



Photo by Tetsuji Morikawa in Tokyo

# The 25<sup>th</sup> Annual General Meeting of Shareholders

## Notice of Convocation

### Date

September 28, 2021 (Tuesday)  
10:00 a.m. (doors open at 9:30 a.m.)

### Place

1-3-2, Otemachi, Chiyoda-ku, TOKYO  
Keidanren Hall, 2F, Keidanren Kaikan

# AVANT

### Matters to be resolved

- Proposal 1 Appropriation of Surplus
- Proposal 2 Partial Amendment to the Articles of Incorporation (Amendment to allow a general meeting of shareholders without a fixed place)
- Proposal 3 Partial Amendment to the Articles of Incorporation (Change in the Method of Electing the Chairman of the Board of Directors)
- Proposal 4 Election of Five (5) Directors
- Proposal 5 Election of One (1) Corporate Auditor
- Proposal 6 Amendment to the medium- to long-term performance-linked compensation system

AVANT Corporation (Security code: 3836)

*This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail.*

## To Our Shareholders

We would like to express our sincere gratitude to our shareholders for their continued understanding and support of the Company. You are hereby notified of the Notice of the 25th Annual General Meeting of Shareholders.

During the fiscal year under review, the spread of the new coronavirus infection continued unabated, and emergency declarations and priority measures to prevent the spread of the disease were intermittently issued.

Despite these circumstances, Japanese companies continued to make creative efforts to normalize economic activities, and as a result, the business environment surrounding our company gradually recovered, and we were able to achieve profit growth for six consecutive fiscal years.

The mission of the Avant Group is to contribute to stakeholders who require advanced management decisions by preparing financial and non-financial information accumulated within organizations as "management information" through digital transformation (DX), in other words, to realize the "popularization of management information. Today, when the social and economic environment is changing drastically due to the coronavirus, there is a strong demand for not only financial information but also sustainable development that takes into consideration the balance with the environment and society. In fact, management and governance reforms have been initiated to achieve this goal. This is a great opportunity for the Avant Group.

To understand the needs of our customers through creative dialogue and to contribute beyond their expectations. In May 1997, we established DIVA CORPORATION with the corporate philosophy of "Creating a 100-year company", aiming to create an organization where such sound challenges are appropriately evaluated. We are now in the fourth year of our five-year medium-term management plan, "BE GLOBAL," and we see this as a time to shift our business model to become a world-class software company, with each of our group companies demonstrating their collective strengths. We believe that this is the time to shift our business model.

I would like to ask all of our shareholders to take good care of their health and to continue their support for the Avant Group.

President and Group CEO,  
Avant Corporation,

Tetsuji Morikawa



## AVANT Group Corporate Philosophy

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### Creating a 100-Year Company

We value management philosophy based on Japanese culture to regard our company as a public organization as a cultural asset and aspire to develop as an organization that exists for the development of society



#### Spreading Accountability

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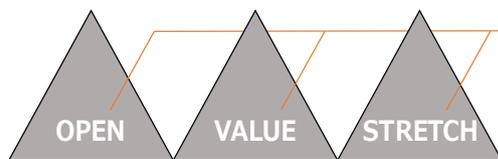
As advances in information technology have brought major changes to society, the Group's mission is to help disclose corporate management information throughout the organization so that it contributes to the sustainable development of the company and society



#### BE GLOBAL

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With increased information availability, society has become globalized and we need to position ourselves from a global perspective. We shall create a competitive business and organization, with performance benchmarked against world-class SaaS companies



#### OPEN, VALUE and STRETCH

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We value an organizational culture that emphasizes honest relationships with all stakeholders. We work to create new value and pursue the highest level of customer satisfaction. We enjoy change and pursue growth to accomplish challenges.

## Avant Group's Medium-Term Management Plan

### What we aim for in our medium-term management plan

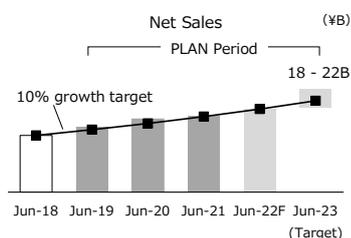
In September 2018, the Group formulated "BE GLOBAL 2023," a five-year medium-term management plan that runs through the fiscal year ending June 30, 2023, with the goal of becoming a world-class software company. Under the "BE GLOBAL 2023" medium-term management plan, in addition to indicators such as net sales, operating income, ROE, and dividends, we have established our own recurring sales ratio (RSR) and net sales growth rate plus operating income ratio (GPP) indicators in order to transform our business model. The sum of the sales growth rate and operating profit margin (GPP) is an indicator that we have established to aim for sales expansion accompanied by profit growth in order to expand corporate value, rather than pursuing scale expansion at the expense of profits. Since many of the world's leading SaaS companies have a GPP of 40 points or more, we have set a goal of achieving a GPP of 40 points or more to ensure that our Group is as sound as such companies.

### Progress of the Medium-term Management Plan

This plan reached the turn of its third year in the current consolidated fiscal year. During the consolidated fiscal year under review, the business environment surrounding the Group was affected by a slowdown in IT investment by client companies due to the spread of the new coronavirus infection and the stagnation of economic activity caused by the declaration of a state of emergency, as well as the reaction to the conclusion of large-scale projects. The need for "data-based management and decision-making" has been aroused, and the needs for the Group's products and services are on a recovery track, transforming into more sophisticated ones.

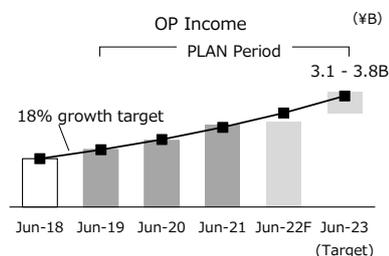
### Net sales

Our target for net sales is to reach 18-22 billion yen in the fiscal year ending June 30, 2023. This is the level that would be achieved if sales grew at an average rate of around 10% during the medium-term management plan. Consolidated net sales for the current fiscal year were 16.2 billion yen, which is roughly in line with this target. On the other hand, the recurring sales ratio, which is a key focus of the plan, has begun to grow in some areas, such as the growth of the outsourcing business and the increase in cloud sales in the consolidated accounting-related business. Although recurring sales increased 14.2% year on year, the recurring sales ratio was 36.0%, falling short of the target of 70%.



### Operating profit

The Group emphasizes growth in operating income and has set an average growth rate of 18% as its long-term target. Based on this average growth rate, the Group's medium-term management plan aims to achieve operating income of 3.1-3.8 billion yen in the fiscal year ending June 30, 2023. Operating income for the fiscal year under review was 2.8 billion yen, slightly higher than the target level due to the effect of cost reductions, and we expect steady growth in the future.



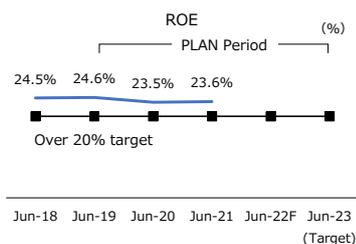
### Sales Growth Rate + Operating Profit Margin (GPP)

During the consolidated fiscal year under review, the growth rate of net sales increased only slightly to 3.5% due to a slowdown in IT investment at client companies caused by the spread of the new coronavirus infection and a reactionary decline from last year's large-scale projects. As a result, the GPP was 20.7 points. This represents a decline of 5.3 points compared to the previous year and does not improve the situation where there is a deviation from the target. We recognize that we need to work to further accelerate sales growth or improve profitability.



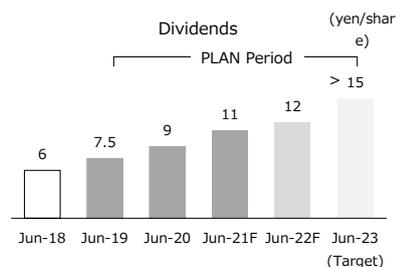
### ROE

ROE for the fiscal year under review was 23.6%, exceeding the medium-term management plan target of 20%, and up 0.1 percentage point from the previous fiscal year. Amid growing uncertainty in the business environment due to the Corona disaster, the Group made efforts such as curbing unnecessary and unnecessary expenses and is aware that it is performing well.



### Dividend

For the fiscal year under review, we plan to increase the dividend by 2 yen per share to 11 yen per share, in line with our basic policy of paying stable dividends on an ongoing basis, and this is expected to be the sixth consecutive year of dividend increases. The ratio of dividends to shareholders' equity is approximately 5.2%, which is well above the average for companies listed on the Tokyo Stock Exchange.



Note: Due to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and other standards from the fiscal year ending June 30, 2022, simple comparisons with actual results for the fiscal year ended June 30, 2021 are not possible.

Stock code: 3836  
September 13, 2021

To Our Shareholders

2-15-2, Konan, Minato-ku, Tokyo  
Avant Corporation  
President and  
Representative Tetsuji Morikawa  
Director

## Notice of Convocation of the 25th Annual General Meeting of Shareholders

We would like to express our sincere gratitude for your continued support.

Notice is hereby given that the 25th Annual General Meeting of Shareholders of the Company will be held as set forth below.

In lieu of attending the meeting in person, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders below and exercise your voting rights in accordance with the instructions provided below by 6:00 p.m. on Monday, September 27, 2021.

Sincerely yours

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1. Date and time Tuesday, September 28, 2021 at 10:00 a.m. (doors open at 9:30 a.m.)
2. Place 1-3-2, Otemachi Chiyoda-ku, Tokyo  
Keidanren Hall, 2nd Floor, Keidanren Kaikan  
(Please refer to the venue map at the end of this document.)
3. Agenda
  - Matters to be reported
    1. To report on the Business Report for the 25th fiscal year (from July 1, 2020 to June 30, 2021), the Consolidated Financial Statements and the Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements, and
    2. To report on the financial statements for the 25th fiscal year (from July 1, 2020 to June 30, 2021)
  - Matters to be approved
    - Proposal 1 Appropriation of Surplus
    - Proposal 2 Partial Amendment to the Articles of Incorporation (Amendment to allow a general meeting of shareholders without a fixed place)
    - Proposal 3 Partial Amendment to the Articles of Incorporation (Change in the Method of Electing the Chairman of the Board of Directors)
    - Proposal 4 Election of Five (5) Directors
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#### 4. Notice Concerning the 25th Annual General Meeting of Shareholders

##### (1) Response to the new coronavirus infection

The new coronavirus infection continues to spread. We would like to ask our shareholders to take actions to reduce the risk of infection, such as wearing masks when going out and refraining from going out while feeling unwell. The following measures are being taken with regard to the operation of this General Meeting of Shareholders.

- Shareholders are also welcome to ask questions in advance.
- The day of the General Meeting of Shareholders will be broadcast live on the Internet.
- After the meeting, a video of the day of the meeting will be archived on the Company's website.



Please see the information on page 7
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##### (2) Response at the General Meeting

When entering the venue of the General Meeting of Shareholders, we ask for your cooperation in measuring your body temperature with a thermo camera and disinfecting your hands with alcohol disinfectant spray. Shareholders who are found to have a fever of 37.5 degrees Celsius or higher, or who are judged to be in poor health, will not be admitted. The venue for the General Meeting of Shareholders has been set up with a small number of seats (approximately 50) in order to maintain a social distance and ensure the safety of shareholders in attendance. Please be aware that the number of visitors may be limited to ensure that there is adequate space between shareholders.

If major changes occur in the operation of the General Meeting of Shareholders due to future circumstances, the Company will announce them on the following website.

<https://www.avantcorp.com/>

##### (3) Disclosure via the Internet

The following matters are not included in the attachment to this Notice of Convocation, as they are posted on the Company's website on the Internet in accordance with laws and regulations and Article 13 of the Articles of Incorporation.

<https://www.avantcorp.com/>

Matters concerning the Company's shares, matters concerning the Company's stock acquisition rights, etc., status of the accounting auditor, notes to consolidated financial statements, notes to non-consolidated financial statements

Any amendments to the Reference Documents for the General Meeting of Shareholders and the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements will be posted on the Company's website on the Internet (<https://www.avantcorp.com/>).

the end

## Information on how to submit questions in advance via the Internet

For shareholders who are unable to attend the meeting, we have established a dedicated website for receiving questions in advance via the Internet. Please access the site by entering the following URL on your computer or smartphone, or by using the QR code, and enter your question.

Pre-Question Site:  
<https://krs.bz/diva/m/agm>



Please note

Questions will be accepted until 18:00 (Japan time) on Monday, September 27, 2021.

The secretariat will compile the questions received and answer them at the meeting.

Please note that we may not be able to answer all the questions we receive.

## Live Streaming of the General Meeting of Shareholders

If you wish to view the Annual General Meeting of Shareholders on the Internet, please access the following website.

Website for live coverage:  
<https://avantcorp.premium-yutaiclub.jp/>



To view the video, you will need to enter the following information.

- Shareholder number (9-digit) shown on the enclosed Voting Rights Exercise Form
- Postal code of your address (7 digits excluding hyphens)

Guide to Archive Distribution

The video will be archived on the Company's website after the General Meeting of Shareholders.  
<https://www.avantcorp.com/>

[Caution]

We recommend that you access the site earlier than the start time in order to enter your shareholder number and zip code.

Please note that you may not be able to view the video depending on your device or communication environment.

Shareholders are responsible for all communication charges and other costs associated with viewing this website.

Viewing of the live webcast of this General Meeting of Shareholders will not be treated as attendance at the General Meeting of Shareholders under the Companies Act, and therefore no questions or motions under the Companies Act may be submitted. Shareholders who may submit questions or motions under the Companies Act are requested to attend the General Meeting of Shareholders at the venue. Please exercise your voting rights in writing or via the Internet, etc. in advance.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Appropriation of Surplus

The appropriation of surplus is proposed as follows.

The Avant Group's shareholder return policy

The Company regards the payment of dividends from surplus as an important matter in its shareholder return policy, and focuses on indicators such as the dividend on equity ratio (DOE), and aims to maintain and improve the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year.

The Company proposes to pay a year-end dividend for the 25th fiscal year as follows, taking into consideration the business results for the current fiscal year and future business development.

(1) Type of dividend assets

Cash.

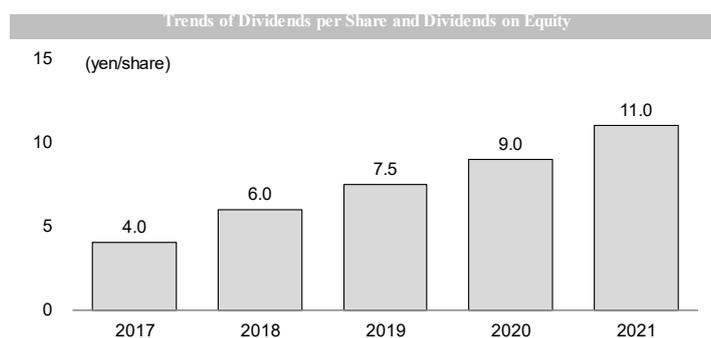
(2) Matters concerning the allocation of dividend assets and the total amount thereof

The amount shall be 11 yen per share of common stock of the Company.

