

September 26, 2024

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, 2024, 9.5% of our managers were women, 3.5% were foreign nationals, and 81.1% 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". 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 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 Annual General Shareholders' Meeting held on September 27, 2023, which was approved and adopted, and as a result, the plan has been revised. Furthermore, at the 28th General Shareholders' Meeting held on September 25, 2024, "Revision of the performance-based stock compensation plan for directors (excluding members of the Audit and Supervisory Committee and outside directors)" was submitted as Proposal No. 4, which was approved and passed, and as a result, the plan was revised again. 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 25, 2024 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 for the fiscal year ending June 30, 2024 considered the executive compensation plan, STI/LTI policy, outside director compensation, and the RS Trust for Group Executive Officers (LTI). 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, 2024, 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 Kamo	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)

We recognize the challenges for the responsibilities, composition, and operation of the Board of Directors and are committed to continuous improvement, with the aim of realizing sustainable corporate value enhancement. 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, so from the fiscal year ending June 30, 2020 onward, we focused on our own surveys and conducted interviews with directors and auditors using a third-party organization as appropriate. The Board of Directors pointed out that the quantitative evaluation was mainly conducted in the fiscal year ending June 30, 2019, 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 to allow participants to evaluate issues and provide opinions on how to respond to them. The survey was administered to all directors, including audit committee members, in June 2024, and the results were reported to the Board of Directors on July 19, 2024.

### <Overview of evaluation result>

In summary, as in the previous year, the majority of respondents believed the monitoring function has been



enhanced by the transition to a company with an Audit Committee System, and that the Board of Directors is operating efficiently thanks to support from the use of the company's own DX Cloud product that can support a Board of Directors (TRINITY BOARD). In general, the effectiveness of the Board of Directors was highly rated, and the Board of Directors was evaluated operating appropriately. On the other hand, we recognize that the main issues are as follows.

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

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

The establishment of a nominating committee is not necessary, but the group CEO and other members of the management team should discuss group CEO succession.

A need for people with knowledge of software technology and M&A.

Opportunities for each director to gain skills necessary to fulfill his or her responsibilities as a director are left to the individual director, but basic skills need to be shared and learned.

### (2) Agenda for Board of Directors Meetings

Issues were identified that need to be discussed further as priority items with regards succession for the Group CEO and other management team on the executive side.

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

The previous suggestion that advance distribution of items for discussion at meetings and related explanations were inadequate was improved through the use of TRINITY BOARD, the Board of Directors' DX Cloud platform. In order to provide opportunities to better understand the strategies and realities of the operating companies, off-site meetings were held to promote understanding of their businesses, as in the previous year.

### <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, 2025.

#### (1) Reconsideration of the annual agenda in light of the importance of the agenda

#### (2) Organize and discuss group HR strategies that can result in management team succession plans

(3) Provide training opportunities to improve basic skills for directors

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. 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, Group CSO, the executive officer in charge of group strategy, has established a system in which he is in charge of investor relations and provides opportunities for dialogue with shareholders and investors in order to gain their understanding of the Company's management strategy and management plan.

[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 26 September 2024. Please refer to

URL: [https://www.avantgroup.com/en/ir/irnews/auto\\_20240927590142/pdfFile.pdf](https://www.avantgroup.com/en/ir/irnews/auto_20240927590142/pdfFile.pdf)

## Corporate Governance

Avant Group Corporation

### 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	26.19
The Master Trust Bank of Japan, Ltd.	3,270,100	8.77
Tsuyoshi Noshiro	1,868,800	4.79
OBIC Business Consultant Co.	1,600,000	4.29
The Custody Bank of Japan, Ltd.	1,457,600	3.91
Avant Group Employee Stock Ownership Plan	1,380,453	3.70
SSBTC CLIENT OMNIBUS ACCOUNT	995,400	2.67
PCA Corporation	778,400	2.09
FCP SEXTANT AUTOUR DU MONDE	750,000	2.01
Northern Trust co. (avfc) re the Highclere INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	658,100	1.77

