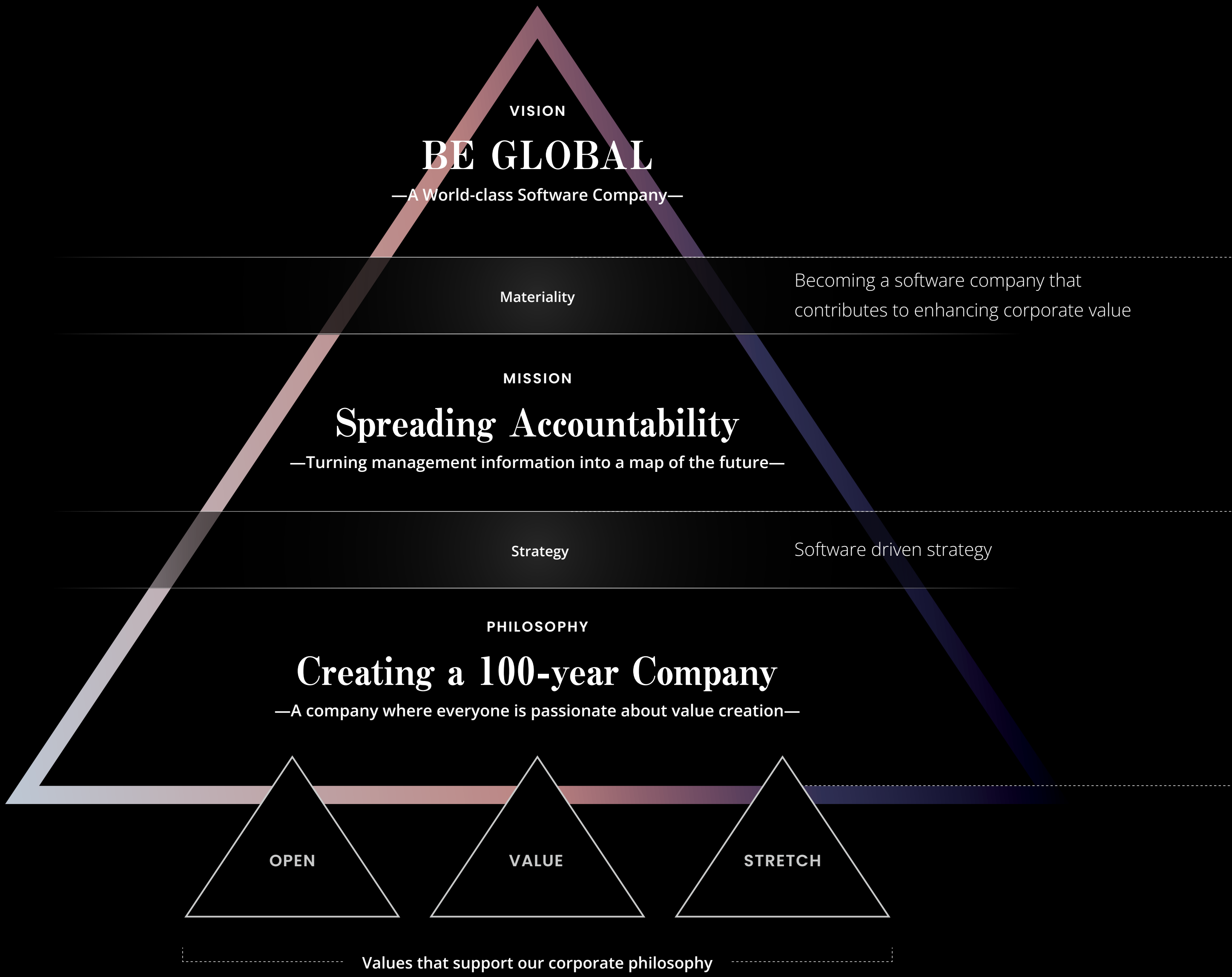
CREATIVE DIALOG 2023

AVANT GROUP
INTEGRATED REPORT

OUR 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." At present, we are pursuing a software driven strategy to become a software company that helps increase corporate value.

VANT

VISION

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

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

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**.

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.

GROUP

Editorial Policy

The integrated report "CREATIVE DIALOG" is published to inform investors and other stakeholders of the Avant Group's approach, strategies, and achievements in value creation and corporate value enhancement, and to provide an opportunity for dialog.

In the "CREATIVE DIALOG 2023," we first highlight how our group is trying to create value for society through the Group CEO's message and our value creation process. Thereafter, the report is split into three parts: **growth strategies** to realize the vision, **business strategies** to execute the mission, and **ESG** initiatives that embody the corporate philosophy, expressing how the Group will implement and realize this in conjunction with our mission, and vision, based on our philosophy system. The final data section shows results achieved to date.

The Group's strategic materiality in realizing our vision of becoming a software company that helps increase corporate value is a central policy for improving our corporate value, helping contribute to society and significantly increase our profit levels through refining of our business model. We hope readers will understand that the path to realization of our vision is also a journey that leads directly to enhancement of our Group's corporate value.

CONTENTS

CREATIVE
DIALOG 2023

AVANT GROUP
INTEGRATED REPORT

04 **Group CEO Message**
10 Value Creation Process

P.12– **Growth Strategy**

To realize our vision, "BE GLOBAL—A World-class Software Company," we go through our growth strategy centered around our new medium-term management plan, "BE GLOBAL 2028," which started in the fiscal year ending June 30, 2024.

12 New Medium-Term Management Plan "BE GLOBAL 2028"
14 Creative Dialog with Investors
16 Software Driven Strategy
26 Financial Strategy
32 Human Resources Strategy

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.

P.36–

Business Strategy

We highlight the strategies of three businesses that look to implement "Spreading Accountability." This looks to make management information available to all employees and bring out the value embedded within a company. Promotion of these businesses contributes to the enhancement of the corporate value of our clients, and also enhances the corporate value of our own group.

36 Snapshot
38 Consolidated Financial Disclosure Business
40 DX Promotion Business
42 Management Solutions Business

P.44–

ESG

The thinking behind our entrepreneurial philosophy of "Creating a 100-year Company" is that the company should be viewed as a public institution of society, and should develop sustainably as an organization that exists for the benefit of society. This section outlines our governance and sustainability structure, policies, and measures to achieve this goal.

44 DISCUSSION
Director (Audit Committee Member) Discussion
Formulate and Promote the New Medium-Term Management Plan under a New Governance Structure
50 Corporate Governance
58 Risk Management
62 Leadership
64 Sustainability

P.70–

Data Section

70 MD&A
74 Financial and Non-Financial Highlights
76 Financial Data / Non-Financial Data
80 History
82 About Us / Stock Information

GROUP CEO MESSAGE

Corporate value-driven management as a matter of course.
The value embedded within a company in “Spreading Accountability” will help improve company management.
We will contribute by unlocking this value.

TETSUJI MORIKAWA

Representative Director, President, and Group CEO

The Era of Corporate Value Management

On February 22, 2024, the Nikkei Stock Average reached a new 34-year high. The Avant Group has a strategic materiality to “be a software company that helps increase corporate value,” and we are preparing ourselves to finally push ahead with our core strategy.

Art that Comes with a Price Tag

About 10 years ago, I stopped by Christie’s next to a New York office of a company I was visiting on business. Christie’s is one of the world’s leading auction houses for art and other items. A pre-auction exhibition was being held, and I was curious to see what was going on.

On display was a wide variety of art, ranging from works by painters known to everyone to the latest modern art. It is also a great opportunity to appreciate art at its finest. However, one thing stood out as decidedly different from a museum. All the exhibits came with a price tag. This should not have come as a surprise as all items were up for auction, but all the pieces would not have been out of place in a museum. I found the act of looking at art while being able to check the prices very refreshing.

Until then, I had enjoyed looking at art while thinking about the historical contexts in which the works were created and the individuality of the artist. However, the presence of the price tags on that occasion provided me with a different perspective in being able to enjoy art works from a standpoint of wondering who would buy them and why they were priced the way they were.

The experience led me to becoming aware of what a value should be changes the way you look at things.

Becoming Aware of the Company's Price

In fact, I can also point to a similar experience with the management of our own company. An experience in which having an awareness of the company's price, or the price of the stock, changed management.