In this case, the total dividend amount will be 413,602,772 yen.

(3) Effective date of the distribution of surplus

September 29, 2021.



	FY Jun-17	FY Jun-18	FY Jun-19	FY Jun-20	FY Jun-21
Dividend per share (yen)	4.0	6.0	7.5	9.0	11.0
Ratio of dividends to net assets	4.18%	5.20%	5.27%	5.17%	5.18%
(Reference) Average of companies listed on the Tokyo Stock Exchange	2.70%	2.86%	2.93%	2.93%	2.87%

(Note) Dividends per share are adjusted for stock splits.

The average ratio of dividends to net assets for companies listed on the Tokyo Stock Exchange for the fiscal year ended June 30, 2021 is calculated based on the average of the 12-month period ended May 2021.

## **Proposal 2: Partial Amendment to the Articles of Incorporation (Amendment to allow a general meeting of shareholders without a fixed place)**

### 1. Reason for the change

On June 16, 2021, the "Act for Partial Revision of the Industrial Competitiveness Enhancement Act, etc." (hereinafter referred to as the "Revised Industrial Competitiveness Act") came into effect. (the "Revised Industrial Competitiveness Law") came into effect on June 16, 2021, allowing listed companies to hold general meetings of shareholders without a fixed location (i.e., general meetings of shareholders where directors, shareholders, etc. attend via the Internet, etc., without a physical venue) under certain conditions by stipulating in their articles of incorporation.

In response to these amendments to the law, the Company has decided to make it possible to hold a general meeting of shareholders without a fixed location in order to revitalize, streamline, and facilitate the general meeting of shareholders by making it easier for many shareholders, including those in remote areas, to attend the meeting and to reduce the risk of infectious diseases, such as the new coronavirus infection, which has an enormous impact on people's lives, and large-scale disasters, such as natural disasters.

The Company proposes to amend Article 11 of the current Articles of Incorporation so that the General Meeting of Shareholders can be held without specifying the place. However, in deciding on the method of holding the General Meeting of Shareholders, the rights of shareholders will be given the highest priority each time the meeting is held, and the Board of Directors will make a careful decision based on social demands in light of infectious diseases and large-scale disasters.

### 2. Details of the change

The details of the amendment are as follows. In addition to the resolution at this General Meeting of Shareholders, the amendments to the Articles of Incorporation in this proposal shall be effective upon the confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice that, pursuant to the provisions of the revised Industrial Competition Law, the general meeting of shareholders without a place to be held by the Company meets the requirements specified by the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice as a case where the amendments contribute to strengthening industrial competitiveness while taking into consideration the interests of shareholders. Minister of Economy, Trade and Industry and the Minister of Justice (hereinafter referred to as the "Confirmation"). The date of the Confirmation shall be the date on which the Company receives the Confirmation.

(Underlined parts indicate changes.)

Current Articles of Incorporation	After Amendment
<p>(Convocation)</p> <p>Article 11 An ordinary general meeting of shareholders of the Company shall be convened within three (3) months from the day following the last day of the business year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Convocation)</p> <p>Article 11 An ordinary general meeting of shareholders of the Company shall be convened within three (3) months from the day following the last day of the business year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.</p> <p><u>(2) A general meeting of shareholders of the Company may be a general meeting of shareholders without a fixed place.</u></p> <p>supplementary provisions</p> <p>(Transitional measures concerning the place of the general meeting of shareholders)</p> <p>The change in the location of the General Meeting of Shareholders pursuant to Article 11, Paragraph 2 shall take effect on the date on which the Company receives confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice that the fully electronic General Meeting of Shareholders to be implemented by the Company meets the requirements specified in the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice pursuant to the provisions of the Act for Partial Revision of the Industrial Competitiveness Enhancement Act, etc. and these Supplementary Provisions shall be deleted after the effective date has passed.</p>

**Proposal 3: Partial Amendment to the Articles of Incorporation (Change in the method of electing the Chairman of the Board of Directors)**

1. Reason for the change

In light of the points raised by several directors in the questionnaire for evaluating the effectiveness of the Board of Directors conducted in May 2021, it is proposed that the Chairman of the Board of Directors be elected by resolution of the Board of Directors, and that Article 22 of the current Articles of Incorporation be amended to create an ideal governance system in which directors clarify their positions of execution and supervision and engage in discussions. In order to establish an ideal governance system in which directors clearly discuss the positions of execution and supervision, Article 22 of the current Articles of Incorporation is amended.

2. Details of the change

The details of the change are as follows.

(Underlined parts indicate changes.)

Current Articles of Incorporation	After Amendment
<p>(Convocation and chairmanship of meetings of the Board of Directors) Article 22 (Newly established)</p> <p>The <u>President shall</u> convene a meeting of the Board of Directors and act as chairman thereof. In the event that the <u>President</u> is unable to act, another Director shall take his place in the order previously determined by the Board of Directors.</p>	<p>(Convocation and chairmanship of meetings of the Board of Directors) Article 22 <u>The Board of Directors shall, by a resolution of the Board of Directors, select one (1) Chairman of the Board of Directors from among the Directors.</u></p> <p><u>2 The Chairman of the Board of Directors shall</u> convene a <u>meeting of the Board of Directors</u> and act as chairman thereof. In the event that the <u>Chairman of the Board of Directors</u> is unable to act, another Director shall take his place in the order previously determined by the Board of Directors.</p>

## Proposal 4: Election of Five (5) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company proposes the election of five (5) Directors.

The candidates for Directors are as follows

Candidate number	Identity	Position in the Company	Attendance at meetings of the Board of Directors
1	reappointment Tetsuji Morikawa	President and Representative Director	100%.(17/17 times)
2	reappointment Naoyoshi Kasuga	Director	100%.(17/17 times)
3	reappointment Naohisa Fukutani	Director outside independent	100%.(17/17 times)
4	reappointment Georges Ugeux	Director outside independent diversity	94%.(16/17 times)
5	reappointment Jon Robertson	Director outside independent diversity	100%.(13/13 times)

(Notes) 1 There is no special interest between each candidate for Director and the Company.

2 Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson are candidates for outside directors. The Company has designated Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson as independent directors in accordance with the provisions of the Tokyo Stock Exchange and has notified the Exchange of such designation.

3 The Company has entered into a liability limitation agreement with Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson pursuant to Article 427, Paragraph 1 of the Companies Act. The Company has entered into a liability limitation agreement with Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages based on the said agreement shall be the amount stipulated in laws and regulations. The maximum amount of liability for damages under this agreement is the minimum liability amount stipulated in laws and regulations. The maximum amount of liability for damages under this agreement is the minimum amount stipulated by law. In the event that this proposal is approved and Mr. Naohisa Fukutani, Mr. Georges Ugeux and Mr. Jon Robertson are re-elected, the Company plans to continue the liability limitation agreement.

4 The Company has entered into a liability insurance contract with an insurance company for directors and corporate auditors as provided for in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved and each of the candidates for Director is elected and assumes office as Director, all of the Directors are expected to be insured under such insurance contract. The insurance policy insures the directors, corporate auditors, executive officers and employees of the Company and its subsidiaries, and the premiums for all insured persons are fully paid by the Company. The insurance is designed to cover damages, including compensation, settlements, and costs of disputes and lawsuits to be paid by the insured in the event that the insured receives a claim for damages during the insurance period due to the performance of duties. However, claims for damages arising from breach of trust, criminal acts, fraud, willful violations, insider trading, etc. are not covered by the relevant contracts. The term of the contract is one year, and will be renewed by resolution of the Board of Directors prior to the expiration of the term.

Candidate 1

**Tetsuji MORIKAWA**

reappointment

Date of birth: February 23, 1966 (age 55)  
Years of service as director 24 years  
Attendance at meetings of the Board of Directors 100% (17 meetings/17 meetings)  
Number of shares held by the Company 9,764,000 shares

(Brief personal history, position and responsibilities at the Company)

April 1990 Joined Price Waterhouse Consultant Co.  
May 1997. Established the Company, President and Representative Director (to present)



[Important concurrent positions

October 2013 President and Representative Director, DIVA Inc.  
October 2013 CEO, DIVA CORPORATION OF AMERICA  
March 2017 Outside Director, Kayac Co.

[Reason for nomination as a candidate for director]

Since the company's founding in May 1997, I have led the Group's management for 24 years as Representative Director. In addition to his ability to establish the Group as an infrastructure for providing a variety of management information, particularly financial information, through the sale of our self-developed consolidated accounting package software, he has taken a leadership role in the diversification of the Group's businesses through mergers and acquisitions and the transition to a holding company structure. He is currently leading measures to expand the stock business, which is the key to sustainable growth. I would like to ask you to continue your appointment for the further development of our group.

[To our shareholders].

Creating a world-class software company" to make workers happy. Although our business activities began with this idea, we have yet to reach a feasible level. In order to overcome this barrier, we will concentrate on making arrangements and creating an environment in which our stakeholders believe we can realize our "original ambition" through a variety of creative dialogues that take advantage of our strong governance environment.

Candidate 2

**Naoyoshi KASUGA**

reappointment

Date of birth: May 13, 1963 (age 58)  
Years of service on the Board of Directors 10 years  
Attendance at meetings of the Board of Directors 100% (17 meetings/17 meetings)  
Number of the Company's shares held 6,600 shares



(Brief personal history, position and responsibilities at the Company)

April 1987    Joined Long-Term Credit Bank of Japan, Ltd.  
August 1999    Joined the Asia Pacific Office of the New York Stock Exchange  
January 2005    Executive Officer, New York Stock Exchange  
October 2010    Joined the Company  
February 2011    General Manager of President Office of the Company  
September 2011    Director, in charge of finance of the Company (to present)  
March 2021    Outside Director of Metapraxix Limited (to date)

[Important concurrent positions]

March 2021    Metapraxix Limited Outside Director

[Reason for nomination as a candidate for director]

He joined the Company in October 2010 after working at a commercial bank and the New York Stock Exchange and has been in charge of the Company's financial affairs since September 2011 as Director in charge of finance and currently as Group CFO, drawing on his extensive experience and management knowledge. He has excellent character and insight, and we would like to request his continued appointment.

[To our shareholders].

As CFO of the Group, I will strive to increase corporate value over the medium to long term by efficiently managing the capital provided by shareholders, investors and others in anticipation of the Group's growth and accumulated through business activities to date by reallocating it to growth businesses within the Group and strategic investment activities to capture growth from outside the Group. At the same time, we aim to return the fruits of these efforts to the providers of capital as well as to our various stakeholders, including employees who contribute to value creation through their day-to-day activities.

Candidate 3

**Naohisa FUKUTANI**

reappointment

outside

independent

Date of birth: April 17, 1961 (age 60)  
Years of service on the Board of Directors: 8 years  
Attendance at meetings of the Board of Directors 100% (17 meetings/17 meetings)  
Number of the Company's shares held 53,100 shares



(Brief personal history, position and responsibilities at the Company)

April 1987	Joined Mitsui Bank, Ltd.
July 2001	Daiwa Securities SMBC Singapore Limited Corporate Finance, Asia Pacific
March 2005	Joined GCA Corporation Managing Director
September 2013	Director of the Company (to present)
July 2015	PricewaterhouseCoopers Co. (currently PwC Advisory LLC) partner
July 2021	Senior Advisor of the same (to date)

[Important concurrent positions]

July 2021 Senior Advisor, PwC Advisory LLC

[Reason for selection as a candidate for outside director and expected role]

In addition to his experience at a commercial bank and an investment bank, he has managed an independent M&A advisory firm for many years and has been involved in providing management guidance to a wide variety of companies. He has provided valuable advice on the formulation and execution of management strategies and the strengthening of governance and has been asked to serve as the first independent outside director and the chairman of the Compensation Advisory Committee. He has also been asked to serve as the first independent outside director and chairman of the Compensation Advisory Committee. We believe that he will continue to contribute to the supervision of management and the strengthening of corporate governance, and we therefore request his continued appointment.

[To our shareholders].

As we approach a quarter century since our founding, we intend to further focus on the realization of an ESG-conscious sustainable society by assisting in the disclosure of information on our corporate activities. We are facing an era in which it is difficult to predict the future due to various external factors, but as an outside director, I will firmly fulfill my role as a compass to support the management team.

Candidate 4

**Georges UGEUX**

reappointment outside independent diversity

Date of birth: April 20, 1945 (age 76)  
Years of service on the Board of Directors: 7 years  
Attendance at Board of Directors meetings 94% (16/17 meetings)  
Number of the Company's shares held 2,000 shares



(Brief personal history, position and responsibilities at the Company)

September 1970. Joined Société Générale Bank (Belgium)  
January 1985. Morgan Stanley Securities Co.  
Managing Director, Investment Banking  
October 1988. Société Générale Belgium  
Group Finance Director  
September 1992. President, Kidder Peabody International  
September 1996. New York Stock Exchange, Inc.  
Head of International Division and Research  
Division  
October 2003. Established Galileo Global Advisors, Inc.  
Chairman and CEO (to date)  
September 2014. Director of the Company (to present)

[Important concurrent positions]

October 2003 Galileo Global Advisors, Inc.  
Chairman and CEO

[Reason for selection as a candidate for outside director and expected role]

He has long experience in banking, securities and investment banking, and has established his own consulting firm to provide advice to a wide range of clients. His extensive knowledge and expertise in finance and securities markets has provided valuable advice in the verification of investment projects. We would like to request that he continue to be appointed to oversee the formulation and implementation of strategic management aimed at realizing our management philosophy.

[To our shareholders].

In today's market environment, reconciling shareholder value with social, environmental and governance principles is a challenge for any listed company. However, as a European national with a background in the US stock market, I am excited about the road ahead. Japan, as a nation, is evolving, gradually opening up to international principles, without losing its unique identity in the world of business and finance. The Board of Directors is a team with diverse but meaningful experiences to share, and we will continue to discuss and demonstrate what is best for the company.