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

- An executive person of a listed company or its subsidiary
- Executive or non-executive directors of the parent company of the listed company
- Executive officers of the listed company's sibling companies
- A person whose main business partner is a listed company or a person who executes the business of a listed company.
- A major business partner of the listed company or a person who executes the business of the listed company
- 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.
- A major shareholder of the listed company (if such major shareholder is a corporation, an executive person of such corporation)
- 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).
- Executives of the party with whom the outside officers have a relationship of mutual appointment (the person himself/herself only)
- Executive officers of the recipient to whom the listed company has made a donation (in person only)
- Others

### Relationship with company (2)

Name	Independent officer	Supplemental Explanation of Conforming Items	Reason for Appointment
John Robertson	Yes	Has concluded a solution partnership agreement with ZEAL Corporation, a wholly-owned subsidiary of the Company. Also has a business relationship with Snowflake, Inc. However, the amount is less than 0.4% of consolidated net sales, which is less than the 2% in the Company's independence criteria for outside directors, and there is no risk of influencing the Company's decision-making process.	He has over 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 and enthusiasm in a rapidly changing IT environment. We are therefore proposing his continued appointment to the Board of Directors.
Tatsuya Kamoi	Yes	-	In addition to more than 20 years of experience in consulting and IT development for global companies in Japan and overseas, he has also served as a business leader at Mercer Japan K.K. and ABeam Consulting K.K. He has extensive experience in the human resources field. The Company requests the appointment of Mr. Katsunori Kato as we believe that he will continue to contribute to the supervision of management and the realization of our medium-term management plan, "BE GLOBAL 2028".
Chie Goto	Yes	-	In addition to her experience at various companies, Ms. Goto holds qualifications as an attorney and a certified public accountant. She has been involved with various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. Currently, as an outside director of the Company (Audit Committee member), she provides useful advice in management judgment and decision-making. As the chairperson of the Compensation Advisory Committee and the first independent outside director, she has led active dialogue at meetings from an independent standpoint.
Makoto Nakano	Yes	-	In line with the new medium-term management plan, BE GLOBAL 2028, we need to evolve our business portfolio by refining our software and human capital, key factors behind why we are sustainable our competitive advantage. In terms of capital allocation, resources must be strategically allocated to internal growth, external growth, and shareholder returns. To this end, as an outside director, I would like to contribute to the enhancement of corporate value from a governance and strategic perspective.

### 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> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
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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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## Corporate Governance

Avant Group Corporation

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.

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 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



## Corporate Governance

Avant Group Corporation

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

### Composition of Directors' Remuneration

	Fixed remuneration	Short-term performance-linked compensation	Medium -term performance-linked compensation
Director(excluding members of the Audit and Supervisory Committee)	45-50%	15-20%	35%.

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)	137 million yen	88 million yen	49 million yen	-	2 persons
Audit Committee Members (excluding outside directors)	16 million yen	16 million yen	-	-	1 person
Outside Corporate Directors	42 million yen	42 million yen	-	-	5 persons

(Note) 1. The above includes one director who retired at the conclusion of the 27th Ordinary General Meeting of Shareholders held on September 27, 2023.

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

I. Amount of Remuneration, etc. for Directors and Corporate Auditors and Method of Determining the Amount and Calculation Policy and Method of Determining the Amount and Calculation Method of Remuneration, etc., for Directors and Corporate Auditors

#### 1. Compensation System and Process for Determining Compensation Amounts

The Company's policy and calculation method regarding the determination of compensation for directors and executive officers, and the criteria for the compensation system and the amount of compensation for directors and executive officers are determined by resolution of the Board of Directors, which was held on September 1, 2023 and September 27, 2023, respectively (a summary of the details is provided below in "Compensation of Directors (excluding Directors who are members of the Audit and Supervisory Committee)" and "II. Purpose of

performance-linked remuneration and performance-linked stock-based remuneration, basis for indices and specific calculation methods” below). (iii) Performance-linked remuneration and performance-linked stock-based remuneration.

