors as well as important meetings and investigation, etc. of status of execution of operations under the audit policy stipulated by the committee of audit, etc.

(b) System in regard to storage and management of information related to execution of duties by directors

- Information concerning execution of duties by the directors shall be appropriately stored and managed under the laws, rules of board of directors, document management rules and other related rules.

(c) Rules concerning management of risk of loss and other system

- Properly manage the operations and funds as well as preventing risks from occurring by assessing the performance status by rolling forecast management in the cycle suitable to the management environment for performance progress and thorough expense management.
- Manage the risks of compliance, information asset and matters concerning the business by preparing rules and manuals, etc. and announcing the same.
- Enhance management and responses of compliance at the Compliance Committee for thorough compliance.
- Enhance management and responses of information asset at the information security committee for management thereof.
- Consult and receive advices and instructions from a layer, accounting auditor, tax accountant, etc. as necessary for performance of the operations.

(d) System to ensure efficient execution of duties by directors

- The Company's board of directors' meetings shall basically hold ordinary board of directors' meetings monthly, and shall hold the extraordinary board of directors' meetings as necessary to make decisions and promptly execute operations as well as supervising important decisions by the directors in management and the status of execution of the operations.
- The meeting bodies and committees of which responsible persons or members are the directors shall have discussions and make decisions, etc. of executive of operations within the scope of authorities stipulated in the rules.
- Promote decentralization of management by organization according to the management policy and business plans.
- Term of directors who are not audit committee members shall be one year to clarify the management responsibilities and respond to change in the management environment.

(e) System to ensure appropriateness of operations in corporate groups consisting of the Company and subsidiaries

- The Company respects autonomy of the subsidiaries as well as supporting preparation and improvement of the internal control system and promoting the same in cooperation with the subsidiaries.
- The Company's subsidiaries shall enter into management instruction and management control

agreements for the system where we receive reports on important matters concerning execution of operations by directors, etc. Although the board of directors of the Company's subsidiaries decide on important matters, they shall obtain the Company's approval for three matters of (i) investment, (ii) officer allocation and (iii) capital policy which have an important impact on the Group.

- The Company's subsidiaries shall basically have the ordinary board of directors' meetings monthly and shall hold the extraordinary board of directors' meetings as necessary to make decisions and promptly execute operations, and the Company's Group legal department shall review the status of how the board of directors' meetings are held.
  - Employees of the Company's subsidiaries shall report to or consult the contact of the whistle-blowing system in the event they come to know any breach of the laws, Article or Incorporation and internal rules or any act against the social norm.
  - Compliance with the laws and other issues concerning compliance of the subsidiaries shall be supported by the Compliance Committee.
  - Prevent risks from occurring by assessing the performance status by rolling forecast management in the cycle suitable to the management environment for performance progress and thorough expense management in accordance with the budget management rules and by properly managing the operations and funds and reporting to the Company.
  - Periodically conduct the internal audit by the internal audit group and report such result to the Company's directors and committee of audit, etc. for necessary management to ensure appropriateness of the operations of the Company's subsidiaries.
- (f) Matters concerning staff to assist the duties of audit committee members and matters concerning achievement of effectivity of instructions for such staff
- If the committee of audit, etc. requests the board of directors for installation of the secretarial office to assist their duties, install the secretarial office by appointing appropriate human resources internally and externally. In case of staff, thoroughly make them informed to follow the instructions and orders of the committee of audit, etc.
- (g) System for directors who are not audit committee members and staff to report to the committee of audit, etc. and system for directors, auditors or staff of the subsidiaries or those who receive reports therefrom to report to audit committee
- Committee members may attend the board of directors' meetings and other important meetings, browse documents necessary for audit and ask the directors and staff for such explanation.
  - Directors, auditors and staff of the Company and the Company's subsidiaries shall report to the Company's committee of audit, etc. the matters that cause a significant impact on the Company's operations and performance, etc.
  - It is prohibited to treat those who have made report in a disadvantageous manner for the reason of reporting to the committee of audit, etc.