Candidate 5

**Jon ROBERTSON**

reappointment outside independent diversity

Date of birth: October 29, 1968 (age 52)  
Years of service as director 1 year  
Attendance at meetings of the Board of Directors 100% (13 times/13 meetings)  
Number of shares of the Company held 0 shares



(Brief personal history, position and responsibilities at the Company)

January 1994 Sales Manager, M3i Systems, Inc.  
July 1996. Sales Director, SAP America, Inc.  
July 1999. Managing Director, EMC Corporation  
July 2002 Senior Director, Reuters Japan (now Thomson Reuters Japan)  
January 2004 EMC Corporation  
January 2007 VMware, Inc.  
Vice President Customer Operations  
In charge of operations  
January 2012 VMware Singapore Pte. Ltd.  
Vice President, General Manager, ASEAN  
December 2014. Vice President, VMware, Inc.  
March 2015 President and Representative Director, VMware, Inc.  
September 2020 Director of the Company (to present)  
March 2021 Snowflake Inc.  
President, Asia Pacific & Japan (to present)

[Important concurrent positions]

March 2021 Snowflake Inc.  
President, Asia Pacific & Japan

[Reason for selection as a candidate for outside director and expected role]

He has 30 years of experience in leading international organizations in Japan and the Asia Pacific region, and has excellent management, leadership and communication skills. He has an in-depth knowledge of the latest IT technologies, including cloud-native fields, and has demonstrated his leadership ability with enthusiasm in the rapidly changing IT industry. He is expected to contribute to the achievement of the Company's vision BE GLOBAL and the creation of corporate value through cloud computing in the mid-term management plan with the same leadership ability. We expect that he will contribute to the achievement of our vision BE GLOBAL and the creation of corporate value through the shift to cloud computing in our mid-term management plan.

[To our shareholders].

I've only been on the Avant board for a year, but I've been greatly impressed by the Avant Group's focus on both customer satisfaction and results. We provide world class technology solutions and services to help our customers transition to digital transformation. Cloud computing is becoming increasingly important in Japan, and I believe that the value of our relationship with our customers will increase as we continue to evolve together and maintain and strengthen our trust-based partnership with them. As a technology professional, I will continue to be deeply involved and add value to these areas and enhance the Avant Group's market presence.

(Note) Mr. Jon Robertson will be appointed as a director at the 24th Annual General Meeting of Shareholders to be held on September 23, 2020.

As he was appointed to the Board of Directors, the attendance status since that date is shown.

**Proposal 5: Election of One (1) Corporate Auditor**

The term of office of Corporate Auditor Mr. Masanori Kobayashi will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company proposes that Ms. Chie Goto be newly elected.

This proposal is submitted at the request of the Board of Corporate Auditors in accordance with the provisions of Article 343, Paragraphs 2 and 3 of the Companies Act, and the following candidates for Corporate Auditors are nominated by the Board of Corporate Auditors.

Identity	Position in the Company
Chie GOTO	- <span style="background-color: #cccccc; padding: 2px;">new</span> <span style="background-color: #cccccc; padding: 2px;">outside</span> <span style="background-color: #cccccc; padding: 2px;">independent</span> <span style="background-color: #cccccc; padding: 2px;">diversity</span>

- (Note 1) There are no special interests between the candidate and the Company.
- (Note 2) Ms. Chie Goto is a candidate for outside corporate auditor. The Company has designated Ms. Chie Goto as an independent director in accordance with the regulations of the Company and the Tokyo Stock Exchange and has notified the Exchange of her designation.
- (Note 3) If this proposal is approved and Ms. Chie Goto assumes the office of Corporate Auditor, she will enter into a liability limitation agreement with the Company in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the minimum liability amount stipulated in laws and regulations.
- (Note 4) The Company has entered into a liability insurance contract with an insurance company for directors and corporate auditors as provided for in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved and Ms. Chie Goto is elected and assumes office as a corporate auditor, she will also become an insured person under this insurance contract. The insurance policy insures the directors, corporate auditors, executive officers and employees of the Company and its subsidiaries, and the premiums for all insured persons are fully paid by the Company. The insurance is designed to cover damages, including compensation, settlements, and costs of disputes and lawsuits to be paid by the insured in the event that the insured receives a claim for damages during the insurance period due to the performance of duties. However, claims for damages arising from breach of trust, criminal acts, fraud, willful violations, insider trading, etc. are not covered by the relevant contracts. The term of the contract is one year and will be renewed by resolution of the Board of Directors prior to the expiration of the term.

## Chie GOTO

new outside independent diversity

Date of birth: November 30, 1958 (age 62)  
Years of service as corporate auditor - years  
Attendance at Board of Directors meetings -times  
Number of shares of the Company held 0 shares

(Brief personal history, position in the Company)

April 1984. Joined Societe World Co.  
April 1988 Joined Tokyo Student Career Resource Center Co.  
September 1994 Joined Yamada & Partners Accounting Office  
October 2006 Registered as an attorney at law, joined Sakura  
Kyodo Law Office  
Registered as a certified public accountant  
January 2011 Partner, Sakura Kyodo Law Office  
(up to the present)



[Important concurrent positions]

January 2011 Partner, Sakura Kyodo Law Office

[Reason for nomination as a candidate for outside corporate auditor]

In addition to her work experience in general business companies, she is a qualified lawyer and certified public accountant, and has been involved in various companies as a specialist in legal affairs and financial accounting, including M&A, tax compliance and harassment cases. We expect that he will be able to provide useful advice in the process of management judgment and decision-making as an outside corporate auditor by utilizing his abundant knowledge as a legal and accounting expert.

[To our shareholders].

Avant Corporation's corporate philosophy is to "Create a 100-year company. I would like to share this corporate philosophy, accept the trust of our shareholders, and conduct audits of corporate auditors to build a governance system that can achieve sound and sustainable growth and live up to the trust of society even in the midst of drastic changes in social conditions such as the Corona disaster. I would also like to deepen my awareness of management issues from a multifaceted perspective by utilizing my expertise in law and accounting, collect information and share it with other corporate auditors, and tackle auditing issues from a variety of perspectives.

## Proposal 6: Amendment to the Medium- to Long-Term Performance-Linked Compensation System

Compensation for directors of the Company is divided into fixed compensation (compensation of the same amount on a regular basis) and performance-linked compensation. Performance-linked compensation, which covers directors excluding outside directors, consists of (1) short-term performance-linked compensation, which is a bonus linked to the business results, etc. of each fiscal year, and (2) medium- to long-term performance-linked compensation, which is a bonus linked to changes in indicators over a three-year period. The medium- to long-term performance-linked bonus is a stock-based compensation in which the Company's common stock is delivered to Directors for the purpose of providing them with incentives to enhance the Company's corporate value over the longer term and to promote further value sharing between Directors and shareholders.

At the 24th Annual General Meeting of Shareholders held on September 23, 2020, the Board of Directors approved the establishment of a limit on stock-based compensation for the President and Representative Director based on the "recurring sales ratio," which is an important quantitative indicator in the medium-term management plan, in order to clarify the representative director's responsibility for realizing the medium-term management plan "BE GLOBAL. The Company has obtained approval at the 24th Annual General Meeting of Shareholders held on September 23, 2020. For details of the compensation system for directors and corporate auditors, please refer to "Compensation System for Directors and Corporate Auditors" on pages 36 to 39

In order to strengthen the independence, objectivity and accountability of the process of determining the compensation system and the amount of compensation for directors and executive officers, the Company resolved to establish the Compensation Advisory Committee as a voluntary advisory body at the Board of Directors meeting held on March 17, 2021.

While the Compensation Advisory Committee was reviewing the executive compensation system, it was suggested that the "recurring sales ratio," which is a restriction on the granting of stock-based compensation to the President and CEO, is not an indicator (KPI) for confirming progress, but rather an indicator (KGI) for the ultimate goal. As a result of the discussion with reference to the opinions of an external consulting firm, it was concluded that net income per share (hereinafter referred to as "earnings per share"), which is also an important element in the formation of the share price, is more appropriate as an indicator to measure the progress of medium- to long-term management strategies. As for the restriction on the grant of stock-based compensation, since the Company's medium- to long-term management strategy calls for an annual growth rate of 18% in operating income, if the annual growth rate (CAGR) of adjusted earnings per share for the three-year period up to the end of the subject period falls below 18%, it will be difficult to realize the medium- to long-term management strategy. It was reported and decided by the Board of Directors on August 18, 2021.

This proposal seeks approval to change the restriction on the grant of stock-based compensation as medium- to long-term performance-linked compensation for Representative Directors from the recurring sales ratio to the three-year annual growth rate of adjusted earnings per share. As explained above, the Company believes that the content of this proposal is appropriate.

In the event that this proposal is approved, the Company plans to make necessary revisions to the policy for determining the content of individual compensation, etc. for Directors at the Board of Directors meeting held after the conclusion of this Annual General Meeting of Shareholders so that it will be consistent with the approved content.

Methodology for calculating the three-year annual growth rate of adjusted earnings per share

Adjusted earnings per share = (Net income attributable to owners of the parent - Extraordinary gains/losses) / Average number of shares outstanding during the period

$$\text{Annual growth rate of adjusted earnings per share} = \left( \frac{\text{Adjusted EPS, Current year}}{\text{Adjusted EPS, four years ago}} \right)^{\frac{1}{3}} - 1$$

[Reference]

Calculation Process of Adjusted Earnings per Share in the Medium-Term Management Plan and Annual Growth Rate over Three Years

(Unit: Millions of yen)

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Net income attributable to owners of the parent	1,062	1,317	1,537	1,888
(Disclosed) Earnings per share (yen)	28.28	35.06	40.92	50.24
(Disclosed) Extraordinary gains/losses	20	31	-.	0
(Disclosed) Effective tax rate	30.9 %	30.6%.	30.6%.	30.6%.
Adjusted net income attributable to owners of the parent	1,048	1,295	1,537	1,888
(Disclosed) Average number of shares during the period (shares)	37, 549,332.	37,561,940	37,579,157	37,595,528
Adjusted earnings per share (yen)	27.91	34.48	40.92	50.23
Annual growth rate over three years	37.3%.	47.1 percent	21.9 percent	21.6%.

Note: Earnings per share, adjusted earnings per share, and average number of shares outstanding during the period are calculated on the assumption that the two-for-one stock splits of common stock effective December 1, 2016, November 1, 2017, and December 1, 2019 were conducted at the beginning of the fiscal year ended June 30, 2015. The number of shares has been calculated by adjusting the number of shares on the assumption that the two-for-one stock split conducted on December 1, 2016, November 1, 2017, and December 1, 2019 was conducted at the beginning of the fiscal year ended June 30, 2015.

the end

Matters Concerning Company Officers

(1) Names, etc. of Directors and Corporate Auditors

(As of June 30, 2021)

position	Name	Responsibilities and Important Concurrent Positions
President and Representative Director	Tetsuji Morikawa	Member of the Compensation Advisory Committee, and President and CEO, DIVA CORPORATION OF AMERICA CEO, DIVA Corporation Outside Director, Kavac, Inc.
Director	Naoyoshi Kasuga	Treasurer, Metapraxis Limited External Director
Director	Naohisa Fukutani	Chairman of the Compensation Advisory Committee, and Partner, PwC Advisory G.K.
Director	Georges Ugeux	Chairman and CEO, Galileo Global Advisors
Director	Jon Robertson	President, Asia Pacific & Japan, Snowflake Inc.
Full-time Corporate Auditor	Tsuyoshi Noshiro	
Audit & Supervisory Board Member	Kunio Suzuki	Representative Director, K.S. Management Ltd.
Audit & Supervisory Board Member	Masanori Kobayashi	Member of the Compensation Advisory Committee, President of Kobayashi Law & Accounting Office

- (Notes) 1 Director Naohisa Fukutani, Director Georges Ugeux and Director Jon Robertson are outside directors.  
 2 Corporate Auditor Kunio Suzuki and Corporate Auditor Masanori Kobayashi are outside corporate auditors.  
 3 Mr. Tsuyoshi Noshiro, Corporate Auditor, and Mr. Masanori Kobayashi, Corporate Auditor, are certified public accountants and have considerable knowledge of finance and accounting.  
 4 The Company has designated Mr. Naohisa Fukutani, Mr. Georges Ugeux, Mr. Jon Robertson, Director, and Mr. Masanori Kobayashi, Corporate Auditor, as independent directors and auditors in accordance with the provisions of the Tokyo Stock Exchange and has filed a notification with the Exchange.  
 5 Director Naohisa Fukutani and Director Georges Ugeux are shareholders of the Company, but their shareholding ratio is less than 1% and they are not major shareholders, and the Company believes that they have no special interest in the Company and are not in a position to cause a conflict of interest with general shareholders. There are no special interests between the Company and the other directors and corporate auditors mentioned above.

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

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with all Outside Directors and Corporate Auditors to limit their liability for damages as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(3) Outline of the contents of the directors' and corporate auditors' liability insurance contract

The Company has entered into a liability insurance contract with an insurance company for directors and corporate auditors as provided for in Article 430-3, Paragraph 1 of the Companies Act. The contract names the directors, corporate auditors, executive officers and employees of the Company and its subsidiaries as the insured parties, and the Company bears all insurance premiums for all the insured parties. The insurance is designed to cover damages, including compensation, settlements, and costs of disputes and lawsuits to be paid by the insured in the event that the insured receives a claim for damages during the insurance period due to the performance of duties. However, claims for damages arising from breach of trust, criminal acts, fraud, willful violations, and insider trading are not covered by the policy.

(4) Matters related to outside officers

(i) Matters concerning important concurrent positions as an executive officer of other corporations, etc. and as an outside officer

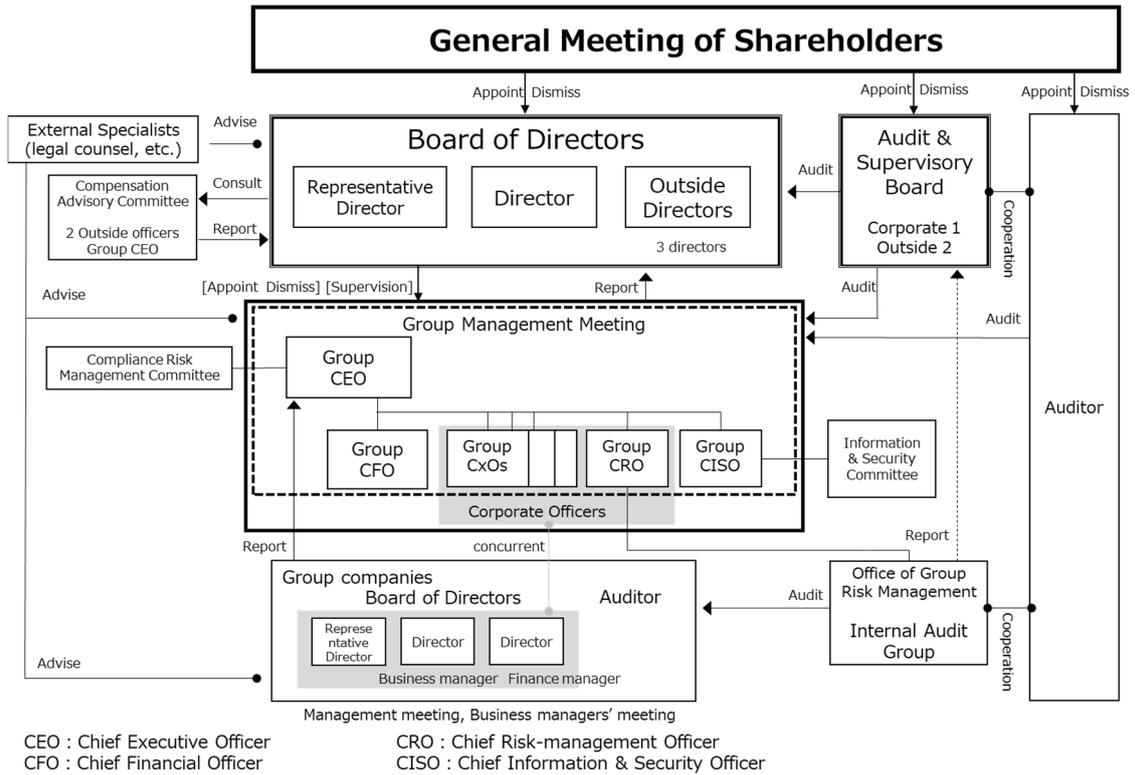
Position	Name	Details of concurrent positions	Organization which hold concurrent positions	Relationship with the Company
Director	Naohisa Fukutani	Partner	PwC Advisory LLC	The Company has no business or other relationships with the company.
Director	Georges Ugeux	Chairman and CEO	Galileo Global Advisors, Inc.	The Company has no business or other relationships with the company.
Director	Jon Robertson	President, Asia Pacific & Japan Region	Snowflake Ink	Snowflake, Inc., for which he serves as President for Asia Pacific and Japan, and ZEAL CORPORATION, a wholly owned subsidiary of the Company, have a solution partner agreement and have a business relationship regarding products provided by Snowflake. However, the amount is within the range of the amount stipulated in the Company's independence standards for outside directors, and there is no risk of it influencing the Company's decision-making process.
Auditor	Kunio Suzuki	Representative Director	KS Management LLC	The Company has no business or other relationships with the company.
Auditor	Masanori Kobayashi	Principal	Kobayashi Law & Accounting Office	The Company has no business or other relationships with the company.