In order to strengthen the independence, objectivity, and accountability of the decision-making process, the Company has also resolved to establish a Compensation Advisory Committee as a voluntary advisory body. The Remuneration Advisory Committee will consist of two independent directors and the Group CEO, and the chairperson will be selected from among the independent outside directors. The Group CHRO consults with the Compensation Advisory Committee and the Board of Directors makes decisions after receiving advice and recommendations from the Committee. The following is a summary of the matters discussed by the Compensation Advisory Committee.

- (a) Policy for determining remuneration, etc. for directors and executive officers
- (b) Draft proposals concerning remuneration, etc. for directors, corporate auditors and executive officers to be submitted to the General Meeting of Shareholders
- (c) Proposed policy regarding the determination of the content of remuneration, etc. for individual Directors and Executive Officers to be proposed to the Board of Directors
- (d) Proposed details of remuneration, etc. for individual Directors and Executive Officers to be proposed to the Board of Directors
- (e) Any other matters deemed necessary by the Board of Directors with respect to the preceding items.

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

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

The remuneration of the Company's Directors is divided into fixed remuneration paid monthly (regular remuneration) and performance-linked remuneration paid at a certain time each year.

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

The performance-linked remuneration consists of (1) short-term performance-linked remuneration, which consists of a bonus linked to the Company's performance for each fiscal year, and (2) medium-term performance-linked remuneration, which consists of performance-linked stock-based remuneration linked to changes in indicators during the subject period. The performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is a bonus linked to the Company's performance for each fiscal year, and (2) medium-term performance-linked remuneration, which is a performance-linked stock compensation linked to

changes in indices during the subject period. The medium-term performance-linked remuneration is a stock-based remuneration in which shares of the Company's common stock are delivered, with the aim of further sharing value between the subject directors and shareholders through a sustained increase in the share price, and to give the subject directors an incentive to continuously improve the Company's corporate value. The performance-linked bonus was approved at the 26th annual general meeting of shareholders held on September 27, 2022, with an upper limit of 41,250 thousand yen per year per eligible director (the number of eligible directors immediately following the said meeting was two). The maximum amount of the medium-term performance-linked remuneration was approved at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 as 100,000 thousand yen per subject period, and the number of shares to be delivered to each subject director under this plan as 60,000 shares or less per subject director, and 100,000 shares or less in total per year for all subject directors. The maximum number of shares to be issued to each eligible director under the plan is 100,000,000 yen per eligible period, and the maximum number of shares to be issued to all eligible directors under the plan is 60,000 shares per eligible director and 100,000 shares in total per year.

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

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

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

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

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

The amount of remuneration for Directors who are members of the Audit and Supervisory Committee is fixed remuneration only, in consideration of their responsibilities and roles in supervising and auditing the execution of business operations. The maximum amount of remuneration is determined through consultation among the Directors who are Audit Committee members, taking into consideration such factors as full-time and part-time status, internal and external directors, and the division of duties. The maximum amount of remuneration was

resolved at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 to be within 55,000 thousand yen per year (the number of directors who are Audit Committee members immediately after the said General Meeting of Shareholders is three).

II. Purpose of performance-linked compensation and performance-linked stock compensation, basis for indicators, and specific calculation methods

1. Short-term performance-linked remuneration

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

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

Directors (excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee) Hereinafter referred to as "Subject Directors" in this "II. Purpose, Basis of Indicators, and Specific Calculation Methods of Performance-Linked Remuneration and Performance-Linked Stock Compensation"). The short-term performance-linked remuneration to be paid to Directors (hereinafter referred to as "Subject Directors" in this "II. The amount is calculated by multiplying the base amount (base amount of performance-linked bonus), 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 after taxes from the previous fiscal year.

