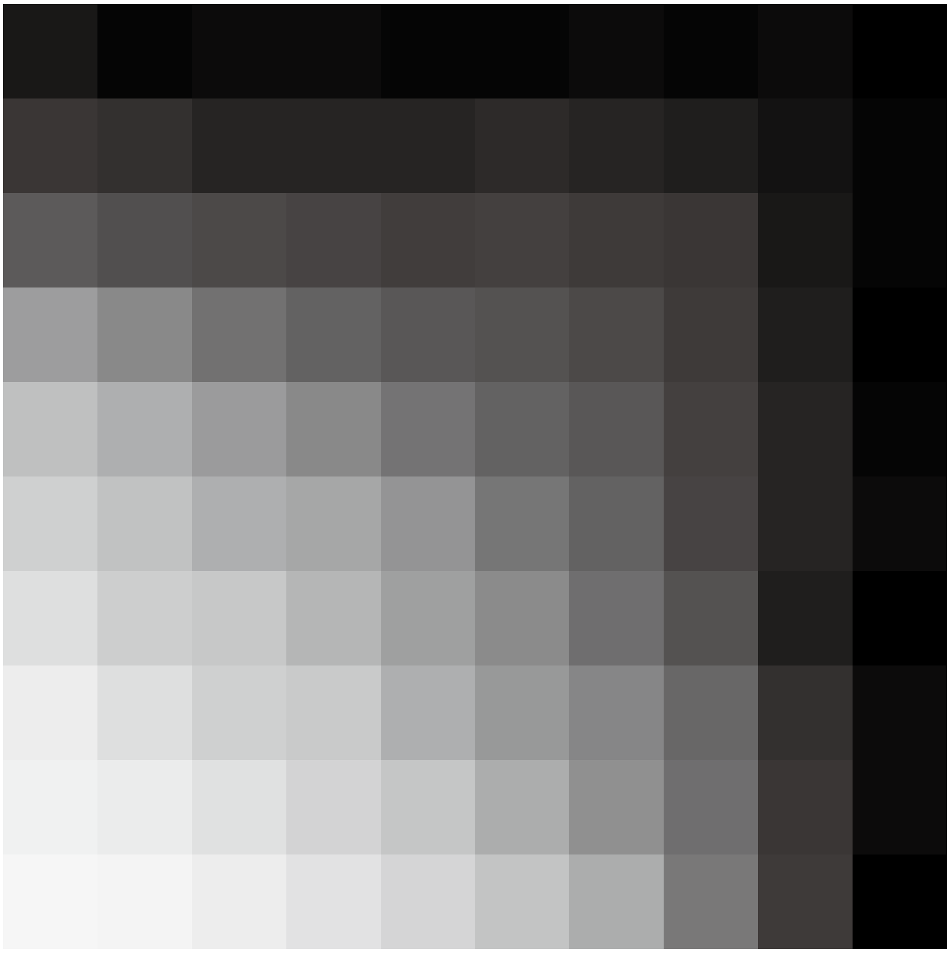


CREATIVE DIALOG 2022

AVANT GROUP INTEGRATED REPORT

AVANT GROUP MATERIALITY

Becoming a Software Company that Contributes to Enhancing Corporate Value

In late 2021, the Avant Group identified the ultimate materiality that should be addressed to realize the “BE GLOBAL” vision. In 2022, the Group took the following actions to achieve this materiality.

ACTIONS

01	The business reorganization	Maximizing the Group’s potential to contribute to customers
02	The upgrading of group management	Change to formulate and implement Group strategies from a medium- to long-term perspective
03	Visualization of the corporate value mechanism	To achieve our shared objective, implement “all-member management,” where each company, division and employee has indicators they should focus on

Along with the reorganization of the operating companies, the holding company was renamed to Avant Group Corporation and the brand was renewed. The new logo, which consists of 100 squares, expresses our management philosophy of “Creating a 100-year Company.”

As we enter the second stage of “Spreading Accountability,” the Avant Group will continue to change in its pursuit of contributing to the enhancement of our customers’ corporate value.

CREATIVE DIALOG 2022

AVANT GROUP INTEGRATED REPORT

CONTENTS

Forward-Looking Statements

The earnings forecasts and other forward-looking statements and strategies contained in this document are based on information that is reasonably available to the Company at the time of preparation of this document and are based on judgments made within the normally predictable range. However, there is a risk that results may differ from the forecast presented in this document due to the occurrence of extraordinary events or results that are not normally predictable.

TETSUJI MORIKAWA

Representative Director, President, and Group CEO

Please look forward to the fresh start of the Avant Group, as we become a software company that contributes to our customers enhancing their corporate value.

On September 29, 2022, we held a meeting of all employees of the Avant Group. Ahead of the forthcoming reorganization of the Group on October 1, it was only held in-person, as we wanted to directly convey the purpose of the reorganization.

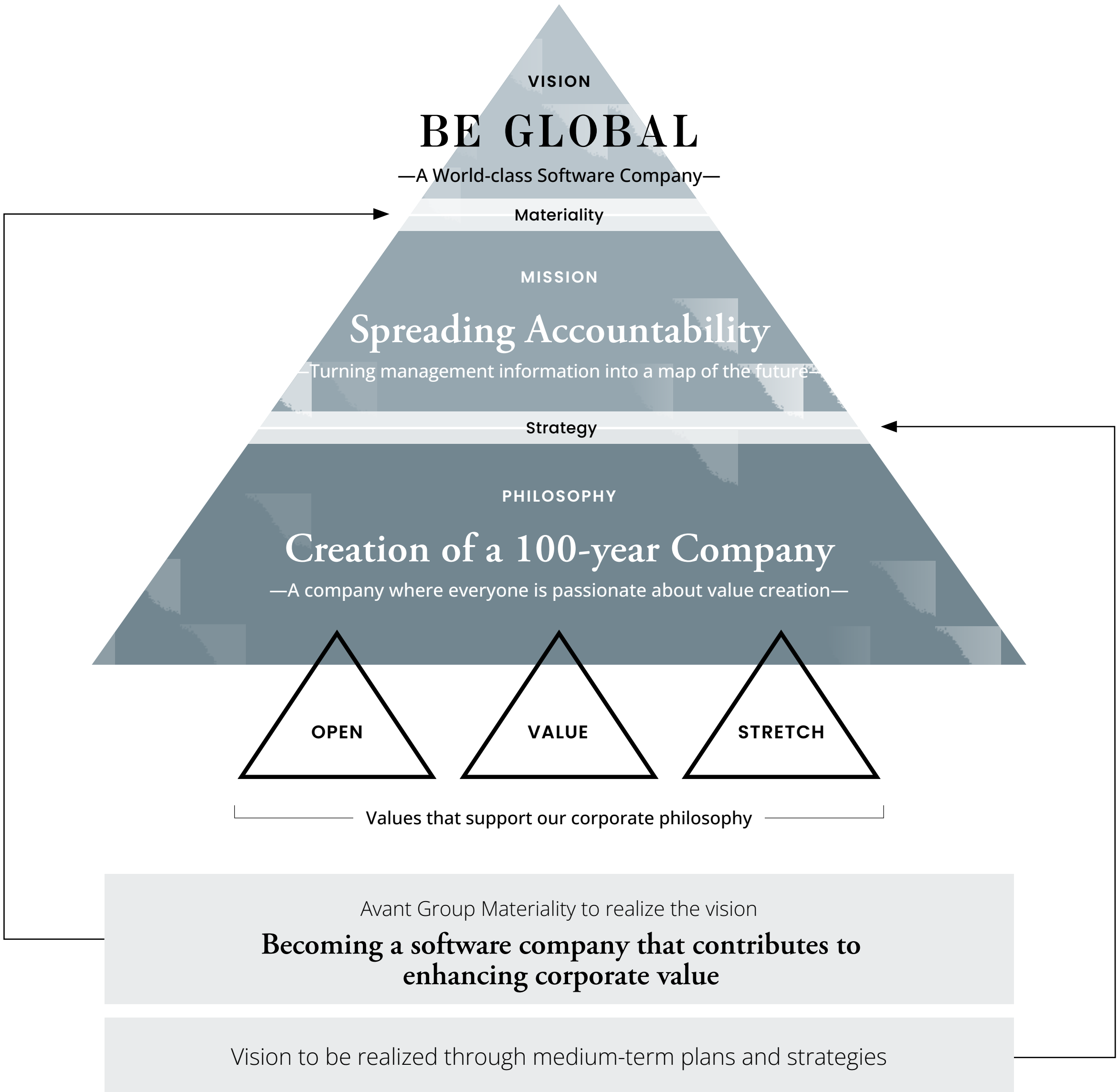
As soon as I was on the stage, all over my body I felt the intense power of the assembled members. The five senses that had been corroded by regular online meetings were activated in an instant. “Ah, I am working for the people who are gathered here,” I thought to myself. This may also be “creative dialog.” Passion is the starting point of value creation.

In the previous Integrated Report, we focused on the concept of “corporate value,” and as the first action of the Avant Group, we defined the materiality of “becoming a software company that contributes to the enhancement of corporate value.” Although we have a vision and a mission, we are faced with the fact that it is difficult to realize them, and we set it as our first step toward solving that problem.

Setting this materiality prompted a variety of actions. This time, I would like to touch on three of these topics: the business reorganization on October 1, 2022, the upgrading of group management, and visualization of the corporate value mechanism.

MESSAGE

Group Philosophy, Materiality, and Strategy



Two Hurdles

Becoming a software company that contributes to enhancing corporate value

Our core business model

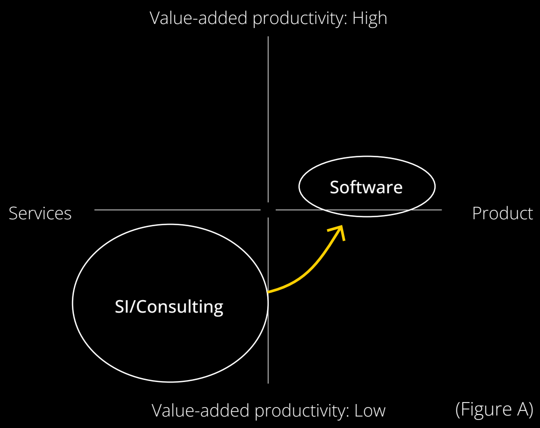
What we contribute to through DX of management

Reorganization to Realize Materiality

This reorganization of the Group is the first step toward realizing the strategic materiality established in 2021 of "becoming a software company that contributes to the enhancement of corporate value." We have set two hurdles to clear to realize the vision through the mission.

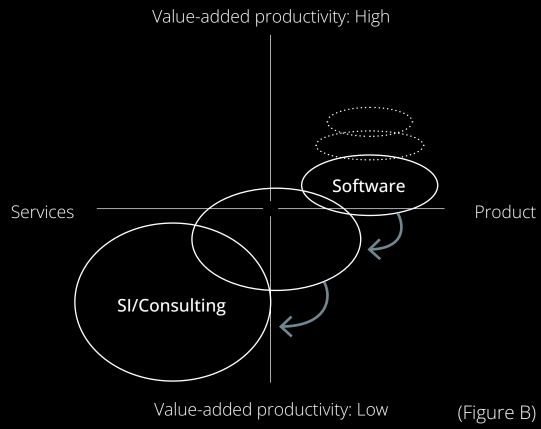
These two hurdles are not easy to overcome. The history of the Avant Group illustrates this difficulty. The dream we have had since our founding, "It can even be in any niche area. We will create a software company that will create a global de facto standard," is still alive today with the vision of BE GLOBAL. But the actual activity may seem to be moving away from the vision.

On the left and right of the horizontal axis are the service business and the software business, and on the vertical axis is the level of value-added productivity. Our goal is to expand and replicate businesses on the upper right. However, the realistic process starts at the bottom left, which fosters ideas for the software business. In fact, DIVA's consolidated accounting system grew out of its consulting business. The resulting software business falls under the right middle section. (Figure A)



(Figure A)

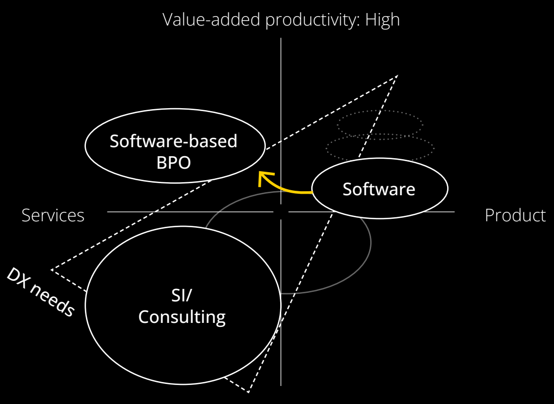
The standardization of software limits operations and functions. The trade-off between freedom and efficiency is unavoidable. Therefore, when we try to respond to the individual needs of our customers, it is easy for our business to expand to the lower left, and our business has actually become like that. On the other hand, the new software business didn't really take off due to the lack of opportunity experiences to grasp serious issues and combine them with technologies. (Figure B)



(Figure B)

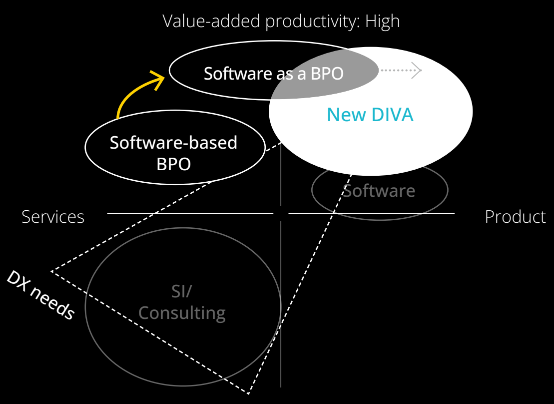
To solve this problem, we entered the software-based business process outsourcing (BPO) business. This is because we have the opportunity experiences from the business pane and accumulated know-how necessary for the growth of software. By launching a new business model similar to contemporary SaaS for software-based BPO, we aim to expand our software business beyond system integration (SI).

As another business environment creation measure, businesses on the lower left are also included in the Group. Our goal is to enhance our ability to explore new software businesses by leveraging our project opportunity experience from the SI business, and our various software and technologies that support data driven business management. The acceleration of today's DX needs has opened various opportunities. (Figure C)



(Figure C)

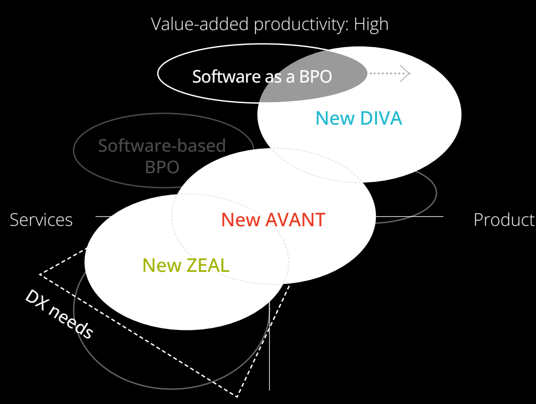
We reviewed the Group that has been formed through these processes from the viewpoint of materiality. First, we decided to create a business in the upper right, which is our goal, by reorganizing our current business. That's the new Diva. We will complete the SaaS business model by integrating software-based BPO and software development. (Figure D)



(Figure D)

Next, we also decided to launch the new Avant, which is a software-based consulting business specializing in group management and group governance, where we have high expectations for a SaaS business contribution. This business is directly linked to the theme of enhancing corporate value. Avant handles various software, including external products, with a product development team to develop complementary in-house products.

As a promoter of corporate DX, Zeal's business not only utilizes information but is also looking to raise its expertise in the development of infrastructure for utilizing information, and by training more engineers. As this business is always able to capture cutting-edge DX needs, it will have opportunities to explore new business themes. (Figure E)



(Figure E)

This reorganization is poised to become the prototype for the expansion and replication process of our software business.

Governance to Realize Materiality

The second is to upgrade the Group's management model that we have been promoting in parallel with the reorganization. We are no exception to the management silo effect that often occurs in Group management. Silo effect is not a matter of right or wrong, it is a matter of management model.

The current Medium-Term Management Plan consists of three main pillars. Operational KPIs based on net sales and operating income, which are the sum of the performance of each business; strategic KPIs based on the ratio of recurring sales ratio, which drives the model shift to the software business, and the sales growth rate + operating income margin viewed by performance; and financial KPIs based on capital efficiency and dividends.

In particular in the Strategic KPIs, little progress has been made with regard to the recurring sales ratio. Although this business has grown, our business structure is almost the same.

As Group CEO, I was the one person who took responsibility for this KPI as an evaluation indicator. In spite of the extremely difficult action of structural reform, due to poorly completed strategy we could not turn it a common theme as a management team, and as a result, the effectiveness was almost zero. Without thinking I controlled the strategic direction, and it became dysfunctional.

Reflecting on these results, we have decided to significantly strengthen our group management team. The purpose of this is to raise our strategic execution capabilities, which is the most important issue, through division of roles by our management members who have accumulated achievements in the operating companies. Our primary focus was to eliminate as much asymmetry in management information as possible among management team members. For themes where asymmetry cannot be resolved, by actively delegating authority at each management layer, we aim for the division of roles and monitoring to function.

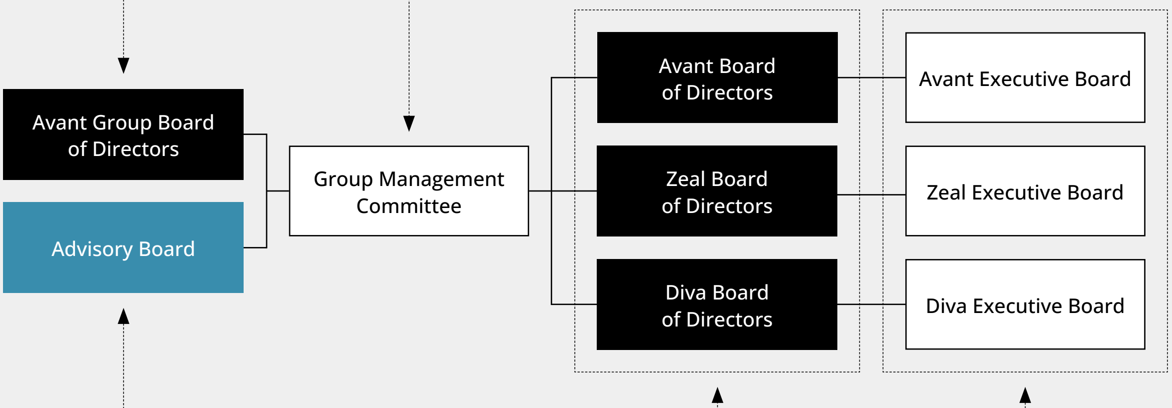
This management model reform extends from the Board of Directors at the holding company

		19/6	20/6	21/6	22/6	23/6 (Goal)
Operational KPIs	Net Sales (¥ billion)	14.07	15.69	16.23	18.70	18.0–**22.0**
	Operating Income (¥ billion)	1.96	2.27	2.79	3.24	3.1–**3.8**
Strategic KPIs	Recurring Sales Ratio (%)	31.4	32.6	36.0	34.6	**70**
	Sales Growth Rate + Operating Profit Margin (Point)	30.2	26.0	20.7	32.6	**40 or more**
Financial KPIs	ROE (%)	24.6	23.5	23.6	21.1	20 or more
	Dividend (¥)	7.5	9.0	11.0	13.0	15 or more

Separation of Execution and Management and Reinforcement of Medium- to Long-Term Perspective

Changed from a company with auditors to a company with an audit committee to focus on monitoring from a medium- to long-term perspective.

To strengthen the Group's management capabilities from a medium- to long-term perspective, strengthen the Group CxO system and establish an executive process for Group CxOs. Mainly responsible for the formulation of the Group's medium-term strategies and plans, specific gap-fill measures with investments, and risk management.



An Advisory Board was established to incorporate external knowledge.

Invite as necessary to meetings regarding strategy, diversity, etc.

To link the Group's strategy with the strategies and plans of each company, the Board of Directors of the operating companies was changed to a monitoring board with the participation of all Group CxOs.

In addition to monitoring the execution (including risk management) of the operating companies, the Company will jointly create each company's medium- to long-term management strategies and plans that are linked to the Group's medium- to long-term strategies.

Strengthen the corporate officer structure at each company, they will be responsible for everything from strategy and planning to execution.

to the Executive Boards of each operating company. As the role of the holding company is to monitor the implementation of the strategy, the Company has delegated a significant amount of authority to execute our strategy. Accordingly, the Company changed its organizational structure to a company with an Audit Committee.

The Group Management Committee was newly established on the group executive side to create an environment in which the group management team can continue to talk about the Group's medium- to long-term growth. In addition, the Boards of Directors of each operating company, which has so far focused on reporting, has increased the discussion of medium- and long-term strategies as well as reporting and resolutions, creating an environment that facilitates coordination with the Group's strategies. In particular, the asymmetry of information among members of the management team significantly impairs the efficiency of discussions and execution. Therefore, all members responsible for group management try to resolve issues by participating in the meetings of the Board of Directors of major operating companies.

This is possible because the Group is still small in scale, but in preparation for future expansion, we are also developing a DX platform to promote information sharing among the board of directors and management teams of each company. In this way, we will continue to upgrade our Group management capabilities.

Visualization of Corporate Value Mechanism to Realize Materiality

The third is to visualize the mechanism for increasing corporate value as a whole by linking activities of the Group as a whole to the business divisions of each company.

The strategic KPIs of the current Mid-term Management Plan were difficult to link to on the ground activities. For the strategy to work, it is necessary to visualize how awareness of the KPIs on a day-to-day basis interacts with the strategy. But this is not an easy task. Far from linking the KPIs of each layer, it is not uncommon to be difficult to grasp even income statement figures by business due to changes in accounting standards or organizational changes.

Considering the burden on the ground, it is understandable, and it is true that we have prioritized available operational based management information as the basis for execution of operations. As a result, the operational KPIs worked, but the strategy KPIs for building the future were up in the air. In addition, the meaning and weight of the strategy KPIs was ambiguous, which caused confusion in business activities on the ground.

This time, therefore, we created a Value Tree before formulating our business plan and started with visualization of measurable value creation mechanisms.

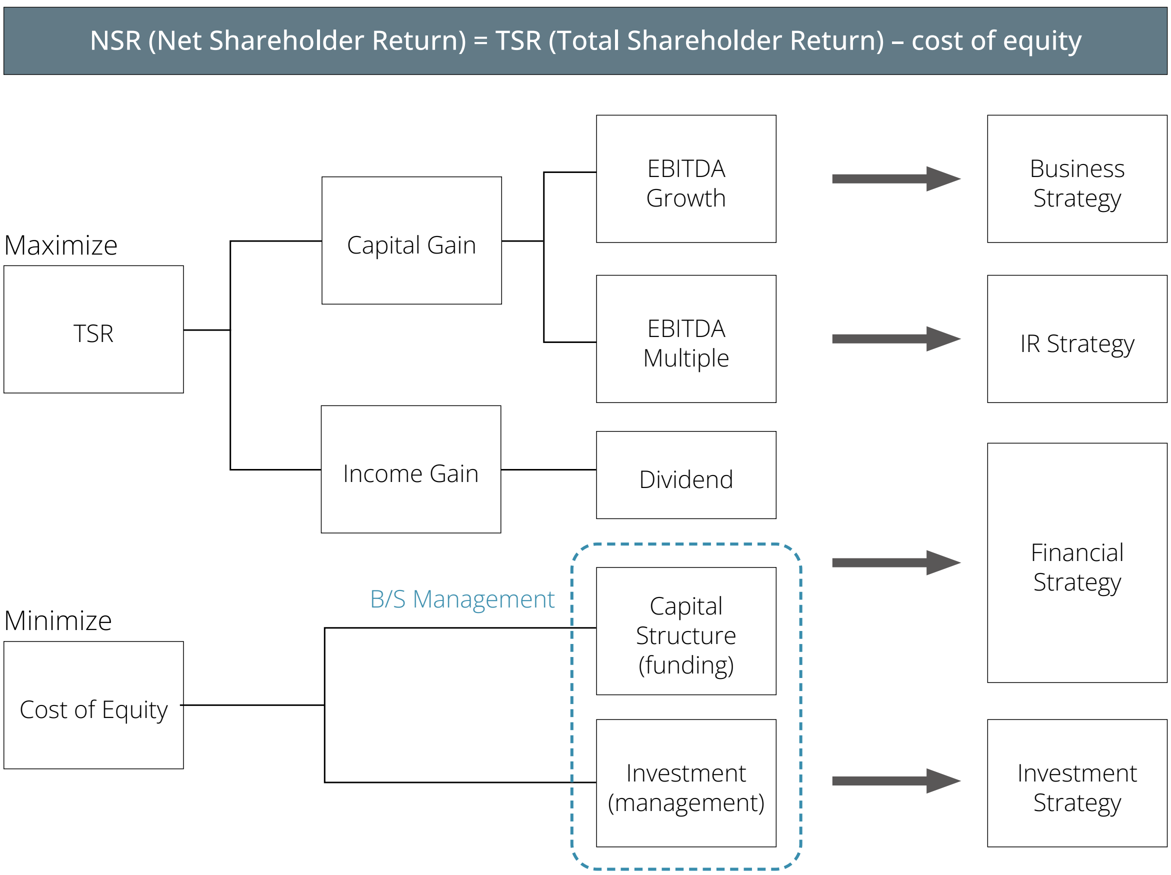
The Group's "BE GLOBAL" vision aims to significantly raise the value of human assets, which are significantly inferior to global levels, by benchmarking the global software industry and utilizing software. I am convinced that a sincere pursuit of these activities will lead to enhancement of our corporate value.

Based on this belief, we have decided to set our ultimate KPI as Net Shareholder Return (NSR), which is the degree to which Total Shareholder Return (TSR) exceeds the cost of equity. In addition to the EPS growth rate and P/E ratio (PER), which is the basis of capital gains, which indicate the future potential of the business, we are also conscious of the balance with income gains. In addition, we aim to position capital, which has not been actively utilized so far, but with an eye on future structural changes, at a higher level in the tree to avoid undisciplined investment.

On the other hand, each company's tree consists of more specific activity KPIs, such as software sales, employee satisfaction, unit revenue per customer, and sales per person. We have developed a system to integrate each company's detailed operating KPI tree into the overall tree.

This initiative is at the core of the "Spreading Accountability" and represents the materiality of "becoming a software company that contributes to the enhancement of corporate value" by accelerating it with software. In the next Medium-Term Management Plan, we will put our mission into practice and move forward with preparations and activities to realize our vision.

Value Tree with NSR as Top KPI



For more information on the Value Tree, see the dialog 'Linking the awareness of each and every Group employee to corporate value', starting on page 44.

The Ability to Price a Firm is Essential to Enhancing Corporate Value

Finally, I would like to talk about what I have noticed since the release of the last Integrated Report.