(2) Major activities during the fiscal year under review

	Status of Activities
Director Naohisa Fukutani	He attended all of the 17 meetings of the Board of Directors held during the fiscal year under review. As the first outside director and an expert in corporate management and governance, he asked questions, provided advice and made statements as appropriate to supervise the Company's management and strengthen corporate governance. In addition, as the chairman of the Compensation Advisory Committee, he has been instrumental in consolidating the opinions of the committee members, with the objective of strengthening the independence, objectivity and accountability of the decision-making process for the executive compensation system.
Director Georges Ugeux	He attended 16 of the 17 meetings of the Board of Directors held during the fiscal year under review, and as a specialist in finance and securities markets, he provided valuable advice on the verification of investment projects. He also asked questions, provided advice and made comments as appropriate in the formulation and implementation of strategic management aimed at realizing the management philosophy.
Director Jon Robertson	In addition to attending all 13 meetings of the Board of Directors held after he was appointed as an Outside Director on September 23, 2020, he has deep knowledge of the latest IT technologies and has asked questions, given advice and made statements as appropriate in relation to the Company's vision BE GLOBAL and the achievement of corporate value creation through cloud computing in the medium-term management plan. He also has deep knowledge of the latest IT technologies.
Auditor Kunio Suzuki	He attended all of the 17 meetings of the Board of Directors and all of the 14 meetings of the Board of Corporate Auditors held during the fiscal year under review, and also attended meetings of the Board of Directors of subsidiaries, etc. He asked questions, provided advice and made statements as appropriate based on his extensive experience in the information industry regarding the execution status of business.
Auditor Masanori Kobayashi	He attended all of the 17 meetings of the Board of Directors and all of the 14 meetings of the Board of Corporate Auditors held during the fiscal year under review. In addition, he asked questions, provided advice and made statements as appropriate from the standpoint of a legal and accounting expert regarding the execution status of business. In addition, as the member of the Compensation Advisory Committee, he has provided appropriate opinions from the standpoint of legal and accounting experts, based on the objective of strengthening the independence, objectivity and accountability of the decision-making process for the executive compensation system.

[Reference] **Corporate Governance Structure**

The Avant Group has adopted a management system that enables appropriate management decisions and prompt business execution by having the Board of Directors perform the functions of management decision-making and supervising business execution. In addition, we have adopted a company with Audit & Supervisory Board because we believe that the auditing system by corporate auditors, including outside corporate auditors, is effective as a management monitoring function.



[Reference] **Criteria for Appointment and Dismissal of Officers**

The Company's Basic Policy on Corporate Governance sets forth the following criteria for the appointment and dismissal of directors in the Basic Policy on Corporate Governance.

1. Directors must meet the following criteria while giving due consideration to knowledge, experience, ability and diversity.
  - (i) The candidates for the position of director are those who have been appointed by the Board of Directors.  
Those who understand our management philosophy well and work hard
  - (ii) Have the extensive knowledge necessary for corporate management
  - (iii) Have sufficient qualifications as a member of the Board of Directors to decide on important business operations of the Company
  - (iv) Contributing to strengthening mutual checking and monitoring functions of directors and contributing to ensuring the effectiveness of the Board of Directors
2. In addition to the criteria set forth above, the Company's outside directors must meet the Company's independence standards.
3. Candidates for Directors are deliberated, decided and nominated by the Board of Directors.
4. The term of office for all directors shall be one year. The term of office of all Directors shall be one year, and reappointment shall not be precluded.
5. The Board of Directors shall submit a proposal for dismissal of Directors if it is deemed that Directors have committed acts that meet the following criteria for submission of proposals for dismissal of Directors
  - (i) In the event that any act in violation of laws and regulations or the Articles of Incorporation is committed or is likely to be committed,
  - (ii) If it becomes apparent that each of the requirements for the election of directors is not met, and
  - (iii) When there are other reasons that are deemed to be inconsistent with the requirements for nomination of directors.

[Reference] **Skills matrix for executives**

With the aim of enhancing corporate value, the Board of Directors of the Company has elected five directors from among candidates who have diverse and specialized knowledge in the areas of management, legal affairs and compliance, finance and accounting, M&A and finance, IT business, global business, governance, human resources and organization, as well as experience and knowledge as managers, while giving due consideration to diversity. If proposals No. 4 and No. 5 are approved as proposed at this Annual General Meeting of Shareholders, the Board of Directors and the Board of Corporate Auditors of the Company will consist of five directors (including three outside and independent directors and two foreign nationals) and three corporate auditors (including two outside and independent directors and one woman). The Board of Directors will be composed of five directors (including three outside and independent directors and two non-Japanese nationals) and three corporate auditors (including two outside directors and one independent director, and one woman). As a Board of Directors, we believe that the diversity of human resources and the balance of knowledge, experience, and ability are sufficiently considered, and that the level of the Board of Directors maintains a high level of decision-making capability.

	Directors					Auditors		
	Tetsuji Morikawa	Naoyoshi Kasuga	Naohisa Fukutani	Georges Ugeux	Jon Robertson	Tsuyoshi Noshiro	Kunio Suzuki	Chie Goto
Management	•		•	•	•		•	
Judicial affairs compliance						•		•
Financial Accounting	•	•	•	•		•	•	•
Mergers & Acquisitions, Finance		•	•	•				
IT Business	•				•		•	
Global		•	•	•	•			
Governance	•	•	•	•	•	•	•	•
Human Resources and Organization	•		•	•	•	•	•	

## Main Agenda of the Board of Directors Meetings

In the fiscal year under review, the Board of Directors met 17 times and discussed a total of 1,413 minutes, or an average of 83 minutes, including proposals to strengthen investment strategies and governance. The main topics of discussion were as follows.

Matters to be approved	Matters to be reported
<ul style="list-style-type: none"> <li>• Avant Group Key Personnel and Organization</li> <li>• Decision to invest in Metapraxis</li> <li>• Outside director of an equity-method affiliate</li> <li>• Establishment of new business units</li> <li>• Establishment of the Compensation Advisory Committee</li> <li>• Revision of the Basic Policy on Corporate Governance</li> <li>• Executive Compensation System and Amount of Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Report on Issues for Consideration for the Establishment of the Nomination and Compensation Committee Report on issues for consideration</li> <li>• Group Governance and Adaptation to the three lines of defense</li> <li>• Report on the Results of Consultation on the Compensation System and Amount of Compensation for Directors and Corporate Auditors Compensation System and Amount of Compensation</li> <li>• M&amp;A Strategy Report</li> <li>• IR Strategy and IR Activity Report</li> <li>• Strategic Investment Deal Report</li> <li>• Corporate Governance Code Our Response to the Revision of the Corporate Governance Code</li> <li>• Progress of the Medium-Term Management Plan in each business unit and budget report for FY2022</li> <li>• Progress of the Medium-term Management Plan and Report on Issues</li> </ul>

## [Reference] **Independence Standards for Independent Directors and Independent Corporate Auditors**

Outside directors and outside corporate auditors shall be deemed to be independent if, as a result of investigations conducted by the Company to the extent reasonably possible, it is determined that none of the following items applies to them.

- (i) A person who was an executive person (executive director, executive officer, corporate officer, employee, or employee) of the Company or any of its subsidiaries or affiliates (hereinafter collectively referred to as the "Group") at the present time and for the past 10 years; or
- (ii) A person who directly or indirectly holds 10% or more of the total voting rights of the Company, or a business executor thereof; or
- (iii) Persons with whom the Group has major transactions (Note 1), or with whom the Group has major transactions (Note 1), or their business executors, or
- (iv) A person who receives a large amount (Note 2) of money or other financial benefits other than director's compensation as compensation for providing the Group with professional services as a consultant, lawyer, certified public accountant, tax accountant, etc., or a person who executes the business of such a person; (v) A person who is a member of the Board of Directors of the Company; or
- (v) Any person who receives more than 15 million yen in annual donations or subsidies from the Group, or the executive person of such person, or
- (vi) A person who belongs to an audit corporation that is the accounting auditor of the Group; or
- (vii) Business executors of companies that have appointed the Group's business executors as directors, and
- (viii) Those who have fallen under (2) to (7) above for the past three years.
- (ix) Spouse or relative within the second degree of kinship of a person falling under (i) to (viii) above.

(Notes) 1 Major transactions are transactions involving the transfer of money in excess of 2% of annual consolidated net sales or financing of money in excess of 2% of consolidated total assets

2 A large amount means that, in the case of an individual providing professional services, such profit, excluding executive compensation received from our group, exceeds 15 million yen per year for the most recent fiscal year, and in the case of an organization such as a corporation or union, the person providing professional services exceeds the higher of 2% of the group's annual gross income or 15 million yen in the most recent fiscal year.

## [Reference] **Evaluation of the Effectiveness of the Board of Directors**

With the aim of realizing sustainable improvements in corporate value, the Company recognizes issues related to the responsibilities, composition, and operation of the Board of Directors, and is working to make continuous improvements. The Board of Directors conducts an annual analysis and evaluation of the effectiveness of the Board of Directors based on the self-evaluation of each director.

### <Evaluation method>

From the perspective of enhancing the independence and objectivity of analysis and evaluation, evaluations by a third-party organization were conducted for the fiscal years ended June 30, 2018 and June 30, 2019. However, the Board of Directors pointed out that the evaluations were mainly quantitative and that it was difficult to clarify issues. From the fiscal year ended June 2020 onward, we have decided to conduct interviews with directors and corporate auditors, mainly through our own questionnaires, but also through third-party organizations as appropriate.

For the fiscal year ended June 30, 2020, the Company decided to use a broad-based method of requesting questionnaires with a focus on free comments. Furthermore, in the fiscal year under review, in order to gain a clearer understanding of the issues, the Company created a questionnaire form to enable the description of opinions on the evaluation of the issues and measures to be taken and conducted a questionnaire for all directors and all corporate auditors in May 2021. In May 2021, a questionnaire was sent to all directors and corporate auditors.

### <Summary of Evaluation Results>

In summary, the survey responses indicated that the effectiveness of the Board of Directors was generally high and that the Board was operating appropriately. On the other hand, some respondents pointed out that the Board of Directors had not made progress in discussing various issues that they had previously recognized as problems, and that more time should be spent discussing broader issues such as management strategies and medium-term management plans.

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

As for the organization of the Board of Directors, the following issues were pointed out regarding the separation of execution and supervision.

Clarification of the positions of the President and the Chairman, and

It is necessary to clarify the diversity of each director and their expected roles.

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

It was pointed out that there has been no progress in the discussion of the issues (Succession Plan, appointment of female directors, and institutional design) that were pointed out in last year's questionnaire as requiring continued discussion. It was also pointed out that active discussions are needed on medium- to long-term strategies, criteria for the appointment and dismissal of directors, and investor feedback.

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

The following evaluations and problems were pointed out.

The Chairman explained the points of discussion and led the Board of Directors, which was commendable.

There were too many reports and questions, and not enough time for discussion.

We should expedite the submission of the documents.

Free discussion should be promoted at off-site events.

### <Future actions>

Based on the above remarks, it was reported at the Board of Directors meeting held on July 21, 2021 that the following measures will be promoted for the fiscal year ending June 30, 2022.

- (1) The Board of Directors shall be positioned as a forum for discussions from a long-term perspective, including organizational design and management strategies, under the current

circumstances in which outside directors are in the majority. In addition, the Board of Directors will simplify resolutions that can be simplified and ensure sufficient time for discussion.

- (2) Regularly report on the progress of the medium-term management plan and encourage discussions on management strategies and other matters from a medium- to long-term perspective.
- (3) Amend the Articles of Incorporation and the Regulations of the Board of Directors to have the Board of Directors determine the Representative Director, President and Chairman.
- (4) The deadline for the advance distribution of materials shall be one week prior to the Board of Directors meeting, and the Company shall provide an opportunity for questions as necessary.
- (5) Clarify the annual schedule of the Board of Directors.

## **Compensation System for Directors and Corporate Auditors**

### **1. Policy and method of determining the amount of compensation, etc. for directors and corporate auditors and the method of calculating such amount**

#### (1) Process for Determining the Compensation System and Amount of Compensation

The policy and calculation method for determining the Company's compensation for directors and executive officers, and the criteria for the compensation system and the amount of compensation for directors and executive officers were decided at the meeting of the Board of Directors held on January 29, 2021 (an outline of the details is provided in (2) Compensation for Directors below and 2. The details are as follows: (2) Compensation for Directors and 2. (2) Compensation for Directors and 2.

Furthermore, at the Board of Directors meeting held on March 17, 2021, it was resolved to establish the Compensation Advisory Committee as a voluntary advisory body in order to strengthen the independence, objectivity and accountability of the decision-making process. The Compensation Advisory Committee will consist of three members: two independent directors and the Group CEO, and its chairman will be selected from independent outside directors. The committee strives to ensure objectivity by receiving advice from outside experts and taking into consideration the level of the market as a whole or the industry as a whole. The Compensation Advisory Committee deliberates on the following matters

- (a) The Company's policy in determining the compensation, etc. of Directors and Executive Officers,
- (b) The draft of the proposal on compensation, etc. for Directors, Corporate Auditors and Executive Officers to be submitted to the General Meeting of Shareholders,
- (c) Decisions regarding the details of individual compensation, etc. of Directors and Executive Officers to be submitted to the Board of Directors,
- (d) The proposed details of individual compensation, etc., of Directors and Corporate Officers to be submitted to the Board of Directors, and
- (e) Other matters deemed necessary by the Board of Directors with respect to each of the preceding items.