Unlike today, venture financing options in the late 1990s were quite limited. Since companies with no credit or track record were unable to borrow from banks or public institutions if they incurred losses, it was fundamentally important they built up a solid surplus in their core businesses. When a business is started against this kind of backdrop, the idea that deficits are bad can flow right through to the core of every decision. Although it was difficult, I am glad I was able to do my initial training with that mindset, because this concept is the basis for maintaining sound management.

When a company grows to a certain size and is able to raise funds from venture capitalists ("VCs"), a new perspective emerges. The stock price. However, this was determined at that point by VCs and institutional investors who were likely to invest in the company when it went public. For me, this had nothing to do with the company's own management. Even after a listing, a company could remain indifferent to its own stock price, as no impact of the stock price was apparent for the business.

We found that our own stock prices began to be linked to our business when we started to form alliances with foreign companies. In the late 2000s, we began to collaborate with several foreign companies. However, all of them would go on to be acquired by some other party over the next few years, and the kind of cooperation we had originally envisioned failed to materialize. We had sought a capital and business alliance, but this did not pan out as planned. I think this was because the prices, i.e., the stock prices of both companies, were totally out of sync. If one company's stock price is too low relative to that of another company, the plans do not proceed. One of our partners once asked me, "Why is your stock so cheap?"

These kind of experiences drove home the importance that stock prices have on the actual business and helped me gain an appreciation of the importance of corporate value.

Understanding Corporate Value through the Board of Directors

However, becoming aware of stock prices was one thing, but working out how to create corporate value was another. But around that time, Japan's corporate governance reform was beginning in 2013.

Guidelines such as the *Ito Report* and the Corporate Governance Code were useful as a framework for understanding the concept of corporate value management. Knowledge of finance was also required to interact with investors, which was considered helpful in increasing corporate value. Therefore, we positioned our own board of directors as the starting point for value creation, bringing in members with expertise in global finance, and began a dialog with institutional investors.

As the Board of Directors met on a more regular basis, the agenda changed. The content of the meetings, which were previously focused on earnings reports and statutory approvals, shifted to corporate value matters such as the stock price and strategy. Board meetings now began with a report on the stock price. Also, in my own dialogs with investors, I gradually came to understand how investors went about trying to price the company by asking them what perspective they looked at when viewing the company, rather simply providing one-sided explanations of how the company was run.

Pricing a Company is Management

Such a process may make you think a company is just a commodity and wonder how it should be priced. I began to question my fundamental perception of the company and its stock price.

At the very least, a publicly traded company is like a commodity in the sense that its shares are bought and sold on a market. If that is the case, the management of the company that builds the products should at least be able to determine what the correct price should be. When I asked myself if I was thinking about this in the right way, I came to the conclusion I was not. Then I suddenly remembered the words of Mr. Inamori, the founder of Kyocera Corporation, who said, “Pricing is management.”

If you do not know the fair price of your company, you cannot question the merits of the stock price, which is the price set by the market. We cannot create our own value with our own will. Moreover, we are not able to decide the appropriate price ourselves. In the end, the market is what makes the evaluation, which is why we need to have regular dialog with investors and provide updates on our pricing strategy.

We are now convinced that the first step in improving corporate value is for management to develop the ability to value the company. The more focused we are on sustainable corporate value improvement, the more useful the company will be to society.

With these lessons in mind, our group calculates the corporate value of each group company, sets future target corporate value, and identifies strategic elements to realize the medium-term management plan.

Unlock the Value Embedded within a Company

Based on our own experiences, the Group is developing a variety of IT solutions to help clients increase their corporate value.

Our target clients are companies that are listed and therefore have a price in the form of a stock price. Stock prices are not only for publicly traded companies, but also for all companies that look to raise funds from investors. Therefore, we also consider companies whose shares are traded on the private market as potential customers.

Solutions offered by the Group are characterized by their specialized use of data and information. IT services for businesses are very extensive. They range from supporting company business processes to email and other communication tools. Our Group specializes in utilizing data generated through our business activities.

The use of data is very broad. Without some context, the group's character as a group could be vague. Therefore, we try to create synergy from activities of the entire group around the use of data that can have an impact on improving corporate value.

Currently, the company has three main businesses. The Consolidated Financial Disclosure Business provides solutions for the preparation of disclosed information that forms the basis for dialog with investors. It is designed to highlight the inherent attractiveness and value of the company to investors, as well as generating dialog on new value creation, and contributing to corporate value enhancement activities of the board of directors and others. The solutions provided by the Digital Transformation Promotion Business are designed to provide wider use of a data-driven activity environment that utilizes the latest and best technologies, including AI, to help value creators realize their potential. The Business Management Solutions Business provides information solutions to support corporate value-driven management. We aim to help promote corporate value management, where business activities are directly linked to the enhancement of corporate value.

Although each business provides solutions as an independent company due to their different business models and expertise, they are all working to bring out the value embedded within a company by making meaningful management information available to everyone through IT, based on our common mission of popularizing management information. We are working to bring out the value that is buried within a company by making meaningful management information available to everyone through IT.

Software Driven Strategy

The new medium-term management plan, which began in the fiscal year ending June 30, 2024 with the strategic materiality of becoming a software company that helps increase corporate value, aims to create synergies for the group through software products. We utilize know-how and experience accumulated through the activities of each group company, utilize the best products that already exist, and create products when no such products exist. This combination helps us prepare software solutions that help improve corporate value.

To promote the strategy, we have budgeted approximately ¥20 billion for growth investment over a five-year period beginning in the fiscal year ending June 30, 2024. Net assets at the end of the fiscal year ended June 30, 2023 are approximately ¥12 billion and net income is approximately ¥2 billion, but this is a growth budget that can be fully generated by implementing a new medium-term management plan which aims to triple net income. However, for our group, which has a vision of becoming a software company like a manufacturing company in a new era, the implementation of this software-driven strategy is an unavoidable challenge in creating a new future.

One success in the first year of the new medium-term management plan was the release of TRINITY BOARD which supports the operation of a Board of Directors.

This software was created through trial-and-error to ensure that our Board of Directors can function to the best of its ability in response to corporate governance reforms. We will continue to reflect and develop various customer feedback processes in order to make this a tool that will help improve not only operational efficiency but also enhance the level of discussions on corporate value and stock prices among a board of directors of companies and group companies that are engaged in group management.

We will accelerate our software-driven strategy by developing and providing such software in tandem with the expertise and solutions of our group companies.

Power to Price Oneself

The decline in Japanese asset values relative to global asset inflation is significant. The emergence of new stock prices in Japan in such an environment, as well as price inflation, will significantly change the business environment and increase the potential volatility of prices. In a similar way to stock prices that do not move, highly volatile stock prices can also be a headache for managers.

As competition in value creation intensifies worldwide, we believe that empowering a company in its value-determining processes, based on a concept of corporate value that even takes into account external views that do not consider economic factors, should be more accessible to more people and is important for the sustainability of society.

The idea that the value of a company can be determined by its management will become the norm. We think many more companies will be able to compete globally through firm management of their companies to increase their corporate value without being swayed by the share price at a given point in time. The Avant Group aims to contribute to such social progress by providing software to help Group companies improve their solutions and corporate value.

Tetsuji Morikawa

Tetsuji Morikawa
Representative Director, President,
and Group CEO

VALUE CREATION PROCESS

The Avant Group's strategic materiality is to "become a software company that helps increase corporate value." By "unlocking" the value of businesses and assets embedded within our customers through three businesses that leverage common assets of the Group, we aim to enhance the corporate value of our customers and contribute to the prosperity of their employees, shareholders, and other stakeholders, as well as to the development of wider society. We aim to contribute to the enrichment of their employees, shareholders, and other stakeholders, as well as to social and economic development.