The theme of the previous Integrated Report was corporate value. Since then, we have been discussing corporate value with a variety of people. Through these discussions, I realized one point of view that was definitely missing. It is the perspective of "corporate pricing."

Until now, there has been a sense that a company is not a product, and therefore it is not an object of pricing. However, companies whose stocks are traded in the market are commodities. Now I have come to think that if the manager who sells the product is indifferent to its pricing, it is the same as not running the business.

We will increase corporate value by building our own pricing power. I would like to contribute to the increase of such companies through the mission of "Spreading Accountability."

Tetsuji Morikawa
Representative Director, President,
and Group CEO

MANGA SPECIAL CONTENTS

Internal Logic vs. External Perceptions

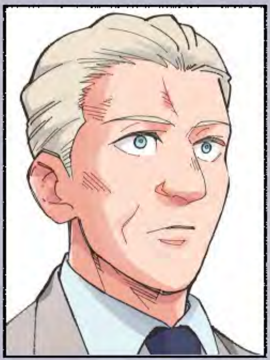
In response to the wave of corporate governance reforms, an increasing number of Japanese companies are seeking to increase corporate value. However, it is a fact that many companies view their corporate value through their own eyes, lacking an objective understanding of it, as well as the information infrastructure necessary for an objective evaluation. In this section, we will introduce the issues faced by these companies in a cartoon set at a fictitious company, Rise Co., Ltd. We hope this cartoon will serve as a demonstration of the Avant Group's efforts to increase corporate value at its clients.

Rise Co., Ltd.
Japanese comprehensive materials manufacturer, established in 1927, it has 2,700 employees. Traditionally strong in the glass materials field, but in recent years Rise has been seeking to diversify its operations and reduce dependence on specific fields.

President
Yuzo Yamatani
Worked in the sales field, appointed President and Representative Director 3 years ago.

CFO
Ayumu Ohashi
Joined Rise as a new graduate, appointed CFO one year ago after working for regional offices and the accounting department

Louise Taguchi
Born to a French father and a Japanese mother in Japan. Studied in France during university days and obtained an MBA in the United States. Recently appointed as Outside Director of Rise



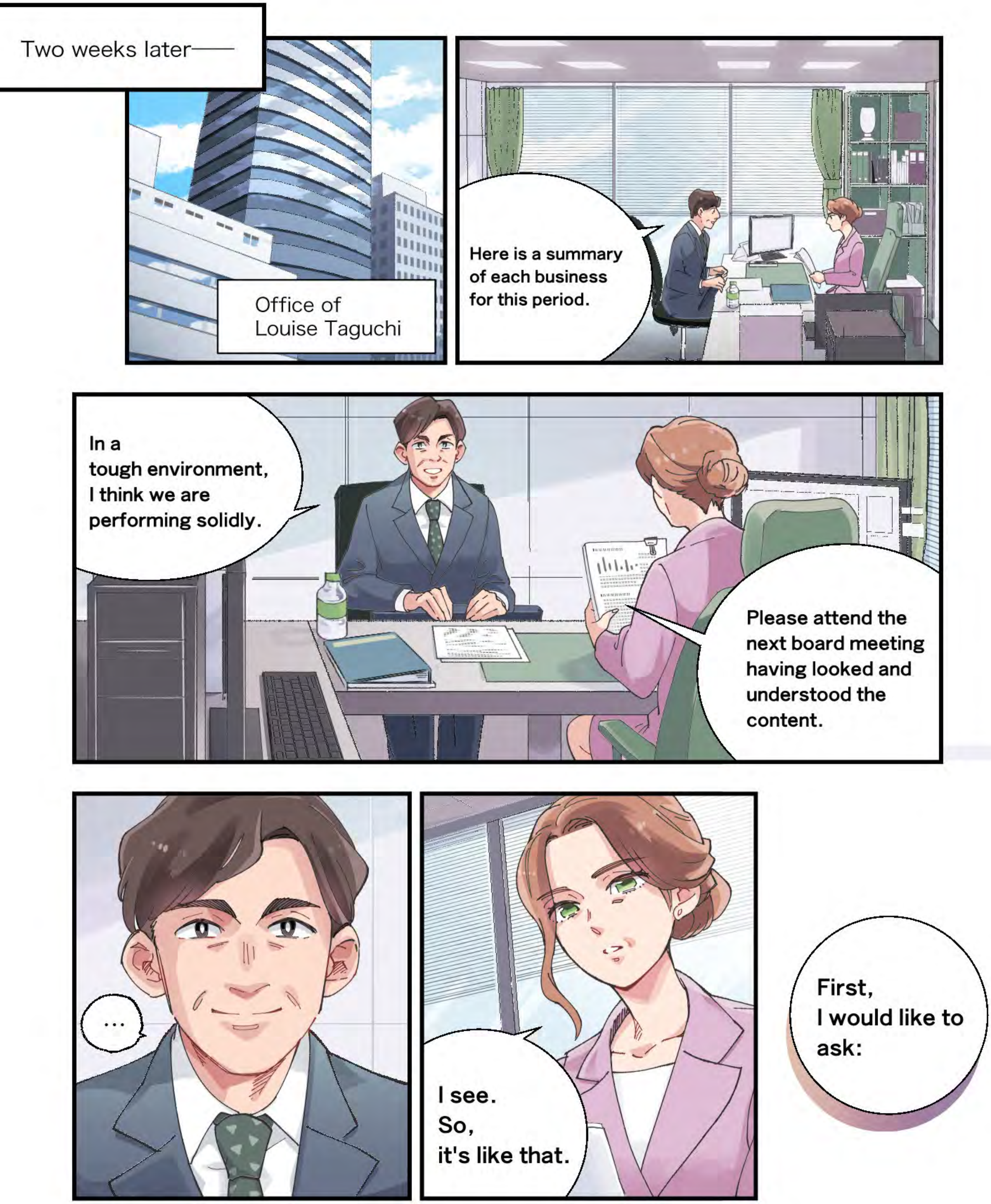
Rainbow Investment
An activist fund based in New York, USA.
Known for conducting thorough research and making aggressive proposals to improve corporate value.
Operates globally, projects are often entrusted to a localspe cialist for investigation

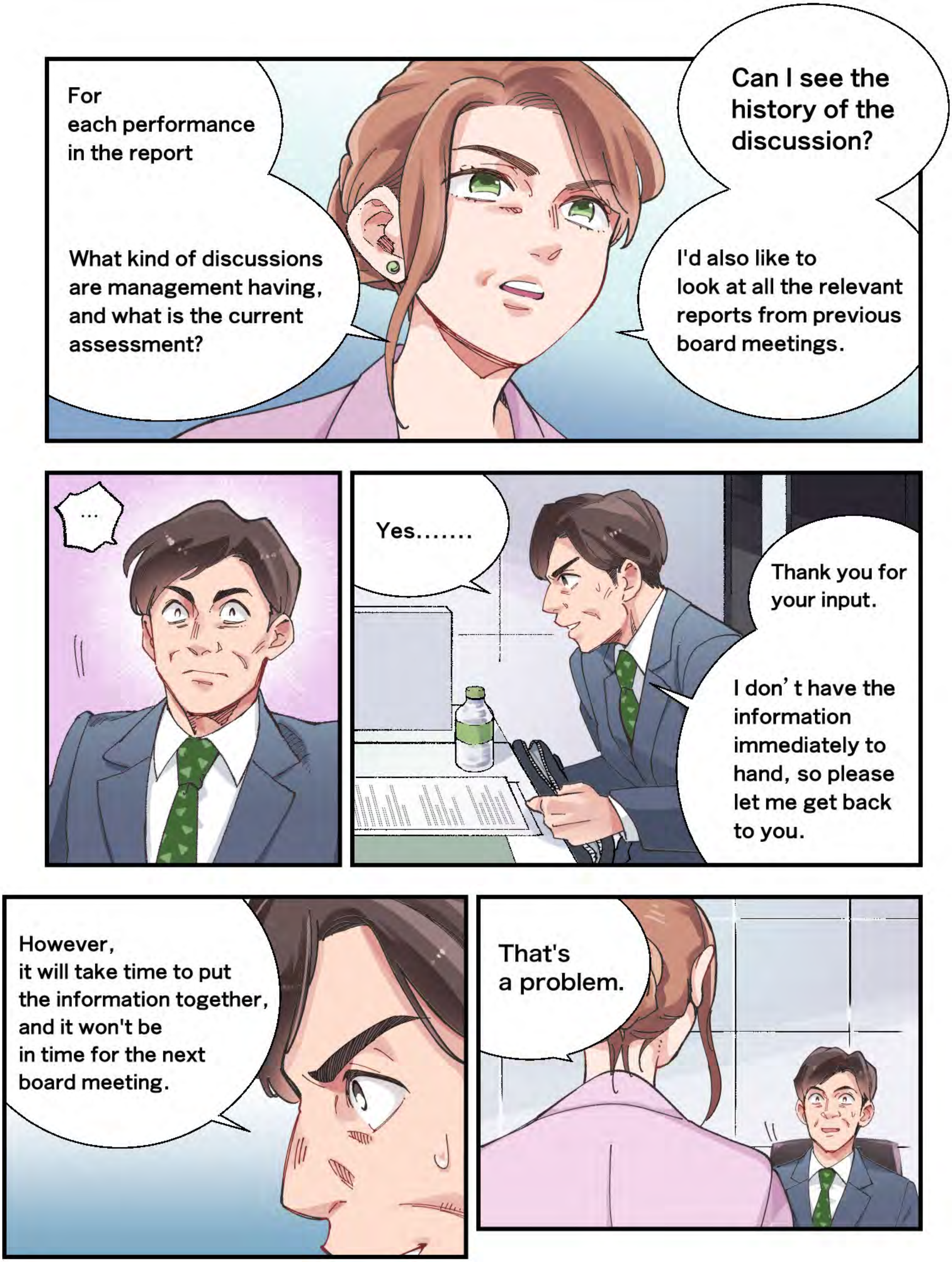

Comprehensive materials manufacturer
Rise office building
First Conference Room
第一会議室
Well, then, assembled directors,
I'd like to introduce…

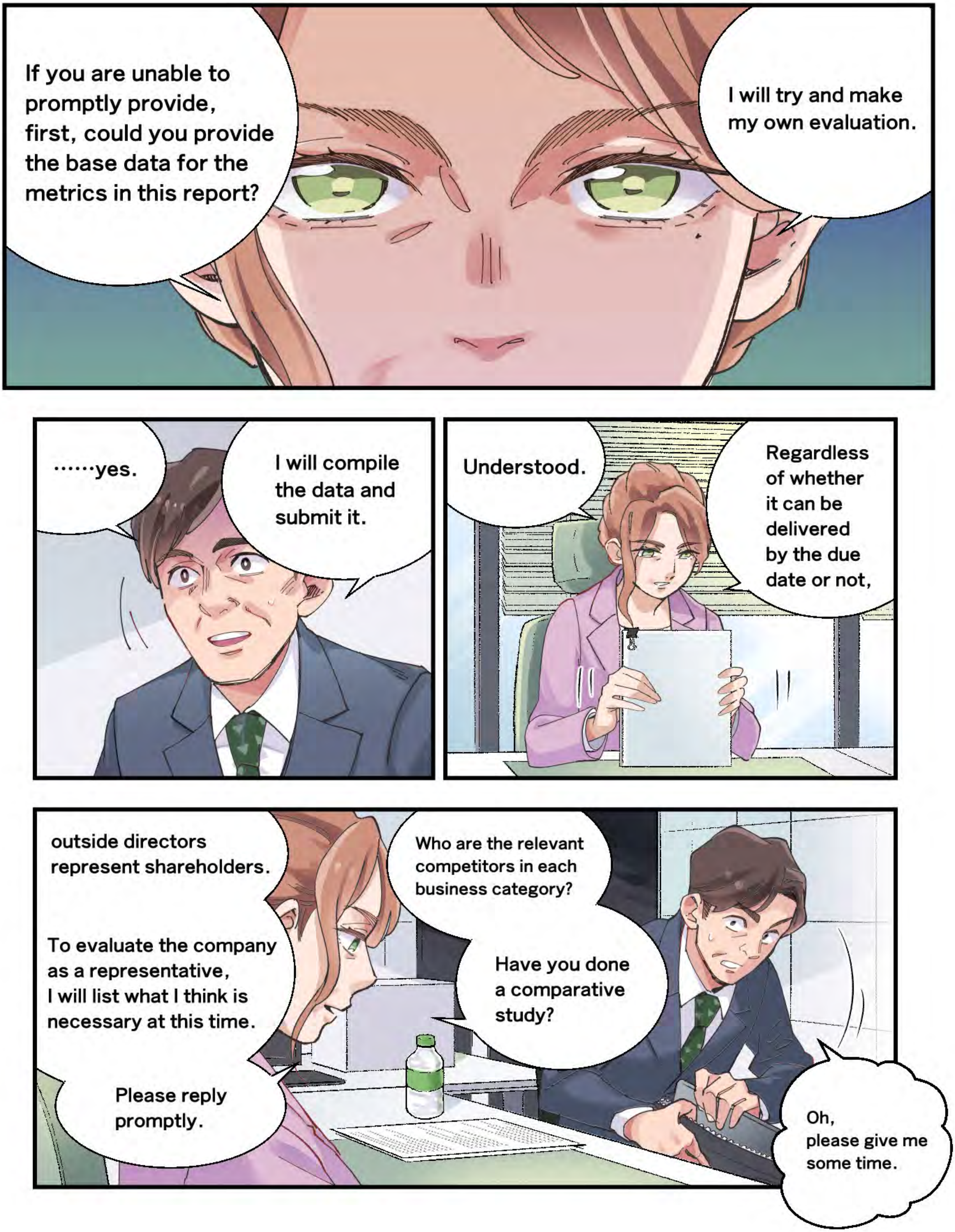

…our newly appointed outside director Ms. Louise Taguchi.
I'm delighted to join you,
And I look forward to working together.
…


Our main glass manufacturing business's metrics have been struggling.
However, considering sluggish demand growth due to rising global interest rates, it is largely unavoidable, and we are performing relatively well.
This is because of our trusted and proven brand, founded during the post-war chaos, and then supporting the high economic growth period, is alive and well.
Our stock price is currently quite undervalued, but there is no need to be upset. In fact, I would like all your support.
If you are doing things properly, the stock price…
…will come naturally.
…


社長室
president
You know,
It’ s always delicate welcoming a new outside director.
I'm glad she looks like a calm person.
I don't think she'll make difficult requests.
Yes, I think so too.
But I don't want to be distracted. There will be a financial report at the next board of directors meeting.
To avoid doubts on the day, I’ ll do what I can ahead of it.
Please do.
I like our customary board meetings,
We need them finishing smoothly.


Two weeks later——
Office of Louise Taguchi
Here is a summary of each business for this period.
In a tough environment, I think we are performing solidly.
Please attend the next board meeting having looked and understood the content.
…
I see. So, it's like that.
First, I would like to ask:


For each performance in the report
What kind of discussions are management having, and what is the current assessment?
Can I see the history of the discussion?
I'd also like to look at all the relevant reports from previous board meetings.
…
Yes.......
Thank you for your input.
I don’t have the information immediately to hand, so please let me get back to you.
However, it will take time to put the information together, and it won't be in time for the next board meeting.
That's a problem.


If you are unable to promptly provide, first, could you provide the base data for the metrics in this report?
I will try and make my own evaluation.
……yes.
I will compile the data and submit it.
Understood.
Regardless of whether it can be delivered by the due date or not,
outside directors represent shareholders.
To evaluate the company as a representative, I will list what I think is necessary at this time.
Please reply promptly.
Who are the relevant competitors in each business category?
Have you done a comparative study?
Oh, please give me some time.

What do you think Rise's current corporate value is?
Click-
How do you calculate that figure from the metrics of each division?
Considering Rise' s corporate value, is the current share price cheap or expensive?
clack
What do you think is the appropriate share price?
Click-clack
Click-clack
Click-clack
The style, or rather the culture, is different.
But the points are perceptive and appropriate.
I can't ignore it.
That will be all.
Thank you. I feel all the points are important.
I will investigate it with the President and the management team and visit again.


A few weeks later——
Hey, we're in trouble.
Rise Co., Ltd. - Corporate Planning Office
Rainbow Investment has filed a large shareholding report?
It seems so. Who is Rainbow?
RAINBOW
A well-known American activist organization, right?
This is going to make waves.
They have already requested a meeting with our management.
第二会議室
I was asked to set it up.
They should be in the boardroom by now.

Mr. Ohashi must know that Rise' s share price has been left at a discount to the industry average for a long time.
How do you view this situation?
Surely Japanese-style "insider logic" in-house reports
are not unchallenged?
...
For example, your share price.
Over the past three years, the gap with Hasebe Industries, a rival which has a similar business style has only widened.

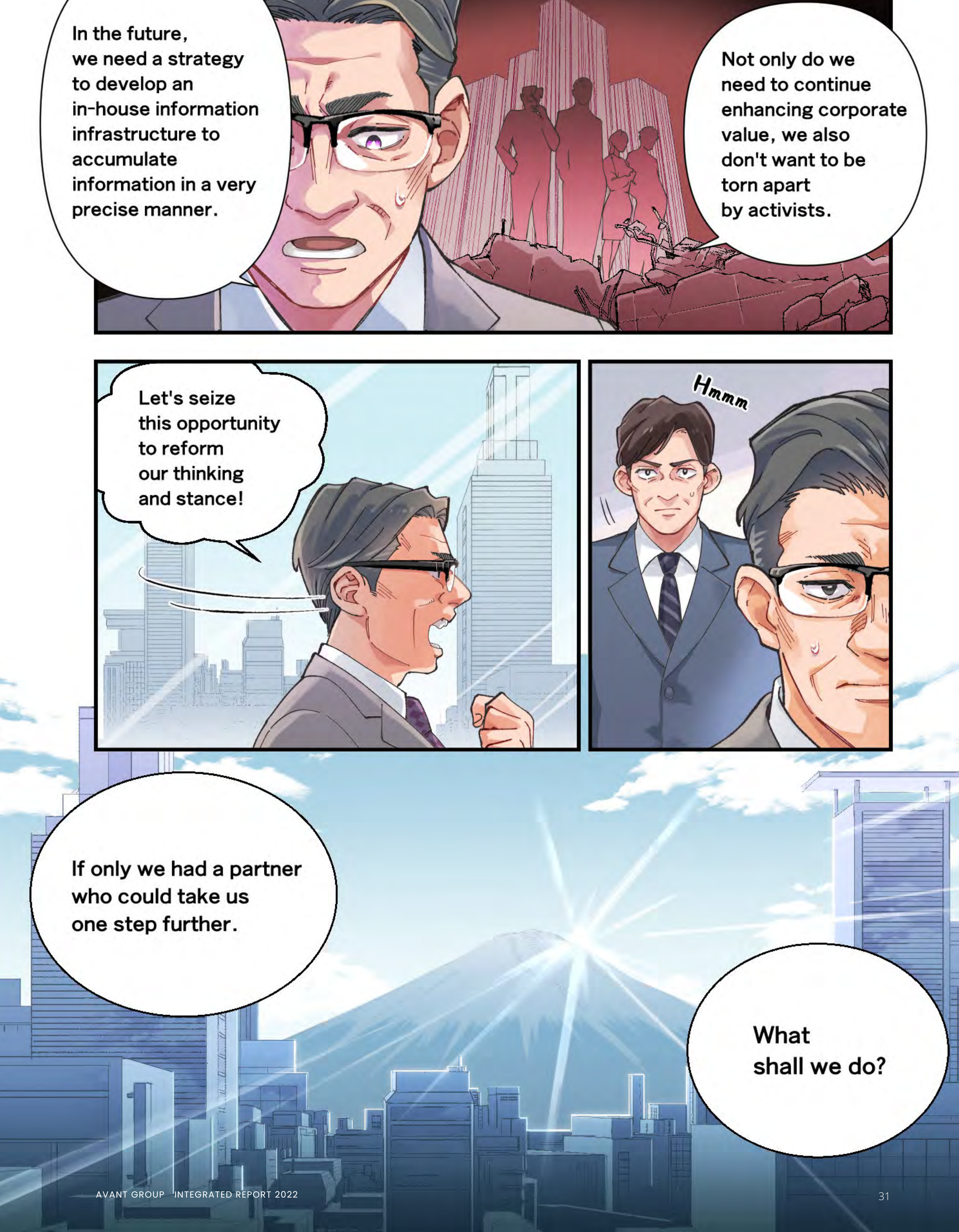

Why?
I am aware that the glass materials industry is a low-growth field.
In response to the changing times, Hasebe Industries developed its own demand for lenses and created movement by skillfully implementing a public relations strategy.
Considering the fixed cost of your glass materials business, you should be able to make a profit to this line which is comparable to Hasebe.
This would raise the aggregate non-consolidated glass shipments by 5%
Don’t you need to move with the times to tap demand for optical sensors?
Why is it,
that you know in such detail?


We can find out this level of information just from public disclosures, can’ t we?
A comment about your company's management quality and strength
Continuing the comparison with Hasebe, there is a significant difference in personnel costs in the glass materials business.
Is the fact that your development system has not been reviewed for many years leading to an increase in personnel costs?
Also, if we look at the entire supply chain from upstream to downstream, we can see that logistics costs are increasing.
Comparing to Hasebe Industries, reduction is possible.

* SOTP: Sum of the parts


I can' t answer that immediately either.
I apologize, but please give me some time to follow up.
But frankly
I am surprised.
I thought that only companies had such information and controlled it.
I didn' t know so much was accessible externally.
Perhaps those that don't really know what is happening,
Is us who are trapped inside.


As you have put in this much effort,
We will reply in good faith.
...
社長室
president
Between the outside director and this activist,
there are challenges hanging over us.
But their understanding and suggestions are spot on.
I know.
We thought we knew ourselves best, but we must change our own perception.
Ugh!
This change must start with us, the board of directors.
If we don't know the fair value of our business or company, we're disqualified as a manager.


In the future, we need a strategy to develop an in-house information infrastructure to accumulate information in a very precise manner.
Not only do we need to continue enhancing corporate value, we also don't want to be torn apart by activists.
Let's seize this opportunity to reform our thinking and stance!
Hmmm
If only we had a partner who could take us one step further.
What shall we do?

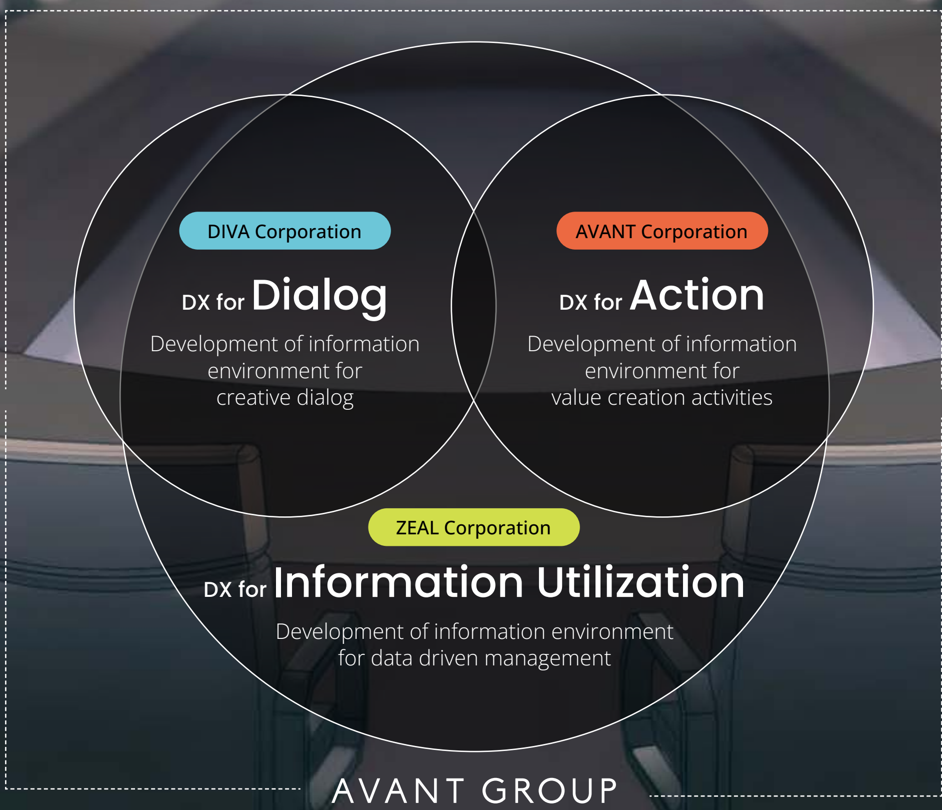
The Avant Group contributes to companies whose management priority is the enhancement of corporate value through "DX (Digital Transformation) for Management"

The Avant Group states in its Strategic Materiality that "Management DX" will contribute to "Enhancement of Corporate Value" for customers. One of the key aspects of this is "Corporate Pricing."

This means that management can measure the corporate value of their company, and it is also necessary to incorporate an external viewpoint without being bound by internal logic, which was recognized as an issue in the case of Rise Co. in the manga.

To set such pricing, it is necessary to clarify the mechanism for determining corporate value based on a variety of information, including non-financial information as well as financial information, and to set prices on their own. Therefore, this process is the foundation for dialog with external parties.

However, to implement this pricing process, it is essential to establish an information environment for obtaining management information. To contribute through "DX for Management" to companies whose management goal is to enhance corporate value, Avant Group companies will implement "DX for Dialog," "DX for Action" and "DX for Information Utilization."



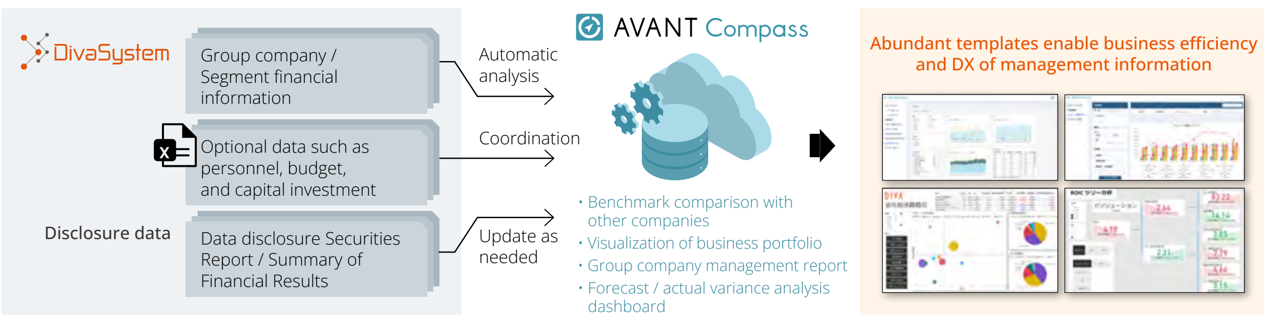
Solutions Offered by the Avant Group

While coordinating the information environment handled by each operating company, the Avant Group's solutions are, "AVANT Compass," which enables comparison of management indicators with those of competitors, and "AVANT Chart," which enables calculation of financial figures from simulation using KPI tree.