#### (2) Compensation of Directors

The Company's compensation for directors is divided into fixed compensation (compensation of the same amount on a regular basis) and performance-linked compensation.

The standard amount of fixed compensation is paid to each position in consideration of the level commensurate with the required ability and responsibility. With respect to the maximum amount, the 5th Annual General Meeting of Shareholders held on September 27, 2001 approved that the annual amount of fixed compensation for directors of the Company shall be 150,000 thousand yen or less (the number of directors immediately after the said General Meeting of Shareholders was six).

The performance-linked compensation for directors excluding outside directors consists of (1) short-term performance-linked compensation, which is a bonus linked to the business results, etc. for each fiscal year, and (2) medium- to long-term performance-linked compensation, which is a bonus linked to changes in indicators over a three-year period (Note). The medium- to long-term performance-linked bonus is a stock-based compensation in which the Company's common stock is delivered to Directors for the purpose of providing them with incentives to enhance the Company's corporate value over the longer term and to promote greater value sharing between Directors and shareholders. The introduction of performance-linked compensation was approved at the 11th Annual General Meeting of Shareholders held on September 26, 2007, and the maximum amount of performance-linked

compensation was approved at the 18th Annual General Meeting of Shareholders held on September 25, 2014, as an annual amount not exceeding 41,250 thousand yen per eligible director (the number of directors immediately after the said General Meeting of Shareholders was four). (The number of directors immediately after the 18th Annual General Meeting of Shareholders was four. In addition, the introduction of medium- to long-term performance-linked compensation as stock-based compensation was approved at the 22nd Annual General Meeting of Shareholders held on September 19, 2018, and the maximum amount of such compensation is 100,000 thousand yen for each applicable period, and the number of shares to be delivered by the Company to each eligible director under this plan is 60,000 shares per director per year. The number of shares to be delivered by the Company to the eligible directors under this plan is 60,000 shares per director per year or less, and the total number of shares to be delivered by all directors per year is 100,000 shares or less (the number of directors immediately after the General Meeting of Shareholders is four (4), including two (2) outside directors).

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

Note: Three years from the month in which the date of the Company's annual general meeting of shareholders falls in each year. The initial eligibility period is from September 2018 to September 2021, and thereafter the eligibility period is from September of each year to September of the third year thereafter.

### (3) Compensation of Corporate Auditors

The amount of compensation for corporate auditors is also fixed, and within the limit of the amount of compensation resolved at the General Meeting of Shareholders, it is determined through discussions among the corporate auditors, taking into consideration the distinction between full-time and part-time corporate auditors, between internal and external corporate auditors, and the division of duties. The maximum amount of compensation was resolved at the extraordinary general meeting of shareholders held in December 2003 to be within 30,000 thousand yen per year (the number of corporate auditors immediately after the said general meeting of shareholders was two).

## 2. Purpose of performance-linked compensation and performance-linked stock-based compensation, basis for indicators, and specific calculation method

### (1) Short-term performance-linked compensation

Short-term performance-linked compensation is linked to the year-on-year increase or decrease in consolidated operating income, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan and annual business results, and is paid in cash. The amount is calculated by multiplying the base amount, which is determined according to the position, etc., by a short-term incentive coefficient, which is set in the range of 0% to 200% according to the change in consolidated operating income from the previous year. In the past, the coefficient took into account the Company's stock price, but since the rate of increase in the Company's stock price is reflected in medium- to long-term performance-linked compensation, the Board of Directors resolved at a meeting held on August 19, 2020 to use the rate of increase in consolidated operating income as the coefficient from the 25th fiscal year onward. Specifically, it will be calculated according to the following formula.

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

#### Short-term incentive coefficient

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

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

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

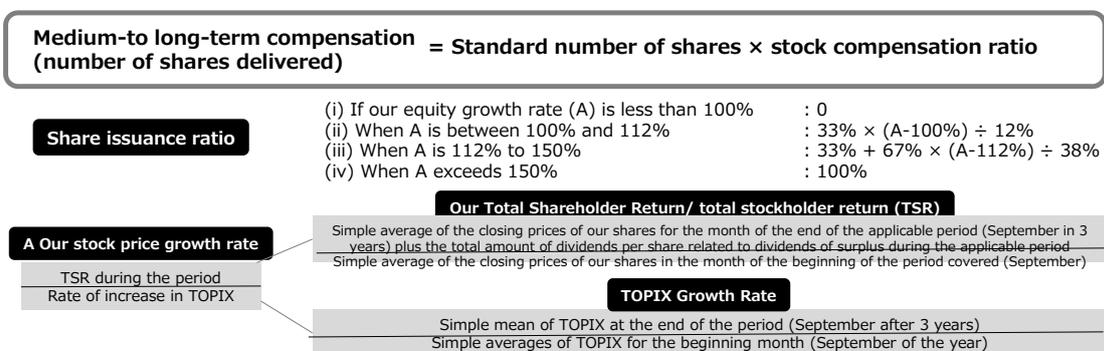
Consolidated operating income for the current fiscal year, which is a performance indicator, was 2,796 million yen, and the rate of change from consolidated operating income for the previous fiscal year (2,278 million yen) was 123%. As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.89 as shown below. Therefore, 189% of the standard amount of short-term performance-based compensation was paid as short-term performance-based compensation.

$$\text{Short-term incentive coefficient} = 1 + 0.5 \times (\text{Consolidated operating income for the current fiscal year: } 2,796 \text{ million yen} - (\text{Consolidated operating income for the previous fiscal year: } 2,278 \text{ million yen} \times 112\%)) / (\text{Consolidated operating income for the previous fiscal year: } 2,278 \text{ million yen} \times 6\%) = 1.89$$

(2) Medium- to long-term performance-linked compensation

This is a performance share unit system under which common shares of the Company are granted as a performance-linked stock compensation plan for the purpose of providing directors with incentives to enhance the corporate value of the Company over the longer term and promoting further value sharing between directors and shareholders. The number of shares determined by the Company's Board of Directors (the base number of shares to be delivered) is multiplied by a share delivery ratio determined in accordance with the Company's stock growth rate, which is a representative indicator of the Company's corporate value. The Company's stock growth rate is calculated by dividing the Company's TSR (Total Shareholder Return) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period.

After the end of the Relevant Period, the Company will pay monetary compensation claims to the Subject Directors, and the Company will deliver the Company's shares by having the Subject Directors contribute all of the monetary compensation claims in kind upon the issuance of shares or disposal of treasury shares by the Company.



With respect to stock-based compensation for the President and Representative Director, in order to further clarify the President and Representative Director's responsibility for realizing the "BE GLOBAL" medium-term management plan, a restriction on granting stock-based compensation was approved at the 24th Annual General Meeting of Shareholders held on September 23, 2020, based on the "recurring sales ratio (ratio of ongoing sales to total sales)," which is an important quantitative indicator of the medium-term management plan, as follows In order to further clarify the responsibility of the President and Representative Director, the Company obtained approval at the 24th Annual General Meeting of Shareholders held on September 23, 2020 to establish restrictions on the grant of stock options based on the "recurring sales ratio (ratio of continuous sales to total sales)," which is an important quantitative indicator of the medium-term management plan.

Fiscal year	Recurring sales ratio
Year ended June 30, 2019	Not less than 50%
Year ended June 30, 2020	Not less than 60%
Year ended June 30, 2021	Not less than 70%
Year ending June 30, 2022	Not less than 70%
Year ending June 30, 2023	Not less than 70%

No medium- to long-term performance-linked compensation was paid in the current consolidated fiscal year because the applicable period had not yet elapsed. The growth rate of the Company's shares is calculated based on the share price at the end of September, and therefore has not been calculated for the fiscal year ended March 31, 2012 because the applicable period had not yet elapsed.

(3) Compensation, etc. of Directors and Corporate Auditors

The ratio of fixed compensation and performance-linked compensation for directors is as follows,

with the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

#### Composition of Directors' Compensation

	Fixed amount (postal fee)	Short-term performance-linked compensation	Long-term performance-linked compensation
Directors	50-55%.	15% to 20%.	30%.

The amounts of compensation, etc. for Directors and Corporate Auditors for the fiscal year ended March 31, 2012 are as follows. Of this amount, with respect to the compensation, etc. of individual Directors, the Board of Directors has confirmed that the method of determining the details of compensation, etc. and the details of compensation, etc. determined are in accordance with the relevant determination policy by receiving explanations of the calculation process described in (1) and (2) above.

#### Amount of Compensation, etc. for Directors and Corporate Auditors

Classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type		Eligible Number of officers
		base pay	performance-based bonus	
Director (excluding outside directors)	148 million yen	84 million yen	64 million yen	2 people
Auditor (excluding outside auditors)	11 million yen	11 million yen	-.	one person
Outside director	36 million yen	36 million yen	-.	three people
Outside Auditor	11 million yen	11 million yen	-.	2 people

(Note) The amounts paid to directors do not include the salaries of employees of directors who also serve as employees.

## **Compliance and Risk Management**

### **Compliance System for Directors**

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

- The Directors shall comply with the "AVANT Code of Conduct", practice the "AVANT Value", and execute their duties appropriately in accordance with laws and regulations, the Articles of Incorporation, the Regulations of the Board of Directors, and other internal rules and regulations.
- The Directors shall make decisions on the execution of business operations after comprehensive review by the Board of Directors and various cross-organizational meeting bodies.
- The person in charge of compliance and risk management (CRM) at each Group company designated by the Committee Chairman shall deliberate and consider important issues and responses related to corporate ethics, compliance and risk management at the CRM Committee and promptly report to the Board of Directors. The CRM Manager shall deliberate and review important issues and measures concerning corporate ethics, compliance and risk management at the CRM Committee and promptly report to the Board of Directors.
- The Company shall establish and operate a whistle-blowing system that provides a contact point for legal counsel, independent outside corporate auditors and full-time corporate auditors to report violations of laws and regulations and other legally questionable acts.
- Corporate auditors shall audit the execution of duties by directors by attending meetings of the Board of Directors and other important meetings and by investigating the status of business execution, in accordance with the audit policy established by the Board of Corporate Auditors.

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

- The Board of Directors of the Company shall basically meet once a month for regular meetings, and shall hold meetings as needed to make decisions and execute business operations promptly, and to supervise important management decisions and the status of business execution by the Directors.
- Various meetings and committees, with directors in charge or as members, deliberate and make decisions on business execution, etc., within the scope of their authority.
- The Company will promote decentralization of management by organizing based on management policies and business plans.
- The term of office of directors is set at one year in order to clarify management responsibility and respond to changes in the business environment.

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

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

### **System to ensure the appropriateness of the Company's operations**

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

- The Company shall appropriately manage business operations and funds and prevent risks by grasping the status of business performance through rolling forecast management in a cycle appropriate to the business environment in order to thoroughly manage the progress of business performance and expenses.
- The Company shall manage risks related to compliance, information assets, and other business-

related matters by preparing and disseminating the necessary rules, manuals, and other documents. To ensure thorough compliance, the CRM Committee shall strengthen management and response to compliance issues. For the management of information assets, the Information Security Committee shall strengthen the management and response to such management.

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

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

- Employees shall comply with the "AVANT Code of Conduct", practice the "AVANT Value", and perform their duties in accordance with laws and regulations, the Articles of Incorporation, and internal rules and regulations.
- In order to raise employees' awareness of compliance and to promote socially responsible behavior, the Company will improve internal rules and regulations and conduct internal audits as directed by the President. If an employee becomes aware of a violation of laws, regulations, the Articles of Incorporation, or internal rules, or of an act that is contrary to socially accepted norms, the employee shall report or consult with the internal reporting desk.
- In the event that a director receives an opinion or request for improvement from an auditor regarding the compliance system for employees or the internal reporting system, the CRM Committee shall promptly take action or make improvements.

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

The Company's subsidiaries shall comply with the Company's management policy and "AVANT Code of Conduct", share the practice of "AVANT Value", and contribute to the improvement of the corporate value of the Group.

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

The Company's subsidiaries have entered into management guidance and management control agreements and have a system under which the Company receives reports on important matters related to the execution of duties by directors and other personnel. The Board of Directors of each operating company makes decisions on important matters, but the Company has adopted rules and procedures to obtain approval from the Company for (a) investments, including office contracts, (b) personnel matters, and (c) finance, including capital policy.

The Company's subsidiaries hold monthly meetings of the Board of Directors on a regular basis and as needed to make decisions and execute business operations swiftly.

As part of the establishment of a compliance system for the entire Group, employees of the Company's subsidiaries shall report or consult with the Internal Reporting Office when they become aware of violations of laws, regulations, the Articles of Incorporation, or internal rules, or acts that violate socially accepted norms.

The CRM Committee will provide support for legal violations and other compliance-related issues at subsidiaries.

The Company shall prevent risks by appropriately managing operations and funds and reporting them to the Company by implementing a cycle of grasping the status of business performance through rolling forecast management in accordance with the budget management rules and according to the business environment in order to thoroughly manage the progress of business performance and expenses of the Company's subsidiaries.

To ensure the appropriateness of the operations of the Company's subsidiaries, the Internal Audit

Group of the Group Risk Management Office shall periodically conduct internal audits and report the results to the Company's directors and corporate auditors for necessary management.

(4) System to ensure the appropriateness of financial reporting

Under the direction of the Board of Directors, the Company shall establish a system for the development and operation of systems to ensure the legality and appropriateness of financial reporting and shall periodically conduct self-assessments and independent assessments of internal control over financial reporting, as well as undergo audits by accounting auditors.

(5) Basic Approach to the Elimination of Antisocial Forces

The Company declares the elimination of antisocial forces and the prohibition of antisocial acts in its "Basic Policy on the Elimination of Antisocial Forces such as Organized Crime Groups," and its basic policy is to have no relationship with antisocial forces that threaten the safety and order of society and the sound activities of companies, and not to respond to unjust or illegal demands. The Company will not accept any unreasonable or illegal demands.

In addition, the Company appoints a person in charge of preventing unreasonable demands and makes efforts to collect information and check business partners in the ordinary course of business. In the event that a case arises, the Company makes close contact with the relevant administrative agencies, lawyers and other experts and takes prompt organizational action.