(h) Other system to ensure effectiveness of audit by Audit Committee

- The Audit Committee shall periodically hold a meeting with the president as the representative director to exchange opinions on the policy of execution of operations, risks and issues to be resolved and important issues in audit, etc.
- The Audit Committee shall periodically exchange opinions with the accounting auditor.
- In the case that audit committee members claims advance payment or reimbursement of the cost incurred for execution of the duties, such cost shall be incurred by the Company unless considered unnecessary.

(ii) Operational status of internal control systems

The Company conducts ongoing investigations into the status of the development and operation of its internal control system and reports the results of these investigations to the Board of Directors. For any issues identified as a result of the investigations, corrective measures are taken, and efforts are made to establish and operate more appropriate internal control systems. A summary of the current operational status is as follows.

- The Risk Management Committee meets regularly to review risks and consider countermeasures in response to the changing business environment across the Group, and the Board of Directors receives reports from the Group CRO to monitor the status of risk management.
- The Compliance Committee meets regularly to review the compliance status of the Group, and the Board of Directors receives reports from the Group CLO to ascertain the status of compliance.
- Board of Directors meetings are held on a regular basis to focus on the new mid-term management plan and strengthen governance agenda for oversight.
- Audit committee members attend meetings of the Board of Directors, the Group Management Committee, and other important meetings such as the Board of Directors of subsidiaries, and regularly exchange opinions with the President and Representative Director and the accounting auditor to ensure the effectiveness of audits.
- Under the direction of the Board of Directors, the Company conducts self-assessments and independent evaluations of internal control over financial reporting and is audited by an independent auditor.

## 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 Group's 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) 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.**

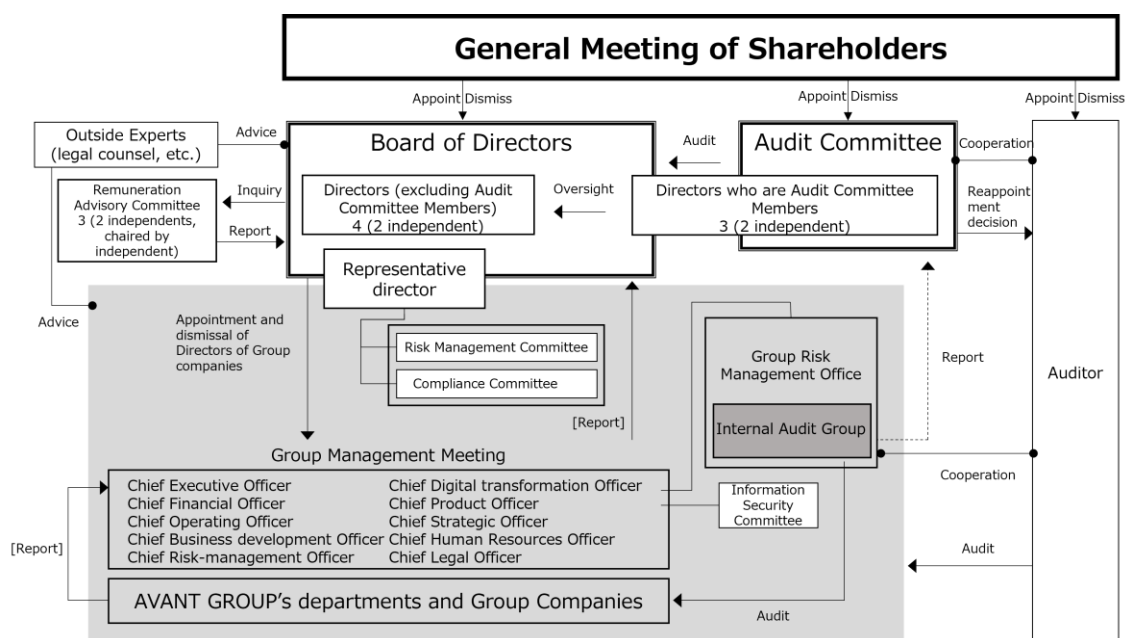
<p>The status of the Company's internal system for the timely disclosure of corporate information is as follows.</p> <p>(1) Basic Policy on Timely Disclosure of Corporate Information</p> <p>We recognize that the timely disclosure of corporate information is the only means by which the Company can be 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>Audit committee members appointed by the Audit Committee attend meetings of the Board of Directors and</p>
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other important meetings to report important occurrences and audit the status of decisions related to corporate information, and comprehensively monitor the operation of internal systems related to timely disclosure, including confirmation of financial statements 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.