Main feature of AVANT Compass is that through a template existing information can be visualized immediately, and it becomes a starting point for external perceptions of internal logic. "AVANT Chart" allows you to simulate how changes in your company's KPIs when viewed external, lead to changes in your company's business. By leveraging these solutions, you can not only gain awareness, but also transform behavior away from internal logic.

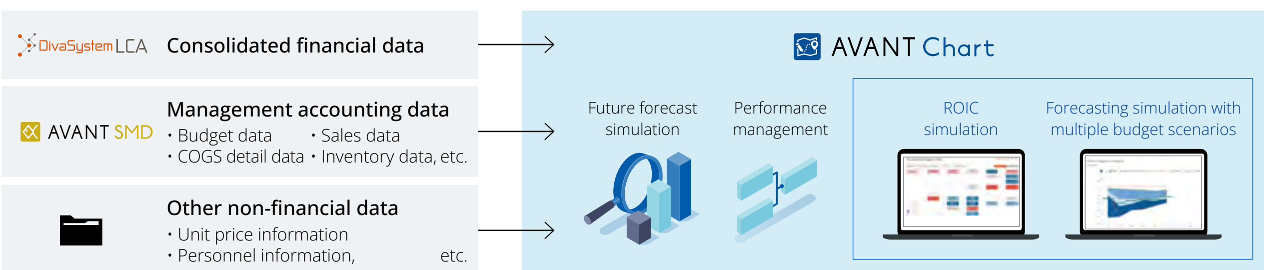
AVANT Compass

- Cloud services that support business efficiency by utilizing DivaSystem data and DX of management information
- Linked to disclosed information, enabling benchmark comparison and management visualization
- With data visualization as a starting point, supports organization of data for utilization in management dashboards



AVANT Chart

- Since KPI templates are included as a standard feature, you can immediately start advanced KPI analysis of your management by inputting your own accounting information and PSI information into AVANT Chart
- Forecast the future for various anticipated business scenarios and make decisions by comparing future scenarios
- Interactive scenario formulation using scenario input such as ROIC simulation
- Data linkage with consolidated financial data of Diva products, management accounting data (multi-axis data of products, customers, locations, etc.), and non-financial information



Three Companies of the Avant Group that Contribute to Enhancing Corporate Value

DIVA

DX for
Dialog

DIVA Corporation

In addition to developing the DivaSystem LCA consolidated accounting system and related products such as DivaSystem Dx3-Advance and DivaSystem FBX, we are engaged in outsourcing services for consolidated and non-consolidated accounting operations using DivaSystem and provide comprehensive support for the company's value creation process through information disclosure.

Products

DivaSystem LCA

An accounting system that improves the efficiency of consolidated accounting and consolidated financial reporting. In response to changes in the disclosure regime, such as the accounting "Big Bang" and the introduction of J-SOX, the number of companies that have introduced it has increased to approximately 1,200.

DivaSystem Dx3-Advance

By making journal entry details and balance data of Group subsidiaries visible at the Head Office, we will promote actions by the Head Office and at the same time bring discipline to the behavior of subsidiaries to strengthen Group governance.

DivaSystem FBX

A web-based application that collects and reports data required for group management operations such as group budget management and forecast management.

AVANT

DX for
Action

AVANT Corporation

Based on the pillars of group management, consolidated accounting, and business management, we develop software to provide these solutions in-house, and provide one stop support for customers' "realization of visualization and maximization of invisible corporate value" from consulting to system planning and construction, installation support, and operation and maintenance. We also support the development and introduction of systems that combine our products with software developed by other companies.

AVANT SMD　AVANT Cruise　AVANT Compass　AVANT Chart

ZEAL

DX for
Information Utilization

ZEAL Corporation

Through system development and consulting, promotes corporate Digital Transformation and data driven management by organizing and integrating internal and external data with AI and BI solutions that analyze, forecast, and visualize data. Other services include ZEUSCloud, an in-house developed cloud-based data-analysis platform; ZEAL DX-Learning Room, an e-learning service that supports the development of human resources for DX; and CO-ODE, a service that distributes and provides user-friendly processed open data.

ZEUSCloud　ZEAL DX Learning Room　CO-ODE

Services

Consolidation process outsourcing

By contracting out the business processes necessary for consolidated accounting and disclosure (settlement of accounts of subsidiaries, data collection, consolidation processing, preparation of reporting materials, and disclosure), customers can reduce their workload and shift to more value-added business such as numerical analysis and factor analysis.

Global fund management advanced support service

This system serves as a platform for fund management and financing activities across the entire Group. By using TMS, the Head Office can obtain detailed information of the entire group in real time and online on TMS instead of using past information posted in a spreadsheet.

Accounting consulting services

Utilizing the investment experience gained from supporting the accounting and settlement operations of many listed companies, members with expertise and experience, including certified public accountants, contribute to the creation of “structures, operations and systems.”

DivaSystem LCA DivaSystem Dx3-Advance DivaSystem FBX

Group Management

We provide management dashboards and business portfolio management software and consulting services to organize information of societal value such as financial information and non-financial information, to visualize corporate value and clarify the mechanisms that constitutes corporate value, and to utilize these in management decisions.

Consolidated Accounting

Through the introduction and operation of DivaSystem LCA, we focus on consulting and SI services for disclosure and consolidated accounting, and we support clients’ consolidated accounting operations by supporting global operations through compliance with IFRS, and the governance of overseas bases.

Business Management

Based on our track record of developing the latest data platforms in a wide range of areas, we will support the improvement of business earning power by developing business management processes to maximize business performance using various EPM/CPM software, not limited to our own products.

Data Platform

An analysis platform for extracting, processing, and analyzing various management information (customer, sales, inventory, production data, etc.) as appropriate, collected and accumulated both internally and externally.

<Handled products> * Alphabetical order

Amazon Web Services Japan G. K. (Amazon Web Services), Asteria Corp. (ASTERIA WARP), Information Services International Dentsu Ltd. (BusinessSPECTRE), Saison Information Systems Co. (DataSpider Servista), Denodo Technologies (Denodo), Wingarc1st Inc. (Dr. Sum), Databricks Japan (Databricks), Google LLC (Google Cloud Platform), IBM Japan (IBM InfoSphere DataStage), Incorta Inc. (Incorta Enterprise Analytics), Infomatica Japan (Informatica PowerCenter), Microsoft Japan Co. (Microsoft Azure), Oracle Corp. Japan (Oracle Cloud Platform), Snowflake Inc. (Snowflake), primeNumber Inc. (trocco®), etc.

Business Intelligence

This system enables quick management decisions by displaying information organized on a data platform in an easy-to-understand form.

<Handled products> * Alphabetical order

Amazon Web Services Japan G. K. (Amazon QuickSight), InforJapan K. K. (Birst®), Domo (Domo), IBM Japan (IBMCognos Analytics), Google LLC (Looker), Microsoft Japan Co. (Microsoft Power BI), MicroStrategy Japan (MicroStrategy), Wingarc 1st Inc. (MotionBoard), Oracle Corp. Japan (Oracle Business Intelligence / Oracle Analytics Cloud), QlikTech (QlikView), SAPJapan (SAP Analytics Cloud / SAP BusinessObjects), SAS Institute Japan Ltd. (SAS Visual Analytics), SisenseJapan (SISENCE), Salesforce Japan Co. (Tableau), ThoughtSpot Japan (ThoughtSpot), Yellowfin Japan (Yellowfin), etc.

RE-ORGANIZATION

Business Restructuring

As a first step toward realizing the materiality of becoming a software company that enhances corporate value, the Group reorganized in October 2022.

By maximizing the potential of the four operating companies, the Group as a whole will contribute to enhancing the corporate value of our customers.

Before

Consolidated accounting / group management focused type software implementation consulting business

- Consolidated disclosure support system "DivaSystem LCA" "DivaSystem FBX", "DivaSystem Dx3-Advance" etc.
- Group management support systems "DivaSystem SMD," "DIVA Compass" and "DIVA Empower" etc.
- Timely disclosure information search service

1 Split

Change of trade name

1 Receive

After

Supporting creative disclosure consolidated accounting and disclosure software and BPO

- Disclosure support systems "DivaSystem LCA", "DivaSystem FBX", and "DivaSystem Dx3- Advance" etc.
- Non-consolidated, consolidated settlement process BPO
- Cash management solutions BPO
- Timely disclosure information search service

AVANT

Consolidated settlement and disclosure focused BPO business

- Non-consolidated, consolidated settlement process BPO ······ 4
- Cash management solutions BPO ······ 5

Specialized SI business utilizing BI and data

- Data platform ······ 6
- Business intelligence ······ 7
- CPM ······ 8

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2

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株式会社 インターネットディスクロージャー
Internet Disclosure Co., Ltd.

FIERTE

ZEAL
BI EVANGELISTS

Change of trade name

8 Divide

8 Receive

株式会社 インターネットディスクロージャー
Internet Disclosure Co., Ltd.

AVANT

ZEAL

Support to enhance corporate value implementation and operation of management content

- Group management support systems "AVANT SMD", "AVANT Compass", and "AVANT Chart" 2, CPM 8, etc.
- System implementation consulting ······ 9

Development and operation of DX for accountability infrastructure

- Data platform ······ 6
- Business intelligence ······ 7

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AVANT GROUP

DIALOG

Future Vision of the New Avant Group

How will we the reorganization of the Group realize synergies within the Group?
What role will the two newly appointed Group COOs play in driving the Group?
Group CEO Morikawa and Group COOs Okabe and Nagata talked about
the future vision of the new Avant Group.

TETSUJI MORIKAWA (Left)
Representative Director, President,
and Group CEO

TAKAHIRO OKABE (Middle)
Group COO
Representative Director and President, Avant Corporation
Representative Director and President, Zeal Corporation

GEN NAGATA (Right)
Group COO and CBO
Representative Director and President, Diva Corporation

COO: Chief Operating Officer
CBO: Chief Business development Officer

Innovation from New Integration through Group Reorganization

Morikawa The most important objective of the reorganization of the Group is to contribute to enhancing the corporate value of our customers. When customers are large companies, coordination among departments is particularly difficult, so the Avant Group is working to maximize its contribution to customers through the total coordination of products and services among its companies by taking an optimized approach for each department, such as Diva for the accounting and finance department, Avant for the corporate planning department, and Zeal for the information system department. First, Mr. Okabe, could you tell us about the policies of Avant and Zeal, of which you are President?

Okabe With the revision of the Corporate Governance Code in 2021, rather than focusing on financial information as in the past, companies have been required to disclose non-financial information such as the environment and human capital, so against this background, an increasing number of companies are trying to formulate purpose and vision, the materiality and various value drivers necessary for this,

Creating a system in which each company can cooperate and make maximum contributions to customers as a group

TETSUJI MORIKAWA

and key performance indicators (KPIs). Avant aims to build a software process that uses these KPIs to implement the PDCA cycle for discussions at meetings of the Board of Directors and the Management Committee.

Until now, there have been cases in which the former Diva's in-house products could not solve customer needs. However, new Avant Corporation, which was created by taking over the group management business of the former Diva and Zeal, can contribute to a wider range of customers by providing Zeal's line-up of CPM (Corporate Performance Management) software which has a proven track record in the global market. Specifically, the Zeal team and the implementation team that handled in-house products have come together to propose new business management solutions. We have also established a development division in Avant to develop proprietary software for management and strengthen functions in the field of management simulation.

In addition, because many companies have not been able to make decisions on how to proceed with DX for management and have high expectations for external advisors, we have established a consulting division specializing in such upstream areas.

Morikawa By creating a complementary relationship between Zeal's line-up of global external products and former Diva's in-house products, Avant can contribute to customers with a wider range of services and products.

Okabe Yes. Recently, in addition to holding companies and parent companies, there has been an increase in the number of customers introducing various CPM products at the operating companies within their Groups because of the growing need for more sophisticated management. In addition to our CPM product "AVANT SMD," by handling widely distributed external CPM products, we will be able to contribute to the business management of more than 30,000 group subsidiaries beyond the original 1,100 customers. There are only a limited number of consulting firms in the Japanese market that are currently focusing on this field, and if we limit it to those who can also implement the number declines further, so we should be able to show a strong presence.

In response to the growing volume of non-financial data, we have adopted the concept of a management information platform that will become the information systems division of the corporate management planning division. By realizing a state in which management information is collected without requesting it from the information system department and necessary management information is always retained on the data platform, productivity can be improved, and data utilization can be made more efficient. We

The management information platform created by the partnership between Avant and Zeal has received positive feedback from many customers

TAKAHIRO OKABE

intend to develop new Avant products and services by bringing together the know-how that Zeal has developed.

Morikawa Both Avant and Zeal have highly specialized human resources, which I believe will be a major weapon. How do you plan to utilize these resources?

Okabe In terms of the quality and quantity of consultants specializing in the field of consolidated accounting or business management, Avant is without doubt number one in Japan. Another strength is that Zeal has more than 300 members who aim to forge their careers by specializing as data engineers or data scientists.

Both companies are making steady progress in building a framework for accumulating knowledge and in sharing implementation methods and procedures with customers. How to convert this into software is an issue for the future, and to enable the newly established development department to carry out its mission purposefully, Avant has newly established a CPO* as a development manager, and Zeal has newly established a CTO* and CSO* as managers responsible for developing solutions based on accumulated knowledge.

Morikawa You mean combining the strengths of both companies so that it can be connected to products. Can you please tell us more specifically how you intend to contribute to customers through the collaboration between Avant and Zeal?

Okabe First, the management information platform that I talked about earlier is a new proposal from Avant, and I feel that it is appreciated by many finance departments, business administration departments, and CFOs.

Furthermore, we believe that collaboration between the two companies will enable us to meet the needs for analyzing data at a more detailed level. For example, in the case of retail stores, there is an increasing need to analyze not only the summary level but also the detailed data such as "EC site or real store", and this is a key to selecting CPM products. This is especially true for ERP (Enterprise

Resources Planning: integrated backbone systems), and we believe that business management solutions in collaboration with Zeal, which specializes in BI, will be important for Avant.

Morikawa We expect that the reorganization will create the Group's strengths as planned.

Next, let's talk to Mr. Nagata. We expect that the new Diva will become a business model that promotes the entire Group by contributing to customers through software-based BPO (Business Process Outsourcing) that combines both products and services, rather than simply providing products or services. So to speak, a new fusion of different combinations it's real innovation. Could you tell us about your aspirations and challenges?

* Chief Product Officer (CPO)
Chief Technology Officer (CTO)
Chief Solution Officer (CSO)

Nagata I think it will be almost 100% successful as a business. Generally, the most difficult thing for a software company is to create a product while searching for what will sell, but Diva already knows what to sell. Diva has taken over BPO functions from Fierte and is the only Japanese company to have data on the business flow of various customers. What we are trying to create using this data is a product with a completely new world view that exceeds customers' concepts, this idea is like Tesla's plan to eliminate steering wheels from cars and make them a means of transportation that doesn't require drivers. This is only possible thanks to Fierte's BPO expertise. By combining Fierte's know-how with its original business model and information, which were the only ones to keep track of business flows that customers didn't have, Diva can create software for fully autonomous driving, I would like to realize it in 5 years from now.

Morikawa This is possible because Fierte has the know-how of BPO for the settlement of accounts of more than 100 customers.

While I believe that your talk is focused on the disclosure of consolidated financial statements, I feel that the expansion of the scope of disclosure, including ESG information, for which demand has been growing recently, is also an opportunity for business expansion. How do you see it, Mr. Nagata?

Nagata As the need for accurate disclosure will always be required, we will continue to expand our service offerings by incorporating new concepts into our current Diva products and services.

At the present time, however, disclosure rules for environmental and other areas have not been established, and the future is not yet clear, so I think there are ways to partner with venture companies specializing in various strengths. From there, there is a pattern in which it becomes in the form of a complete OEM an in-house product, and there may be a form in which we become a platform by taking advantage of our well-established position in the market.

Morikawa Utilizing alliances may also be an effective way to respond to rapidly changing areas by. Whether you want to take advantage of new changes or focus first on areas where you can see clear winners there is probably no right answer, but in any case, it's important to have clear positioning.

In terms of incorporating state-of-the-art developments, the evolution of Zeal over the past few years may be a clue. Originally, the ratio of orders received for so-called secondary subcontracting was high, but we gradually expanded our relationship with end users, and the number of advanced projects increased by riding the tide of data driven management. By taking advantage of this experience of projecting customer trial and error directly into services, we believe that synergies can be created through collaboration among Group companies. For example, Zeal understands customer demand for cutting-edge products such as ESG, Avant manufactures software in that area, and Diva provides software based BPO.

How to Reflect Group Strategy in the Execution of Operating Companies

Morikawa As the Group CEO, I would like to hear your recognition of the challenges that the two COOs will face in promoting Group strategies based on the materiality of the management strategy of "becoming a software company that helps to enhance corporate value."

Okabe Although we recognize that it is the responsibility of the Group COOs to incorporate materiality into specific operations, the biggest challenge for Avant and Zeal is to create a path to becoming a software company. As for Avant, as I mentioned earlier, the sharing of the image of the software to be developed is progressing. What else do we do when dealing with other companies' products? We need to consider whether we can incorporate specific IP (Intellectual Property), but I think we have gotten off to a good start.

On the other hand, Zeal partly because it was originally a SIEr, has only a limited amount of in-house IP. However, we plan to remodel and expand sales of ZEUSCloud, a corporate analytics platform that can integrate and analyze corporate data in the cloud and expand e-learning business in the field of data driven. In the next fiscal year, we plan to create a joint product with Avant, not exclusive to Zeal, for business management solutions with detailed management functions that I mentioned earlier.

Nagata For the next 20 or 30 years, I believe that DivaSystem, which is the biggest driver of growth within Diva, which was the origin of our company,

By transforming products that have been our biggest growth drivers into new concepts to create the future of Diva.

GEN NAGATA

has been able to grow to this level, must be changed from a simple version upgrade to a new concept. There are a lot of software that will be useful if you install it, but there is probably no software with the concept of if you install it, work disappears. Therefore, we will focus our efforts with the spirit that creating products based on that worldview will be as valuable as creating products for the next 20 or 30 years.

Morikawa Both of you have a product theme, but the content of your assignments is different. Mr. Okabe, how will you accumulate IP and apply leverage to the Avant and Zeal businesses, which are currently centered on services? Mr. Nagata, your idea is to renovate what you have in Diva and connect it to the future.

Okabe Also, I still have work to do with Mr. Nagata to organize the functions at Avant and Diva that have not yet been separated.

Morikawa I sincerely hope that the Group COOs will work together. While it is important to organize the functions of each company, the future theme will be to promote mobility within the Group to promote the strategy of the Group as a whole. It is a truly strong corporate group that can form an organizational culture in which a unit can be replaced, and we hope to achieve that.

Nagata We have put into practice something close to that in this reorganization of the Group, and I think we can fully realize it.

Morikawa With this in mind, from this fiscal year we have changed the system so that discussions on the Group's medium- to long-term strategies will be led by the Group Management Committee, which is the executive side, rather than by the Board of Directors. All members of the Group Management Committee will participate in meetings of the Board of Directors of each operating company. Until now, only I and CFO Kasuga participated in each company's Board of Directors meetings, but I believe that this system will close the information gap at the management level and synchronize the strategies of the Group as a whole and each company. The COOs' ability to act and their roles are extremely important, and I have high expectations for them.

NAOYOSHI KASUGA (Left)
Director and Group CFO

MAKOTO NAKANO (Right)
Director (Audit Committee Member)
(Outside, Independent Director)

DIALOG

To Link the Awareness of Each Group Employee to Corporate Value

In November 2022, Group CFO Kasuga and Director Nakano, an expert in business administration and corporate finance, exchanged views on the Value Tree, a mechanism for improving the corporate value of the Group.

See the next page for a diagram of the value tree.

Value Tree: TSR and Cost of Equity

Kasuga While the Group has formulated its strategic materiality of becoming a software company that enhances corporate value, we have also decided to create a Value Tree to clarify the mechanism by which corporate value is maximized. As the Group CFO, after repeated discussions with the CFOs of each operating company at weekly meetings, I named the spread between Total Shareholder Return (TSR) and the cost of equity Net Shareholder Return (NSR) and selected it as the final indicator for measuring the Company's ability to create corporate value.

Although we are aware that methods such as DCF are used to calculate corporate value, I believe there are several other indicators of corporate value that shareholders and investors attach importance to. Among them, TSR is also used in determining the remuneration of executive directors, Group CEO Morikawa and I, and this convergence of our goals and interests is why I chose it. In addition, the Company has long considered reflecting TSR in the renumeration structures for non-Directors, and if this is realized, officers and employees can pursue the enhancement of corporate value from the same viewpoint as shareholders and investors. On the other hand, the Company believes that it is appropriate to calculate TSR over a five year period in line with the period of the Group's medium-term management plan because there is a possibility of temporarily increasing TSR in a very short period of time.

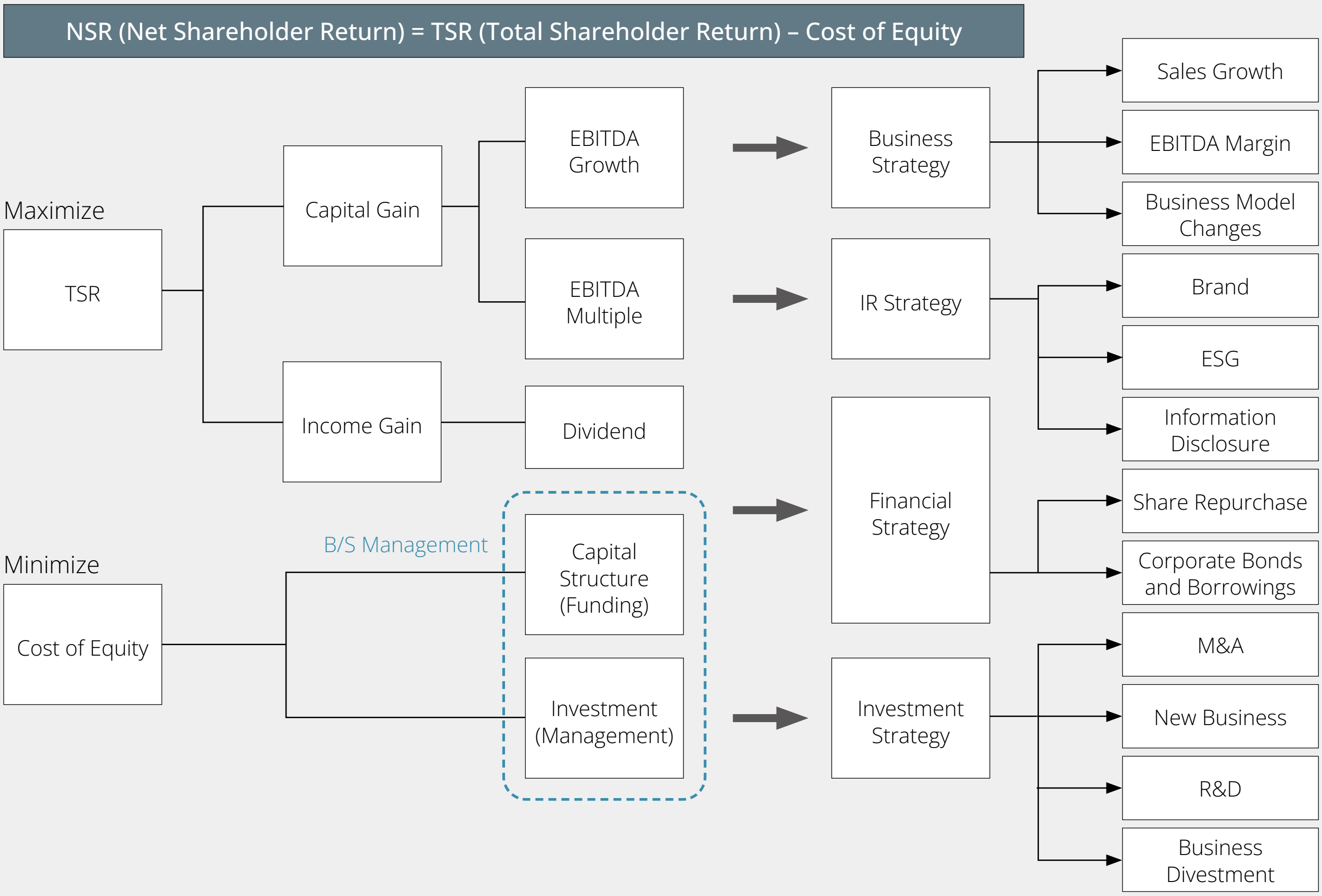
As I mentioned earlier, we initially regarded TSR as the only important management indicator. However, because TSR is a ratio, it is difficult to determine whether value is created. Therefore, we ultimately chose the spread between TSR and the cost of equity as the indicator. Another reason for this is to raise awareness of the cost of equity throughout the Group. The concept of subtracting the cost of equity from TSR is based on the Wealth Added Index (WAI™)*.

Nakano Indeed, it's a very easy to understand tree. The breakdown of TSR into capital gains and income gains, were easy to understand, as is the breakdown of capital gains into EBITDA growth and EBITDA multiple. If you increase EBITDA or the multiple, the share price rises. And EBITDA will increase as EBITDA margin or revenue grows. It's clear.

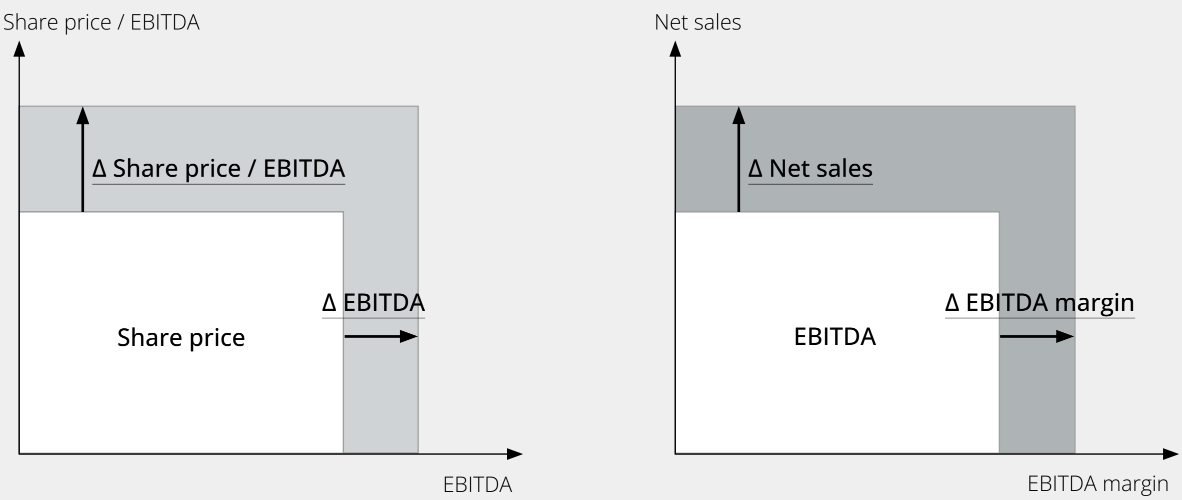
Kasuga Following the example of SaaS companies in the United States, the Group has emphasized Growth and Profit Point (GPP), which is the sum of sales growth rate and operating profit margin. Therefore, we thought that sales growth and EBITDA margin would be more familiar to operating companies than net income. With the intention of linking them with indicators actually used in the field, we intentionally broke down into EBITDA and linked it with stock prices. In the future, we will consider how to improve sales growth and EBITDA margin for each operating company, and expand it to divisions, units, and ultimately individuals. In addition to the cost of shareholders' equity I mentioned earlier, I believe that it is important to spread awareness among employees on the ground.