Details of each business strategy ▸ P.36

AVANT GROUP

Becoming a software company that contributes to enhancing corporate value

Consolidated Financial Disclosure Business
BPO SaaS

DIVA

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

M1

Management Solutions Business
Consulting SaaS

AVANT

M3

DX Promotion Business
Consulting SI

ZEAL

M2

INPUT

Significant Common Group Assets

Customer Base

Consolidated accounting system

Cumulative customers: **1,100** companies*1

Market share in FY2022: **43.1**%*2

*1 As of June 30, 2023

*2 Fuji Chimera Research Institute, "Software Business New Market 2023 Edition," Consolidated Vigilance Software Market Share Trends (Package)

Software

DivaSystem LCA, the No. 1 consolidated accounting software in Japan

Number of in-house products within our lineup: **9**

- DivaSystem LCA
- TRINITY BOARD
- AVANT Cruise
- AVANT Compass
- CO-ODE
- ZEAL DX-Learning Room
- AVANT Chart
- ZEUSCloud
- STORYAI

Our Talent

Sales and Marketing personnel: approx. **80**

Software development engineers: approx. **100**

Consultants
- DIVA: approx. **350**
- Avant: approx. **330**
- Zeal: approx. **370**

Corporate: approx. **170**

Financial Data

Average EBITDA of ¥**3.45** billion over the past 3 years

Surplus cash and deposits: approx. ¥**7** billion

5-year growth investment framework: approx. ¥**20** billion

OUTPUT

Software and BPO solutions leading to breaking down of value units based on accounting information and then reconfiguration

Solutions with software and accompanying consultancy to promote value visualization and structuring

Data platform construction and operation solutions that lead to unlock sleeping data

Accounting Division

Board of Directors

Corporate Planning Division

Information System Division

Unlock the Value Embedded at Our Customers and Increase Corporate Value

Contribute to the enrichment of employees, shareholders, and other stakeholders, and to social and economic development

Software and solutions for improving corporate value ▸ P.16

VALUE CREATION

New Medium-Term Management Plan "BE GLOBAL 2028"

Review of previous Medium-Term Management Plan

The previous medium-term management plan, which ended in the fiscal year ended June 30, 2023, achieved its operational KPI targets for net sales and operating profit, with net sales growing 1.8x and operating profit doubling over the five-year period. We also achieved our financial KPI targets for ROE and dividends. However, we fell short of the strategic KPI targets set for the shift to a SaaS-type business model, namely the recurring sales proportion and sales growth rate + operating profit margin.

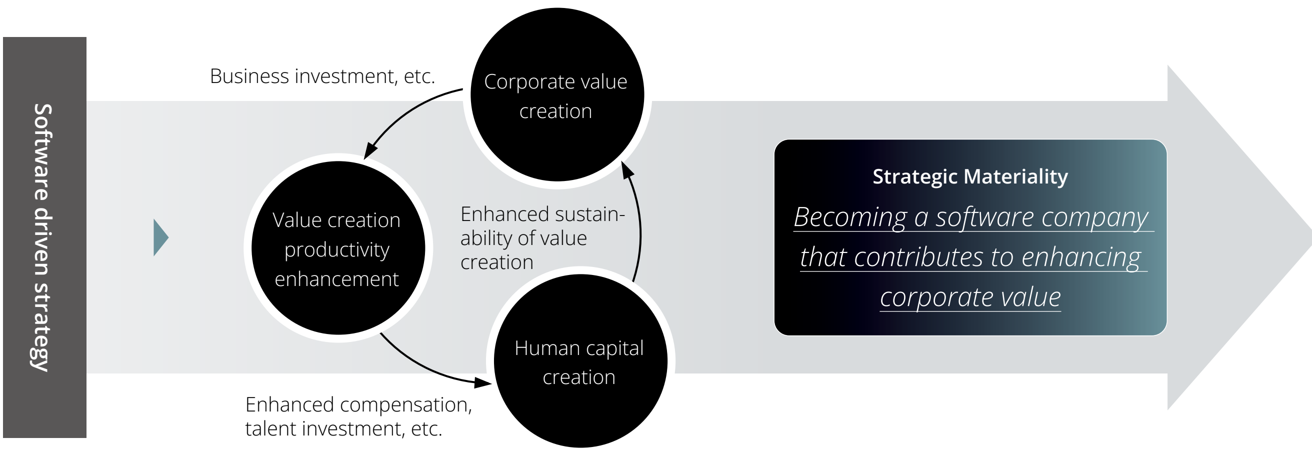
Although we believe our business has remained strong without any structural change, a shift to a software-based business is an unavoidable challenge for our group as we strive to achieve long-term profitable growth. We think a major reason for the lack of progress in structural transformation during the previous medium-term management plan was that each of the operating companies were growing autonomously during the period. In light of this, we set the strategic materiality of becoming a software company that helps increase corporate value, which we think will help us grow as a group and contribute to society. Furthermore, we reorganized our businesses, and formulated a new medium-term management plan.

		18/6 (results)	23/6 (target)	23/6 (results)
Operational KPI	Net sales	¥12.11 billion	¥18.0–22.0 billion	¥21.42 billion
	Operating income	¥1.63	¥3.1–3.8 billion	¥3.28 billion
Strategic KPI	Recurring sales ratio	32.7%	70%	35.3%
	Sales growth rate + operating margin	28.5 points	40 points or more	29.9 points
Financial KPI	ROE	24.5%	20% or more	22.2%*
	Dividend	¥12	¥15 or more	¥15

* Averages for the period ended June 30, 2019 through June 30, 2023. However, new revenue recognition accounting rules were applied from the period ended June 30, 2022. Actual results for the fiscal year ended June 30, 2023: 18.3%.

Value Creation Cycle in the New Medium-Term Plan Created by Software Driven Strategy

As part of the new medium-term management plan BE GLOBAL 2028, the entire company will work together to address strategic materialities as outlined in the Software Driven Strategy, which positions software as the source of value creation. By raising the software sales ratio and profitability in our business, we will increase value creation productivity (operating profit per employee). By sharing the returns and investing the benefits in our human resources, we will drive human capital value improvements, creating a virtuous cycle in which our corporate value will sustainably increase.



Quantitative Targets of the New Medium-Term Management Plan

The new medium-term plan targets average annual growth in net income of 25% or more, with the goal of doubling net sales and tripling operating profit and net income over a five-year period. The company intends to increase value-creating productivity by raising software gross profit through a software-driven strategy, thereby increasing profits more than sales. We will also be aware of capital efficiency while growing net income and maintaining ROE at 20% or above.

In addition, following a review of the previous medium-term plan, we decided to set these targets using a bottom-up rather than top-down approach, after taking into consideration the plans of each business company. We also have assumed organic growth and have not factored in any M&A.

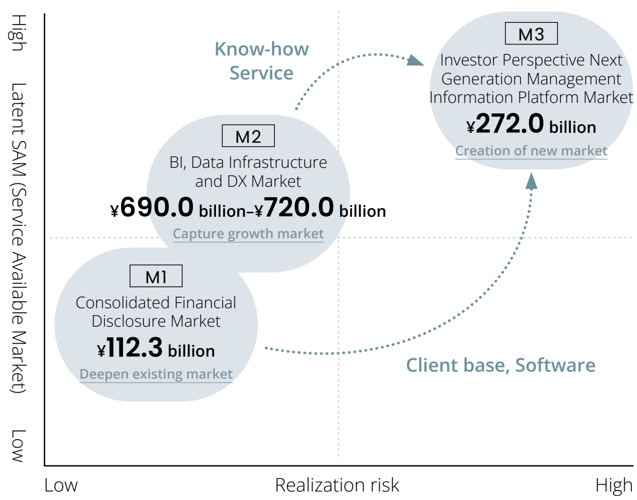
	23/6 (results)	24/6 (forecast)	28/6 (target)	5 year change/average
Net sales	¥21.4 billion	¥24.0 billion	¥40.0–45.0 billion	2x
Operating income	¥3.28 billion	¥3.85 billion	¥9.0–11.0 billion	3x
Operating income margin	15.4%	16.0%	20.0–24.0%	+5.0–9.0 points
Net income	¥2.09 billion	¥2.5 billion	¥6.0–7.0 billion	3.0x/CAGR 25%
Operating income/person	¥2.4 million	¥2.4 million	¥3.5–4.3 million	1.5x
Software gross profit	¥2.13 billion	¥2.17 billion	¥6.0–6.5 billion	3.0x
ROE	18.3%	19.3%	20% or more	Average 20%
DOE	4.9%	5.3%	8% or more	Average 7%
Dividend	¥15	¥19	¥51 or more	3.4x

Markets of Focus

In the new medium-term plan, we will position ourselves in three markets. The first is the consolidated financial disclosure market. Here, we intend to promote the deep cultivation of the existing market, where we have the largest market share in Japan. The second is the fast-growing BI, data infrastructure, and DX markets, and we aim to steadily capture that growth. The third is next-generation management data infrastructure market, taking into account an investor's perspective. This is an area where we will be creating a market by preparing data sets that will enable management to enhance corporate value that would be similar to an investor's perspective, and it will be the greatest challenge for our group in the new medium-term plan.