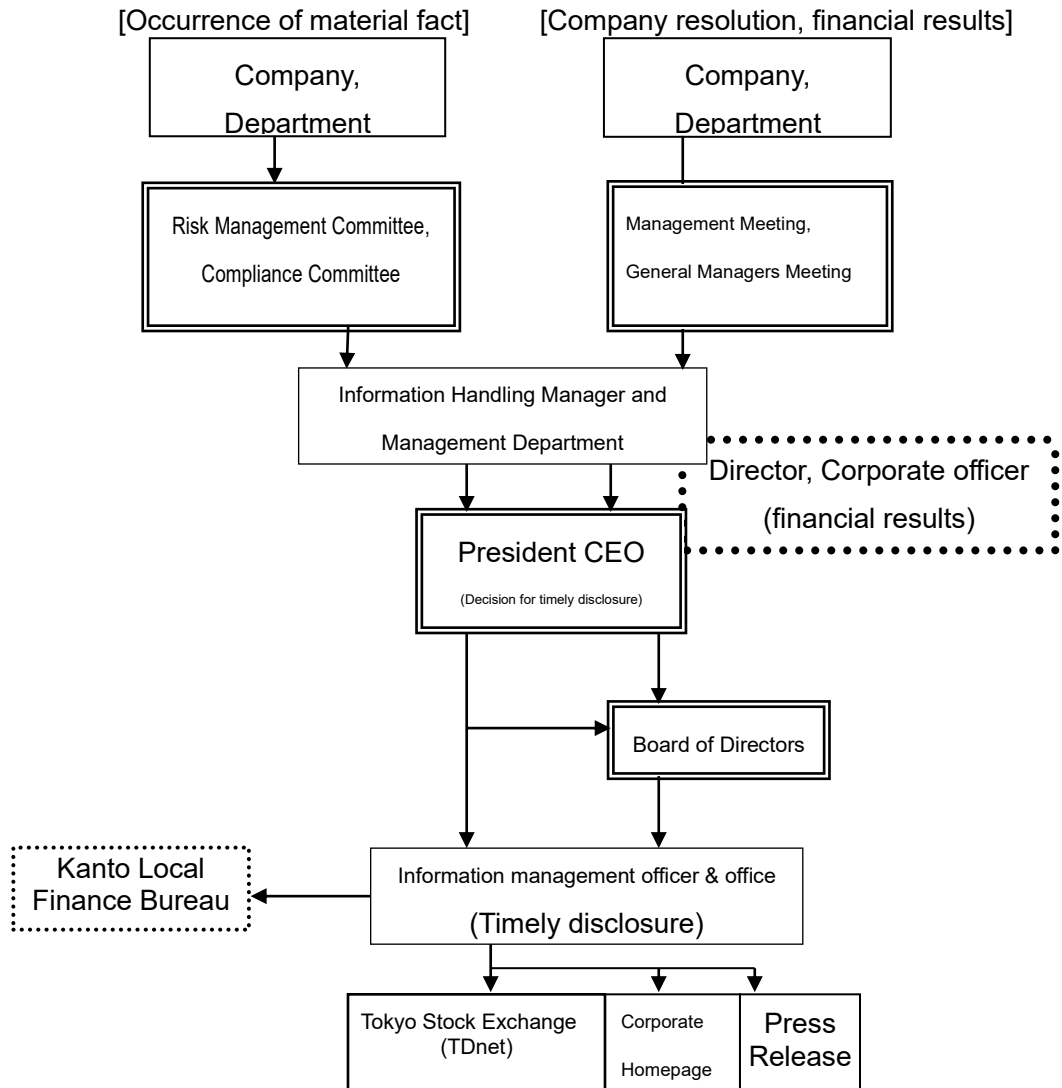
[Schematic diagram (reference material)]



# Corporate Governance

Avant Group Corporation

[Outline of Timely Disclosure System (schematic diagram)]



Ends