* WAI™ and Wealth Added Index are registered trademarks of Stern Stewart & Co., a consulting firm.

Value Tree with NSR as Top KPI



Breaking Down Capital Gains



Nakano The Avant Group has almost no interest-bearing debt, so we can say that corporate value equals shareholder value and WACC equals cost of equity. At the end of the fiscal period ending June 30, 2022, assuming a market capitalization of ¥50.5 billion and a CAPM cost of equity of approximately 8%, this is a weighted average including ¥9.4 billion in cash and deposits. Assuming a 1% yield on cash, the cost of capital for business assets corresponding to the remaining ¥41.2 billion at market value, in other words, the expected return from the market, is approximately 9.6%. It can be said that WACC has been kept at about 8% due to the risk reduction effect of holding cash and deposits.

Kasuga The market's expected return of 9.6% is an indication that the current corporate value will be damaged unless the investment can increase the return more than that. Although some shareholders may wish we return surplus funds to them, the Company will continue to invest in business growth and increase corporate value by achieving business returns that exceed market expectations.

Nakano 9.6% is high enough compared to mature companies, so I think the market expects our growth to that extent. In addition, dividends and share buybacks essentially reduce the value of the company itself because they transfer value to shareholders. Dividends are returns to all shareholders, but share buybacks are limited to certain shareholders.

Kasuga At Board of Directors, the opinion has been expressed that as we have a large amount of cash and deposits, if we leave it as it is, we may be targeted by activists. Although I don't think it would be that easy given our shareholder structure, and I don't know what measures they would take, for example buying a large amount of our stock in the market.

Nakano If your price book-value ratio (PBR) is low and you have a large amount of cash and deposits, you are more easily targeted, but I don't think this is our case because our PBR is about 5 times. However, when a company has cash and can create value through its business, if it is small in scale, it may be targeted. In that sense, to maintain our current structure it would be reassuring if we could further increase our market capitalization. Or maybe you don't need to worry about it if you have the kind of high-quality management that makes activists think they can't improve their management any more even if they join.

EBITDA Growth and Multiples Are Key to Enhancing Corporate Value

Kasuga I recognize that within the Value Tree, my role as CFO will be centered on IR strategy, financial strategy, and investment strategy. Although IR activities alone may not be able to raise the EBITDA multiple, I think it is possible for IR activities to have an impact. In terms of financial strategy, now I don't feel it is so important. Although we have established commitment lines for emergencies, we have sufficient internal reserves, and if we do not make large-scale investments, including M&A, as things stand, we will not need to raise funds, including borrowing. I am aware of the technique of raising ROE by increasing borrowing and the leverage ratio, but I don't think it is the essence of financial strategy. As for our investment strategy, I am aware that I will play a role as a gatekeeper in implementing it.

Nakano What I felt when I looked at the decomposition chart of capital gains mentioned earlier was that the P/L (Consolidated Profit and Loss Statement) and stock prices were the main factors, so I wondered if the B/S (Consolidated Balance Sheet) could be factored in. The idea of using assets to increase sales, or investing, could be added to this diagram.

Kasuga As you say, business tie-ups by acquiring companies or businesses, or investing capital can be effective measures. However, rather than being driven by the Group holding company, the needs of the operating companies are the starting point for such investment.

There are various indicators to look at, but I feel that the one that ultimately has the greatest impact on corporate value is business strategy, especially the absolute growth of EBITDA. In fact, a sensitivity analysis of various companies shows that EBITDA growth as the driver of capital gains is overwhelmingly large.

I understand that the influence of growth is big.

Nakano To achieve EBITDA growth, simultaneously increasing both sales and margins may not be easy, but Group CEO Morikawa, is thinking that we must further enhance our growth potential. I think the best way to achieve this is to invest more in high margin businesses. What do you think?

Kasuga I think so. At the same time, currently there are no notably high margin businesses within the Group. Prior to the reorganization in October 2022, in the fiscal year ended June 2022 the Group Governance Business, with an operating income margin of 22.0% was not only the most profitable but also the largest profit contributor. On the other hand, many software companies have achieved operating margins of 30% or more. A business that develops and sells software packages should be highly profitable, but because many of our customers are large companies, the associated SI (System Integration) services are expanding, and profitability is sluggish. On the other hand, the Outsourcing and Digital Transformation businesses, which are generally regarded as labor-intensive and low margin, have achieved sufficiently high operating profit margins (21.7% and 17.7%, respectively) relative to the industry through the development of unique business models and a review of the business mix. Through sales growth, these businesses have achieved substantial profit growth. We would like to raise the profit margin of the Group as a whole by raising the profit margin of Diva which is the core company of the Group Governance business. As a result, following the reorganization Diva is moving further toward becoming a product-oriented SaaS company.

NAOYOSHI KASUGA

Nakano As mentioned in the Cost of Capital section, I understand that the reason why the Company's PBR is approximately five times is that the market's return expectations are high, because the Company has created barriers to entry in its business and continues to earn excess profits. That's why it is troubling if you enter a new business in a field where there are already competitors, your overall profitability will decrease, and you will be unable to maintain a high valuation. But if the business model changes in the way you just mentioned and EBITDA growth continues to rise, I think EBITDA multiples should also benefit.

Kasuga I agree. It is like preaching to the converted, but in theory, the relationship of PER = 1 / (cost of equity – growth rate of net income) is established. For example, from the current PER and estimated cost of equity, the market's expectation for sustainable growth rate of net income is approximately 2%. In other words, I cannot help but say that there is little expectation of future profit growth at present. One way to increase the multiple is to raise market expectations for the Group's sustainable growth. To achieve this, I think the most important thing is to transform the business model to one that supports growth.

Nakano The growth of EBITDA itself is important, but the multiple that reflects the medium- to long-term growth based on the business model is also important.

Difficulty in Spreading Awareness of KPIs and Capital Costs on the Ground

Nakano Do you recognize any other issues as Group CFO?

Kasuga Although there are several issues, how to establish KPI awareness on the ground, including the Value Tree, has been a particularly big issue for some time. Since

I joined the Group in 2010, I have explained at several meetings of the Group Management Meeting and the Board of Directors that investments such as product development and M&A are a kind of cost, and that without a return exceeding that, no value is created. I have created a framework to evaluate such proposals, but I am acutely aware that in reality it is difficult to use, and proposals don't tend to pass. At present, I am beginning to think that a simpler indicator, such as EBITDA margin, or even gross profit, which is more widely understood and used by those on the ground and could be more effective than creating something elaborate and complicated.

Nakano Around 2000, when the Balanced Scorecard became popular, I provided consulting services to improve factory productivity. I told workers on the site that they would be able to do two types of work in half a year, instead of doing one type of work now. I think it is easier to convey a KPI if it is easy to understand.

Kasuga Similarly, I am aware of the problem that the operating companies only focus on the concept of P/L.

Nakano Yes, they tend to lack B/S awareness.

Kasuga Yes. To be honest, I feel that it is difficult for the operating companies to have B/S awareness, partly because until now, the holding company used to absorb all the profits of operating companies as dividends, leaving the operating companies poorly capitalized. For this reason, we introduced the concept of risk capital two years ago, which measures the risk level of each company's assets and allocates and accumulates capital using internal reserves. Until then, there had been no concept of "invested capital" as the denominator, so the concept of ROIC is still in its infancy.

MAKOTO
NAKANO

I think value-based management frameworks such as Value Trees and ROIC trees have existed for about 40 years, but why haven't they really been put into practice in Japanese companies?

Nakano Especially in the case of Japan, the influence of the finance education may be big. It was about 15 years ago that I started teaching university courses about how to think about corporate value. The students at that time will only be about 35 years old now, and I doubt they have reached that far up corporate management structures yet. On the other hand, I also have the opportunity to explain matters like this to managements in executive training, so I think understanding is now gradually spreading from both the top and the bottom. I think it will change as the number of people at the management who understand it gradually increases.

Kasuga It seems that it will take some time for this trend to spread. The Group has developed a Value Tree for each operating company, and the Group Management Committee and the Board of Directors of each operating company discuss specific measures for sales growth and improvement of profitability. Together with Group CEO Morikawa, representatives of each operating company Group COOs Okabe and Nagata, and directors of each operating company, we will take a closer look at how we will develop and implement the plan. Although the Value Tree at the Group level was first developed by the holding company from above, I believe that the ultimate goal of the Value Tree at the Group level is to link it to the KPIs of individual Group employees.

Capital Policy

Financial Position and Capital Strategy

As of June 30, 2022, total assets were ¥16.6 billion, an increase of ¥2.6 billion from the end of the previous fiscal year. This was mainly due to an increase of ¥2.2 billion in cash and deposits, an increase of ¥0.4 billion in notes and accounts receivable-trade and contract assets, an increase of ¥0.1 billion in deferred tax assets and a decrease of ¥0.2 billion in shares of subsidiaries and associates.

Total liabilities increased by ¥0.8 billion to ¥6.0 billion. This was mainly due to an increase of ¥0.2 billion in notes and accounts payable-trade, an increase of ¥0.1 billion in income taxes payable and an increase of ¥0.2 billion in provision for bonuses.

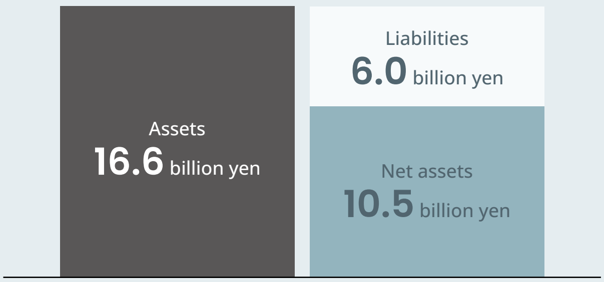
Total net assets increased by ¥1.8 billion from the end of the previous fiscal year to ¥10.5 billion due to the recording of ¥2.0 billion in net income attributable to owners of parent, an increase of ¥71 million in retained earnings brought forward in accordance with the application of the Revenue Recognition Accounting Standard, and the payment of ¥0.4 billion in dividends from retained earnings. As a result, the equity ratio was 63.8%, an increase of 0.8 percentage points over the previous fiscal year, and we believe that we are maintaining a highly stable financial balance with little interest-bearing debt.

There were no outstanding borrowings as of the end of June 2022. We have ¥9.4 billion in cash and deposits and assuming a working capital requirement of approximately twice our monthly sales, approximately ¥6 billion to ¥7 billion in capital for future investments. In the future, we will consider acquiring important business assets, including small investments through M&A and joint ventures.

As for our capital strategy, as a guide for effective use of capital, we will maintain our current Medium-Term Management Plan target of average ROE of 20% or higher into the next Medium-Term Management Plan.

Financial Position

As of June 30, 2022



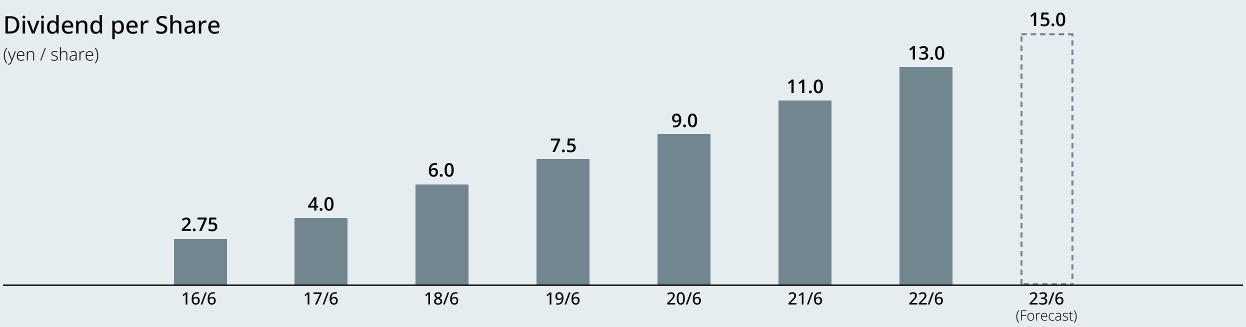
Shareholder Return Policy

We recognize dividends as an important part of our policy to return profits to shareholders. While keeping in mind the dividend to net assets ratio, we intend to raise the dividend per share in a stable manner without being swayed by the results of each fiscal year.

For the fiscal year ending June 30, 2023, in line with the target for the final year of the current Medium-Term Management Plan we plan to pay a dividend of ¥15 per share, an increase of ¥2 from the previous fiscal year.

Dividend per Share

(yen / share)



Stock splits were carried out on 1 December 2016, 1 November 2017 and 1 December 2019. Dividends per share following the splits are shown on the assumption that the stock splits were carried out at the beginning of each year.

CREATIVE
DIALOG 2022

AVANT GROUP INTEGRATED REPORT

DIALOG

Corporate Governance System for Creating a 100-Year Company

In September 2022 taking advantage of the Group reorganization, the Avant Group became a company with an Audit and Supervisory Committee.
Ms. Goto, an Independent Outside Director (Audit and Supervisory Committee Member), and Mr. Noshiro, a Director (Audit and Supervisory Committee Member) discussed the purpose of the transition and the ideal group structure.

Objective of Transition to a Company with an Audit and Supervisory Committee

Goto I was appointed as an Outside auditor of Avant Corporation (currently Avant Group) in September 2021. Had you been considering a transition to a company with an Audit and Supervisory Committee before that?

Noshiro After the number of outside directors became a majority in September 2020, there have been notably more opinions that the board of directors should spend more time discussing strategy than detailed business execution. To this end, my understanding is that a company with an Audit and Supervisory Committee structure is better able to delegate authority for business execution and is therefore desirable.

Goto My understanding is that our Company has shifted to a company with an Audit and Supervisory Committee because we have tended to have a monitoring type of Board of Directors rather than a management type. As you said, if there are many outside directors, I think it would be desirable for the Board of Directors to utilize the knowledge of outside persons in decision-making on important business execution and supervision of execution, rather than making decisions on a wide range of business execution matters. Certainly, at the time of the transition to a company with an Audit and Supervisory Committee, the number of Outside Directors including Audit & Supervisory Committee Members decreased by one from the previous five to four. However, in terms of the number of Directors, four out of seven Directors (including Audit and Supervisory Committee Members) are Outside Directors, which is no different from the previous line-up in which three out of five Directors were Outside Directors.

Noshiro We believe that the more the independent outside directors (including audit and supervisory committee members) vote, the more we make decisions based on diverse values and that this contributes to the creation of a 100-year company. On the other hand, at first glance it can be said that with diversity and inclusion, it could become easier to generate votes against proposals, but I think the answer to this is to operate the meetings so that ever more thorough discussions are possible. Based on the comments made at the Board of Directors meetings since her appointment, there have been opinions that we should make more effective use of Ms. Goto's value as a director.

Goto Some people may have the impression that the change from Auditors to Directors (Audit and Supervisory Committee) for Mr. Noshiro and I is cosmetic. However, in reality, we have the right to vote in the selection of representative directors and on decision-making on the execution of extremely important business operations, as well as the authority to state opinions at the General Meeting of Shareholders regarding the appointment, dismissal and remuneration of directors who are Audit and Supervisory Committee Members, and as such I feel that we are in a position of much greater responsibility than corporate auditors. From now on,

CHIE GOTO
Director (Audit Committee Member)
Outside, Independent Director

TSUYOSHI NOSHIRO
Director (Audit Committee Member)

Mr. Noshiro, who works full-time and has a deep understanding of the Company, Mr. Nakano, who is an expert on corporate value, and I, who is an expert on legal matters, we hope to make an Audit and Supervisory Committee that can effectively exercise supervision over the execution of business. Except for matters reserved by law, I hope that the Board of Directors will be able to, in a timely manner, flexibly create the optimal balance between execution and supervision, and take advantage of the most important advantage of a company with an Audit and Supervisory Committee, which is the ability to delegate decision-making related to the execution of important business operations to directors.

Noshiro In my opinion, it would be better for the Board of Directors not to make a hasty decision on the transfer of decision-making authority to executive directors. This is because I believe that it would be in line with our management philosophy of "Creating a 100-Year Company" to review the transfer of authority when we have changes in the composition of the board, or the Group CEO changes in the future. I think it is a good thing that in the recent revision of the Board of Directors Regulations, the items of authority to be transferred are confirmed every year after the General Meeting of Shareholders.

Aim of Changing the Organizational Design at the Same Time as the Group Reorganization

Goto There are some views that given the importance of the Company's reorganization, it may have been better that the Company shifted to a company with an Audit and Supervisory Committee at a later date. What do you think of this opinion?

Noshiro My understanding is that this change in organizational design is linked to the change in the group's management system following the reorganization. Under the new structure, Group CEO Morikawa mainly formulates strategies, while Group COO Okabe and Group COO Nagata lead and execute the organization based on these strategies. My view is that "organizations follow the strategy." I think a company with an Audit and Supervisory Committee, where the board is more of a monitoring function is more appropriate because it separates strategies from execution (organizational composition) and creates an environment in which Mr. Morikawa can concentrate on group strategies and fewer items regarding execution will make it to the board agenda.

Goto As a background to the reorganization of the Company, it has been pointed out that insufficient communication with the team executing the Company's management strategy was one of the reasons why the transformation to the business model targeted in "BE GLOBAL 2023" did not proceed well. With the separation of strategic decision making by top management from its execution, there is a need to clearly define how the two sides interact, which also requires strengthened communication, and as such I think that to achieve this it was necessary to make the transition to a company with an Audit and Supervisory Committee at the same time.

Noshiro The adoption of the Group Corporate Officer System and the establishment of CxO positions is part of the separation of the Group's strategy and execution.

In addition, to make the Audit and Supervisory Committee Rules more monitoring oriented, we have changed the part of the model of the Japan Audit & Supervisory Board Members Association in which authority is somewhat concentrated on internal Audit and Supervisory Committee Members so that outside Audit and Supervisory Committee Members can play an active role. For example, in the model, Audit and Supervisory Committee Members who have the right to investigate business assets and subsidiaries are selected, and these selected Audit and Supervisory Committee Members can do anything, but the Audit and Supervisory Committee Members who are not selected cannot do anything. For this reason, we have proposed a rule to separate the items that should be investigated by an internal Audit and Supervisory Committee Member and the items that should be investigated by an external Audit and Supervisory Committee Member, and to select a member in charge of investigation for each of them.

Goto As a lawyer, I have the opportunity to check similar regulations of other companies, but I have the impression that companies are generally not proactive about deviating from the model. There will be a problem if there is a discrepancy with the legal regulations, and I think it can simply be troublesome to forge your own path while maintaining consistency. But in this case, I feel that the Company's efforts to make changes to various provisions with intent of creating an ideal system for the Audit and Supervisory Committee, is an indication of the Company's desire for ideal governance.

Noshiro Additionally, I personally felt that this reorganization of the Group

I think that a wide range of diversity beyond just skills is important.

CHIE GOTO

was a particularly big decision, as not only did Mr. Morikawa step down as President of the former Diva, which he founded as the origin of the Group, but we also split the former Diva into two companies, making this decision to step down irreversible. With the impossibility of Mr. Morikawa being able to return as head of the former Diva, the further separation of execution means that we are also making a little progress with the potential succession of the Group CEO.

Goto Mr. Noshiro you are capable of such insightful analysis because you have followed our company's progress for a long time.

Ideal Corporate Governance System

Noshiro In designing an organization, a company with a Nominating and Supervisory Committee, etc. may be an option, but if it is only presentation of proposals, I am against it. The reason for this is that under the current Japanese Companies Act, the composition of the Board of Directors is determined solely by the members of the Nominating Committee, and outside directors who are not members of the Nominating Committee do not have any right to vote on the composition of the Board of Directors. Thus, if there are seven directors and a majority are outside directors, as was the case of the Company, governance will be weakened.

Goto The Company has established a voluntary Compensation Advisory Committee, and I am one of the committee members. The Committee proposes specific compensation for Directors and Executive Officers, and although it is an optional advisory committee, I believe that it fulfills a certain supervisory function. The Audit and Supervisory Committee has the authority to express its opinions on the remuneration of Directors who are Audit and Supervisory Committee Members. In addition, linking this to the fact that the Compensation Advisory Committee is functioning in a specific manner, the Company has established a system in which it is easy to exercise its management evaluation function in terms of remuneration and personnel affairs. As a member of the Compensation Advisory Committee,

Strengthening the link between the compensation system for directors and the next medium-term management plan is a key to strengthening the oversight under the new structure.

TSUYOSHI NOSHIRO

I feel the weight of my responsibility, but I feel that exercising this evaluation authority will fulfill my role.

Noshiro I feel that governance is really getting stronger gradually since the Compensation Advisory Committee was established. Strengthening the link between the compensation system for directors and the medium-term management plan to be launched in July 2023 is a key to strengthening the oversight of the executives under the new structure.

Goto Looking forward, I think the challenge is board configuration and succession. What about you, Mr. Noshiro?

Noshiro I agree. This is a personal idea that I have never referred to at the Board of Directors' meeting, and if I propose it, there may be opinions against it, so, we need to discuss it carefully. However, regarding the succession of outside directors, I think that one candidate should be proposed by the Group CEO and another candidate should be selected by a meeting of outside directors. In other words, if there is diversity in the mother body who chooses the candidate, the diversity will progress.

Goto I see. It's interesting idea that a wide range of people can become candidates rather than just choosing candidates by the same person or by the same route.

Noshiro It is based on the idea that it is not necessarily good for the Group CEO to be continuously involved in all the appointments if we truly aim to "create a 100-year company." The fact that it was just the Board of Corporate Auditors that selected you, Ms. Goto as a candidate in 2021 may have given me about the inspiration for this idea.

Goto In the future, when considering the composition of the Board, reflecting management strategy at the time, I think it will be necessary to further refine the skill matrix and to consider the diversity of attributes such as gender, nationality, and generation. If you just choose people who fit the skills you want now, you won't be able to come up with new ideas. From a long-term perspective, I think that a wide range of diversity beyond just skills is important.

Noshiro There is probably no right answer as to what kind of board structure is good, it is something we need to hear various opinions on and continue discussing.

Corporate Governance

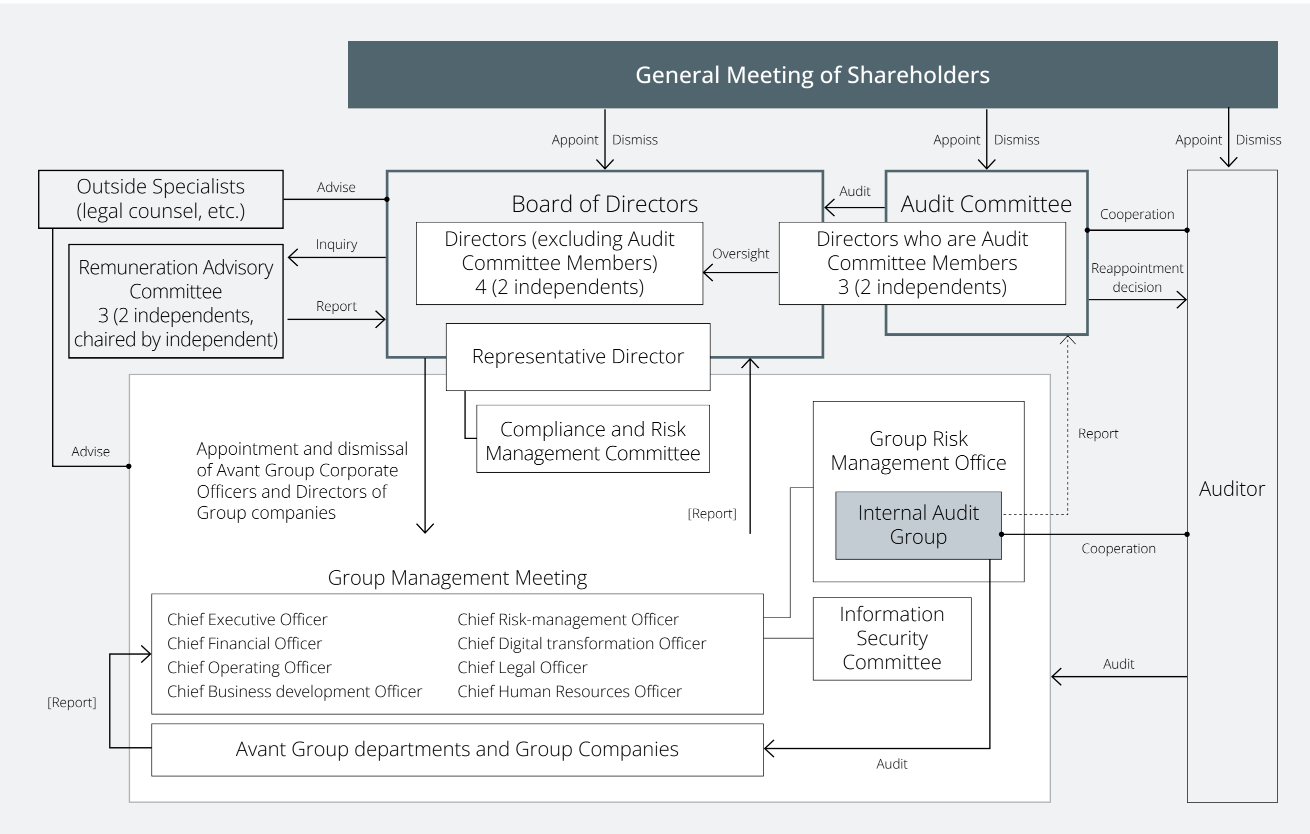
What Corporate Governance Means to the Avant Group

At the core of our management philosophy, which is grounded in Japanese culture, is the belief that companies should be regarded as a “public entity” of society. Even in a globalized society, we respect this management perspective as a cultural asset and strive to develop as an organization that exists for the benefit of society.