We will contribute to the enhancement of our clients' corporate value through three businesses: the Consolidated Financial Results Disclosure Business (operating companies are responsible for these markets and engage in dialog with investors); the Digital Transformation Promotion Business (which builds data platforms useful for various management decisions); and the Business Management Solutions Business (which develops information environments to enhance corporate value).

TAM (Total Addressable Market) and Positioning of Each Market



The entire group will contribute to the enhancement of our clients' corporate value through these three businesses.

Capital Allocation

Details of financial strategies, including capital allocation ▸ P.26

We plan to allocate a total of approximately ¥20 billion in cash flow accumulated to date and from future business operations to minority investments and R&D for the first three years, and to growth investments, mainly M&A, for the two years thereafter. We plan to return a total of ¥5 billion to shareholders.

Purpose of the Dialog

As we have no debt, our cost of capital is effectively equal to our cost of equity, which we calculate using the CAPM and recognize as 6.6% to 7.9%. Although we maintain a sufficient equity spread with an ROE around the 20% level, we are actively engaging in dialog with investors to find ways to lower the cost of capital and further increase corporate value.

We also gain insights from investors' questions and suggestions and apply them to our strategy considerations, linking the dialog to increasing corporate value by increasing free cash flow.

The Benefits of Creative Dialog with Investors

$$EV = \frac{FCF}{r - g}$$

EV: Enterprise value
FCF: Free cash flow
r: Cost of capital ≒ Cost of equity
g: Growth rate

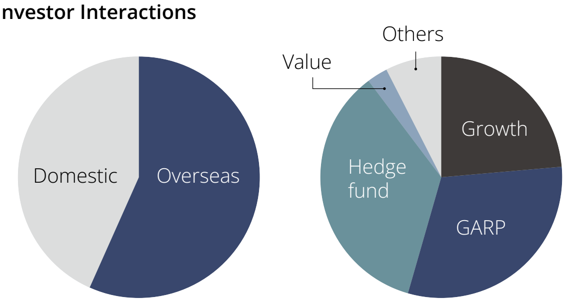
Risk-free rate		β		Risk premium		Cost of equity
0.6–0.7% Set based on 10-year JGB yield	+	**1.0–1.2**% Set from 2–5 years x daily, weekly, monthly	×	**6**% Set from historical stock market returns	=	**6.6–7.9**% range

Number and Frequency of Investor Interactions (Fiscal year ended June 2023 and first half of fiscal year ending June 2024)

With the intention of creative dialog, IR activities are targeted with institutional investors. Specifically, our main target is overseas growth-style investors, but we also engage in dialog with GARP (Growth At Reasonable Price) style and hedge funds, considering the diversity of investment perspectives.

We also combine online interviews as appropriate with onsite interviews, taking into account the influence of each investor in the U.S., Europe, and Hong Kong/Singapore.

Investor Interactions



Main IR Activities

Number of financial results briefings:	Number of individual meetings with institutional investors:	Number of overseas roadshow meetings:
3 analyst briefings held for 1H and full year results	**146** individual meetings were held either online or in person	**31** meetings in the U.S., Singapore, and Europe by the Group CEO and the head of the Investor Relations department

Dialog Content and Response

Institutional investor comments

Investors appear to view the key market in the medium-term management plan as the market for the business management solutions business. Investors are keen to understand more about how Avant Group's products work, their strengths and weaknesses, and the specific benefits for customers. These explanations help better convey the growth story of the Avant Group.

Our response

- We once again have been reminded that we are unable to provide solutions that offer greater clarity, but are working on improving our how we can respond.
- We will disclose information as and when specifics become available. At the Q2 FY6/2024 financial results meeting, we will walk through a demonstration of the TRINITY BOARD and an explanation of the AVANT Cruise product will be provided.

- We feel it is important to have a more focused dialog with investors about the drivers of Avant Group's growth rather than projections of future performance.
- We want to better understand what leading indicators can offer pointers to the progress of growth.

Our response

- C-level management are discussing and refining the drivers of sales growth and margin improvement, and critical success factors (CSFs) that are highly important for the achievement of the medium-term management plan, at Group management meetings.
- We are bolstering our management of quantitative data to enable ongoing disclosure.

We believe that share buybacks can send a message that the stock price is undervalued. I think the value of such transactions will increase as more of the company's own shares are repurchased. If we are able to show more clearly how cash is being used, I think the market may change its perception and understand how management resources are being directed toward growth.

Our response

Capital allocation is clearly stated, and the scale of shareholder return through investment in growth and dividends is available to investors. The company will then consider acquiring shares from the market as appropriate, taking into account the merits of how these shares can be best used, both as additional returns to shareholders, as well as incentive compensation for employees or a supplementary means of payment in M&A transactions.

GROUP CSO MESSAGE

SHINGO MOROI

Group CSO, Executive Officer
Director, Avant Corporation

Our focus is on international institutional investors, especially growth and GARP style investors. While we aim to have them become our shareholders and hold our shares for the long term, we also place importance on having these investors evaluate our strategy from a long-term perspective. We aim to improve our strategy based on the suggestions we get from these types of dialog. It is also our intention that dialog does not end at that point in time, but will continue during the implementation phase to help drive success of the strategy.

SOFTWARE DRIVEN STRATEGY

Software and Solutions to Improve Corporate Value

By using software to collect, prepare, and manage various data sets at client companies, we can help unlock the value of this data and contribute to the enhancement of corporate value.

DivaSystem LCA

Consolidated Accounting System

Gather and calculate accurate accounting information as a basis for improving corporate value

- Streamlining consolidated accounting data and closing operations

Consolidated Financial Disclosure Business ▶▶▶ Accounting Division

Earnings reports

Financial data

Break down and reconfigure value units at the business segment level

AVANT Cruise

Group Business Management System

Gather and organize diverse data sets useful for improving corporate value

- Integrate and centrally manage financial and non-financial data scattered throughout the company
- Process valuable information that can be utilized to improve the efficiency and sophistication of business management

Business Management

Management Solutions Business ▶▶▶ Corporate Planning Division

Extraction, processing, and analysis of a variety of business data (non-financial data) that are lying dormant in companies

Non-financial data

Development and operation of an environment that supports management information infrastructure

ZEUSCloud

Cloud-based Data Analysis Platform

Promotes data democratization where everyone can use data

DX Promotion Business ▶▶▶ Information System Division

Unlock the value embedded at our customers and increase corporate value

TRINITY BOARD

Board DX Platform

Enables sophisticated board discussions and facilitates more informed decision-making

- One-stop system operation and management for board meeting operations
- Close the information gap with Outside Directors
- Provides more time for substantive discussions through streamlining of operations and improves the information flow

Consolidated Financial Disclosure Business ►►► Board of Directors

Visualization and structuring of value facilitates accurate business decisions

AVANT Chart

Group Business Management Dashboard

Visualize corporate value through advanced KPI and management information analysis

AVANT Compass

Enterprise Value Analysis Cloud

Use of best practices in enterprise value analysis

—Group Business Management—Connecting Corporate Value

ZEAL DX Learning Room

E-Learning Services

Assist training of client employees to become data-driven human resources

CO－ODE

Open Data Provision Service

Promote the use of data released by national and local governments

STORYAI.

Emotion Analysis AI

Emotional analysis of stories from text and images

Main Products

Consolidated Financial Disclosure Business

DivaSystem LCA

DIVA

No. 1 domestic market share* for 10 consecutive years in consolidated accounting and consolidated closing systems

Streamlines a series of consolidated financial closing operations from data collection to consolidated processing, reporting, and financial disclosures.

Customer issues to be addressed

- Investors, outside directors, and management demand earlier settlement of accounts and enhanced disclosure information. Amid a lack of administrative staff, the company has not been able to keep up with demand.
- Audit handling in the consolidated closing process is complicated and time consuming.
- Staff in charge spend a great deal of time preparing financial information so they do not have sufficient time for analysis of the data and are not able to adequately consider standardization and streamlining of the consolidated financial closing process.

Strengths

1 Provide standardized consolidated financial closing processes

Standard functions have been cultivated through our experiences in building the leading market share position in Japan and a cumulative total of approximately 1,100 customer installations are provided to a wide range of companies, from large corporations to SMEs. These also include some companies preparing for IPOs. DivaSystem LCA covers a series of consolidated closing operations from data collection, consolidation processing, reporting, and financial disclosure, and standard business processes are provided from the beginning as templates, reports, and task management. This makes it easy to use, even for customers new to consolidated accounting.