### **System for auditing by corporate auditors**

(1) Matters related to employees who are requested by corporate auditors to assist them in their duties, and matters related to the independence of such employees from directors

- The Company does not have employees to assist the Corporate Auditors in their duties. However, the Board of Directors may appoint and assign such employees through discussions based on the request of the Corporate Auditors.
- During the period of assistance designated by the Corporate Auditors, the authority to direct and order the employees appointed to assist the Corporate Auditors in their duties shall be transferred to the Corporate Auditors, and independence from the Directors shall be ensured. In addition, the evaluation of such employees shall be conducted after hearing the opinions of the Corporate Auditors.

(2) Systems for Directors and Employees to Report to Corporate Auditors and Other Systems for Reporting to Corporate Auditors

- In addition to attending meetings of the Board of Directors, corporate auditors attend major meetings and receive reports on the status of business operations, and are able to attend other meetings and committees or read the minutes as necessary.
- The Corporate Auditors may request the Directors and employees to report to the Corporate Auditors on business and operations on a regular or ad-hoc basis.

(3) Systems to ensure that persons who report to corporate auditors are not treated disadvantageously for having made such reports

- In accordance with the provisions for protection of whistleblowers set forth in the Compliance Hotline Handling Guidelines in the Supplementary Provisions of the Compliance and Risk Management Regulations established by the Company, the Company stipulates and enforces that whistleblowers shall not be treated unfavorably.

(4) Matters related to policies for handling expenses and debts arising from the execution of duties by corporate auditors

- When a corporate auditor makes a request for advance payment or reimbursement of expenses incurred in the performance of his or her duties, the Company will promptly dispose of such expenses or debts, except in cases where it is recognized that such expenses or debts are not necessary for the performance of the duties of the corporate auditor.

(5) Other systems to ensure that audits by corporate auditors are conducted effectively

- The Company has in place a system that enables corporate auditors to hold meetings with the President and Representative Director for the purpose of communication and exchange of opinions.
- The Company also has a system in place that enables the Corporate Auditors to exchange opinions and information with the Accounting Auditor and the Internal Auditor, and to request investigations and reports as necessary in cooperation with them.

#### **Operation status of the system to ensure the appropriateness of operations**

With regard to the above system to ensure the appropriateness of business operations, the Company has been continuously investigating the development and operation of the internal control system since the establishment of the system and reports the details of the investigations to the Board of Directors. In addition, corrective measures are taken for any problems identified as a result of the investigations, and efforts are made to establish and operate more appropriate internal control systems.

(Attachment)

## Business Report

( From July 1, 2020  
Until June 30, 2021 )

### Matters concerning the current state of the corporate group

(1) Progress and results of the project

Consolidated results for the current fiscal year are as follows.

(Unit: Millions of yen)

	The 24th term (Year ended June 30, 2020)	The 25th term (Year ended June 30, 2021) (Current consolidated fiscal year)	Compared to the previous consolidated fiscal year	
			Amount of change	Percentage change (%)
Net sales	15,691	16,236	544	3.5
Operating profit	2,278	2,796	517	22.7
Ordinary income	2,282	2,808	526	23.1
Net income attributable to owners of the parent Net income	1,537	1,888	351	22.8

Toward the end of the previous consolidated fiscal year, some domestic companies began to postpone or reduce their IT investments due to the impact of the spread of the new coronavirus infection, which also began to affect the orders received by the Group.

The business environment surrounding the Group was also initially within the scope of this outlook. However, various social changes have aroused the need for "data-based management and decision-making," and the needs for the Group's products and services are on a recovery track, transforming into more sophisticated ones.

Under these circumstances, although sales in the consolidated accounting-related business declined, partly due to the impact of the convergence of large-scale projects that had been the mainstay of the business until the previous consolidated fiscal year, sales in the business intelligence business increased, and the outsourcing business achieved business growth of more than 20% from the previous consolidated fiscal year. As a result, consolidated net sales were 16,236 million yen (up 3.5% from the previous consolidated fiscal year), exceeding the net sales of the previous consolidated fiscal year.

In addition to growth in the Outsourcing business, which has consistently maintained a ratio of around 90%, the ratio increased in the consolidated accounting-related business and the Business Intelligence business due to an increase in cloud computing sales. In addition to growth in the outsourcing business, which has consistently maintained a ratio of approximately 90%, the ratio increased in the consolidated accounting-related business and the business intelligence business due to an increase in cloud computing sales, and as a result, the ratio increased 3.4 percentage points to 36.0%. The total amount also increased 14.2% compared with the previous fiscal year.

Operating income increased 22.7% to 2,796 million yen, ordinary income increased 23.1% to 2,808 million yen, and net income attributable to the parent company increased 23.1% to 1,888 million yen. As a result, operating income was 2,796 million yen (up 22.7% from the previous consolidated fiscal year), ordinary income was 2,808 million yen (up 23.1% from the previous consolidated fiscal year), and net income attributable to shareholders of the parent company was 1,888 million yen (up 22.8% from the previous consolidated fiscal year), all of which were higher than the previous consolidated fiscal year.

The status of each reportable segment is as follows.

(1) Net sales (Unit: Millions of yen)

	The 24th term (Year ended June 30, 2020)	The 25th term (Year ended June 30, 2021) (Current consolidated fiscal year)	Compared to the previous consolidated fiscal year	
			Amount of change	Percentage change (%)
Consolidated Accounting-related Business	8,485	8,160	(324)	(3.8)
Business Intelligence Business	5,767	6,250	482	8.4
Outsourcing Business	2,062	2,479	417	20.2
Elimination of Intersegment transaction	(624)	(654)	(30)	-
Consolidated net sales	15,691	16,236	544	3.5

(2) Operating income (Unit: million yen)

	The 24th term (Year ended June 30, 2020)	The 25th term (Year ended June 30, 2021) (Current consolidated fiscal year)	Compared to the previous consolidated fiscal year	
			Amount of change	Percentage change (%)
Consolidated accounting related business	1,616	1,935	318	19.7
Business Intelligence Business	692	811	119	17.2
Outsourcing Business	364	523	159	43.7
Corporate expenses and Elimination of transactions between the Company and segments, etc.	(394)	(473)	(79)	-
Consolidated operating income	2,278	2,796	517	22.7

The consolidated accounting-related business was affected by a slowdown in IT investment by customers due to the spread of the new coronavirus infection and the stagnation of economic activity due to the declaration of a state of emergency, particularly in the first half of the fiscal year under review, as well as the reaction to the conclusion of large-scale projects. On the other hand, the Company improved its in-house production ratio. On the other hand, operating income increased to 1,935 million yen (up 19.7% from the previous consolidated fiscal year) and the operating margin improved by 4.7 percentage points from the previous consolidated fiscal year as a result of efforts to improve project profitability by increasing the ratio of in-house production and other measures, as well as the promotion of unnecessary cost reductions. In addition, the recurring sales ratio improved markedly from the previous consolidated fiscal year due to an increase in cloud sales and maintenance support options.

As for the business intelligence business, the Company believes that needs for this business will increase over the medium term, as this business can make a particular contribution to the promotion of digital transformation in the management of domestic companies. This trend has already been seen in the current consolidated fiscal year, and net sales were 6,250 million yen (up 8.4% from the previous consolidated fiscal year), exceeding the previous consolidated fiscal year. Operating income also increased to 811 million yen (up 17.2% from the previous consolidated fiscal year), despite the burden of fixed costs such as office-related expenses established in the previous consolidated fiscal year, due to the impact of the increase in sales and a decrease in transportation and other expenses resulting from changes in work styles caused by the Corona disaster.

In the outsourcing business, the market situation is not necessarily optimistic, as uncertainty due to the impact of the new coronavirus infection has led to a trend toward greater caution in final decision-making than in the past. As a result, the Group achieved double-digit increases in both sales and profit, with net sales of 2,479 million yen (up 20.2% year on year) and operating income of 523 million yen (up 43.7% year on year).

The number of consolidated employees increased by 52 from the end of the previous consolidated fiscal year to 1,107 at the end of the current consolidated fiscal year.

The status of orders received and sales for the current consolidated fiscal year is as follows.  
 Orders and Sales (Unit: Millions of yen)

	Current consolidated fiscal year From July 1, 2020 Until June 30, 2021		
	Net sales	Orders received	Order outstanding
Consolidated accounting related business	8,160	8,510	2,349
Business Intelligence Business	6,250	6,639	1,244
Outsourcing Business	2,479	2,987	1,457
Elimination of inter-segment transactions	(654)	(735)	(290)
Total	16,236	17,401	4,761

(2) Capital Investment

Total amount of capital investment in the current consolidated fiscal year 543 million yen (including software)

Major capital investments were in the purchase of office equipment and software for internal use.

(3) Status of Fund Procurement

There are no matters to be noted in the current consolidated fiscal year.

#### (4) Status of assets and profit and loss

##### (1) Status of assets and profit and loss of the corporate group

Classification		The 22nd term (Year ended June 30, 2018)	The 23rd term (Year ended June 30, 2019)	The 24th term (Year ended June 30, 2020)	The 25th term (Year ended June 30, 2021) (Current consolidated fiscal year)
Net sales	(Millions of yen)	12,110	14,077	15,691	16,236
Ordinary income	(Millions of yen)	1,632	1,972	2,282	2,808
Net income attributable to owners of the parent	(Millions of yen)	1,062	1,317	1,537	1,888
Net income (loss)					
Net income per share	(Yen)	28.28	35.06	40.92	50.24
Total assets	(Millions of yen)	8,814	10,415	11,780	13,956
Net assets	(Millions of yen)	4,792	5,898	7,194	8,787
Net assets per share	(Yen)	127.63	157.00	191.42	233.70

(Notes) 1 On November 1, 2017 and December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net income per share and net assets per share are calculated on the assumption that the said stock split was conducted at the beginning of the 22nd fiscal year.

2 The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the 23rd fiscal year, and the major management indices, etc. for the 22nd fiscal year are the indices after retrospective application of the said accounting standard, etc.

##### (2) Status of assets and profit and loss of the Company

Classification		The 22nd term (Year ended June 30, 2018)	The 23rd term (Year ended June 30, 2019)	The 24th term (Year ended June 30, 2020)	The 25th term (Year ended June 30, 2021) (Current fiscal year)
Operating revenue	(Millions of yen)	1,751	1,851	2,355	2,661
Ordinary income	(Millions of yen)	679	729	1,145	1,348
Current net income	(Millions of yen)	642	771	1,252	1,464
Net income per share	(Yen)	17.11	20.55	33.32	38.95
Total assets	(Millions of yen)	6,029	6,769	6,994	8,899
Net assets	(Millions of yen)	3,480	4,044	5,054	6,219
Net assets per share	(Yen)	92.69	107.65	134.49	165.41

(Notes) 1 On November 1, 2017 and December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net income per share and net assets per share are calculated on the assumption that the said stock split was conducted at the beginning of the 22nd fiscal year.

2 The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the 23rd fiscal year, and the major management indices, etc. for the 22nd fiscal year are the indices after retrospective application of the said accounting standard, etc.

(5) Important parent companies and subsidiaries

(1) Parent Company

No applicable matter.

(2) Important subsidiaries

Company name	Capital stock	Ratio of voting rights of the Company Voting rights ratio	Major business activities
DIVA CORPORATION	100 million yen	100.0%	Development and sales of software Introduction support and maintenance Other related business
Internet Disclosure, Inc.	39 million yen	100.0%	Development and sales of software Information processing and provision services
ZEAL CORPORATION	100 million yen	100.0%	Design of information systems Development and sales of software Other related business
FIERTE ORPORATION	100 million yen	100.0%	Outsourcing-related business
DIVA CORPORATION OF AMERICA	1,100,000USD	100.0%	Research of IT products and services

(3) Important affiliated companies

Company name	Capital stock	Ratio of voting rights of the Company Voting rights ratio	Major business activities
Metapraxix Limited	143,000 GBP	19.79%	Development and sales of software

(Notes) 1 Metapraxix Limited is newly included in the scope of equity method from the current fiscal year due to the acquisition of its shares.

2 The equity method is applied to the above one important affiliated company.

(6) Issues to be addressed

In September 2018, the Group announced "BE GLOBAL 2023," a new five-year medium-term management plan through the fiscal year ending June 30, 2023, with the goal of becoming a world-class software company. In particular, the goal of raising the ratio of "recurring sales," which are sales that occur on an ongoing basis, such as software maintenance fees, to total sales (recurring sales ratio) from more than 30% at the time the plan was announced to 70% is an extremely significant challenge for the Group. All employees are working together to achieve this goal. We have also introduced a new indicator, "sales growth rate + operating income ratio," in order to promote a balance between improving profitability and expanding the scale of operations, and our goal is to achieve a value of 40 points or more, which is one of the highest levels in the world.

In realizing these medium-term management plans, the Company will address the following issues.

1. Increase number of customers

The Group's products have been adopted by many of Japan's leading companies, with a sales track record exceeding 1,100 companies, and are becoming one of the infrastructures supporting consolidated accounting and group management in Japan, but they have not yet reached a level sufficient to enhance the Group's contribution to society and corporate value. However, it has not yet reached a level sufficient to enhance the Group's contribution to society and corporate value. For the time being, the Group is working to provide high-quality, high-value-added products and services on a sustainable basis, with the aim of being adopted by more than 2,000 customers.

2. Expand the value of our contribution to existing customers and their group companies

One of the Group's greatest assets is its customers, a group of outstanding companies that represent Japan. In addition, because we provide products and services related to the management of the Group, the number of Group companies that use our products as users is many dozens of times greater than that of our customers. As a further value-added service to these customers and their group companies, we aim to contribute to more than 10,000 group companies by providing a variety of services of our group companies and cloud-based products developed based on the knowledge accumulated through these services. The Company also aims to contribute to more than 10,000 Group companies by providing cloud-based products developed based on knowledge accumulated through these services.

In addition, the Company will work to create an environment in which each company in the Group can maximize the expression of synergies.

3. Shift from man-hour-based sales to value-added-based sales

In the process of expanding the scale of the Group to its current size, we have increased the ratio of man-hours-based sales, in which we bill customers based on man-hours x unit price. In order to further improve corporate value by increasing profitability and productivity while expanding the scale of sales in the future, the Group recognizes that it is necessary to shift from a business centered on man-hours-based sales to a business centered on value-added-based sales that does not necessarily require an increase in personnel to increase sales. In order to achieve this goal, the Company recognizes the need to shift from a man-hour-based sales-oriented business to a value-added sales-oriented business that does not necessarily require an increase in personnel to increase sales.

The recurring sales ratio of 70% is a ratio that will be difficult to achieve without a change in this business model, and by setting this target as a key indicator, the entire Group is working together to change its business model.

4. Improve employee job satisfaction

Another major asset of the Group is its outstanding employees, who possess a high level

of technology, expertise and a challenging spirit. While increasing the number of employees each fiscal year, we are working to create a rewarding work environment that enriches the lives and lifestyles of our employees and allows them to focus on creating results in their work. The Group conducts surveys of employees using the Great Place to Work® (GPTW) to visualize job satisfaction and engagement and implements actions for improvement with the aim of creating a rewarding work environment. We are working to raise this GPTW score to 70 points for each Group company. We have also begun to work on the recruitment and promotion of diverse human resources to executive positions, regardless of gender or nationality.