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

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

Avant Group’s Corporate Governance Structure

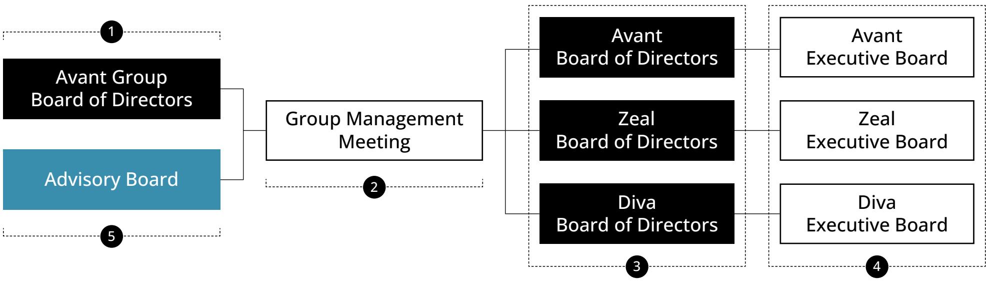


Governance Structure

The Company is a holding company with business support functions that support the growth of operating companies, and we aim to create an organizational structure that takes charge of governance and control functions and clarifies the functions, authority, and responsibility of each Group company.

The Company reorganized the Group on October 1, 2022 in order to accelerate the growth of existing businesses and create new growth businesses in the next Medium-term Management Plan. To further this end, at its meeting on August 17, 2022, the Board of Directors resolved to make a transition to a company with an Audit Committee, and the related amendments to the Articles of Incorporation were approved at the 26th Annual General Meeting of Shareholders held on September 27, 2022. The purpose of this change is to allow the Board of Directors to broadly delegate the authority of the Board of Directors to make decisions on the execution of business to Directors, where under appropriate supervision of the board, they will be able to realize swift and decisive management decision-making and execution.

Changes in Group Governance Due to Reorganization



1. Changed from a company with auditors to a company with an audit committee to focus on monitoring from a medium- to long-term perspective.
2. To strengthen the Group's management execution capability from a medium- to long-term perspective, strengthen the Group CxO system, and establish executive processes for the Group CxOs. Mainly responsible for the formulation of the Group's medium-term strategies and plans, specific gap-fill measures needing investment, and risk management.
3. To link the Group's strategy with the strategies and plans of each operating company to, the Boards of Directors of the operating companies were changed to monitoring boards with the participation of all Group CxOs.
   In addition to monitoring the execution (including risk management) of the operating companies, the Company will jointly create each company's medium- to long-term strategies and plans in conjunction with the Group's medium- to long-term management strategies.
4. Strengthen corporate officer structures at each company, they will be responsible for everything from strategy and planning to execution.
5. The Advisory Board was newly established to incorporate external knowledge.
   Invite as necessary to meetings regarding strategy, diversity, etc.

Corporate Officer System

The President and Representative Director and Director in charge of Finance appointed by the Board of Directors lead the execution of business as the Group CEO and the Group CFO, respectively, and the Corporate Officers appointed by the President and Representative Director (Group CEO) share responsibility for the execution of business. At the Group Management Meeting chaired by the Group CEO and attended by the following Corporate Officers and Group CxOs, discussions are held on strategically important issues with the aim of achieving sustainable growth and enhancing corporate value through Group management. Important matters are referred to the Board of Directors through the Group CEO and Group CFO.

- Chief Executive Officer
- Chief Operating Officer
- Chief Digital Transformation Officer
- Chief Legal Officer
- Chief Finance Officer
- Chief Business Development Officer
- Chief Risk Management Officer
- Chief Human Resources Officer

In addition, the Representative Directors and Directors in charge of Business Administration of each Group operating company engage in business execution while keeping the Group's overall strategy in mind as Corporate Officers of the Company. The Group CxOs, including the Group CEO, participate in the Board of Directors meetings of each Group company as an officer or observer to appropriately monitor the status of business execution.

Board of Directors

With the aim of improving corporate value and giving consideration to diversity, the Company appoints Directors of the Company from among persons with diverse and specialized knowledge of management, legal affairs and compliance, finance and accounting, M&A and finance, IT business, global awareness, governance, human resources and organization, and candidates with experience and knowledge as a manager The Company's Board of Directors consists of four Directors (including two outside and independent Directors and one foreign national) and three Directors who are Audit Committee Members (including two outside and independent Directors and one female).

Activities of the Board of Directors (14 meetings)

Decision	Matters to be reported
■ Key personnel and organization of the Avant Group ■ Approval of executive compensation plan and compensation amounts ■ Revision of the executive compensation standards of the Avant Group ■ Endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) ■ Approval of Prime Market selection policy ■ Determination of the Group's restructuring policy	■ DIVA Empower project report ■ Metapraxis financial report ■ Report on succession plan of subsidiary presidents ■ Report on changes in institutional design ■ Progress report on reorganization ■ Report on issues and strategies for the next mid-term business plan ■ Innovative solutions business report ■ Stock price trend report ■ Integrated Report

Audit Committee

The Company has adopted an Audit Committee structure. The Audit Committee consists of three members, one full-time Director and two Outside Directors. In addition to having Audit Committee Members appointed in accordance with the Companies Act attend meetings of the Board of Directors and other important meetings, the Audit Committee listens to reports from Directors on the status of business execution, reviews important approval documents, and investigates the status of operations and assets in each division. It also exchanges information with internal audits. In the fiscal year under review, the Audit Committee prepares an audit report after receiving the results of the accounting audit and examining the business reports and financial statements, and supplementary schedules.

Composition of Directors and Audit Committee Directors (as of October 1, 2022)

Characteristics of the Board of Directors	Majority are independent outside directors	1 foreign national	1 female

Name	Reason for appointment
 Tetsuji Morikawa Representative Director and President Group CEO Shares held: 9,764,000 shares	As President and Representative Director since the founding of the Company in May 1997, he has led the management of the Group for 25 years. Through the sale of its proprietary consolidated accounting software package, the company has established itself as a provider of infrastructure for a variety of management information, particularly financial information, and has demonstrated leadership in diversifying its business through M&A and transitioning to a holding company structure. Currently, he is driving measures to expand the recurring business, which is the key to sustainable growth. We requested his appointment for the further development of our group.
 Naoyoshi Kasuga Director Group CFO Shares held: 15,405 shares	He joined the firm in October 2010 after working at a commercial bank and the New York Stock Exchange. Since September 2011, he has served as the Company's Director in charge of Finance and is currently the Group CFO, overseeing the Company's financial affairs based on his broad experience and knowledge of management. We requested his appointment for his outstanding character and insights.
 Naohisa Fukutani Director Outside Director Independent Shares held: 55,700 shares	In addition to his experience in commercial and investment banking, his many years of experience in managing an independent M&A advisory firm and providing management guidance to a wide variety of companies have provided him with valuable advice on formulating and executing management strategies and strengthening governance, and he has also served as the lead independent outside director and chairman of the Compensation Advisory Committee. We requested his continuing appointment as we believe that he will continue to contribute to the supervision of management and the strengthening of corporate governance.
 Jon Robertson Director Outside Director Independent Diversity Shares held: 0 share	He has 30 years of experience leading highly international organizations in Japan and the Asia-Pacific region, and has excellent management, leadership, and communication skills. He has a deep knowledge of the latest IT technologies, including the cloud-native field, and has demonstrated his leadership skills with enthusiasm in the rapidly changing IT industry. We request his continued appointment in the expectation that he will contribute to the achievement of our vision BE GLOBAL and our mid-term management plan to create corporate value through cloud computing.
 Tsuyoshi Noshiro Director (Audit Committee Member) Shares held: 1,868,800 shares	After gaining experience as a certified public accountant at an auditing firm and a securities-affiliated venture capital firm, he joined the firm in February 1998. Since then, he has served as General Manager of the Administration Division, was Director in charge of Finance from 2001, and has been a full-time corporate auditor since September 2011. Based on his deep understanding of the Company's business operations, at meetings of the Board of Directors and the Board of Corporate Auditors, he provides useful opinions as a non-executive full-time director, focusing on legal, accounting, governance, human resources, and other perspectives.
 Chie Goto Director (Audit Committee Member) Outside Director Independent Diversity Shares held: 0 share	In addition to her work experience at regular companies, she is a licensed lawyer and certified public accountant and has been involved in various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. She is currently fulfilling her responsibilities as an outside corporate auditor of the Company, and we believe that she will continue to provide useful advice in the process of management judgment and decision-making as a member of the Audit Committee, utilizing her extensive knowledge as a legal and accounting expert in the Company, thereby strengthening the functions of the Board of Directors of the Company.
 Makoto Nakano Director (Audit Committee Member) Outside Director Independent Shares held: 0 share	He has deep knowledge in a wide range of fields, including business administration, accounting, and corporate finance, and has established a broad research network in both business and academic fields on the theme of corporate value, which is also our materiality. He has conducted numerous financial and corporate value training programs for senior management of listed companies, and we believe that he is capable of appropriately performing his duties as an outside director of the Company as a member of the Audit Committee. In addition to advising us on how to improve the corporate value of our company and our clients, we expect him to play an active role in the development of our next generation management team.

* Appointed as a director at the 24th Ordinary General Meeting of Shareholders to be held on September 23, 2020.

	Attendance at meetings of the Board of Directors, the Audit Committee and other committees	Specialties possessed by directors and directors who are Audit Committee Members							
	Board of Directors 14/14 Remuneration Advisory Committee 7/7	**Management**	Legal Affairs and Compliance	**Finance and Accounting**	M&A and Finance	**IT Business**	Global	**Governance**	**Human Resources & Organization**
	Board of Directors 14/14	Management	Legal Affairs and Compliance	**Finance and Accounting**	**M&A and Finance**	IT Business	**Global**	**Governance**	Human Resources & Organization
	Board of Directors 14/14 Remuneration Advisory Committee 7/7	**Management**	Legal Affairs and Compliance	**Finance and Accounting**	**M&A and Finance**	IT Business	**Global**	**Governance**	**Human Resources & Organization**
	Board of Directors 13/14	**Management**	Legal Affairs and Compliance	Finance and Accounting	M&A and Finance	**IT Business**	**Global**	**Governance**	**Human Resources & Organization**
	Board of Directors 14/14 Audit & Supervisory Board 18/18	Management	**Legal Affairs and Compliance**	**Finance and Accounting**	M&A and Finance	IT Business	Global	**Governance**	**Human Resources & Organization**
	Board of Directors 11/11* Audit & Supervisory Board 14/14* Remuneration Advisory Committee 7/7	Management	**Legal Affairs and Compliance**	**Finance and Accounting**	M&A and Finance	IT Business	Global	**Governance**	**Human Resources & Organization**
	Appointed as a member of the Audit Committee following approval at the 26th Ordinary General Meeting of Shareholders on September 27, 2022	**Management**	Legal Affairs and Compliance	**Finance and Accounting**	**M&A and Finance**	IT Business	**Global**	**Governance**	Human Resources & Organization

Analysis and Evaluation of the Effectiveness of the Board of Directors

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

Evaluation method

In the fiscal years ending June 2018 and 2019 we conducted evaluations by a third party organization from the perspective of increasing the independence and objectivity of our analysis and evaluations, but as the Board of Directors pointed out that it was difficult to clarify issues due to the focus on quantitative evaluation, from the fiscal year ending June 2020 onward, the Company decided to focus on its own questionnaire survey and conduct interviews between all directors and auditors with appropriate third-party organizations.

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

Summary of evaluation results

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

(1) Organization of the Board of Directors

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

- Establishment of a nominating committee is not necessary, as the Board of Directors should thoroughly discuss the nomination process and fulfill its oversight responsibilities.
- Diversity and expected role of each director needs to be clarified.
- With a view to Avant's current status and future vision, a structure in which monitoring functions should be organized.

(2) Agenda for the Board of Directors meeting

While it was recognized that progress has been made in discussions on the Corporate Officer appointments and executive remuneration systems, it was pointed out that there has been no progress in discussions on the issues that had been pointed out as requiring continued discussion (Succession Plan, criteria for appointment and dismissal of directors). It was also noted that capital policy and investor feedback need to be actively discussed.

(3) Management of the Board of Directors meetings

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

Future actions

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

(1) Discussions to be held throughout the year and matters requiring reporting to be discussed in terms supervision and execution.
(2) Materials should be accompanied by an executive summary, so that it can be explained by it.
(3) Streamline discussion time by distributing materials a week in advance, or by explaining in advance.
(4) Off-sites and business briefings to be made regular.

Executive Renumeration System

Renumeration System and Determination Process

The Company's policy and calculation method for determining renumeration for directors and corporate officers, as well as the criteria for the renumeration structure and amount of renumeration for directors and executive officers, were resolved by the Board of Directors at its meeting held on January 29, 2021.

Furthermore, the Board of Directors, at its meeting held on March 17, 2021, resolved to establish a Compensation Advisory Committee as a voluntary advisory body to strengthen the independence, objectivity, and accountability of the decision-making process. The Compensation Advisory Committee consists of two independent directors and the Group CEO, and its chairman is selected from among the independent outside directors. We strive to ensure objectivity by, for example, taking advice from outside experts and considering market-wide or industry-wide standards. The Compensation Advisory Committee's agenda includes the following.

Compensation Advisory Committee's Agenda

(a) Policy for determining remuneration, etc. for directors and corporate officers,
(b) Draft proposals for remuneration, etc. for directors, audit committee members and executive officers to be submitted to the General Meeting of Shareholders,
(c) Draft policy for determining the individual remuneration, etc. of directors and corporate officers to be submitted to the Board of Directors,
(d) Draft proposals for the individual remuneration, 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 the preceding items.

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

Fixed remuneration is paid in a standard amount by position, taking into consideration the level commensurate with the required abilities and responsibilities.

Performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is a bonus linked to business performance for each fiscal year, and (2) medium- to long-term performance-linked remuneration, which is linked to changes in metrics over a three year period. The medium- to long-term performance-linked bonuses are stock-based compensation in the form of common shares of the Company, with the aim of providing Directors with incentives to enhance the Company's corporate value over the longer term and to promote alignment of interests between Directors and shareholders.

The ratio of fixed remuneration and performance-linked remuneration 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

1. Short-term performance-linked compensation

Short-term performance-linked compensation is a monetary compensation system that is linked to the year-on-year change in consolidated operating income, which is consistently emphasized in the Company's medium to long-term management strategy, medium-term management plan, and annual performance. The amount is calculated by multiplying the base amount determined according to the position, etc. by a short-term incentive coefficient set in the range of 0% to 200% according to the fluctuation of consolidated operating income from the previous fiscal year. "Although the Company's stock price was used as a factor in the past, the Board of Directors resolved at its meeting held on August 19, 2020 to use the rate of increase in consolidated operating income as a factor from the 25th fiscal year onward because the rate of increase in the Company's stock price is reflected in the medium- to long-term performance-linked compensation." Specifically, it is calculated by the formula on page 64.

Short-term performance-linked compensation
= Base amount of short-term performance-linked compensation × short-term incentive coefficient

Short-term incentive coefficient

Assuming that consolidated operating income for the current period is (a) and that for the previous period is (b), the value calculated by the following formula shall be the coefficient
(I) If (a) is less than or equal to (b): 0
(ii) When (a) exceeds (b) but is less than (b) × 112%: 0.5 × {1 + ((a) - (b)) ÷ ((b) × 112%)}
(iii) When (a) is greater than or equal to 112% of (b): 1 + 0.5 x ((a) - (b) x 112%) ÷ ((b) x 6%)

* The short-term incentive coefficient shall not exceed 2.0.

Consolidated operating income for the fiscal year ended June 30, 2022, the key performance indicator, was ¥3,247 million, representing a 115% fluctuation (i.e. 15% growth) from the previous fiscal year's consolidated operating income of ¥2,826 million*. As a result of applying this to the formula (iii) above, the short-term incentive coefficient became 1.24 as follows, and 124% of the base amount of short-term performance remuneration was paid as short-term performance-linked remuneration.

(Short-term incentive coefficient = 1 + 0.5 × (Consolidated operating income for the current term: ¥3,247 million – (Consolidated operating income for the previous term: ¥2,826 million x 112%)) / (Previous year's consolidated operating income: ¥2,826 million x 6%) = 1.24)

* "Accounting Standard for Revenue Recognition" "(Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) has been applied since the beginning of the fiscal year ended June 30, 2022. However, in calculating performance-linked compensation, operating income for the fiscal year ended June 30, 2021 has been restated to reflect the application of the accounting standard."

2. Medium- to Long-Term Performance-Linked Remuneration

The medium- to long-term performance-linked renumeration is a performance share unit system in which the Company's common shares are paid as a performance-linked stock renumeration system for the purpose of providing Directors with incentives to improve the corporate value of the Company over a longer period of time and promoting further alignment of interests between Directors and shareholders. It is determined by multiplying the number of shares (standard number of shares to be delivered) determined by the Board of Directors of the Company by the share delivery ratio determined in accordance with the growth rate of the Company's shares, which is a representative indicator of the corporate value of the Company.

The Company's share growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the target period by the growth rate of the Tokyo Stock Exchange price indexes (TOPIX) during the target period.

At the end of applicable periods, monetary compensation claims shall be paid to the eligible Directors, but all of the monetary compensation claims are to be settled in kind in Company shares, by either issuance of news shares or disposal of treasury stock.

Medium- to long-term performance-linked compensation (number of shares to be delivered)
= Standard number of shares to be delivered × share delivery ratio

Share delivery ratio

(1) If the growth rate of the Company's shares (A) is less than 100%: 0
(2) When A is between 100% and 112%: 33% × (A – 100%) / 12%
(3) When A is between 112% and 150%: 33% + 67% × (A – 112%) ÷ 38%
(4) When A is more than 150%: 100%

A. Growth rate of the Company's stock

Company's TSR during the target period
―――
Growth rate of TOPIX during the period

The Company's total shareholder return (TSR)

Simple average of the closing price of the Company's shares in the final month of the applicable period (September three years later) +
Total amount of dividends per share from distribution of surplus during the target period
―――
Simple average of the closing price of the Company's shares in the first month of the applicable period (September)

TOPIX growth rate

Simple average of TOPIX in the final month of the period (September three years later)
―――
Simple average of TOPIX in the first month of the period (September)

At the 25th Ordinary General Meeting of Shareholders held on September 28, 2021, it was approved that the granting of stock compensation to the President and Representative Director would be limited if the adjusted annual growth rate (CAGR) of net income per share for the three years up to the end of the applicable period is less than 18%, because the Company targets an annual growth rate of operating income of 18% in its medium- to long-term management strategy.

As the growth rate of the Company's shares, which is the basis for the medium- to long-term performance-linked remuneration for the fiscal year ending June 30, 2022, exceeded the growth rate of TOPIX as follows, the Board of Directors resolved at its meeting held on October 7, 2022 to issue shares to Directors. The Company paid a monetary compensation claim of ¥13 million to one Director of the Company, made the contribution in kind, and delivered 4,216 shares of common stock of the Company. Since the adjusted CAGR of net income per share for the three years up to the end of the applicable period is 13.9% and does not meet the criteria for granting compensation, no medium- to long-term performance-linked compensation based on the Plan will be paid to the Representative Director.

Calculation of the number of shares to be delivered
Base number of shares to be delivered = Base amount of medium- to long-term performance-linked compensation ÷ Closing price on the business day before the Board of Directors' meeting to be delivered (October 6)
= ¥13 million / ¥1,571 = 8,726 shares
Number of shares to be delivered = Standard number of shares to be delivered × Share delivery ratio
= 8,726 shares x 48.3% = 4,216 shares

Calculation of share delivery ratio
Total return to shareholders during the period = (1,405.00 + 9 + 11 + 13) / 978.47 = 146.9%
Growth rate of TOPIX during the period = 1,922.22 ÷ 1,579.13 = 121.7%
Growth rate of the Company's shares = Total return of the Company's shareholders during the period / Growth rate of TOPIX during the period
= 147.0% / 121.7% = 120.7%
The share delivery ratio will be 48.3% by applying 2. (3) on the left.

Remuneration for Directors and Corporate Auditors (Fiscal Year Ended June 2022)

Executive category	Total amount of remuneration (¥million)	Total amount of remuneration by type (¥million)			Number of eligible directors (person)
		Fixed compensation	Performance-linked compensation	Of the following: non-monetary compensation, etc.	
Director (excluding Outside Directors)	125	83	42	6	2
Auditor (excluding Outside Company Auditors)	11	11	—	—	1
Outside Director	43	43	—	—	3
Outside Corporate Auditor	10	10	—	—	3

*1 The total amount of non-monetary compensation for Directors (excluding Outside Directors) consists of performance-linked compensation of ¥6 million.
*2 The above includes one Corporate Auditor who retired at the conclusion of the 25th Annual General Meeting of Shareholders held on September 28, 2021.
*3 As there is no person whose total amount of consolidated remuneration, etc. is ¥100 million or more, the amount for each officer is not stated.

Avant Group's Risk Management

The Group has established the Compliance and Risk Management Committee (CRM Committee), which is chaired by the Representative Director, to understand the status of compliance and risk management, appropriately manage risk, and quickly respond to compliance issues. The CRM Committee sets important items related to risk and compliance and targets for them, and conducts monitoring and consultations on risk countermeasures.

The following is a list of significant risks recognized by the Group

	Risk items	Countermeasures
Risks associated with business continuity in the event of a major natural disaster	■ Loss of important information assets, shortage of available personnel, collapse of infrastructure due to damage caused by an earthquake directly under the Tokyo Metropolitan Area, an eruption of Mt. Fuji, or inundation by a typhoon or storm surge, etc. ■ The Group's business sites being damaged by natural disasters such as earthquakes or fires, and leading to loss of important documents and data relating to business execution and intellectual property.	■ In addition to backing up important documents and data to remote locations and establishing an initial response system such as setting up an emergency response headquarters, a Business Continuity Plan (BCP) was formulated for business resumption.
Risks related to cloud-based service business	■ Service outage or loss of customer data due to system operation trouble, cloud environment failure, cyberattacks, etc. ■ In addition to the possibility that the Group's performance and financial condition may be significantly affected by the payment of compensation for damages, the Group's credibility and brand image may deteriorate.	■ Establish a cloud service operation organization and a security countermeasure organization and continue to identify and counter risks. Promote system failure countermeasures such as multiple data backup and security measures such as multi-factor authentication. ■ Acquisition of "SOC1 Type2 Report" in compliance with Statement of Assurance Standards No. 18 (SSAE18) in the United States for some cloud services
Risk of security incidents such as information leakage	■ Information may be leaked due to unauthorized external access to the Group's computers, errors by officers and employees of the Group or contractors, or unexpected events.	■ In order to respond to security risks, an information security policy and a personal information protection policy shall be established, and these policies shall be revised in accordance with advances in information and communications technology, social conditions and changes in the regulatory environment. ■ Acquisition of ISMS certification (ISO/IEC27001: 2013), an international standard, for objective evaluation of these operations and continuous improvement activities ■ Respond to cyber attacks and incidents in accordance with internal rules, and implement measures within the Information Security Committee according to the degree of impact on the Group's business
Risks related to business investment	■ The possibility that business investment and restructuring may not produce the expected investment results due to changes in the market environment, the gap between products developed and market needs, etc.	■ At the stage of considering business investment, after qualitatively and quantitatively evaluating the investment effect and risk, carefully decide in accordance with the authority specified in the "Authority Rules" in advance. ■ At the implementation stage, the progress against the plan is continuously monitored.
Risks associated with product development quality	■ Product failure ■ There is a possibility that the customer's business may be affected by the occurrence of a problem in the Group's products.	■ Established the Quality Control Department to reduce quality risks during product development.
Risks related to service quality	■ There may be a deviation from the initially assumed estimate, or there may be technical problems or project management problems that cannot be initially assumed, which may lead to an increase in costs or schedule delays. ■ Payment of compensation for damages caused by higher-than-expected costs or delivery delays	■ Improvement of project quality through establishment of quality control department ■ Take out insurance in case of emergency
Risks related to securing and fostering human resources	■ The possibility that securing and fostering excellent human resources with specialized knowledge will not progress as planned in the medium term	■ Strengthen the recruitment system and secure recruitment competitiveness by understanding the appropriate level of remuneration in the market ■ In human resources education, we will enhance the training menu for new employees.

	Risk items	Countermeasures
Risks related to equity investment and M&A (Risks related to corporate acquisitions)	■ When proceeding with M&A, there is a possibility that transactions may not proceed as expected by the Group due to reasons such as failure to find an appropriate candidate or failure to reach an agreement on transaction terms. ■ Problems that cannot be identified through prior investigations, such as the occurrence of contingent liabilities and the discovery of unrecognized liabilities after investment or M&A	■ The organization in charge of M&A conducts a detailed due diligence of the financial conditions and contractual relationships of the candidate companies in advance, examines each identified risk, and makes decisions including countermeasures.
Compliance risk	■ Loss of societal trust in the event of non-compliance	■ Establish compliance and risk management rules and other compliance-related regulations, and ensure that all officers and employees are fully aware of them through education
Risks related to dependence on management	■ In the unlikely event that the President and Representative Director is unable to discharge his duties, there is a possibility that the promotion of business activities, business performance and financial position may be affected.	■ With the next generation of leaders as directors of the operating companies, delegate management to them, and train successors through supervision and guidance from the holding company ■ Actively promote recruitment activities
Risks associated with the occurrence of a pandemic	■ If the impact of infectious diseases becomes significant and prolonged in the future due to the spread of new infectious diseases or novel coronavirus mutations, it will affect the Company's ability to provide it services. ■ The performance of the Group deteriorates more than expected due to further postponement of IT investment by domestic companies due to their deteriorating performance.	■ Prepare measures to limit the deterioration of business performance by controlling certain expenses such as outsourcing expenses

MESSAGE FROM the CRO

Since July 2021, we have been strengthening our risk management system by appointing a CRO and establishing a Group Risk Management Department to oversee and promote risk management from the Group's perspective. Our CRO, Mr. Takemura, speaks of our commitment to strengthening risk management.

Hiroki Takemura

Group CRO
Director and Vice President of Diva

Going forward we will continue to implement appropriate risk management, risk hedging, and crisis management

As social conditions continue to remain unstable due to the Great East Japan Earthquake, the COVID-19 pandemic, war, and the weak yen, risk management activities to prepare for risks (events with uncertainty) have become more important for business continuity.

We recognize that the most important current risks in the Group's risk management are earthquakes and information security-related risks such as and cyberattacks, and we promote risk reduction activities. In particular, we have been strengthening measures to address information security risks. In addition to acquiring ISMS certification (ISO/IEC27001: 2013), we are promoting measures to respond to unexpected situations, such as periodic data storage and backup in remote locations. However, as risks cannot be completely reduced or avoided, we place importance on measures to minimize losses (crisis management) by responding to events after they occur. We also promote the development of business continuity plans (BCPs).