2 Consolidated accounting system that serves as the foundation for group management

Contributes to developing a foundation for group management by providing consolidated and managerial accounting available on a single system, as well as overseas sub-consolidation and visualization of detailed accounting data at overseas offices and subsidiaries.

3 Inter-system data integration function

As the system also connects to group companies and auditing firms via the cloud, efficient remote closing and remote auditing are possible, reducing the audit response burden.

* Source: Fuji Chimera Research Institute, “Software Business New Market 2012–2021 Edition,” Consolidated Accounting Management Software Market Share Trends (Package), FY2011–2020 Actual
ITR “IT Market View: Budget, Expense and Subscription Management Market 2022” Consolidated Accounting Market: Vendor Value Share (Forecast 2015–2021)

Consolidated Financial Disclosure Business

TRINITY BOARD

DIVA

DX tools driving Japan's Board of Directors

All information related to the Board of Directors is consolidated in a cloud platform, enabling the Board of Directors to become more sophisticated and efficient in operations.

Customer issues to be addressed

- Much time is spent on routine reporting items, formal resolutions, etc., and not enough on discussions consistent with the original roles and responsibilities of the Board of Directors.
- The company is not able to provide sufficient timely and appropriate information to outside directors and officers, and thus does not hear useful opinions and or have effective monitoring based on their skills and experience.
- Given difficulties in checking documents and minutes related to past agendas, some meetings are held without sufficient reflection of previous issues, resulting in inefficiencies such as going over previous discussions or reaching decisions that are inconsistent with previous discussions.
- The wide variety of tools used to store various data and exchange information, such as e-mail, chat, online storage, schedulers, etc., makes administrative management inefficient for the management office and can make it difficult for board members to get an understanding of the most up-to-date and accurate information. Information sharing methods may differ among group companies and meeting bodies, making information confirmation a cumbersome task for executives who often hold concurrent posts.

Strengths

1 Sharing important information

By sharing important information that should be made available to all board members, such as a summary of the philosophy, management policies, and medium-term management plan on the top page, the tool can help with the smooth guiding of board discussions and actions based on this information.

2 Agenda optimization

The annual agenda can be easily developed and shared, reflecting valid feedback from each board member and increasing the proportion of agenda items that are consistent with the board's original role. In addition, the system can produce reports on governance, strategy, and other themes, as well as allocate time according to reports, resolutions, and discussions, and analysis reports of their preliminary results and comparisons to assist in the creation of an optimal agenda.

3 Centralize information and minimize management efforts

All information related to board meetings can be consolidated and managed centrally, significantly reducing the administrative burden on the management office and enabling prompt and thorough preparations for the meeting. Board members no longer have to juggle multiple tools to find documents and past correspondence, allowing them to come to board meetings well prepared in advance. As a result, it is expected to make board discussions more sophisticated and meaningful.

AVANT Cruise

Group business management system for corporate value enhancement

By packaging the best practices of group business management, this cloud service makes it possible to quickly and easily increase efficiency and sophistication of group business management.

Customer issues to be addressed

- Customers are looking to improve the sophistication of management analysis, but are put off by the considerable time and effort required to collect performance data from each department and to prepare materials.
- Customers would like to promote the use and disclosure of a variety of non-financial information such as ESG data, but it is difficult to centrally manage this data as it is dispersed across many divisions.
- Customers are unable to provide a timely response to drastic changes in the business environment by expanding the functionality of the business management system, and to speedily link information with management.

Strengths

1 Standardized business management functions based on experience in supporting group business management of over 1,200 companies*

This is a packaged system with originally developed "Group Business Management Functions" corresponding to the corporate performance management process (budget, actual results, and forecast), which are included as standard. It can be implemented in as little as three months without requiring design development for practical use. Simply submit and set up the data, and it will be automatically processed to manage performance.

* As of November 2023

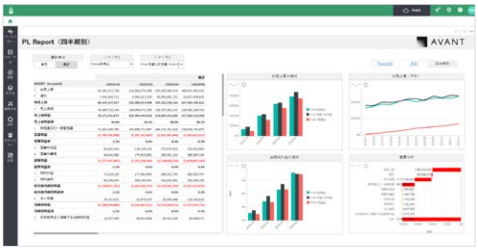
2 Centralized data management and visualization of the entire business

Financial and non-financial information can be integrated in a single system. By consolidating data necessary for business management, the entire business can be visualized, contributing to the realization of the PDCA cycle of business management.

- Financial information such as non-consolidated financial statements and non-financial information such as sales details and manufacturing cost details are linked between systems.
- When linking management information with group companies, the mapping function converts the code system of detailed data into a consolidated code system, etc., and the layout conversion function converts the layout system into a multidimensional data model.

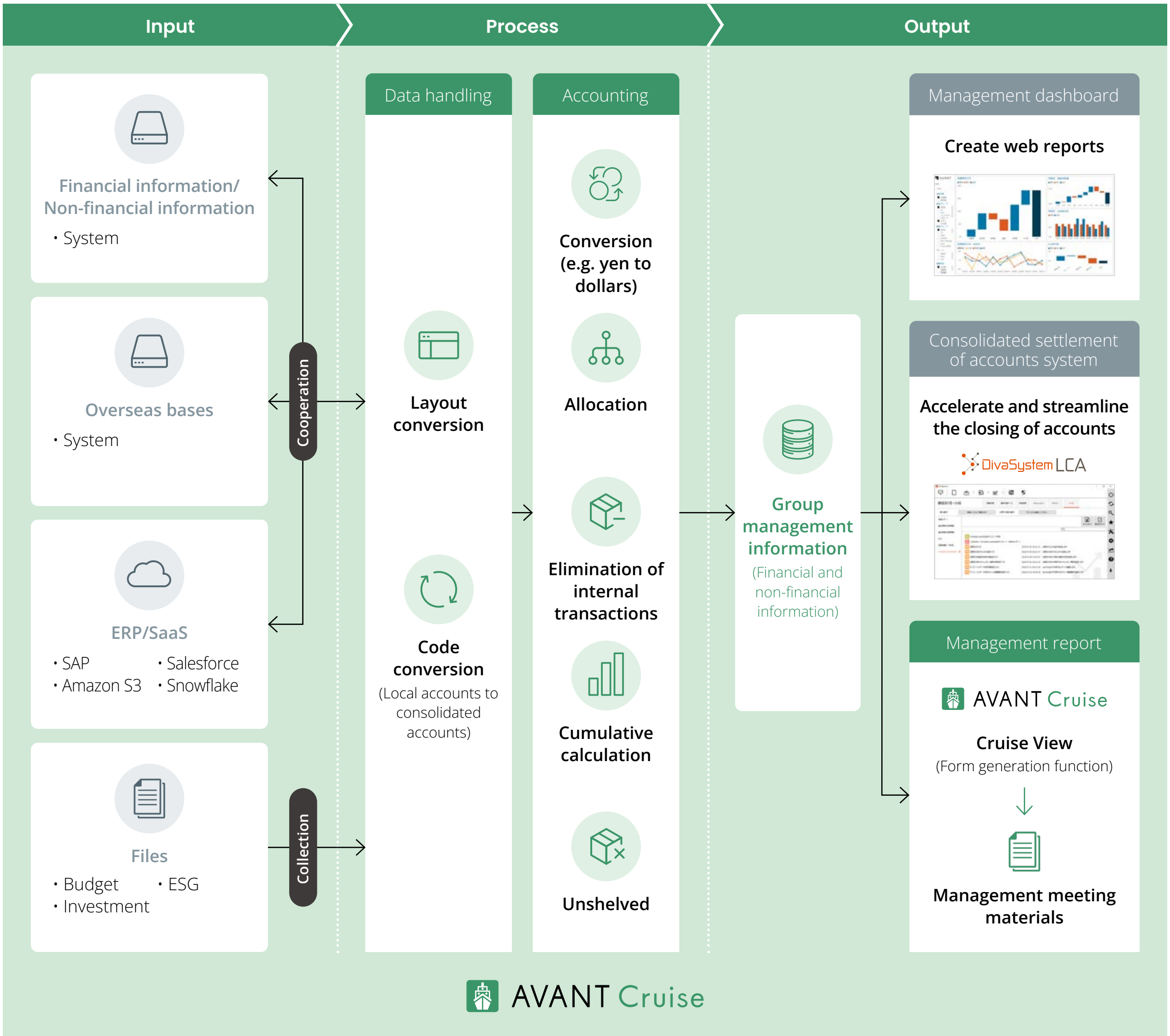
3 Highly flexible and scalable to meet business management needs

The system is designed with a logic that does not split up information or reduce the accuracy or speed of data linkage even when functions are expanded, enabling it to meet the business management needs of each company without unnecessary effort or cost. The UI does not require any programming knowledge and can be completed by simple clicks or using master settings. This offers excellent usability, allowing personnel in charge of accounting and corporate planning departments to expand the functionality themselves.