#### 5. Capture external growth

In realizing the medium-term management plan, although sustainable development of existing businesses will be the basis of the plan, it may be difficult to realize the plan on its own. In the event that a corporate acquisition or capital alliance is deemed necessary and effective, we will consider it as one of the most important elements of modern corporate activities and will proactively implement it while carefully preparing for it.

In addition to being conscious of the cost of capital, the Group will set a standard that it is expected to be able to maintain a return on equity (ROE) of 20% or more even with the results of external growth. This will reduce the possibility that the Company's corporate value will be undermined by the easy acquisition of external growth.

#### 6. Compliance

Since its establishment, the Group has emphasized compliance as a fundamental principle of corporate governance. At the same time, social demands for compliance have increased in recent years, and we believe that the loss of public trust in the event of a violation is even greater than in the past, and the time required to recover that trust is also longer. We are promoting our business activities while being more thorough than ever before to ensure that we do not violate labor and other related laws and regulations but also corporate ethics.

#### 7. Sustainability

The Group's management philosophy, "Creating a 100-Year-Old Company," refers to the sustainable development of a company as an organization that exists for the benefit of society, viewing it as a public institution. The Group's mission is to contribute to society by providing value to customers through the use of management information for the creation of the future, and in the process of realizing this mission, the Group is involved with various stakeholders. Therefore, unless each and every member of the Group acts with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness, sustainable development will not be achieved. To this end, on July 22, 2020, the Group established the Group Human Rights Policy and Group Environmental Policy, and on August 25, 2020, the Group signed the United Nations Global Compact, declaring that it accepts, supports, and implements essential values in the four areas of human rights, labor, the environment, and anti-corruption. On July 1, 2021, the Group will take the first step toward realizing a sustainable society by converting all of its annual electricity use to "green power" and reducing its greenhouse gas emissions to zero. In addition, the Group has been supporting, albeit in a small way, sporting events and cultural activities organized by local governments and industry groups. On the other hand, now that the Group has more than 1,000 members, in order to share the same philosophy system throughout the Group and solve the issues mentioned in 1 to 5 above, we need highly skilled human resources who can understand changes in customer needs and propose solutions. We are aiming to establish an optimal training and compensation system to secure and develop such human resources.

(7) Main Business (As of June 30, 2021)

Segment classification	Our Business
Consolidated Accounting related Business	Development, sales, introduction support, and maintenance of DivaSystem (consolidated management and consolidated accounting system) Consulting services related to IFRS compliance, business management sophistication, budget management, management accounting, etc. Information Retrieval Service for Disclosure Documents
Business Intelligence Business	System integration service for information utilization called BI (Business Intelligence)
Outsourcing Business	Business outsourcing services such as consolidated closing and consolidated tax payment

(8) Main Sales Offices (As of June 30, 2021)

(i) Our main offices

Tokyo Head Office 15-2, Konan 2-chome, Minato-ku, Tokyo

(2) Main offices of important subsidiaries

DIVA CORPORATION	(Headquarters)	Minato-ku, Tokyo
	Osaka Office	Osaka, Osaka Prefecture
	Nagoya Office	Nagoya, Aichi Prefecture
	Konan Office	Minato-ku, Tokyo
Internet Disclosure, Inc.		Chuo-ku, Tokyo
ZEAL CORPORATION	(Headquarters)	Shinagawa-ku, Tokyo
	Osaka Office	Osaka, Osaka Prefecture
	Fudomae Office	Shinagawa-ku, Tokyo
FIERTE CORPORATION		Shinjuku-ku, Tokyo

(Notes) 1 On November 15, 2020, DIVA CORPORATION discontinued the Omori Office.

2 On June 30, 2021, ZEAL CORPORATION discontinued the Gotanda Office.

3 On May 10, 2021, the head office of Internet Disclosure, Inc. was relocated.

(9) Employees (As of June 30, 2021)

(1) Employees of the Corporate Group

Number of employees	Increase (decrease) from the end of the previous consolidated fiscal year
1,107 people	Increase by 52 people

(Notes) 1 The number of employees is the number of full-time employees.

2 The number of employees does not include temporary employees (average of 40 temporary, part-time and part-time employees during the period).

(2) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
45 people	increase by 9 persons	43.2 years old	3.8 years

(Notes) 1 The number of employees is the number of full-time employees.

2 The number of employees does not include temporary employees (average of 2 temporary, part-time and part-time employees during the period).

(10) Status of Major Lenders (As of June 30, 2021)

There are no loans from financial institutions.

For the purpose of efficient procurement of working capital, the Company has concluded loan commitment agreements (loan limit: 3,500 million yen) with financial institutions.

(11) Other important matters concerning the current state of the corporate group

No applicable matter.

Matters Concerning Company Officers

(1) Names, etc. of Directors and Corporate Auditors

As stated on page 22.

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

As stated on page 22.

(3) Outline of the contents of the Directors and Officers Liability Insurance Policy

As stated on page 22.

(4) Matters Related to Outside Directors and Outside Corporate Auditors

As stated on page 23.

Information on Directors' compensation system

As stated on pages 31 to 35.

Company Structure and Policies (Compliance and Risk Management)

As described on pages 36 to 39.

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(Note) Fractions less than the indicated units are rounded down to the nearest million yen in this business report.

Consolidated balance sheets

(As of June 30, 2021)

(Unit: thousand yen)

| item                                  | Amount     | item                                                     | Amount     |
|---------------------------------------|------------|----------------------------------------------------------|------------|
| (Assets)                              |            | (Liabilities)                                            |            |
| Current assets                        | 11,047,830 | Current liabilities                                      | 4,943,427  |
| Cash on hand and in banks             | 7,238,708  | Notes and accounts payable-trade                         | 459,394    |
| Notes and accounts receivable-trade   | 2,586,194  | Lease obligations                                        | 14,212     |
| Marketable securities                 | 500,000    | Accounts payable-other and accrued expenses              | 397,920    |
| Goods in process                      | 82,666     | Income taxes payable                                     | 404,668    |
| Raw materials and supplies            | 49,336     | Deferred income                                          | 2,278,978  |
| Prepaid expenses                      | 541,037    | Allowance for bonuses                                    | 776,735    |
| Others                                | 53,313     | Allowance for directors' and corporate auditors' bonuses | 140,213    |
| Allowance for doubtful accounts       | (3,425)    | Allowance for loss on orders received                    | 74         |
| Fixed assets                          | 2,909,135  | Others                                                   | 471,227    |
| Tangible fixed assets                 | 407,299    | Fixed liabilities                                        | 226,331    |
| building                              | 352,082    | Lease obligations                                        | 30,752     |
| Accumulated depreciation              | (120,833)  | Asset retirement obligations                             | 195,579    |
| Vehicles and transport equipment      | 843        |                                                          |            |
| Accumulated depreciation              | (574)      | Total liabilities                                        | 5,169,758  |
| Tools, furniture and fixtures         | 637,957    | Net assets (Millions of yen)                             |            |
| Accumulated depreciation              | (462,175)  | Capital stock                                            | 8,728,774  |
| Intangible fixed assets               | 608,458    | Capital stock                                            | 311,568    |
| Software                              | 607,818    | Capital surplus                                          | 248,368    |
| Others                                | 639        | Retained earnings                                        | 8,169,386  |
| Investments and other assets          | 1,893,377  | Treasury stock                                           | (549)      |
| Investments in securities             | 491,381    | Accumulated other comprehensive income (loss)            | 58,433     |
| Stocks of subsidiaries and affiliates | 267,890    | Valuation difference on available-for-sale securities    | 58,114     |
| Long-term prepaid expenses            | 12,101     | Deferred gains or losses on hedges                       | 27         |
| Lease and guarantee deposits          | 614,316    | Foreign currency translation adjustments                 | 291        |
| Deferred tax asset                    | 382,214    |                                                          |            |
| Others                                | 125,473    | Total net assets                                         | 8,787,207  |
| Total assets                          | 13,956,966 | Total liabilities and net assets                         | 13,956,966 |

Consolidated Statements of Income

( From July 1, 2020 )  
 ( Until June 30, 2021 )  
 (Unit: thousand yen)

| item                                                  | Amount   |            |
|-------------------------------------------------------|----------|------------|
| Net sales                                             |          | 16,236,129 |
| Cost of goods sold                                    |          | 8,572,079  |
| Gross profit                                          |          | 7,664,050  |
| Selling, general and administrative expenses          |          | 4,867,964  |
| Operating profit                                      |          | 2,796,085  |
| Non-operating income                                  |          |            |
| Interest received                                     | 340      |            |
| Dividend income                                       | 7,346    |            |
| Gain on investment in partnership                     | 3,042    |            |
| Profit on currency exchange                           | 6,251    |            |
| Subsidy income                                        | 7,334    |            |
| Reversal of allowance for doubtful accounts           | 2,185    |            |
| Others                                                | 1,519    | 28,019     |
| Non-operating expenses                                |          |            |
| Interest expense                                      | 1,001    |            |
| Investment loss on equity method                      | 8,732    |            |
| Commission                                            | 5,657    |            |
| Stock issuance cost                                   | 424      |            |
| Others                                                | 72       | 15,889     |
| Ordinary income                                       |          | 2,808,216  |
| Extraordinary profit                                  |          |            |
| Gain on sales of fixed assets                         | 641      | 641        |
| Net income before income taxes and minority interests |          | 2,808,858  |
| Corporate, inhabitant and enterprise taxes            | 947,797  |            |
| Income taxes-deferred                                 | (27,916) | 919,881    |
| Current net income                                    |          | 1,888,976  |
| Net income attributable to owners of the parent       |          | 1,888,976  |

Consolidated Statement of Changes in Net Assets

( From July 1, 2020  
Until June 30, 2021 )

(Unit: thousand yen)

|                                                                                   | Shareholders' equity |                 |                   |                |                            |
|-----------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                                                   | Capital stock        | Capital surplus | Retained earnings | treasury stock | Total shareholders' equity |
| Balance at the beginning of current period                                        | 303,271              | 240,071         | 6,618,666         | (476)          | 7,161,533                  |
| Changes during the period                                                         |                      |                 |                   |                |                            |
| Issuance of new shares                                                            | 8,297                | 8,297           |                   |                | 16,594                     |
| Dividends from surplus                                                            |                      |                 | (338,256)         |                | (338,256)                  |
| Net income attributable to owners of the parent<br>Net income (loss)              |                      |                 | 1,888,976         |                | 1,888,976                  |
| Acquisition of treasury stock                                                     |                      |                 |                   | (73)           | (73)                       |
| Changes in the scope of application of the equity method                          |                      |                 |                   |                |                            |
| Items other than shareholders' equity<br>Changes of items during the period (net) |                      |                 |                   |                |                            |
| Total changes of items during the period                                          | 8,297                | 8,297           | 1,550,720         | (73)           | 1,567,241                  |
| Balance at the end of current period                                              | 311,568              | 248,368         | 8,169,386         | (549)          | 8,728,774                  |

|                                                                                   | Accumulated other comprehensive income (loss)                                       |                                  |                                        |                                              | Total net assets |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------|----------------------------------------|----------------------------------------------|------------------|
|                                                                                   | Available-for-sale securities Valuation difference on available-for-sale securities | deferred hedge profit and losses | exchange conversion adjustment account | Other comprehensive Total accumulated profit |                  |
| Balance at the beginning of current period                                        | 35,859                                                                              | 6                                | (3,065)                                | 32,800                                       | 7,194,333        |
| Changes during the period                                                         |                                                                                     |                                  |                                        |                                              |                  |
| Issuance of new shares                                                            |                                                                                     |                                  |                                        |                                              | 16,594           |
| Dividends from surplus                                                            |                                                                                     |                                  |                                        |                                              | (338,256)        |
| Net income attributable to owners of the parent<br>Net income (loss)              |                                                                                     |                                  |                                        |                                              | 1,888,976        |
| Acquisition of treasury stock                                                     |                                                                                     |                                  |                                        |                                              | (73)             |
| Changes in the scope of application of the equity method                          |                                                                                     |                                  | 216                                    | 216                                          | 216              |
| Items other than shareholders' equity<br>Changes of items during the period (net) | 22,255                                                                              | 21                               | 3,140                                  | 25,416                                       | 25,416           |
| Total changes of items during the period                                          | 22,255                                                                              | 21                               | 3,356                                  | 25,633                                       | 1,592,874        |
| Balance at the end of current period                                              | 58,114                                                                              | 27                               | 291                                    | 58,433                                       | 8,787,207        |

Balance Sheet

(As of June 30, 2021)

(Unit: thousand yen)

| Item                                  | Amount    | Item                                                     | Amount    |
|---------------------------------------|-----------|----------------------------------------------------------|-----------|
| (Assets)                              |           | (Liabilities)                                            |           |
| Current assets                        | 6,481,169 | Current liabilities                                      | 2,608,466 |
| Cash on hand and in banks             | 4,488,881 | Accounts payable                                         | 112,243   |
| Accounts receivable                   | 79,170    | Accrued expenses                                         | 73,957    |
| Marketable securities                 | 500,000   | Income taxes payable                                     | 149,711   |
| Supplies                              | 6,223     | Deposit (received)                                       | 90,111    |
| Prepaid expenses                      | 70,432    | Lease obligations                                        | 3,461     |
| (cash) advance                        | 568,319   | Allowance for bonuses                                    | 43,002    |
| Accounts receivable                   | 753,203   | Allowance for directors' and corporate auditors' bonuses | 66,977    |
| Others                                | 14,939    | Deposits received from subsidiaries and affiliates       | 2,069,000 |
| Fixed assets                          | 2,418,342 | fixed liabilities                                        | 71,481    |
| Tangible fixed assets                 | 134,068   | Lease obligations                                        | 8,845     |
| Building                              | 115,677   | asset retirement obligations                             | 62,635    |
| Accumulated depreciation              | (55,539)  |                                                          |           |
| Tools, furniture and fixtures         | 280,182   | total liabilities                                        | 2,679,947 |
| Accumulated depreciation              | (206,251) | (Net assets)                                             |           |
| Intangible fixed assets               | 274,544   | Capital stock                                            | 6,161,423 |
| Trademark signs                       | 44        | Capital stock                                            | 311,568   |
| Software                              | 273,904   | Capital surplus                                          | 248,368   |
| Others                                | 595       | Capital reserve                                          | 248,368   |
| Investments and other assets          | 2,009,730 | Retained earnings                                        | 5,602,035 |
| Investments in securities             | 456,419   | Profit reserve                                           | 374       |
| Stocks of subsidiaries and affiliates | 1,320,145 | Other retained earnings                                  | 5,601,661 |
| Long-term prepaid expenses            | 3,083     | Retained earnings brought forward                        | 5,601,661 |
| Lease and guarantee deposits          | 139,267   | Treasury stock                                           | (549)     |
| Insurance reserve fund                | 50,591    | Valuation and translation adjustments                    | 58,141    |
| Deferred tax asset                    | 9,916     | Valuation difference on available-for-sale securities    | 58,114    |
| Others                                | 30,306    | deferred gains or losses on hedges                       | 27        |
| Total assets                          | 8,899,512 | Total net assets                                         | 6,219,564 |
|                                       |           | Total liabilities and net assets                         | 8,899,512 |