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

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

Short-term incentive coefficient =

(Consolidated net income after taxes for the current period: 2,850 million yen / Consolidated net income after

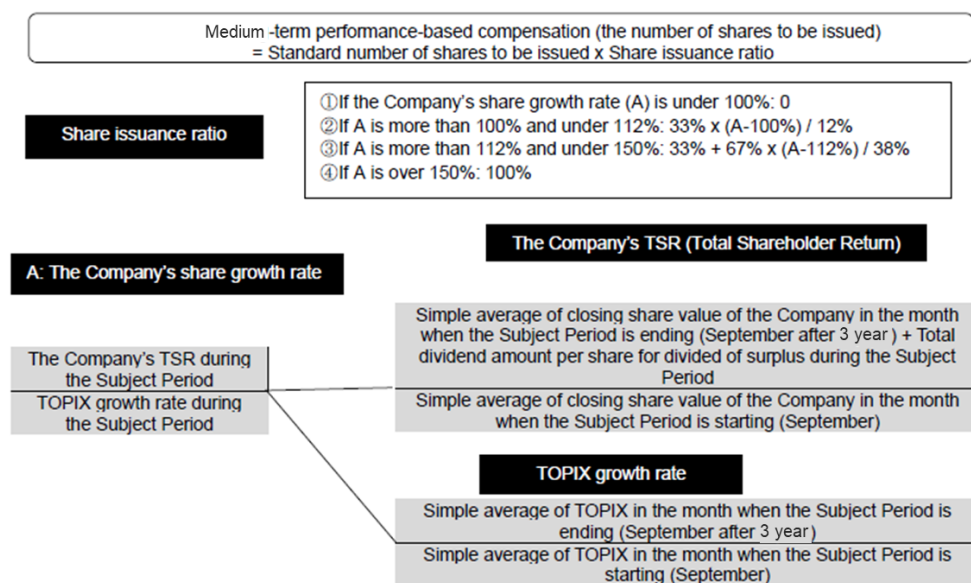
taxes for the previous period: 2,094 million yen - 1) / 0.375 x 1.5 = 1.44

## 2. Medium-Term Performance-Linked Compensation

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

The period covered by the plan, for which a decision was made in the current fiscal year on whether or not to grant the shares, will be from September 2020 to September 2023. The number of shares to be delivered will be determined by multiplying the number of shares determined by the Board of Directors (the base number of shares to be delivered) by the share delivery ratio determined in the range of 0% (the Company's share growth rate is less than 100%) to 100% (the Company's share growth rate is more than 150%) according to the Company's share growth rate (Note), a representative index representing the corporate value of the Company during the above three-year period.

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



### <Achievement of Performance Indicators for Medium-Term Performance-Linked Remuneration

The period for which a decision was made in the fiscal year under review on whether or not to pay the performance-linked remuneration will be from September 2020 to September 2023. The Company's total shareholder return was 135.0%, the TOPIX growth rate was 145.7%, and the Company's stock growth rate was 92.7%. Since this represents a Company stock growth rate of less than 100%, the share delivery ratio was 0% and no medium-term performance-linked compensation was paid.

### 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 CCO, Group CRO, Group CIO, 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 Customer Officer,  
Chief Risk management Officer,  
Chief Information 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 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 and video to provide easy-to-understand explanations of matters to be explained at the General Meeting of Shareholders, and to devise ways to manage the proceedings, At the 28th Ordinary General Meeting of Shareholders held in September 2024, we held a briefing session on our products and businesses after the General Meeting of Shareholders to promote understanding among shareholders. The Company's website provides notices of convocation, shareholder newsletters, 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

## Corporate Governance

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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.	