AVANT

AVANT Cruise Features



Management Solutions Business

AVANT Chart

AVANT

Platform for future forecasting and simulation

This BI platform is suitable for group management strategy and scenario development. It aggregates institutional consolidated data, management accounting data, non-financial data, etc., to quickly forecast and simulate future scenarios.

Customer issues to be addressed

- Future forecasts are becoming more complex and difficult to perform in Excel. They also rely on the person in charge of the operation.
- In the current day and age when changes in the environment are difficult to predict, customers sometimes feel a sense of crisis in projecting the future direction of the business based on intuition and experience, assuming growth on a current trajectory.
- Customers would like to simulate the capital structure and other aspects of, for example, a 5% increase in sales to improve ROIC by 3% or something similar, but do not have a system or structure in place.

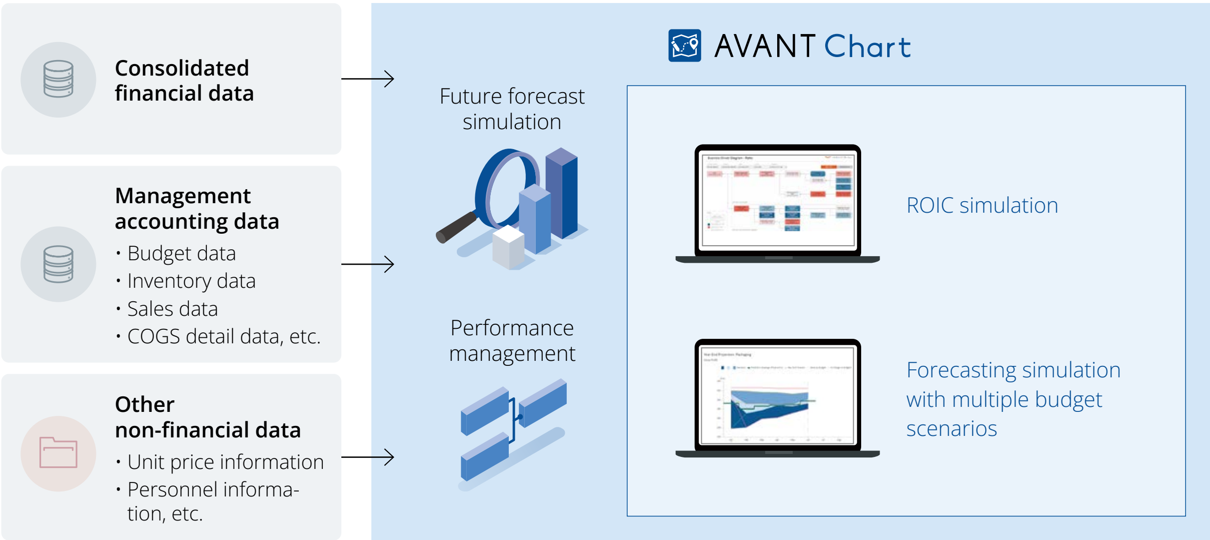
Strengths

1 Perform advanced KPIs and business analysis with only data input

Since KPI templates are included as standard, advanced KPI and business analysis can be started immediately by simply inputting accounting information and PSI (production, sales, and inventory) information into AVANT Chart. The creation of a value tree that breaks down corporate value into its constituent factors, such as various business units, enables this to be used for group business management and business management.

2 Scenario analysis function

Future scenarios can be entered and future outcomes and KPIs can be simulated based on the input results. Multiple scenarios can be created, such as optimistic and pessimistic scenarios, and visual reports can be used to compare profit range/trend simulation results and help decision-making.



Management Solutions Business

AVANT Compass
Powered by NOMURA

AVANT

Cloud-based corporate value analysis for immediate use of management information

This is a cloud service that enables corporate value analysis by smoothly linking a variety of internal data with data from disclosure at other companies. A host of business management options allows data to be visualized and used in a wide range of operations in business management.

Customer issues to be addressed

- Failure to disclose measures to achieve the Tokyo Stock Exchange's announcement in March 2023 of "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," or formal measures.
- Failure to continuously monitor efforts disclosed with regard to measures to achieve management with awareness of cost of capital and share price.
- Insufficient analysis and evaluation of the current low P/B ratios based on investors' perspectives.

Strengths

1 Jointly developed with Nomura Securities Co.

In developing the solution, Nomura Securities Co., Ltd. supervised the design of all content. We combined Nomura's long-standing expertise in corporate value analysis with our software development technology. The system also includes functions that can only be provided through joint development, such as KPI target setting using the equity analyst's earnings forecasts and cost of capital calculation using logic taken from a quant analyst's debt cost estimations.

2 Content in response to TSE requests

In the form of a response to the Tokyo Stock Exchange's announcement, the current situation is analyzed and evaluated, allowing policies and specific targets for improvement, and timing of implementation of initiatives and measures are set, to be disclosed, we support the promotion of management and the implementation of proactive dialogue with investors.

Specifically, we have prepared a variety of content on market valuation and return on capital, including time-series trends, benchmark comparison with other companies in the same industry, and elemental breakdowns. In addition, continuous use of the system will enable a Board of Directors to monitor the effectiveness of efforts and the PDCA cycle, as ongoing oversight of this information is possible.

3 Required data retention

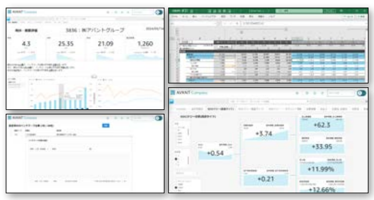
The system has the information necessary for estimating the cost of capital, evaluating the company, and benchmark comparison with other companies in the same industry, such as financial statements, stock price data, TOPIX, risk-free rates, and risk premiums for all listed companies for the past 10 years to the most recent available data. Therefore, there is no need to obtain additional data and make calculations on a spreadsheet.

AVANT Cruise	Financial and non-financial information/consolidated cost/multi-axis accounting
開示Net Internet Disclosure Co., Ltd. Database of disclosure information of other companies	Financial/management indicators of other companies
DivaSystem LCA	Consolidated accounting (Institutional/Administrative)
CSV/Excel file	Other Management Information

AVANT Compass

- Benchmark comparison with other companies
- Visualization of business portfolio
- Group company management report
- Forecast/actual variance analysis dashboard

Abundant templates enable business efficiency and DX of management information



DX Promotion Business

ZEUSCloud

ZEAL

Cloud data platform to promote data-driven management

An all-in-one solution that combines a data warehouse, data lake, and BI tools in the cloud. All operations are handled by Zeal, enabling data integration and analysis.

Customer issues to be addressed

- The environment is not conducive to the constant visualization of management information (data), and managers cannot make timely management decisions because they are not able to see data they need in the way they require.
- Management planners collect and process management information scattered throughout the company using Excel in preparation for management meetings, a routine task requiring many man-hours and increasingly assigned to one specific person. This acts as a brake on prompt responses to requests from management.

Strengths

1 Visualize and analyze the latest management information

Visualize the data accumulated in the data platform with analytical functions (BI). This enables analysis and data aggregation from various angles, leading to more advanced utilization of management data.

2 Contributes to operational efficiency

A data platform does away with the need for routine Excel operations and makes the data accessible to everyone as needed. Data necessary for analysis from the past to the present is stored in the cloud, making it easy to respond to various requests from management.

DX Promotion Business

ZEAL DX Learning Room

ZEAL

E-learning service for data-driven human resource development

Our e-Learning service will contribute to our clients' data-driven human resource development.

Customer issues to be addressed

- We want to promote DX using cutting-edge digital technologies such as big data and AI, but the lack of human resources in the company who are able to efficiently and meaningfully utilize a wide variety of datamakes it is difficult to find a way to train staff.