By appropriately promoting risk management, risk hedging, and crisis management, we will continue to promote activities that are best for all stakeholders, including our customers, business partners, investors, employees, and local communities.

Leadership

(As of October 1, 2022)

Directors

Tetsuji Morikawa

President and Group CEO
Compensation Advisory Committee Member
[Status of concurrent positions]
CEO, Diva Corporation of America
Outside Director, Kayac, Inc.

Naoyoshi Kasuga

Director
Group CFO
[Concurrent Positions]
Outside Director of Metapraxis Limited

Naohisa Fukutani

Director
Chairman of the Compensation Advisory Committee
Outside director Independent
[Concurrent Positions]
Senior Advisor, PwC Advisory LLC

Jon Robertson

Director
Outside director Independent Diversity
[Concurrent Positions]
President, Asia Pacific & Japan, Snowflake Inc.

Directors (Audit Committee Members)

Tsuyoshi Noshiro

Director (Audit Committee Member)
[Concurrent Positions]
None

Chie Goto

Director (Audit Committee Member)
Compensation Advisory Committee Member
Outside director Independent Diversity
[Concurrent Positions]
Partner, Sakura Kyodo Law Office

Makoto Nakano

Director (Audit Committee Member)
Outside director Independent
[Concurrent Positions]
Professor, Graduate School of Business Administration, Hitotsubashi University

Corporate Officers

Takahiro Okabe
Group COO
President and Representative Director, Avant Corporation
President and Representative Director, Zeal Corporation

Gen Nagata
Group COO and Group CBO
President and Representative Director, Diva Corporation

Hiroki Takemura
Group CRO
Executive Vice President, Diva Corporation

Teppei Terashima
Director, Avant Corporation

Tatsuru Nakayama
Group CDO
Director, Avant Corporation

Shingo Moroi
Director, Avant Corporation

Yoshiyuki Numata
Director, Zeal Corporation

Hiroyuki Morita
Director, Zeal Corporation

Kunihiro Nakamura
Director, Zeal Corporation

Tetsuya Kawamura
Director, Diva Corporation

Shuichi Fukayama
Director, Diva Corporation

Yoko Hosokawa
Director, Diva Corporation

Masamitsu Suzuki
Group CLOs

Eriko Satonaka
Group CHRO

Senior Advisors

Chieko Matsuda
Doctor of Business Administration Professor, Graduate School of Business Administration, Tokyo Metropolitan University Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University

Georges Ugeux
Chairman and CEO, Galileo Global Advisors

COO: Chief Operating Officer　CBO: Chief Business development Officer　CRO: Chief Risk-management Officer
CDO: Chief Digital transformation Officer　CLO: Chief Legal Officer　CHRO: Chief Human Resources Officer

Sustainability

Sustainability Management and ESG Risks

The Group's management philosophy, "Creating a 100-Year Company," refers to the sustainable development of a company as an organization that exists for the benefit of society by regarding it as a "public entity." Our mission is to provide our customers with value-added management information so that it can be used to create the future. Our mission is to contribute to society, but in the process of realizing this, we will interact with various stakeholders. Therefore, sustainable development will not be achieved unless each member of the Group acts with due consideration to maintaining a balance between economic activities, environmental conservation, and social fairness.

The Group signed the United Nations Global Compact on August 25, 2020. With this as an opportunity, we will consider and implement measures that can be taken by the Group while conducting risk assessments to realize sustainability.

Correlation between ESG risks and Avant Group specific risks

	Theme	Risk	Actions	Opportunity
Environmental	Biodiversity Conservation	Little direct relationship with the Group's business activities		■ General data visualization ■ Brand creation through publication of proprietary media etc. ■ Sales etc. of templates for collecting and visualizing non-financial information
	Water Security			
	Waste and Recycling	Large number of PCs disposed of each year, need to recycle	■ Utilize recyclers while ensuring security	
	Climate Change	Although there is little direct relationship with business activities, the fact that no efforts have been made to reduce CO_2 emissions may be regarded as a problem.	Declared our commitment to reducing CO_2 emissions and implemented the following measures ■ Since July 2021, by purchasing Green Power Certification carbon offset has been implemented for all electric power used. ■ Establishment of a system in which the CRM Committee assesses climate change risks and considers countermeasures and reports to the Board of Directors	
Social	Human Rights and Local Communities	Our brand could be severely damaged in the event of a serious accident because of normalization or similar behavior that do not respect human rights (for example discrimination).	Consider measures based on the basic policy of respect for human rights set forth in the Avant Group Human Rights Policy ■ Conduct human rights assessments ■ Preparation of harassment prevention manual ■ Periodic seminars on corporate philosophy and diversity	If we are on a par with global leaders, its appeal may lead to an increase in brand value.
	Labor Standards	Our brand could be severely damaged in the event of a serious accident resulting from the normalization or because of an ongoing violation of labor laws and regulations.	■ Strict observance of labor laws ■ Improving the effectiveness of the hotline ■ Review the results of the GPTW survey and prepare an annual action plan	
	Responsibility to Customers	Our brand could be severely damaged if there is a major problem with the quality of a product or service, or if a serious accident occurs while providing a service. In addition, failure to maintain an attitude of sincerely responding to social contribution and customer needs as stated in our mission may hinder long-term sustainability.	■ Strengthening quality management and implementing quality declaration ■ Conduct customer satisfaction surveys ■ Periodic corporate philosophy training	There is a possibility of increased brand value if we can raise awareness of our mission to contribute to society, along with the results of that mission.
	Health and Safety	As with labor standards	As with labor standards	As with labor standards

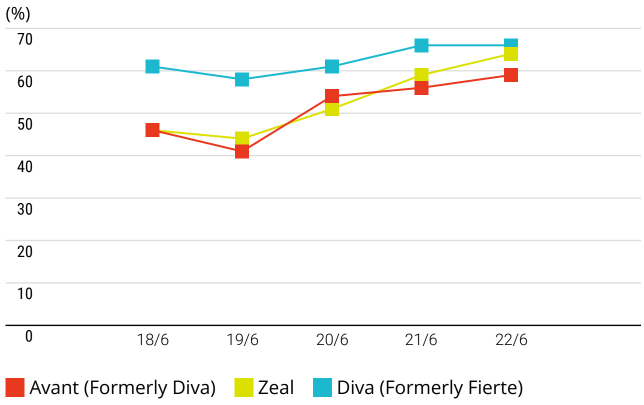
	Theme	Risk	Actions	Opportunity
Governance	Risk Management	Our sustainability could be threatened due to the occurrence of serious risks that are not recognized or understood or for which countermeasures (reduction or transfer) are insufficient.	■ Strengthening disclosure of the Group's risk management system ■ Improving the effectiveness of the CRM Committee	Consider products and services that contribute to improving customer governance
	Corporate Governance	There is a possibility that maximization of shareholders' profits is not pursued if appropriate corporate governance is not carried out.	■ Strengthening disclosure of the Group's governance system ■ Organizational review, including the transition to a company with committees system	
	Compliance	Our brand could be severely damaged if it becomes clear that a serious violation of laws and regulations has occurred. Due to the nature of our business, insider trading is particularly risky.	Strengthening the compliance system based on the Group's Code of Conduct ■ Implementation and reinforcement of legal training such as insider trading seminars ■ Improving the effectiveness of the hotline	

Human Resources

Enhancement of GPTW

Our corporate philosophy is "Creating a 100-year Company". The subtitle, "A company in which all employees are passionate about value creation", demonstrates how creative dialog with various stakeholders by people with sincerity and enthusiasm leads to proposals that contribute ever more to society. Our goal is to realize a positive spiral within the Group, in which our accumulated efforts are appropriately evaluated, and these efforts become the motivation for further improvement. For this reason, each Group company has set a GPTW score of 70% as an important KPI in which all members participate, and a system has been put in place in which some of the management and managers are responsible for progress. The following is an overview of Group companies' efforts to improve their GPTW scores.

GPTW Score of Each Group Company



* Company name changed due to business restructuring in October 2022.

What is GPTW?

Great Place to Work® (GPTW) is a professional organization that has been quantifying and analyzing job satisfaction through surveys for over 30 years. GPTW defines a worthwhile company as one where there is trust between management and employees, and where all individual's abilities are maximized. There are excellent values and leadership, and where financial growth can be achieved through innovation. The GPTW questionnaire consists of questions that divide this "trust" into five elements: <Credibility>, <Respect>, <Fairness>, <Pride>, and <Camaraderie>, enabling analysis and countermeasures to be taken by scoring job satisfaction. Each company in the Avant Group uses the GPTW score to identify issues and aims to improve job satisfaction through solutions and improvements.

Avant Corporation (trade name changed from Diva Corporation)

At Avant Corporation, we believe that the key to improving job satisfaction lies in improving the growth opportunities of our members and their trust in their superiors, so we have created an environment in which our members can deepen their relationship of trust with their superiors and enjoy the feeling of growth through measures such as reducing long working hours, leadership training, and one on-one training. In the fiscal year ended June 2022, we provided support to individual departments with low scores in the quarterly internal survey, and as a company-wide measure, we introduced an open job posting system for members seeking growth opportunities beyond their organizational affiliation, a result of which, even in its first year we achieved eight transfers. Aiming for market-competitive remuneration levels, we are also revising the remuneration table for service personnel.

In addition to these measures, in the fiscal year ending June 2023, we introduced company-wide communication measures that reaffirm our identity as a software company and a corporate culture that encourages employees to take on challenges. We also introduced a system that supports the voluntary development of employees' abilities. Through these measures, we aim to achieve sustainable growth of the organization with a sense of growth among members who chose us.

Tomoyuki Tanaka, Head, Business Administration Unit,
Organization Development Department, Avant Corporation

Zeal Corporation

In November 2022, Zeal was recognized as a "Great Place to Work" in the "Great Place to Work" certification program. "Opportunities for skill development" was cited as the most important point for this. Efforts such as the doubling of the training budget from the fiscal year ended June 2022, the subsidy program for examination fees for more than 200 qualifications, the qualification allowance program, and the creation of a culture that encourages employees to take on challenges to encourage self-improvement were highly evaluated.

At present, with the theme of creating an organization in which the career of Tech & Manage will grow, Zeal has launched a company-wide skill-strengthening training program, which is intended to stimulate communication across departments and enhance capabilities across the company.

We are also working to create an environment in which each member can work in his or her own way. For example, we have expanded the scope of our personnel system and welfare benefits to include "effective spouses, families, and relatives" including same-sex partners and common-law partners.

Matsuri Hasegawa, Division Head, Human Resources Department, Zeal Corporation

Diva Corporation (trade name changed from Fierte Corporation)

Diva was certified as a "Great Place to Work" in May 2022. Being treated fairly, regardless of age or race and being entrusted with a responsible job is cited as a point of job satisfaction.

As each employee has different levels of work satisfaction, in addition to the annual GPTW Survey, we conducted a quarterly questionnaire so that we can take appropriate measures to address each individual and provide appropriate support. In addition, the CEO continued to directly answer questions about the Company. Thus, our efforts to create an environment in which employees can work with a sense of satisfaction were highly evaluated.

As the new Diva, while integrating systems and environment we aim to become an organization that employees are proud to work for Diva by working to create an environment in which employees can grow by cooperating with each other and developing friendly rivalry through communication measures that connect employees across departments, company-wide events that deepen mutual understanding, and an award system that fosters a culture of mutual praise.

Yoko Tomotsuka, Office of the President, Diva Corporation.

MESSAGE FROM the CHRO

Eriko Satonaka
Group CHRO
General Manager,
Group Human Resources Division

Increase organizational mobility and promote the growth of people and organizations

In October 2022, the Avant Group reorganized its Group structure to transform itself into a software-as-a-service (SaaS) business that utilizes and develops software and supports the flow of information that enhances corporate value.

We will realize the growth of people and organizations by carrying out the reorgani zation necessary for growth beyond the boundaries of operating companies and by reallocating human resources. The Avant Group aims to realize a flexible human assets portfolio that will strengthen the Avant Group by breaking away from the uniform way of thinking through the dynamism of the Group and by dealing with people and ways of thinking that are different from those in the past. We will focus on the following three areas as part of our human resources strategy to support the transformation of our business model.

The first point is the visualization of people, skills, and mindset to realize our vision and materiality. We will accelerate business growth by strengthening the hiring and training measures necessary to achieve our goal.

The second point is the motivation of employees. Maximize performance by possessing sufficient skills and engaging in work with a sense of motivation. The Company has been measuring employee engagement on a regular and continuous basis by using a third-party numerical assessment (GPTW®) as one indicator. By running the PDCA cycle and verifying the appropriateness of actions, the score has steadily improved. We will continue to promote initiatives aimed at creating an environment that is highly transparent and in which the company and individuals can grow together.

The third point is to strengthen the Group's collective capabilities to create Group synergies. We will focus on internal communication and brand strategies to maximize the power of the Group so that all members of the Group aim to achieve goals from the same perspective. In September 2022, a kick-off meeting was held in which all 1,200 members of the Group met, and our new brand was announced. In the medium to long term, we aim to enhance the overall strength of the Avant Group by enhancing its added value.

In addition to the human resources strategies described above, the most important human resources' theme to be discussed at the Board of Directors is the succession plan to train the top human resources who support the Group's business and the next generation leaders who will drive growth. We will deepen discussions at the Board of Directors' meetings and promote visualization of the human resources pipeline to strengthen management.

Human Rights

As a “public entity”, the Group recognizes that all the business activities of the directors and employees of the Group companies have an impact on human rights. Each and every one of us supports and respects the International Bill of Human Rights and the International Labor Organization’s ILO Declaration on Fundamental Principles and Rights at Work. We have also signed the United Nations Global Compact, which contains universal principles on human rights, labor, the environment, and anti-corruption, and we support and respect its 10 principles. Based on these ideas, the Board of Directors established a Human Rights Policy on July 22, 2020.

Human Rights Policy

1. Basic Policy on Respect for Human Rights

All human beings are born free and equal in dignity and rights. We must not be complicit directly or indirectly in the violation of human rights. It is prohibited to discriminate on the basis of race, color, sex, sexual orientation, language, religion, creed, political or other opinion, national or social origin, property, family origin or other status or any similar grounds. We will prohibit forced labor and child labor, and respect labor rights such as freedom of association and right to collective bargaining. We recognize the right of everyone to the enjoyment of fair and favorable conditions of work, ensures safe and healthy conditions of work and guarantees fair and just remuneration for work.

2. Efforts to Realize Respect for Human Rights

To respect human rights and realize a sustainable society, we will work to raise awareness of human rights through group intranet and training programs. Through discussions and dialog with all stakeholders involved in the Group’s business activities, the Company understands issues related to human rights and their impact and discusses responses. The Group will disclose its efforts to respect human rights and its progress to stakeholders in an appropriate manner.

Environment

At a meeting of the Board of Directors held on July 22, 2020, the Avant Group established the Avant Group Environmental Policy, which emphasizes mutual understanding with stakeholders and active disclosure of information in to realize a sustainable society. Against this backdrop, Avant expressed its support for the TCFD recommendations in view of the need to further strengthen corporate efforts to resolve various issues related to climate change. In the future, Avant will strengthen corporate activities against climate change and will actively promote information disclosure in line with the disclosure recommendations set forth in the TCFD recommendations. We are committed to the preservation and preservation of the global environment and promote activities to realize a sustainable society.

Avant Group Environmental Policy

Compliance with Environmental Laws and Regulations	We will comply with environment-related laws and regulations as well as agreements with stakeholders and take appropriate measures.
Awareness of Environmental Policy	We will conduct education and enlightenment activities to raise the environmental awareness of each and every Group employee so that they can carry out their own environmental conservation activities.
Environmental Conservation	We will work closely with administrative agencies, local communities, and related organizations to actively support individual Group employees' efforts to address climate change, promote resource recycling, and conserve biodiversity.
Communication with Stakeholders	Aiming to realize a sustainable society, we will strive for mutual understanding with stakeholders and active disclosure of information.

Disclosure Based on TCFD

Governance	Led by President, Representative Director and Group CEO Morikawa, the Avant Group's Investor Relations Department and CRM Committee gather information on and discuss responses to climate change and its impacts. The Board of Directors discusses opportunities and risks associated with climate change in regular reports from the CRM Committee and at the Group Management Meeting, formulates future policies, and oversees progress.
Strategy	**Transition Risk Response** In the fiscal year ended June 2022, the Avant Group spent approximately ¥20 million on purchasing electricity and gas, which is equivalent to 0.13% of net sales. However, as these were the Avant Group's actual expenditures during the COVID-19 pandemic, we believe that around 0.2% would be appropriate if business activities return to normal. If we are forced to purchase alternative energy sources due to stricter regulations on greenhouse gas emissions, we may have a slight impact on our business results due to a rise in electricity and gas rates. In the future, we aim to reduce greenhouse gas emissions (Scope 1-3) by 50% compared to the fiscal year ended June 2017. We will use carbon offsets and other means. In the fiscal year ended June 2022, we allocated an amount equivalent to 0.03% of net sales to offset greenhouse gas emissions, and we plan to continue to accumulate offset limits at a level lower than this. Offset credit is finite, and if many companies adopt the same method, it may not be possible to secure offset credit for the assumed unit price and quantity.
	Physical Risk Response According to the Ministry of the Environment's "Impact Assessment on the Greater Severity of Disasters Caused by Climate Change (Interim Report)" in response to the IPCC Fifth Report, mainly because water vapor from the sea is more likely to be supplied to typhoons due to rising sea surface temperatures, and the amount of water vapor that the atmosphere can store will increase due to rising temperatures, it is highly likely that typhoons will approach Japan with a stronger force and bring more rain to the Kanto and Tohoku regions. For changes in the amount of rainfall and sea level due to global warming, scenarios for a rise of 2 °C or 4 °C have been set, but as with Typhoon No. 15 in 2019, the reality is that these scenarios and the fact that a typhoon with a scale exceeding the assumed risk of occurring once in 50 years passed through the Kanto region and damaged the power transmission system have already occurred. Rather than taking countermeasures in line with these scenarios, the Group has adopted countermeasures that anticipate the occurrence of the largest class of possible disasters. The greatest risk to the Group is that (1) it will be difficult to maintain safe living and working environments for employees in the event of a severe disaster, and (2) the continuity of service provision to customers will be lost. The continuity of the Group's services is an extremely important issue because the services provided by the Group broadly contribute to the formation of important information related to the survival of a company, such as the preparation of customers' financial statements and the generation and disclosure of information that contributes to management decisions. The CRM Committee shall consider an appropriate BCP in response to such risks and report the progress to the Board of Directors.
	Opportunity Response For customers to respond to climate change, we provide customers with an environment in which they can visualize the economic activities that lead to the generation of greenhouse gases within the organization, take measures, and deepen communication with stakeholders. This can be provided as part of our solutions in line with the "Spreading Accountability" promoted by the Company and is also an opportunity for further growth for the Group. At the Group Management Meeting, representatives of each Group company and the Group CEO will discuss and promote such opportunities.

Risk Management	**Risk Management System** The Avant Group's Investor Relations Office and CRM Committee gather information and discuss responses. Important information is reported to the Board of Directors through the CRM Committee and discussed as appropriate.
	Formulation of BCP Assuming The Greatest Risk The CRM Committee will formulate and report to the Board of Directors a BCP to ensure the safety of employees before and after the disaster, support for daily life and work during the reconstruction period, and ensure the continuity of services for customers in the three largest possible disasters (Tokyo Arakawa River Massive Flood, Tokyo Bay Massive Storm Surge, Osaka Bay Massive Storm Surge) that are associated with the intensification of natural disasters such as short-term localized torrential downpours and super typhoons associated with climate change risks.

Quantitative Measurements	As for greenhouse gas emissions by the Core Group Companies, direct emissions from the use of fuel (Scope 1) were 0, and indirect emissions from the use of electricity, steam, and heat (Scope 2) were 516.138t-CO_2 in the fiscal year ended June 2022. On the other hand, indirect emissions (Scope 3) from procurement of raw materials, travel of employees, outsourcing of waste treatment, etc. amounted to 7,446.076t-CO_2 in the fiscal year ended June 2022. In the medium to long term, we aim to reduce excess power consumption by encouraging appropriate working hours and telecommuting, and to reduce total greenhouse gas emissions (Scope 1-3) by 50% compared to the fiscal year ending June 2030 (approximately 5,000t-CO_2) by the fiscal year ending June 2017 through carbon offsets, under the circumstances in which an increase in emissions associated with business expansion is unavoidable. Since July 1, 2021, we have purchased a green power certification that corresponds to Scope 2 emissions and achieved carbon offset. We are also aiming to reduce emissions with Scope 3 by combining various means.

Greenhouse Gas Emissions (t-CO_2)

	18/6	19/6	20/6	21/6	22/6
Scope 1	0	0	0	0	0
Scope 2	720.098	740.086	697.379	587.290	516.138
Scope 3	5,481.470	6,684.919	7,925.829	6,622.104	7,446.076
Grand total	6,201.569	7,425.004	8,623.208	7,209.395	7,962.214

Carbon Offset Initiatives

On July 1, 2021, we purchased the "Green Power Certificate" issued by Japan Natural Energy Co., Ltd. (Head Office: Shinagawa-ku, Tokyo; President and Representative Director: Keiki Kato) for all electric power in the offices of the five Group companies and switched to green power.

The Green Power Certificate System is a system in which the environmental added value of electric power generated by renewable energy (green electric power) is traded in the form of "Green Power Certificate" by certificate issuing business operators who obtain certification from the Japan Quality Assurance Organization. By purchasing a Green Power Certificate, companies can assume that the amount of electricity (kWh) listed in the certificate is generated by renewable energy without having to own power generation facilities. Since it can be regarded as having contributed to the spread of renewable energy equivalent to the electric power described in the Green Power Certificate, it is attracting attention as a mechanism to control carbon dioxide, which causes global warming. The Core Group Companies are working to promote the efficient use of electric power and the spread of power generation using natural energy to prevent global warming.

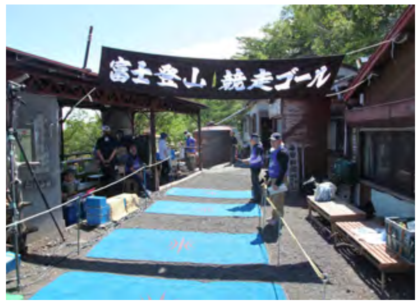
Our Group and Society

The National Museum of Modern Art, Tokyo

The National Museum of Modern Art, Tokyo boasts one of the largest collections in Japan, with more than 13,000 works centered on modern Japanese arts. It is the only museum in Japan where you can see the history of Japanese arts from the Meiji period to the present. As a Gold Partner, the Group supports the National Museum of Modern Art, Tokyo's activities in support of the National Museum of Modern Art, Tokyo, which aims to enrich the lives of each and every citizen through the appreciation of the national collection, various events and programs.

Mt. Fuji Climbing Race

It has a long history since 1948, and the height difference is about 3,000m which is the largest in Japan. It is a competition that stands as the ultimate trail run, and it is part of the "Grand Slam" to achieve along with a sub-three-hour full marathon and a sub-ten-hour 100 km ultra-marathon, and it attracts many people trying to reach beyond their limit. Aiming to "Create a 100-Year Company," the Group aims to make all its employees passionate, and since many runners participate in the event, we support the event as an official sponsor.



NIPPON IT Charity Ekiden

While the IT industry is recognized as a vibrant and dynamic industry, it is also a fact that its unique business style has created unemployed people who are socially disadvantaged. The 2010 NIPPON IT Charity Ekiden was organized with the aim of bringing as many unemployed people as possible back into society. The proceeds from this event will be donated to the Future Dream Achievement, a non-profit organization that supports the employment of people suffering from depression and *hikikomori*. It will also be used to support the reconstruction of areas affected by the Great East Japan Earthquake, Kumamoto Earthquake and Tottori Chubu Earthquake. As a Gold Sponsor, the Group supports these activities.

Medium-Term Management Plan

BE GLOBAL 2023

For Japanese companies to grow beyond the challenges of a declining birthrate and an aging population and the COVID-19 pandemic, they are reaching the limits of operational efficiency improvements simply by investing in IT, so businesses need to restructure themselves through digital transformation, with decisive management decisions, to realize diverse ways of working and the creation of new business models. At the same time, to maintain sustainable development while addressing global issues such as global warming and economic disparities, corporate managers must maintain close communication not only with shareholders but also with customers, employees, local communities, etc., and consider the balance between the economy, society, and the environment. As a result, the ability to organize and analyze information is being called into question more than ever before, and in addition, there is an urgent need to improve management transparency through strengthened compliance and risk management systems.

As a result of these changes in the business environment, the Group's business is playing an even more important role in contributing to the resolution of customer companies' issues by making management information "visualization," "usability," and "entrustment". For the time being, while pursuing growth opportunities in Japan, the Group must aim to maximize its corporate value by growing both in terms of business expansion and capital efficiency to establish its position as a world-class company, which is the objective of its Medium - to Long-Term Management Strategy. Under the "BE GLOBAL 2023" Medium-Term Management Plan announced in September 2018, we aim to maximize corporate value over the five-year period from the fiscal year ending June 2019 to the fiscal year ending June 2023."

To maximize corporate value, the Group will take a three-pronged approach to achieve its targets, 1) pursue further sales growth through the collective strength of the Group, 2) M&A to accelerate growth, and 3) business model transformation. The Group has established six key performance indicators (KPIs) to measure progress towards it targets: net sales, operating income, recurring sales ratio, sales growth rate + operating income ratio (GPP), ROE and dividends.

Vision of BE GLOBAL 2023 Mid-Term Management Plan

Maximize Corporate Value	=	Business Results	×	Investment Results	×	Market Value
		Sales Growth + High Profitability		High Capital Efficiency		Transform Business Model

Key Performance Indicators (KPIs) of "BE GLOBAL 2023"

		19/6	20/6	21/6	22/6	23/6 (Target)
Operational KPIs	Net Sales (¥ billion)	14.07	15.69	16.23	18.70	18.0–22.0
	Operating Income (¥ billion)	1.96	2.27	2.79	3.24	3.1–3.8
Strategic KPIs	Recurring Sales Ratio (%)	31.4	32.6	36.0	34.6	70
	Sales Growth Rate + Operating Margin (Points)	30.2	26.0	20.7	32.6	40 or more
Financial KPIs	ROE (%)	24.6	23.5	23.6	21.1	20 or more
	Dividend (¥)	7.5	9.0	11.0	13.0	15 or more

Industry Environment

While the global economy recovered strongly in 2021 after the spread of the novel coronavirus, as monetary and fiscal stimulus measures were implemented in various countries, the likelihood of global stagflation is said to be increasing in 2022 as these measures run their course, while Chinese lockdowns, global supply chain disruptions, the situation in Ukraine and other unexpected risks emerge one after another.