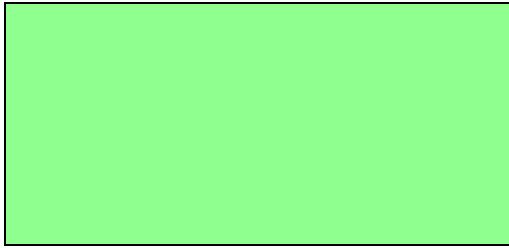
### 3. Status of efforts to respect the position of stakeholders

	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>

	<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>
Implementation of environmental preservation activities, CSR activities, etc.	<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>
Establishment of policies, etc. related to the provision of information to stakeholders	<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>
Other	<p>Based on the Group's Code of Conduct, we are committed</p>

## Corporate Governance

Avant Group Corporation



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 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 lawyer, 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 hold regular meetings of the Board of Directors once a month as a basic rule and hold meetings as needed for decision-making and prompt business execution, and the Company's Group Legal Affairs Office shall confirm the status of the meetings.
  - When employees of the Company's subsidiaries become aware of any violation of laws and regulations, the Articles of Incorporation or internal rules, or any act contrary to socially accepted norms, they should report or consult with whistleblower system contacts.
  - 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 make 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.

- In order to strengthen the supervisory function of the Board of Directors and further enhance corporate governance, the Company has chosen to establish a company with an Audit Committee.
- 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.
- The Information Security Committee meets regularly to manage information assets and strengthen information security across the Group.
- 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.

The status of the Company's internal system for the timely disclosure of corporate information is as follows.

#### (1) Basic Policy on Timely Disclosure of Corporate Information

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.

#### (2) Status of Internal System for Timely Disclosure

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.

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.

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.

#### (3) Timely Disclosure Flow

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.

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.

#### (4) Monitoring of Timely Disclosure System

##### 1) Audit Committee

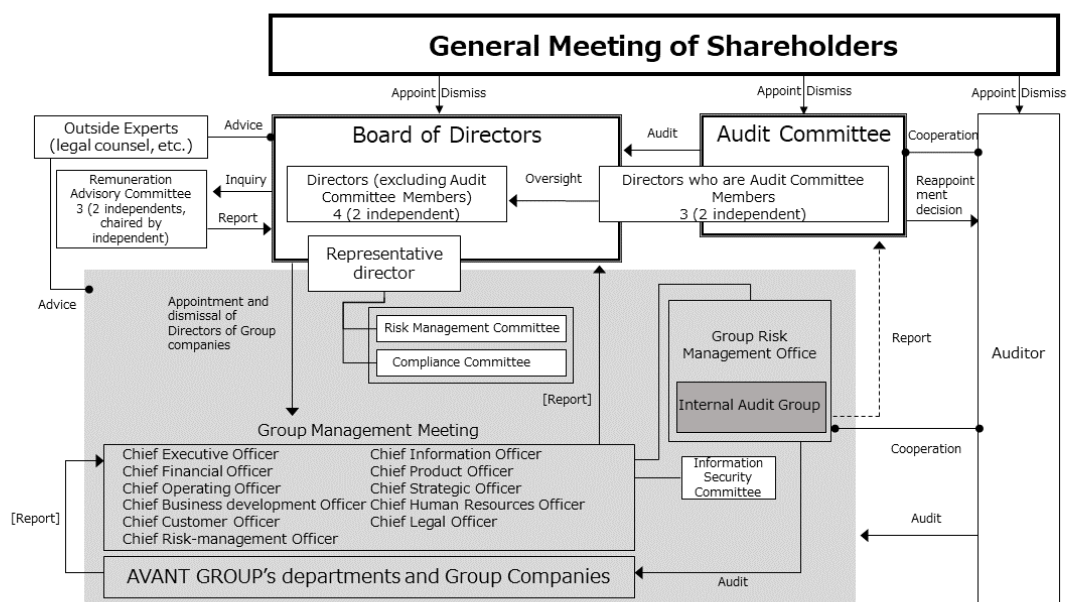
Audit committee members appointed by the Audit Committee attend meetings of the Board of Directors and

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.