Profit and Loss Statement

From July 1, 2020  
Until June 30, 2021

(Unit: thousand yen)

| Item                                                  | Amount    |           |
|-------------------------------------------------------|-----------|-----------|
| Operating revenue                                     |           |           |
| Business management fees                              | 851,616   |           |
| Dividends received from subsidiaries and affiliates   | 1,810,267 | 2,661,884 |
| Operating expenses                                    |           | 1,326,077 |
| Operating profit                                      |           | 1,335,806 |
| Non-operating income                                  |           |           |
| Interest received                                     | 894       |           |
| Dividend income                                       | 7,346     |           |
| Profit on currency exchange                           | 6,612     |           |
| Subsidy income                                        | 2,370     |           |
| Others                                                | 1,197     | 18,421    |
| Non-operating expenses                                |           |           |
| Interest expense                                      | 22        |           |
| Commission                                            | 5,657     |           |
| Stock issuance cost                                   | 424       | 6,104     |
| Ordinary income                                       |           | 1,348,123 |
| Net income before taxes                               |           | 1,348,123 |
| Corporate income tax, resident tax and enterprise tax | (131,093) |           |
| Income taxes-deferred                                 | 14,972    | (116,120) |
| Current net income                                    |           | 1,464,244 |

Statement of Changes in Net Assets

( From July 1, 2020  
Until June 30, 2021 )

(Unit: thousand yen)

|                                            | Shareholders' equity |                 |                              |                                 |                      |                                |
|--------------------------------------------|----------------------|-----------------|------------------------------|---------------------------------|----------------------|--------------------------------|
|                                            | Capital stock        | Capital surplus |                              | Retained earnings               |                      |                                |
|                                            |                      | Capital reserve | Capital surplus total amount | profit reserve                  | Other income surplus | Retained earnings total amount |
|                                            |                      |                 |                              | Balance carried forward surplus |                      |                                |
| Balance at the beginning of current period | 303,271              | 240,071         | 240,071                      | 374                             | 4,475,673            | 4,476,047                      |
| Changes during the period                  |                      |                 |                              |                                 |                      |                                |
| Issuance of new shares                     | 8,297                | 8,297           | 8,297                        |                                 |                      |                                |
| Dividends from surplus                     |                      |                 |                              |                                 | (338,256)            | (338,256)                      |
| Current net income                         |                      |                 |                              |                                 | 1,464,244            | 1,464,244                      |
| Acquisition of treasury stock              |                      |                 |                              |                                 |                      |                                |
| Items other than shareholders' equity      |                      |                 |                              |                                 |                      |                                |
| Changes of items during the period (net)   |                      |                 |                              |                                 |                      |                                |
| Total changes of items during the period   | 8,297                | 8,297           | 8,297                        | -                               | 1,125,987            | 1,125,987                      |
| Balance at the end of current period       | 311,568              | 248,368         | 248,368                      | 374                             | 5,601,661            | 5,602,035                      |

|                                            | Shareholders' equity |                            | Valuation and translation adjustments, etc.                                         |                                |                                                  | Total net assets |
|--------------------------------------------|----------------------|----------------------------|-------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------|------------------|
|                                            | Treasury stock       | Capital stock total amount | Available-for-sale securities Valuation difference on available-for-sale securities | Deferred hedge profit and loss | Evaluation and conversion Total difference, etc. |                  |
| Balance at the beginning of current period | (476)                | 5,018,914                  | 35,859                                                                              | 6                              | 35,865                                           | 5,054,779        |
| Changes during the period                  |                      |                            |                                                                                     |                                |                                                  |                  |
| Issuance of new shares                     |                      | 16,594                     |                                                                                     |                                |                                                  | 16,594           |
| Dividends from surplus                     |                      | (338,256)                  |                                                                                     |                                |                                                  | (338,256)        |
| Current net income                         |                      | 1,464,244                  |                                                                                     |                                |                                                  | 1,464,244        |
| Acquisition of treasury stock              | (73)                 | (73)                       |                                                                                     |                                |                                                  | (73)             |
| Items other than shareholders' equity      |                      |                            | 22,255                                                                              | 21                             | 22,276                                           | 22,276           |
| Changes of items during the period (net)   |                      |                            |                                                                                     |                                |                                                  |                  |
| Total changes of items during the period   | (73)                 | 1,142,508                  | 22,255                                                                              | 21                             | 22,276                                           | 1,164,785        |
| Balance at the end of current period       | (549)                | 6,161,423                  | 58,114                                                                              | 27                             | 58,141                                           | 6,219,564        |

Independent Auditor's Report

August 27, 2021

Avant Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC  
Tokyo Office

|                                                          |                                |               |
|----------------------------------------------------------|--------------------------------|---------------|
| Designated Limited Liability Partner<br>Managing Partner | certified public<br>accountant | Jun Kagawa    |
| Designated Limited Liability Partner<br>Managing Partner | certified public<br>accountant | Joji Furukawa |

**Audit opinion**

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to consolidated financial statements of Avant Corporation for the fiscal year from July 1, 2020 to June 30, 2021, in accordance with Article 444, Section 4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Avant Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in conformity with accounting principles generally accepted in Japan.

**Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

**Responsibility of Management, Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes establishing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the basis of the going concern assumption and for disclosing, if necessary, matters related to going concern in accordance with accounting principles generally accepted in Japan. The auditor shall be responsible for evaluating the appropriateness of disclosing such information in accordance with accounting principles generally accepted in Japan.

The responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the Directors' performance of their duties in the development and operation of the financial reporting process.

**Auditor's Responsibility in an Audit of Consolidated Financial Statements**

The auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and to express an opinion on the consolidated financial statements from an independent position in the auditor's report. A misstatement is considered to be material if it is reasonably likely to result from fraud or error and, individually or in the aggregate, to affect the decisions of users of the consolidated financial statements.

The auditor shall, in accordance with auditing standards generally accepted in Japan, exercise professional judgment throughout the audit process and maintain professional skepticism in performing the following

- The auditor shall identify and assess the risks of material misstatement due to fraud or error. In addition, the auditor shall design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures shall be at the auditor's discretion. Furthermore, the auditor shall obtain sufficient appropriate audit evidence as a basis for expressing an opinion.
- In making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of the accounting policies adopted by management and the methods of their application, and the reasonableness of the accounting estimates made by management and the related notes.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on the going concern basis and, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty about the entity's ability to continue as a going concern is identified, the auditor is required to draw attention to the material uncertainty in the notes to the consolidated financial statements in the auditor's report or, if the notes to the consolidated financial statements regarding the material uncertainty are inappropriate, to express an opinion with qualifications on the consolidated financial statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the auditor's report, future events or circumstances could make it more likely than not that the entity will not continue as a going concern.
- We evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, and whether the presentation, structure and content of the consolidated financial statements, including the related notes thereto, and the transactions and accounting events on which the consolidated financial statements are based are properly presented.
- The auditor is responsible for directing, supervising, and performing the audit of the consolidated financial statements and for such other matters as are necessary to enable the auditor to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.
- The auditor shall report to the corporate auditors and the Audit & Supervisory Board on the scope and timing of the planned audit, significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor shall report to the corporate auditors and the board of corporate auditors on the auditor's compliance with the Japanese rules of professional ethics with respect to independence and on matters that could reasonably be considered to affect the auditor's independence and on safeguards, if any, taken to remove or mitigate any disincentive.

**Interests of the Accounting Auditor**

We have no interest in the Company or its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

and above

Independent Auditor's Report

August 27, 2021

Avant Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC  
Tokyo Office

|                                                          |                                |               |
|----------------------------------------------------------|--------------------------------|---------------|
| Designated Limited Liability Partner<br>Managing Partner | certified public<br>accountant | Jun Kagawa    |
| Designated Limited Liability Partner<br>Managing Partner | certified public<br>accountant | Joji Furukawa |

**Audit opinion**

We have audited the financial statements, namely, the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements, and the related supplementary schedules (the "financial statements, etc.") of Avant Corporation for the 25th fiscal year from July 1, 2020 to June 30, 2021 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

In our opinion, the financial statements, etc., referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period, for which the financial statements, etc., were prepared, in conformity with accounting principles generally accepted in Japan.

**Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility is to express an opinion on these financial statements based on our audit. We are independent of the Company in accordance with the provisions of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

**Responsibility of Management, Corporate Auditors and Board of Corporate Auditors for Financial Statements, etc.**

Management is responsible for the preparation and fair presentation of the financial statements, etc. in conformity with accounting principles generally accepted in Japan. This includes the establishment and operation of internal control that management determines is necessary to enable the preparation and fair presentation of financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc., on the basis of the going concern assumption, and for disclosing, if necessary, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The responsibility of the Statutory Auditors and the Board of Statutory Auditors is to monitor the Directors' performance of their duties in the development and operation of the financial reporting process.

**Auditor's Responsibility in an Audit of Financial Statements, etc.**

The auditor's responsibility is to obtain reasonable assurance about whether the financial statements, etc. as a whole are free of material misstatement, whether due to fraud or error, based on the audit conducted by the auditor, and to express an opinion on the financial statements, etc. from an independent position in the auditor's report. A misstatement is considered to be material when it is reasonably expected that the misstatement may be caused by fraud or error and, individually or in the aggregate, may affect the decisions of users of the financial statements, etc.

The auditor shall, in accordance with auditing standards generally accepted in Japan, exercise professional judgment throughout the audit process and maintain professional skepticism in performing the following

- The auditor shall identify and assess the risks of material misstatement due to fraud or error. In addition, the auditor shall design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures shall be at the auditor's discretion. Furthermore, the auditor shall obtain sufficient appropriate audit evidence as a basis for expressing an opinion.
- In making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of the accounting policies adopted by management and the methods of their application, and the reasonableness of the accounting estimates made by management and the related notes.
- Conclude whether it is appropriate for management to prepare the financial statements, etc. on the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty about the entity's ability to continue as a going concern is identified, the auditor is required to draw attention to the material uncertainty in the notes to the financial statements in the auditor's report or, if the notes to the financial statements regarding the material uncertainty are inappropriate, to express an opinion with qualifications on the financial statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the auditor's report, it is possible that future events or circumstances may make it impossible for the entity to continue as a going concern.
- In addition, we evaluate whether the presentation, structure and content of the financial statements, including the related notes, and whether the financial statements properly present the underlying transactions and accounting events.
- The auditor shall report to the corporate auditors and the Audit & Supervisory Board on the scope and timing of the planned audit, significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor shall report to the corporate auditors and the board of corporate auditors on the auditor's compliance with the Japanese rules of professional ethics with respect to independence and on matters that could reasonably be considered to affect the auditor's independence and on safeguards, if any, taken to remove or reduce disincentives.

**Interests of the Accounting Auditor**

We have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

and above

## Audit Report by the Audit & Supervisory Board

### Audit Report

We, the Audit & Supervisory Board of the Company, have prepared this Audit Report on the execution of duties by the Directors for the 25th fiscal year from July 1, 2020 to June 30, 2021, after deliberations based on the audit reports prepared by each Corporate Auditor, and report as follows

#### 1. Method and Details of Auditing by Corporate Auditors and the Audit & Supervisory Board

- (1) The Board of Corporate Auditors established the audit policy, allocation of duties, etc., received reports from each Corporate Auditor on the status of implementation and results of audits, received reports from the Directors, etc. and the Accounting Auditor on the status of execution of their duties, and requested explanations as necessary.
- (2) In accordance with the auditing standards for corporate auditors established by the Audit & Supervisory Board, and in accordance with the auditing policy, allocation of duties, etc., each corporate auditor endeavored to communicate with directors, the internal auditing division and other employees, etc., to collect information and improve the auditing environment, and conducted audits in the following manner
  - (i) We attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees, etc. on the status of execution of their duties, requested explanations as necessary, perused important approval documents, etc., and investigated the status of operations and assets at the head office and major business offices. With respect to the subsidiaries, we communicated and exchanged information with the directors, corporate auditors and others of the subsidiaries, and received reports on business from the subsidiaries as necessary.
  - (ii) The Company shall receive regular reports from the Directors and employees, etc. on the status of establishment and operation of the systems (internal control systems) and shall request explanations as necessary regarding the status of establishment and operation of the systems (internal control systems) developed based on the resolutions of the Board of Directors concerning the development of systems to ensure that the execution of duties by the Directors described in the Business Report complies with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the appropriateness of the business operations of the corporate group consisting of the Stock Company and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act. With respect to the details of the resolution of the Board of Directors regarding the establishment of a system for ensuring the appropriateness of operations of a stock company and its subsidiaries, and the establishment of a system (internal control system) based on such resolution, we received regular reports from directors and employees, etc. regarding the status of establishment and operation of such system and requested explanations and expressed our opinions as necessary.
  - (iii) We monitored and verified whether the Accounting Auditor maintained its independence and conducted appropriate audits, received reports from the Accounting Auditor on the status of execution of its duties, and requested explanations as necessary. In addition, we received notice from the accounting auditor that "systems to ensure the proper execution of duties" (matters set forth in each item of Article 131 of the Corporate Accounting Rules) are being developed in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, the Board of Corporate Auditors examined the Business Report and its supplementary schedules, the Financial Statements (the Balance Sheet, the Statement of Income, the Statement of Changes in Net Assets and the Notes to the Financial Statements) and its supplementary schedules, and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets and the Notes to the Consolidated Financial Statements) for the fiscal year under review. The Audit & Supervisory Board examined the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements).

#### 2. Results of the audit

##### (1) Results of audit of business reports, etc.

- (i) In our opinion, the Business Report and the Supplementary Schedules fairly present the condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (ii) We have not found any wrongful act or material fact in violation of laws and regulations or the Articles of Incorporation in connection with the execution of duties by Directors.
- (iii) We acknowledge that the content of the resolution of the Board of Directors regarding the internal control system is appropriate. In addition, we have found no matters to be pointed out with respect to the contents of the business report and the execution of duties by the Directors with respect to such internal control system.

##### (2) Results of audit of financial statements and supplementary schedules

In our opinion, the auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

##### (3) Results of audit of consolidated financial statements

In our opinion, the auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

August 31, 2021

Avant Corporation Audit & Supervisory Board

Full-time Corporate Auditor Tsuyoshi Noshiro

Outside Corporate Auditor Kunio Suzuki

Outside Corporate Auditor Masanori Kobayashi