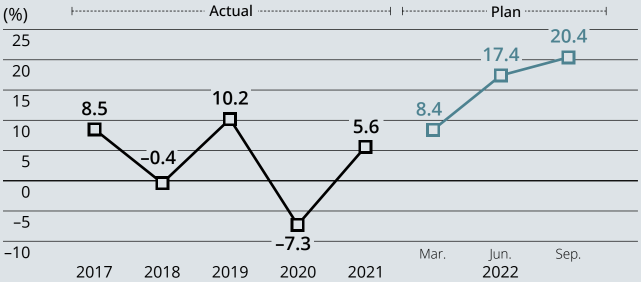
The Japanese economy is expected to manage only a moderate recovery path as the COVID-19 pandemic subsides, partly due to the continuation of large-scale monetary easing measures. Amid these circumstances, demand for software has been solid, and we can confirm that fully fledged digital transformation is underway. The Bank of Japan's *Tankan* survey of capital investment shows aggressive investment plans for software at a level not seen in recent years.

World Economic Recovery Rate Forecast

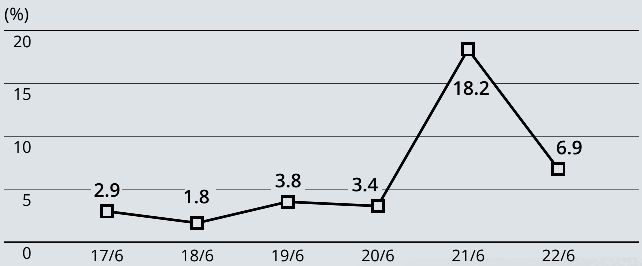
(%)	2020	2021	2022 (estimate)	2023 (forecast)	2024 (forecast)
World	–3.2	5.9	2.9	1.7	2.7
Developed countries	–4.3	5.3	2.5	0.5	1.6
Japan	–4.3	2.2	1.2	1.0	0.7

Source: THE WORLD BANK

Tankan: Investment in Software (All Industry)



Sales Growth of Information Services Industry

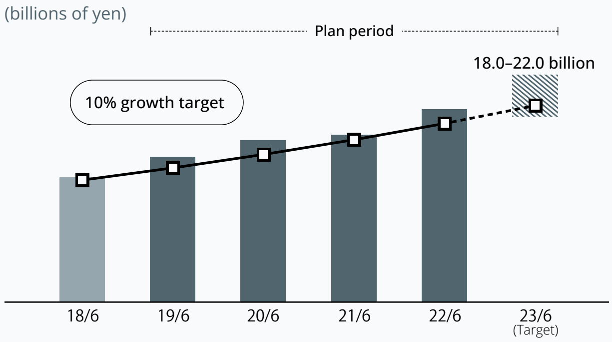


Compiled by Avant Group from METI, Survey of Selected Service Industries

Analysis of Operating Results and Financial Position

Net Sales

We are targeting net sales of ¥18 to ¥22 billion in the fiscal year ending June 2023, which would represent average growth of around 10% from the previous fiscal year ended June 30, 2022, when despite severe social and economic conditions such as the impact of the spread of the novel coronavirus and the situation in Ukraine, Japanese companies, our customers, became strongly aware of the need for management and decision-making based on data, and needs for the Group's products and services expanded solidly. As a result, each segment achieved an increase in sales, resulting in consolidated net sales of ¥18,703 million. Net sales before the application of the Accounting Standard for Revenue Recognition, etc. were ¥18,804 million, an increase of 15.8% compared to the previous fiscal year, and we are considered ourselves to be making solid progress toward the Medium-Term Management Plan target.



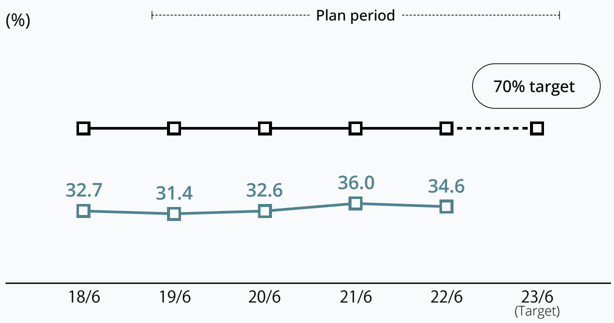
The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended June 2022, so the figures for the fiscal year ended June 2022 are the figures after the application of the new Accounting Standard.

Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

Recurring Sales Ratio

The Group aims to transform its business model during the period of the current Medium-Term Management Plan and has set a target of increasing the "Recurring Sales Ratio," which is the ratio of recurring sales (sales generated continuously in each period such as software maintenance fees) to total net sales, to 70%.

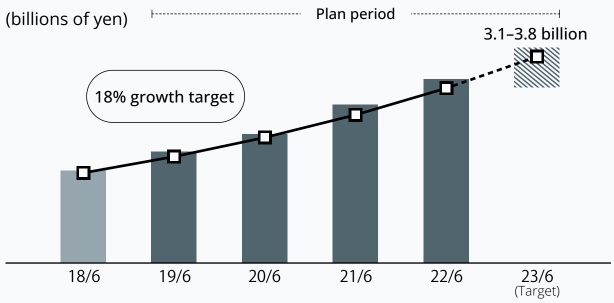
In the fiscal year ended June 2022, the Recurring Sales Ratio was 34.6%, down 1.4 percentage points from the previous fiscal year. Although we are beginning to see results in some areas, such as growth in the Outsourcing segment and growth in cloud computing sales in the Group Governance segment, with overall recurring sales increasing by 10.7% year-on-year, due to strong non-recurring sales mainly in the Digital Transformation the Recurring Sales Ratio declined.



Operating Income

The Group emphasizes growth in operating income and has set a long-term target of an average growth rate of 18%. Based on this average growth rate, our medium-term management plan aims to achieve ¥3.1 to ¥3.8 billion in the fiscal year ending June 2023.

In the fiscal year ended June 2022, the profit margin deteriorated slightly due to an increase in personnel expenses resulting from investments in human resources to develop new products and strengthen consulting sales capabilities, but this was partially offset by the increase in sales, resulting in operating income of ¥3,247 million. Operating income before the application of the Accounting Standard for Revenue Recognition, etc. was ¥3,038 billion, an increase of 8.7% from the previous fiscal year. As with net sales, we recognize that we are making solid progress toward the Medium-Term Management Plan target.



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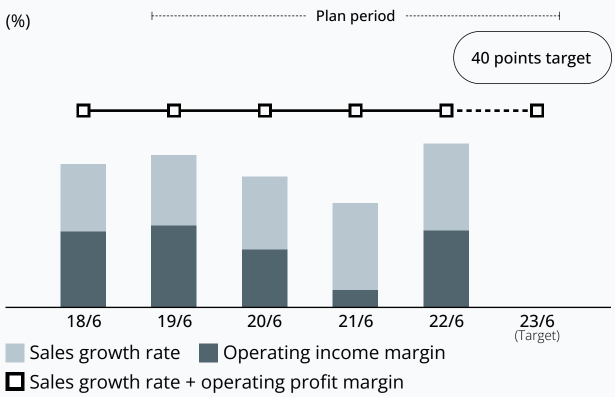
Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

GPP (Sales Growth Rate + Operating Profit Margin)

In the Medium-Term Management Plan, to promote a balance between improving profitability and expanding business scale, we have adopted "Sales Growth Rate + Operating Profit Margin" as an indicator and aim to raise this value to 40 points or more, which is a high level even by global standards.

In the fiscal year ended June 2022, each segment continued to see solid growth in demand, with double digit sales growth of 15.2%, or 15.8% before the application of the Accounting Standard for Revenue Recognition. However, the operating profit margin declined by 1.1 percentage points from the previous fiscal year to 17.4% due to an increase in personnel expenses, or to 16.2% before the application of the Accounting Standard for Revenue Recognition. As a result, the ratio of sales growth plus operating income margin was 32.6 percentage points or 32.0 percentage points before the application of the Accounting Standard for Revenue Recognition. This represents an increase of 11.9 percentage points from the fiscal year ended June 2021, or an increase of 11.3 percentage points compared to before the application of the Accounting Standard for Revenue Recognition. However, there is no improvement in the situation where there is a deviation from the target value. We recognize that we need to accelerate sales growth and improve profitability.



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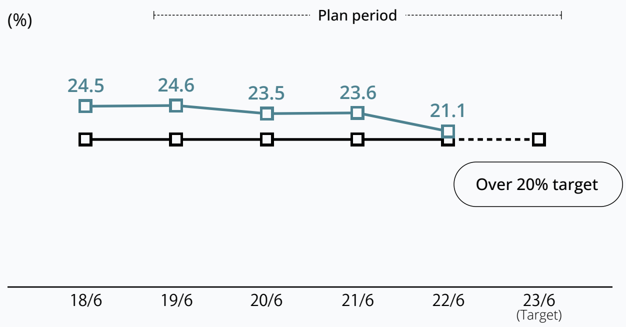
ROE

To achieve the Medium-Term Management Plan, we recognize that in addition to the growth of the three existing businesses, investment activities such as in internal investment and in external growth are also necessary. However, as a guide for implementing investment activities, we will continue to maintain as a target ROE at around 20% over the long term, and the target is to maintain 20% or more continuously.

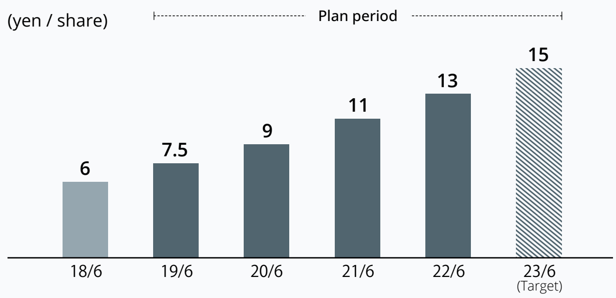
ROE for the fiscal year ended June 2022 was 21.1%, down 2.5 percentage points from the previous fiscal year, but remained above the 20% target set in the Medium-Term Management Plan. Amid growing uncertainty over the business environment due to the COVID-19 pandemic, we have made efforts to control unnecessary and non-urgent expenses, and we are confident that we are making solid progress.



Dividend

The Group positions dividends as an important part of its policy to return profits to shareholders and focuses on indicators such as the ratio of dividends to net assets, aiming to maintain and increase dividends in a stable manner without being significantly swayed by each fiscal year's business performance. In the fiscal year ending June 2023, we aim to achieve operating results and financial position sufficient to pay a dividend of ¥15 per share.

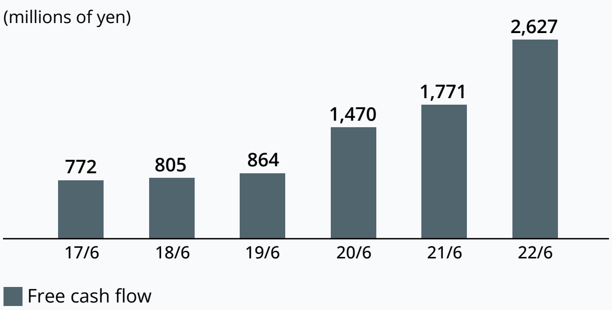
For the fiscal year ended June 2022, we increased our dividend by ¥2 per share to ¥13 per share in line with our basic policy of maintaining stable dividends. The dividend on equity ratio is approximately 5.0%, well above the average for companies listed on the Tokyo Stock Exchange.

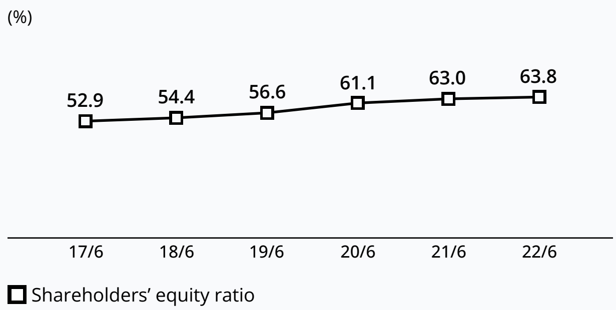


Free Cash Flow and Shareholders' Equity Ratio

The Company's free cash flow is on an increasing trend due to an increase in net income attributable to owners of the parent. As a result of efforts to secure liquidity as a priority issue before and after the COVID-19 pandemic, free cash flow for the fiscal year ended June 2022 was ¥2,627 million.

Net assets after payment of dividends from retained earnings of ¥413 million were ¥10,597 million. As a result, the shareholders' equity ratio improved 0.8 percentage points to 63.8% from 63.0% at the end of the previous fiscal year. We believe that we are maintaining a highly stable financial balance with little interest-bearing debt.





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Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

Reorganization and the Next Medium-Term Management Plan

The fiscal year ending June 2023 is the final year of the "BE GLOBAL 2023" Medium-Term Management Plan, but we have not achieved significant results with regard to the business model conversion among the three prongs targeted in the "BE GLOBAL 2023" 1) pursue further sales growth through the collective strength of the Group, 2) M&A to accelerate growth, and 3) business model transformation. As a progress indicator, the Recurring Sales Ratio was only 34.6% in the fiscal year ending June 2022 and reaching the target of 70% is considered difficult.

Accordingly, in the second half of 2021, we began to formulate the next Medium-Term Management Plan, together with the Group management strategy execution team, we discussed what the Group should do to realize the vision, and formulated as the Group's materiality, "Becoming a software company that enhances corporate value." As for specific measures to realize this materiality, after discussions by the Group management strategy executives and the Board of Directors we have concluded that it would be effective to accelerate the growth of existing businesses and create new growth businesses by reorganizing them into separate organizations.

As the first step of the reorganization, on July 15, 2022, the development arm of Diva Corporation, a consolidated subsidiary of the group (main products DivaSystem LCA and DivaSystem FBX), was transferred to Fierte Corporation in an absorption-type company split agreement, while in a similar absorption-type company split agreement, the Zeal Corporation transferred to Diva Corporation businesses under the jurisdiction of the Corporate Performance Management Unit. These changes were approved at the General Meeting of Shareholders held on September 27, 2022, and on October 1, 2022, Diva changed its name to Avant Corporation and Fierte Corporation to Diva Corporation, and the group holding company which oversees the execution of the Group's strategies, changed its name to Avant Group Corporation from Avant Corporation.

During the fiscal year ending June 2023, each company will be preparing to launch its next Medium-Term Management Plan to further clarify its direction under the new management structure. Specifically, we will promote the development of an environment for accelerating the shift to the cloud and in existing businesses streamlining low-profit products and projects. During the period of the new Mid-Term Management Plan, we will actively recruit, to facilitate the development of new products, which will be our core applications in the future, and to strengthen our implementation consulting business.

The market environment surrounding each company is very favorable, and under the new organization, by strengthening existing products, developing new products, and providing new solutions, we will increase sales at existing customers and cultivate new customers, thereby improving profitability. As a result, we aim to achieve a compounded annual growth rate (CAGR) of 20% or

Overview of the next Medium-Term Management Plan

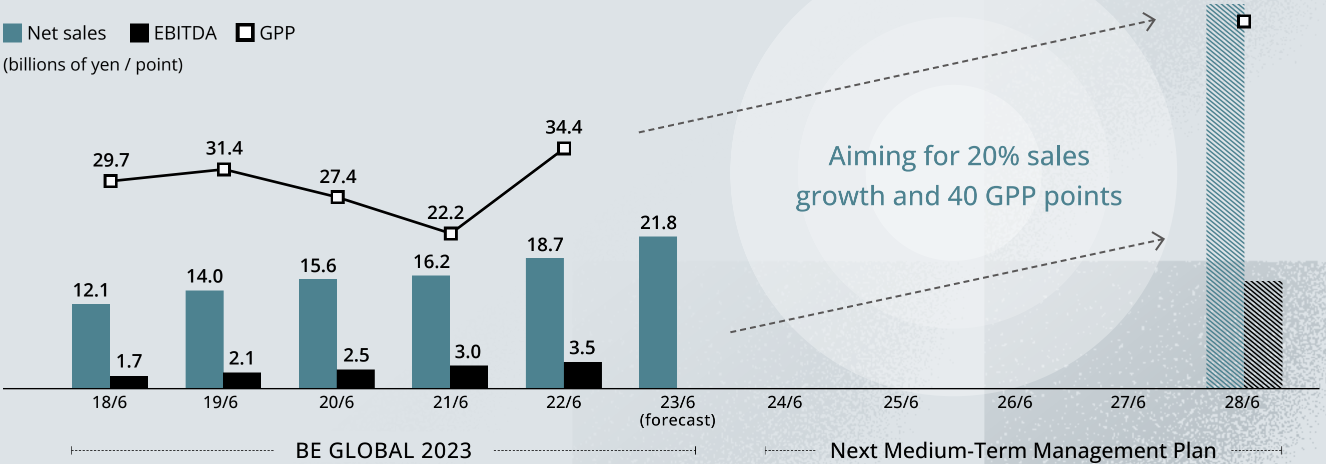
Strategy	■ Contribute to customers who aim to increase corporate value through "DX for Management." ■ Clarify the direction of operating companies, reorganize low-profit products, and actively recruit to facilitate the development of future core products and strengthen the implementation consulting business. ■ Strengthen relationships with 1,400, mainly listed company customers, and by grasping customer needs provide products and services without a bias to in-house products. Accelerate the shift to the cloud and aim to accelerate top-line growth by increasing sales per customer and the number of customers.
Growth and profitability	■ Sales growth of 20% or more (5 year CAGR) ■ GPP40 points or more (after June 2028) * GPP = Sales growth rate + EBITDA margin
Capital strategy	■ ROE of 20% or more ■ DOE> 8%

more in the period of the next Medium-Term Management Plan (from the fiscal year ending June 2024 to the fiscal year ending June 2028), and a (sales) growth and profit (EBITDA) point (GPP) of 40 points or more in the second half of the Medium-Term Management Plan. We also aim to maintain an average ROE of 20% or higher and gradually raise DOE to 8% from the current 5% level. The details of the strategies in the next Medium-Term Management Plan, the strategies of each operating company, and especially important KPIs, will be discussed as the fiscal year ending June 2023 unfolds, and will be disclosed at an appropriate time.

* Until the current medium-term management plan, GPP was defined as the sum of sales growth and operating margin, but from the next medium-term management plan starting in FY2024, GPP will be defined as the sum of sales growth and EBITDA margin.

Operating Companies and Market Environment under New Structure

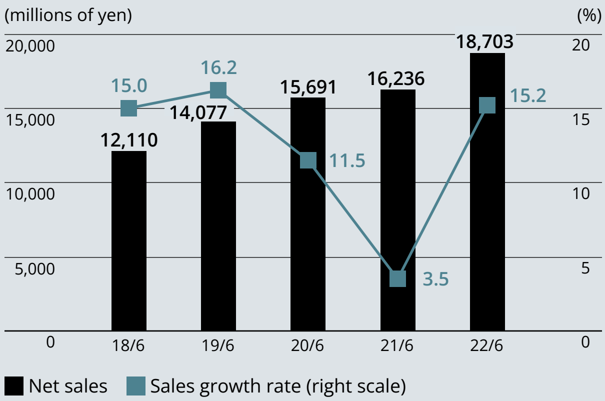
	Business Description	Market Environment
DIVA	In addition to developing the DivaSystem LCA consolidated accounting system and related products such as DivaSystem, Dx3-Advance, and DivaSystem FBX, we are engaged in outsourcing services for consolidated and non-consolidated accounting operations using DivaSystem and provide comprehensive support for corporate value creation processes through information disclosure.	Efficiency improvement, industry reorganization, and overseas expansion are making group management inevitable for Japanese companies. Due to the need for faster settlement of accounts and improved disclosure, the consolidated accounting system market grows at around 6%. **Systems are rapidly becoming cloud-based, and cloud systems are expected to grow at around 20%**. On the other hand, we expect **the outsourcing market to grow by 20–25%**, supported by needs such as DX reform, combating individual over-dependence, work-style reform, and stronger governance.
AVANT	Supporting the creation of corporate value through the installation and maintenance of the DivaSystem consolidated accounting system and related products, the development of Group management support systems such as AVANT SMD, AVANT Compass, and AVANT Chart, and also based on customer needs developing and implementing systems that may incorporate software developed by other companies.	The Corporate Governance Code requires companies to make decisive management decisions based on management information and to realize improvements in corporate value. Companies need solutions (DX for Management) to integrate and analyze various types of information and to make management decisions, execute and report. **The DX solution consulting market is expected to grow by 30%**.
ZEAL	Under the auspice of Digital Transformation, through consulting and system development, supports the development of a data-platform and BI solutions for organizing and integrating internal and external data, making it "visible" through analysis, reports and graphs, and providing useful information for management decision-making. The company has also developed its own cloud-based analytical platform "ZEUSCloud" and e-learning service "ZEAL DX Learning Room."	Advanced companies, which regard management reform by DX as the key to competitiveness, are actively in introducing systems. In the future, due to the spread of DX, **the DX system integration market is expected to grow by 30%**.



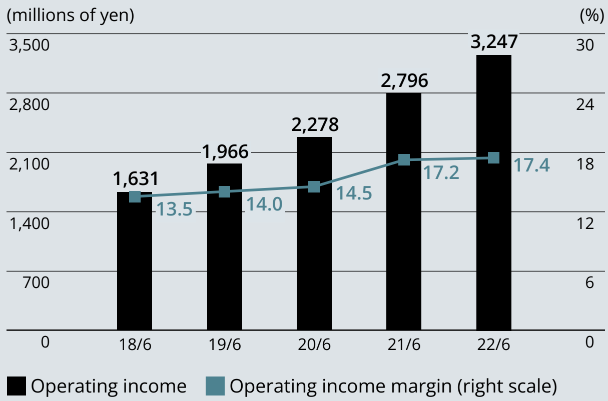
GPP	Sales CAGR	Average EBITDA margin
31.8 points	12.4%	16.4%

Financial and Non-Financial Highlights

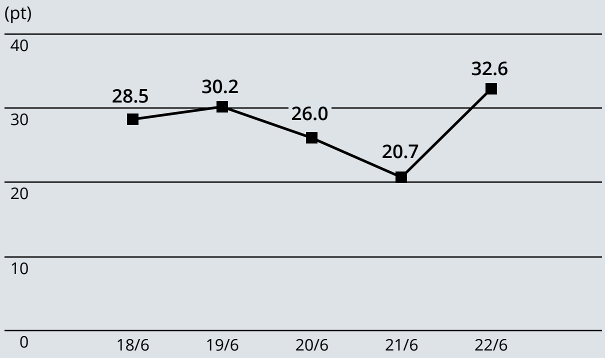
Net Sales / Sales Growth Rate



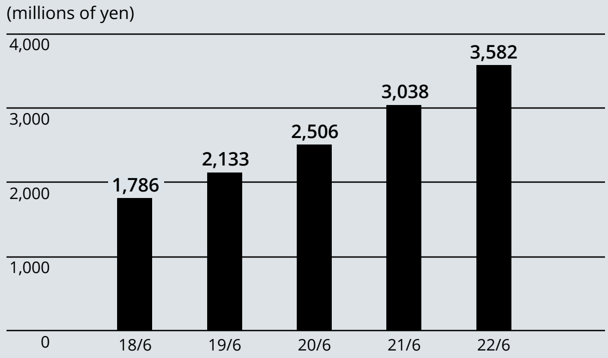
Operating Income / Operating Income Margin



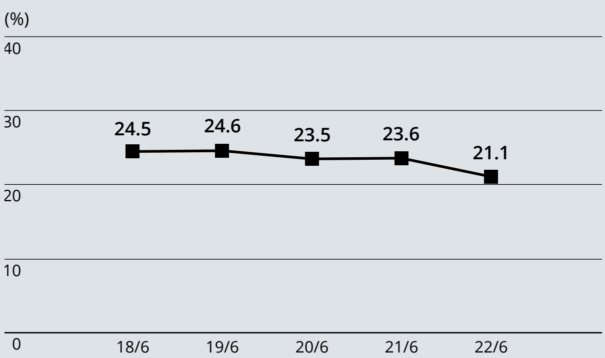
GPP (Sales Growth Rate + Operating Profit Margin)



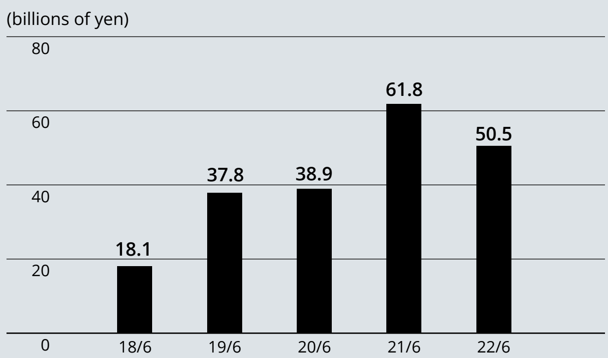
EBITDA



ROE

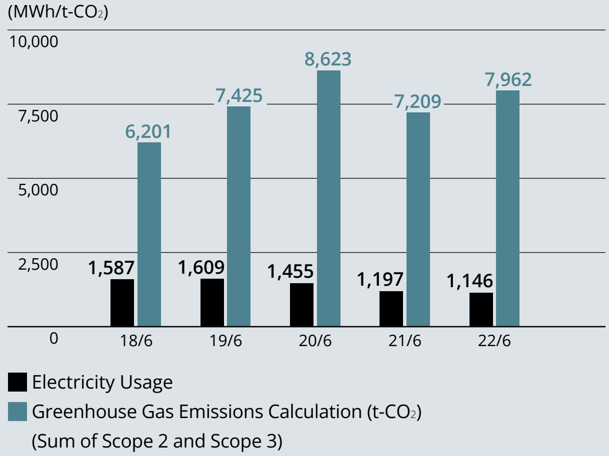


Market Capitalization

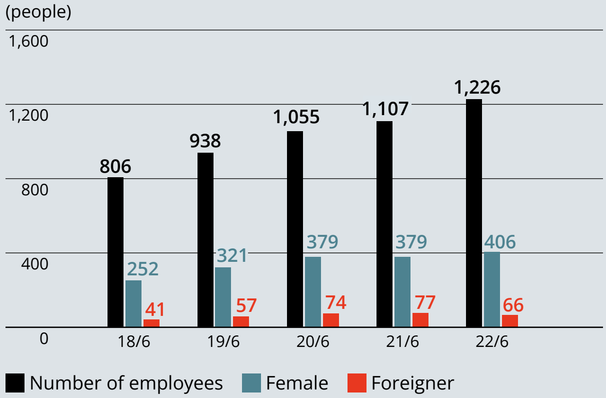


The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020) etc. have been applied from the beginning of the financial year ended 30 June 2022, and the figures for the year ended 30 June 2022 are after the application of these accounting standards, etc. When comparing these figures with those for the year ended 30 June 2021 and earlier, please note that there is an impact from the change in accounting standards.