Strengths

1 BI tools can be used even by novice data users

The contents are structured to enable participants to systematically learn a series of steps from data capture and processing to modeling and visualization, so even those with no prior experience in data utilization can learn how to use BI tools.

2 Acquire skills that can be used immediately in the field

In addition to classroom lectures, the program offers a variety of content that can be used immediately in the field, such as hands-on analysis report writing and practical exercises of what has been learned.

DX Promotion Business

CO–ODE

ZEAL

Open data utilization services that enable factor analysis and future forecasting

By utilizing open data in combination with customers' own data, it is possible to analyze factors and predict the future that were not noticed with only their own data.

Customer issues to be addressed

- In business analysis, a company may want to compare the financials of other companies in the same industry against its own to form relative judgments. However, the time-consuming data collection and processing does not allow enough time for in-depth analysis.
- Companies would like to understand the gap between the purchasing trends of its own users versus global consumption trends and the economy, but the workload for updating data every month is high.

Strengths

1 Reduce the workload of collecting, processing, and updating a variety of open data sets

Since data is available from a single location, there is no need to search for and collect data in various formats published on various websites on every occasion. The open data provided is processed in a user-friendly manner and can be immediately used for data analysis.

2 Sophistication in data analysis

By eliminating the workload of collecting, processing, and updating open data, data can be easily acquired and used for factor analysis, cause analysis, and future forecasting. In addition, the acquired open data can be combined with the customer's own data to enable sophisticated data analysis.

DX Promotion Business

STORYAI.

ZEAL

AI-based SaaS that uses machine learning to emotionally analyze stories from text and images

AI-based data analysis enables accurate, precise, and broad-based decision-making information.

Customer issues to be addressed

- People cannot honestly evaluate the work they produce, and bias is always created.
- People want an objective perspective on texts or videos.

Strengths

1 Quantitative and objective evaluation by AI is possible

AI technology converts a textual story in a graphical time series. This allows the flow of the work to be visualized at a glance to highlight potential points for improvement.

2 Machine learning can analyze emotions for both text and images

Machine learning is also used to analyze emotions from images and suggest improvements. In addition to use in the entertainment industry, it can also be used for analysis of sales presentation materials and web marketing analysis.

FINANCIAL STRATEGY

GROUP CFO MESSAGE

Financial Strategies to Maximize Corporate Value

NAOYOSHI KASUGA
Director and Group CFO

Review of the Previous Medium-Term Management Plan and Policy for the New Plan

With regard to the previous medium-term management plan, we achieved both operational and financial KPIs, but failed to achieve strategic KPIs for recurring sales ratio and GPP (net sales growth rate + operating income margin). The main reason for this was that top management believed when setting each strategic KPI in the previous medium-term plan that the key to the Group's strategy was changing the business model. However, we were unable to see this implemented by the operating companies that were responsible for realizing the strategy. Therefore, in formulating the new BE GLOBAL 2028 medium-term management plan, which was launched in July 2023, we learned from our errors in the previous plan and involved the management of the operating companies from the start, making sure we had thorough discussions with them.

Over the five years covered by the new medium-term plan, we aim to increase corporate value and more than double group-wide net sales as well as driving a more than three-fold increase in net income through average annual growth of 25% or more. The Critical Success Factors (CSFs) for achieving this will come from the implementation of the software driven strategy, and we will continue to view trends in software gross profit as our most important strategic KPI. In addition, in order to visualize the implementation of the software-driven strategy, KPIs and targets will be set and monitored for operations, product value, service value, and productivity. Furthermore, each operating company has set its own CSFs and KPIs based on their respective business models, and have formulated measures to navigate towards achieving target values, and have begun implementing these measures.

[Capital Allocation in the New Medium-Term Management Plan]

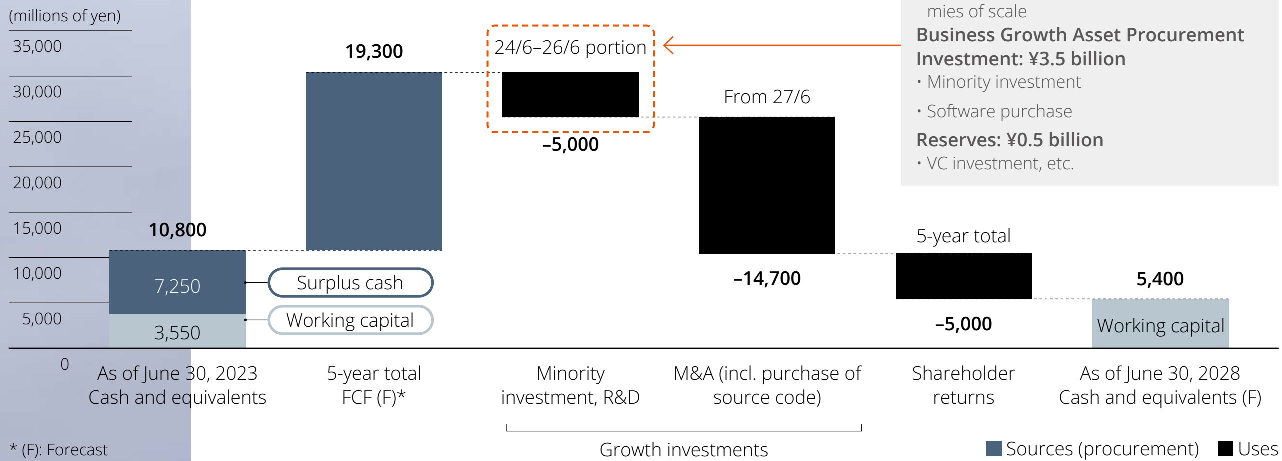
Assuming ¥20 billion for growth investments and ¥5 billion for shareholder returns (dividends) over the 5-year period of the medium-term management plan.

▸ Direction of first growth investment

Internal investment=
Human capital investment: ¥1.0 billion
- R&D that contributes to the achievement of the business plan
- Develop functions that generate economies of scale

Business Growth Asset Procurement Investment: ¥3.5 billion
- Minority investment
- Software purchase

Reserves: ¥0.5 billion
- VC investment, etc.



* (F): Forecast

Growth Investment

Investment is positioned as a key driver to implement the software-driven strategy in the new medium-term plan. During the first three years of the new plan, we have set a limit of ¥5 billion in a search phase for investment projects, with a target of ¥500 million to ¥1 billion per project for use in minority investments and in-house R&D. We are also looking to make larger investments such as M&A during the final two years of the plan, utilizing the networks developed through our investments. We established this investment policy partly to reflect the fact that we were unable to identify suitable M&A projects despite our efforts to find these during the previous medium-term plan. The reasons to initially take a small position rather than conduct outright M&A at the outset is that it will be possible to become a major shareholder as an insider and acquire shares in a target company at a later stage having been able to gain confidence in the value assessment when a target company is looking for an exit strategy. In the future, our Materiality Realization Office, which will be newly established in the holding company in July 2023, will be responsible for selecting companies and software products, etc. for investment. The Group CFO's main role will be to act as a gatekeeper to conduct financial due diligence on potential investments, as well as to develop recruitment and exit criteria for investment projects and manage them post-investment.

Our basic premise is that we will not make investments unless they are related to the group's business. In other words, the intention is not to make a net investment solely for the purpose of earning an economic return. We will invest in areas of the business that are solely related to the Group's business, particularly in targets that will contribute to increasing software sales and gross profit and enabling sustainable growth. Naturally, one selection criteria for investment is to generate a return that exceeds the minimum cost of capital. However, since many of the candidates for minority investment are likely to be unlisted startups, and may be seed-stage companies, however detailed the various assumptions made and detailed project future cash flows are, the accuracy of projections will inevitably be low. We prefer to keep cash flow forecasts moderate as a more practical method of feasibility study (verification of profitability), and estimate the expected growth rate and volatility of cash flow from similar examples of other companies. This helps set a hurdle rate for each project, which we use to discount the forecasted cash

First 3 years will be an exploratory phase, aiming to realize results in 4th year and beyond

	24/6 > 25/6 > 26/6	27/6 > 28/6
	Exploratory Phase: ¥5 billion	**Implementation Phase: ¥14.7 billion**
1. Software procurement	▪ Build cooperative relationships through minority investments in overseas SaaS vendors and software development companies to increase the number of software products handled by the company and expand the network to enhance the company's own development capabilities ▪ Main objective is not to acquire software, but to build a network with a wide range of options	▪ Sourcing using the network established during the exploratory phase, executing source code purchases and M&A
2. R&D to utilize generative AI, etc.	▪ Conduct research and development activities to increase the productivity of service delivery costs	▪ Linking the results of R&D activities to improved delivery cost productivity
3. Strengthening cyber security	▪ Continue to accumulate know-how and invest in equipment to help clients continue their operations	

flow. We are considering using this method for our discounted cash flow projections. To be more specific, our cost of equity as of February 2024 is approximately 7%*. Therefore, the discounted present value of cash flows using the hurdle rate, including an additional risk premium for each deal, must be positive (or the IRR of the expected deal must be above the hurdle rate). The prerequisite for any potential investment is that the present discounted cash flow using the hurdle rate, to which a risk premium is added for each deal, must be positive.