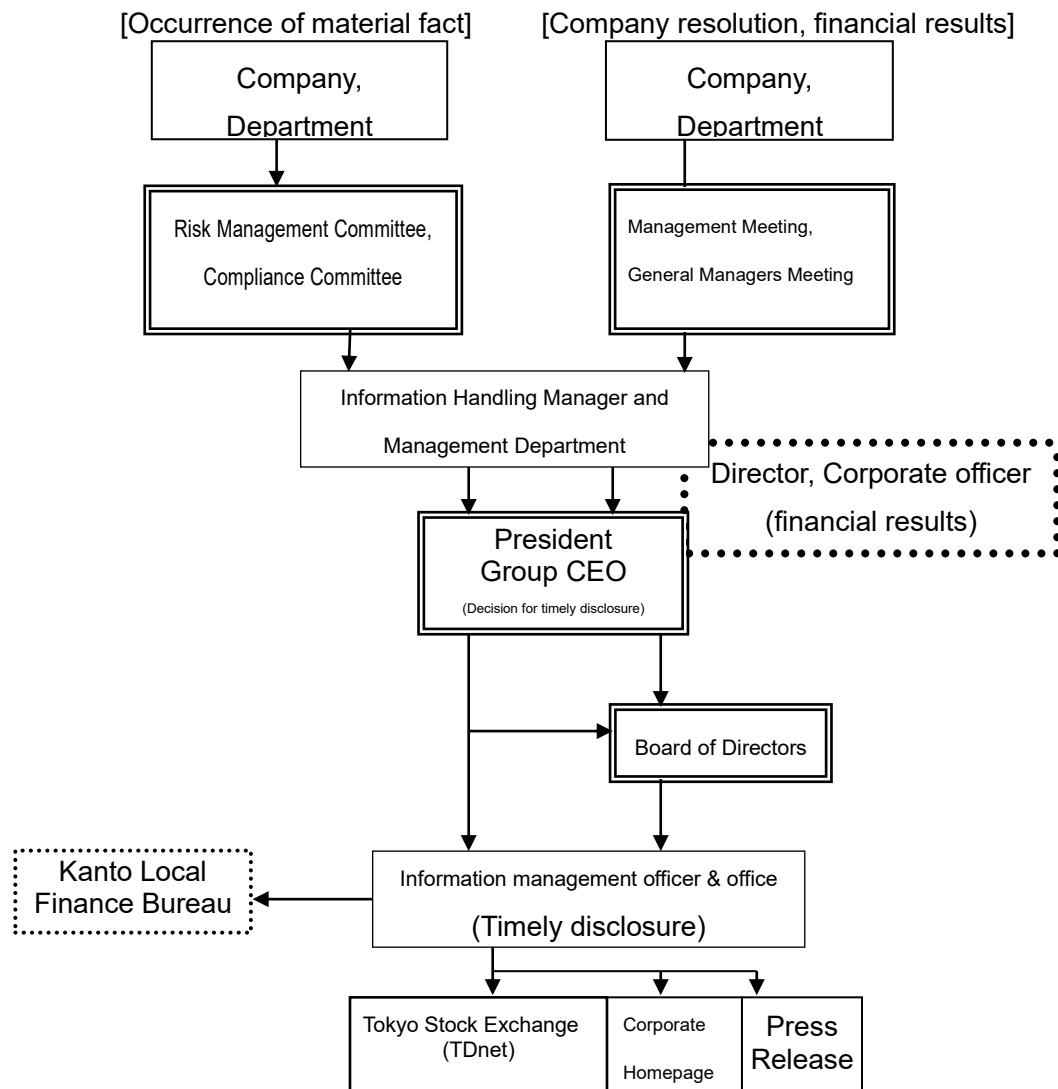
## 2) Board of Directors regarding timely disclosure

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)]



[Outline of Timely Disclosure System (schematic diagram)]



Ends