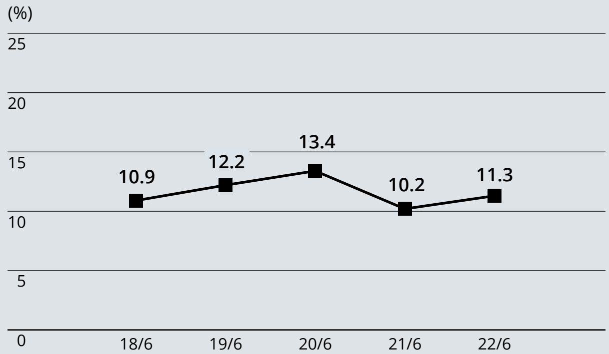
Electricity Usage / Greenhouse Gas Emissions Calculation (t-CO_2)



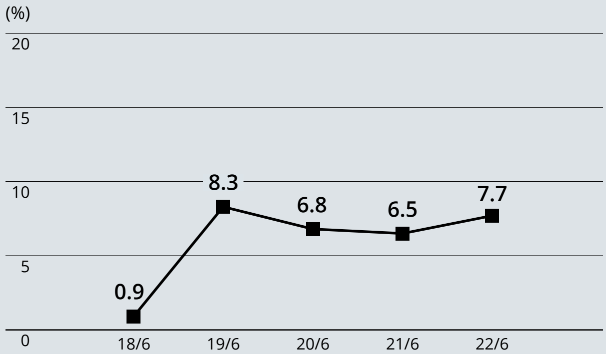
Number of Employees



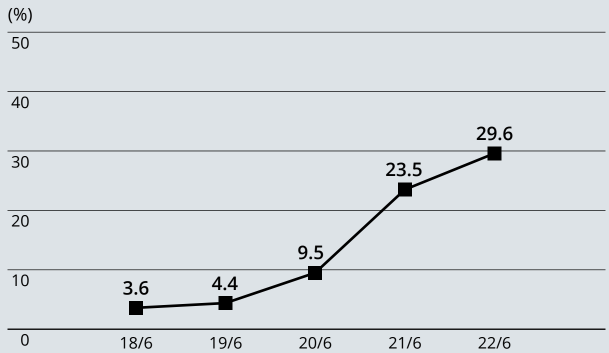
Employee Turnover Rates



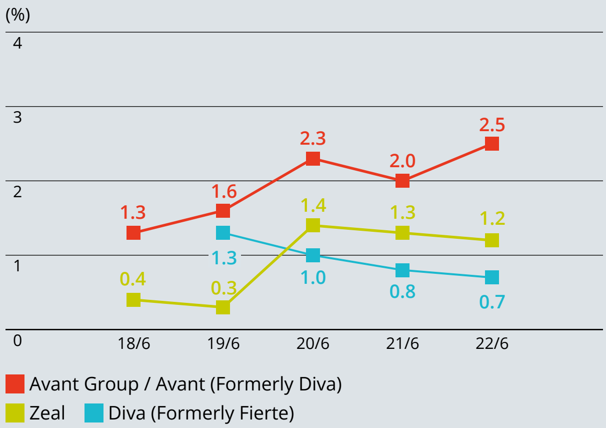
Ratio of Female Managers



Rate of Male Employees Taking Maternity Leave



Employment Rate of Persons with Disabilities*



* The company name was changed following a reorganization in October 2022.
* Since the employees of the operating subsidiary Avant are composed of seconded employees from the holding company Avant Group, the employment rate of persons with disabilities disclosed by Avant is calculated based on the total number of employees of Avant Group and Avant.

Financial Data

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022
Operation Indicators:					
Recurring sales (millions of yen)	3,955	4,420	5,123	5,852	6,476
Recurring sales ratio (%)	32.7	31.4	32.6	36.0	34.6
Value-added productivity (thousand yen/person)	9,762	9,629	9,784	10,332	10,607
Amount of orders received (millions of yen)	12,842	14,171	15,357	17,401	20,073
Group Governance Business	7,732	7,774	8,313	8,510	10,155
Digital Transformation Business	4,221	5,265	5,417	6,639	6,902
Outsourcing Business	1,488	1,807	2,160	2,987	4,032
Order backlog (millions of yen)	3,834	3,927	3,595	4,761	6,131
Group Governance Business	2,433	2,173	1,999	2,349	3,132
Digital Transformation Business	929	1,204	854	1,244	1,131
Outsourcing Business	675	852	950	1,457	2,446
Income Statement:					
Consolidated net sales (millions of yen)	12,110	14,077	15,691	16,236	18,703
Group Governance Business	7,261	8,034	8,485	8,160	9,372
Digital Transformation Business	3,953	4,990	5,767	6,250	7,015
Outsourcing Business	1,313	1,629	2,062	2,479	3,044
Operating income (millions of yen)	1,631	1,966	2,278	2,796	3,247
Group Governance Business	1,030	1,293	1,616	1,935	2,060
Digital Transformation Business	324	636	692	811	1,244
Outsourcing Business	213	318	364	523	661
Ordinary income (millions of yen)	1,632	1,972	2,282	2,808	2,988
Income before income taxes (millions of yen)	1,652	2,003	2,282	2,808	2,988
Income taxes (millions of yen)	590	686	744	919	943
Profit attributable to owners of parent (millions of yen)	1,062	1,317	1,537	1,888	2,045
Balance Sheet:					
Cash and deposits (millions of yen)	4,564	5,160	6,335	7,238	9,444
Tangible fixed assets (millions of yen)	222	277	469	407	398
Intangible fixed assets (millions of yen)	172	165	191	608	676
Software	171	164	190	607	676
Investments and other assets (millions of yen)	921	1,574	1,614	1,893	1,800
Investment securities	307	397	428	491	511
of which, stocks of subsidiaries and affiliates	—	—	—	267	—
Total assets (millions of yen)	8,814	10,415	11,780	13,956	16,617
Current liabilities (millions of yen)	3,871	4,348	4,314	4,943	5,820
Long-term liabilities (millions of yen)	150	169	272	226	198
Total liabilities (millions of yen)	4,021	4,517	4,586	5,169	6,019
of which, interest-bearing debt	—	—	—	—	—
Net assets (millions of yen)	4,792	5,898	7,194	8,787	10,597
Shareholders' equity (millions of yen)	4,784	5,889	7,161	8,728	10,466
Accumulated other comprehensive income (millions of yen)	8	8	32	58	131

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022
Consolidated Cash Flow:					
Operating cash flow (millions of yen)	1,159	1,320	1,890	2,561	3,026
Depreciation and amortization	126	167	227	254	349
Investment cash flow (millions of yen)	–353	–455	–420	–789	–398
Acquisition of tangible fixed assets	–52	–127	–236	–114	–89
Acquisition of intangible fixed assets	–146	–54	–121	–429	–317
Free cash flow (millions of yen)	805	864	1,470	1,771	2,627
Financial cash flow (millions of yen)	–184	–232	–294	–359	–433
Repayment of long-term debt	–28	—	—	—	—
Payment of dividends	–150	–225	–281	–338	–413
Profitability and Capital Efficiency:					
EBITDA (millions of yen)	1,786	2,133	2,506	3,038	3,582
Effective tax rate (%)	30.9	30.6	30.6	30.6	30.6
NOPAT (millions of yen)	1,127	1,364	1,581	1,940	2,253
ROIC (%)	25.9	25.5	24.2	24.3	23.3
ROE (%)	24.5	24.6	23.5	23.6	21.1
Net sales growth (%)	15.0	16.2	11.5	3.5	15.2
Operating income margins (%)	13.5	14.0	14.5	17.2	17.4
GPP (revenue growth rate + operating income ratio) (points)	28.5	30.2	26.0	20.7	32.6
Total asset turnover (times)	1.50	1.46	1.41	1.26	1.22
Research and development expenses (millions of yen)	151	215	409	445	382
Capital adequacy ratio (%)	54.4	56.6	61.1	63.0	63.8
Cash conversion ratio (%)	64.9	61.9	75.4	84.3	84.5
Share Information and Shareholder Returns:					
Number of shares issued (shares)	18,776,000	18,785,094	37,586,982	37,603,203	37,625,501
Average number of shares during the period (shares)	18,774,666	18,780,970	37,582,026	37,598,448	37,614,361
BPS (yen/share)	255.26	314.00	191.42	233.70	281.68
EPS (yen/share)	56.57	70.13	40.92	50.24	54.37
DPS (yen/share)	12.0	15.0	9.0	11.0	13.0
DOE (%)	5.2	5.3	5.2	5.2	5.0
Dividend payout ratio (%)	21.2	21.4	22.0	21.9	23.9
TSR (%)					
3 years	271.4	748.5	295.8	347.6	136.6
5 years	501.4	549.6	584.4	1,228.8	389.0

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020) etc. have been applied from the beginning of the financial year ended 30 June 2022, and the figures for the year ended 30 June 2022 are after the application of such accounting standards. Figures for the year ended 30 June 2021 and earlier are before the application of such accounting standards.

On 1 November 2017, the company carried out a stock split at a ratio of 2 ordinary shares for each ordinary share. BPS, EPS and DPS have been calculated on the assumption that the stock split was carried out at the beginning of the year ended 30 June 2018.

On 1 December 2019, the company carried out a stock split at a ratio of 2 ordinary shares for each ordinary share. BPS, EPS and DPS are calculated on the assumption that the said stock split was carried out at the beginning of the year ending 30 June 2019.

In the dividend per share, the actual dividend amount before the relevant stock split is stated for the period prior to the dividend for the year ended 30 June 2019.

Non-Financial Data

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022
Environmental					
GHG emissions (t-CO_2)	6,201,569	7,425.005	8,623.208	7,209.395	7,962.214
of which Scope 2	720.098	740.086	697.379	587.290	516.138
of which Scope 3	5,481.470	6,684.919	7,925.829	6,622.104	7,446.076
Electricity consumption (thousand kWh)	1,587	1,609	1,456	1,197	1,146
Percentage of renewable energy (%)	0	0	0	0	100
Indicators in SASB standards (Software / IT services)					
Data security					
Number of personal information leaks	0	0	0	0	0
Percentage of information that contains personally identifiable information (%)	0	0	0	0	0
Number of customers affected	0	0	0	0	0

Description of efforts to identify and address data security risks, including the use of third-party cybersecurity standards:

Avant Group has acquired ISMS certification (ISO/IEC27001:2013), an international standard. The Information Security Committee, led by management and the Chief Information Security Officer (CISO), operates the ISMS under its management system and strives to improve information security. We respond to cyber-attacks and incidents in accordance with our internal regulations, and the Information Security Committee takes measures according to the degree of impact on the Group's business. We also conduct quarterly information security training to raise the security awareness of all employees, temporary workers, and outsourced workers.

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022
Social					
Number of employees (persons) *	806	938	1,055	1,107	1,226
Avant Group	33	37	36	45	47
Avant (Formerly Diva)	374	424	454	450	479
Zeal	270	311	351	372	401
Diva (Formerly Fierte)	116	154	203	229	288
ID	13	12	11	11	11
Number of female employees (persons)	252	321	379	379	406
Ratio of female managers (%)	0.9	8.3	6.8	6.5	7.7
Number of non-Japanese employees (persons)	41	57	74	77	66
Employment rate of persons with disabilities (%)*					
Avant Group / Avant (Formerly Diva)	1.3	1.6	2.3	2.0	2.5
Zeal	0.4	0.3	1.4	1.3	1.2
Diva (Formerly Fierte)	—	1.3	1.0	0.8	0.7
Rate of male employees taking paternity leave (%)	3.6	4.4	9.5	23.5	29.6

* The company name was changed following a reorganization in October 2022.

	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022
Social					
Number of hires (persons)	148	226	241	197	261
Number of new graduates	—	48	56	30	50
Number of mid-career hires	—	178	185	167	211
Number of resignations (persons)	58	90	145	109	128
Employee turnover (%)	10.9	12.2	13.4	10.2	11.3
Average years of service (years)	4.8	4.6	4.1	4.6	4.6
Recruitment expenses (millions of yen)	220	268	263	326	353
Recruitment cost (thousand yen/number of hires)	1,491	1,189	1,091	1,656	1,353
Personnel expenses (millions of yen)	5,660	6,419	7,162	7,748	9,135
Training expenses (millions of yen)	29	39	39	46	63
Training cost (yen/number of employees)	39,553	42,445	37,449	42,234	52,020
Average salary (yen / year)	5,587,042	5,451,533	5,397,341	5,772,288	5,892,667
Salary increase rate (%)	5.20	5.60	1.04	3.60	4.70
Average age (years)	34.5	34.2	34.0	34.5	34.6
Average annual overtime hours worked (hours / month)	20.3	19.2	16.7	16.2	14.7
GPTW score (points)*					
Avant (Formerly Diva)	46	41	54	56	59
Zeal	46	44	51	59	64
Diva (Formerly Fierte)	61	58	61	66	66
Governance					
Number of shareholders (persons)	3,169	2,176	2,536	3,674	3,311
Shareholder Composition (%)					
Individual	70.1	64.1	61.3	60.5	59.4
of which directors	31.9	31.8	31.8	31.8	31.8
of which Employee Stock Ownership Plan	10.1	9.2	8.5	6.1	6.1
Government	0.0	0.0	0.0	0.0	0.0
Financial institutions	4.8	10.1	12.1	12.7	13.8
Domestic corporations	11.7	11.5	10.5	10.1	8.0
Foreigner	12.2	12.6	14.2	14.8	17.3
Securities company	1.2	1.6	1.8	1.9	1.5
Treasury stock	0.0	0.0	0.0	0.0	0.0
Number of meetings of the Board of Directors (times)	19	17	16	17	14
Total board meeting time (minutes)	1,920	1,956	1,107	1,413	1,454
Average Board meeting time (minutes)	101	115	65	83	103
Number of meetings of the Remuneration Advisory Committee (times)	—	—	—	3	7

* Great Place to Work® (GPTW) is a specialized organization that for over 30 years has been quantifying (scoring) job satisfaction through surveys on job satisfaction and analyzing the results. The Avant Group aims to improve job satisfaction by having everyone at each company participate in the surveys, using the GPTW score to identify issues, and then solving and improving them.

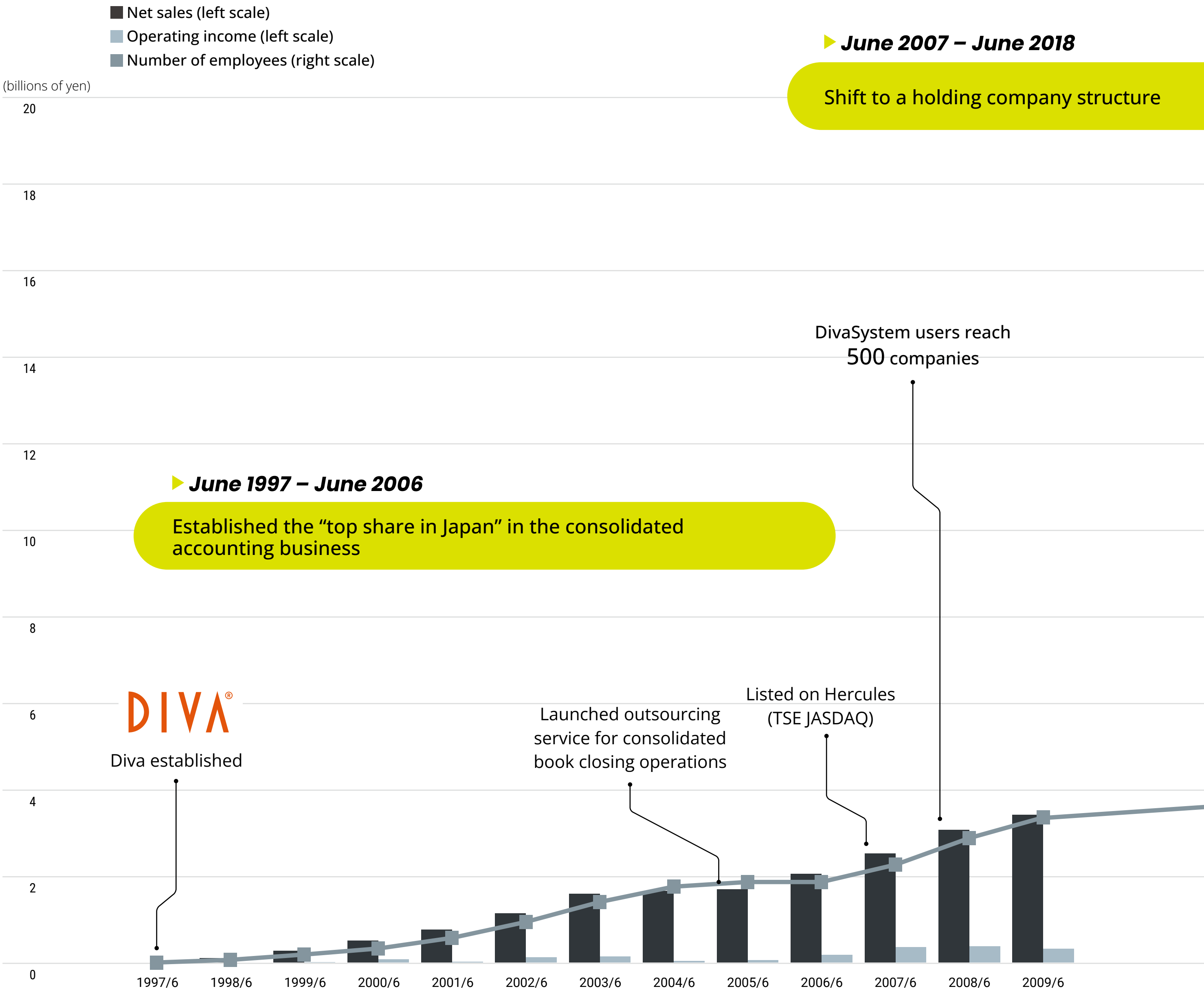
History

Evolution of the Disclosure System

Consolidated Reporting Rule
(from the fiscal year ended March 2000)

Quarterly disclosure
(from April 2003)

Introduction of internal control reporting system (J-SOX)
(from April 2008)



AVANT GROUP

IFRS voluntary application (from the fiscal year ended March 2010)

▼ Corporate Governance Code (from June 2015)

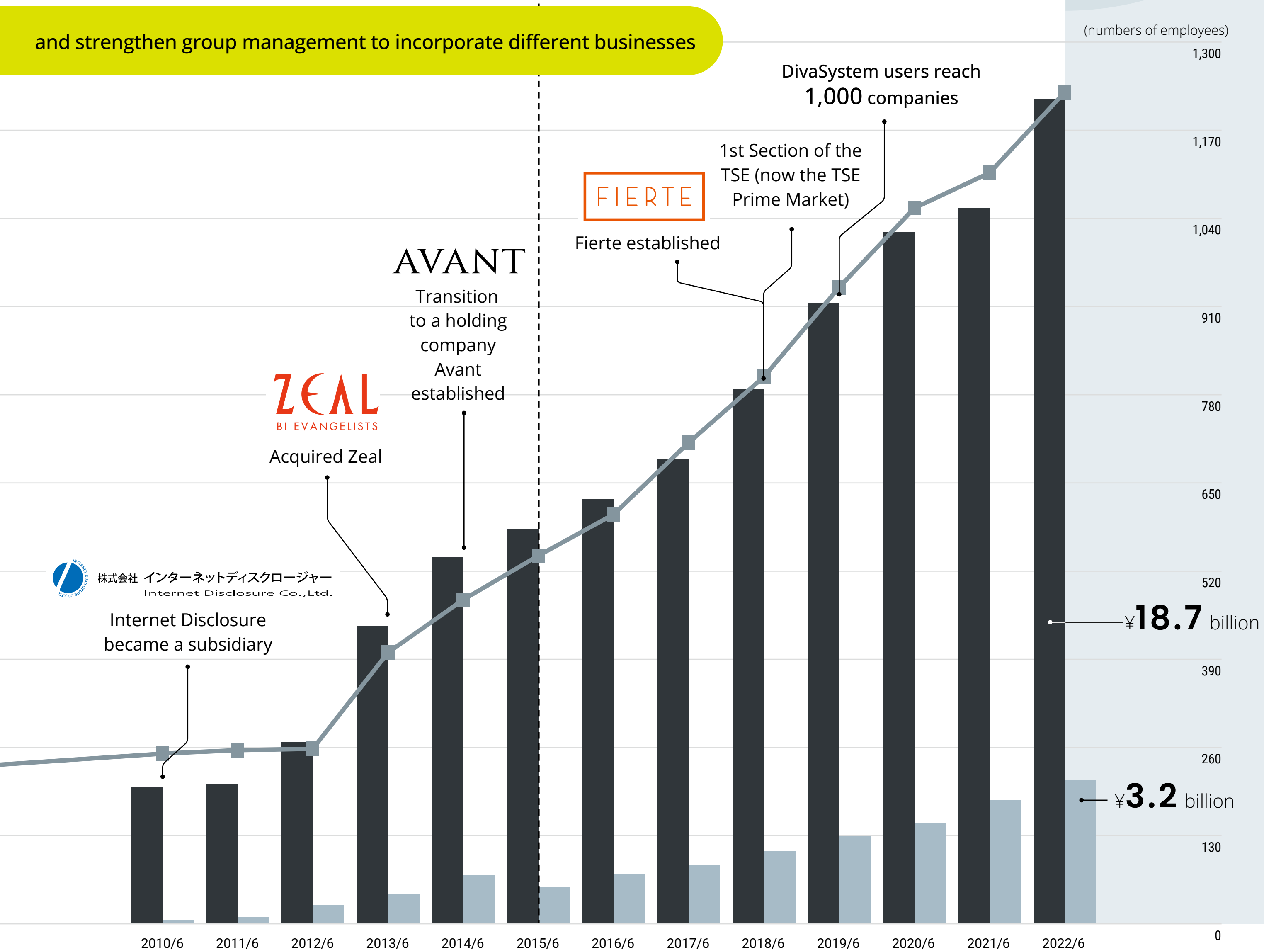
▶ ***October 2022 –***

Restructured organization and re-launched as the new Avant Group.

▶ ***June 2019 – June 2023***

Medium-term Management Plan "BE GLOBAL 2023"

and strengthen group management to incorporate different businesses



Corporate Philosophy

Based on the corporate philosophy of "Creating a 100-year Company" all members of the Avant Group are striving to realize its founding mission of "Spreading Accountability." Our goal is to "BE GLOBAL."
We will evolve into a world-class software company and contribute to the development of society and the economy.

VISION

BE GLOBAL

—A World-class Software Company—

While pursuing growth opportunities in Japan, **the Group aims to establish itself as a world-class software company, using world-class SaaS companies as benchmarks.**

MISSION

Spreading Accountability

—Transforming management information into a map of the future—

Our group's corporate mission is **to build a management information system that enables many companies to create sustainable corporate value for the future** by the realization of "Spreading Accountability" and, **by extension, to spread "best management" widely throughout society.**

PHILOSOPHY

Creating a 100-year Company

—A company where everyone is passionate about value creation—

The Group' s corporate philosophy is to be a company that lasts 100 years as a result of passing on its transparency and management philosophy as a "public entity" from generation to generation, and **all its members being passionate about providing value to society in a free and creative manner.**

OPEN VALUE STRETCH

Values that support our corporate philosophy

The following values are important to the employees of our group.
OPEN: Based on an open spirit.
VALUE: Foster a passion for value creation.
STRETCH: Challenge to be the best.

About Us

Company name:	Avant Group Corporation	**Number of shareholders:**	3,311 (as of June 30, 2022)
Founded:	May 26, 1997	**Stock exchange listing:**	Prime Market, Tokyo Stock Exchange
Location:	Shinagawa Intercity B Tower 13F, 2-15-2 Konan, Minato-ku, Tokyo	**Stock code:**	3836
Number of employees (consolidated):	1,226 (as of June 30, 2022)	**Closing date:**	June 30
Capital stock:	329,128,099 yen (as of June 30, 2022)	**Ordinary general meeting of shareholders:**	Within three months from the day following the last day of the fiscal year
Total number of shares issued and outstanding:	37,625,501 shares (as of June 30, 2022)	**Shareholder registry administrator:**	Sumitomo Mitsui Trust Bank, Limited
Share unit:	100 shares	**Accounting Auditor:**	Deloitte Touche Tohmatsu LLC

MISSION

Spreading Accountability

—Transforming management information into a map of the future—

With the mission of “Spreading Accountability”, since its establishment, the Avant Group has been supporting decision-making in corporate management using IT in visualizing management information. In the decision-making process, it is important to create an environment where not only management but also many employees can access management information, so that open discussions and transparent decision making can take place. This is what is meant by “Spreading”.

On the other hand, the business environment surrounding corporations has changed dramatically in recent years. These include governance reforms aimed at increasing corporate value, the promotion of digital transformation (DX), and the rise of ESG investment, which seeks sustainable growth for companies. In this environment, “Accountability (management information)” in a company not only plays an important role in decision-making, but also has a significant bearing on the creation of corporate value and the realization of sustainable growth.

Considering these societal conditions, the Avant Group is further evolving its mission of “Spreading Accountability.” The purpose of “Spreading Accountability” in the coming age is to spread “best management” widely in society. The “best management” is nothing other than creating corporate value over the long term through sustainable management. Our group aims to make great strides toward the second stage of “Spreading Accountability” by providing advanced information systems and solutions that enable the effective use of management information as information that will create future corporate value.

Stock Information

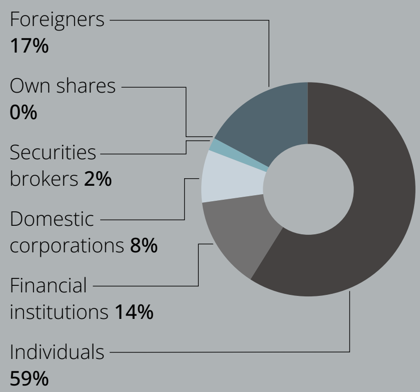
Major Shareholders (as of June 30, 2022)

Name of Shareholders	Number of shares held	Percentage*
Tetsuji Morikawa	9,764,000	25.95
The Master Trust Bank of Japan, Ltd. (trust account)	3,067,700	8.15
Avant Employee Stock Ownership Association	2,287,200	6.08
Tsuyoshi Noshiro	1,868,800	4.97
OBIC Business Consultants Co., Ltd.	1,600,000	4.25
Custody Bank of Japan, Ltd. (trust account)	1,537,100	4.09
JP MORGAN CHASE BANK 385174 (Mizuho Bank, Ltd.)	1,146,900	3.05
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	911,291	2.42
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: Hong Kong Shanghai Bank Tokyo Branch)	874,600	2.32
PCA Corporation	778,400	2.07

* Percentage of shares held in relation to the total number of shares issued (excluding treasury shares)

Shareholder Distribution by Type

(as of June 30, 2022)



AVANT GROUP CORPORATION
https://www.avantgroup.com/en

AVANT GROUP INTEGRATED REPORT 2022