That said, we fully appreciate that the results of the Feasibility Study are only numerical. The drive and passion of the person leading the project is also very important in determining whether the investment will be accepted or rejected. There will be times when the Group CFO may try to step on the brakes, but if the drive of the person still shines through, the Group CFO may decide to take on more risk. It sometimes is the case that to get the largest returns you have to be able to take more risks. We do need to add however that for our Group, the Group CEO and the Group CXOs, who are participants in the Group Management Committee that discuss investment decisions, can make evaluations based on a common language of corporate value and cost of capital, and we believe that decisions on that economic rationality are not carried out solely based on theoretical values.

* Calculated assuming a 10-year JGB yield of 0.725%, an Equity β of 1.04, and a market risk premium of 6.0%.

Shareholder Returns

The balance of surplus cash and deposits as of June 30, 2023 exceeded ¥7 billion due to the fact that investments did not proceed as planned in the previous medium-term plan. Minority investments and M&A are important means of implementing the software-driven strategy set forth in the new medium-term plan. We assume that the surplus cash and deposits accumulated to date will be invested in such activities, but if appropriate investment targets are not secured, surplus cash and deposits may further increase. In such case, in addition to the ¥5 billion cash dividend planned in the current medium-term plan, the company will consider share buybacks from the market as appropriate, taking into account the benefits of not only additional returns to shareholders but also incentive compensation for employees and complementary payments from M&A transactions.

In addition to capital allocation, it is very important to put the PDCA cycle of the new medium-term plan into operation as quickly as possible. For this purpose, it is also essential to have internal software infrastructure in place that can draw on the latest information as necessary. At the start of the new medium-term management plan, the Group used its own product, AVANT Cruise, for the central oversight of management data within the Group. This automatically renews and extracts several KPIs in the new medium-term plan, enabling visualization and efficient monitoring of the plan's progress. At the same time, we are also working on digitization (DX) of our own group business management in order to provide appropriate and prompt feedback to each operating company. We expect this to be useful for early detection of issues and prompt response to them.

Review and Policy on Corporate Value Enhancement

We emphasize Total Shareholder Return (TSR) and Internal Rate of Return (IRR) in our corporate valuation. For example, if you purchased our shares at the beginning of the previous medium-term plan and held them for 5 years, the TSR would be 304.6%, sharply in excess of the TOPIX TSR including dividends (149.3%) over the same period. Meanwhile the IRR would be 25.2%, significantly higher than that for the TOPIX. Furthermore, the Sharpe ratio, which is the excess return divided by the rate of change in return, and the trainer ratio, which is the excess return divided by the β value, both exceeded the metrics for the TOPIX over the same period. Therefore, we believe that we were able to deliver returns to shareholders that were sufficiently higher than the market, even taking risk into account.

TSR is divided into capital gains and income gains. Regarding income gains, TSR comes from plans to pay dividends in accordance with the shareholder return policy. As shown in the diagram below, capital gains can be broken down into EPS growth and PER. With regard to EPS, we plan to grow net profit by more than three times during the new mid-term plan period by implementing our software driven strategy.

[Evaluation of Investment Return Performance]

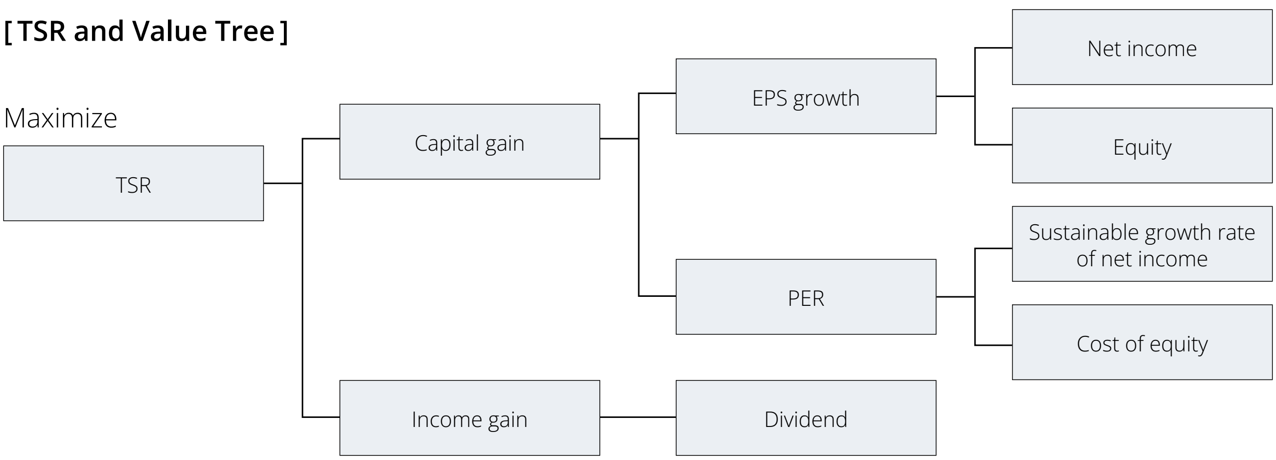
(yen)

	Year	0	1	2	3	4	5
Cash out	Original share price*1	–482					
Cash in	Dividend per share		6	7.5	9	11	13
	Stock price after 5 years*2						1,411
Cash flow		–482	6	7.5	9	11	1,424
IRR (Internal Rate of Return)							**25.2%**

*1 Closing price of our stock on July 1, 2018
*2 Our closing price on June 30, 2023

2018/7/1–2023/6/30	Avant Group	TOPIX
IRR (Internal Rate of Return)	25.2%	5.75%
Risk-free rate	0.03%	0.03%
Volatility	39.14%	15.34%
β	1.2165	1.0
Sharpe ratio	**0.643**	**0.373**
Trainer ratio	**0.207**	**0.057**

[TSR and Value Tree]



Moving on to PER. This can be calculated as 1 divided by (cost of equity – sustainable growth rate of net income). Theoretically, therefore, PER can be increased by lowering the denominator, cost of equity, and increasing the sustainable growth rate of net income. In the CAPM model, the cost of shareholders' equity is the risk-free rate + β × market risk premium, of which β is the only parameter that can be affected through individual corporate activities, In the case of our group, we believe that the cost of shareholders' equity may decrease as a result of a reduction in the volatility of earnings or cash flows. Specifically, an increase in recurring revenues from the SaaS and BPO businesses would likely lead to a lower β.

On the other hand, we believe the Group needs to work on raising the sustainable growth rate of net income, as well as reducing the cost of shareholders' equity, in order to achieve a significant increase in PER. In our case, the profitability of in-house software product sales is much higher than that of service sales, so the key to improving profitability is to increase the proportion of our own in-house products. Sustainability is synonymous with a large amount of ongoing income, so further growth in SaaS, BPO, and other businesses is another option.

In summary, we expect PER, capital gains, and consequently TSR to increase by combining the sales of in-house software products with a business model that focuses on SaaS and BPO. These kind of processes are key to our software driven strategy, which is a central factor for realizing the new medium-term management plan, and we believe that implementing these strategies will also enhance our corporate value.

Recognition of Issues as Group CFO

In addition, we highlight two other issues to be addressed in future. The first is to increase the number of future group CFO and operating company CFO candidates. We are currently carrying out discussions with the CFOs of each operating company what skills the future CFOs will require and what kind of human resources are desirable to take on this role. However, I personally intend to widen the scope beyond only candidates whose future career goal is to become a CFO. Even if top management comes from a non-financial background, I do not consider it appropriate to have to defer to a CFO on financial matters. We believe that human resources with the potential to assume top management roles in the future should take on a CFO role at least once in their career.

The second is related to the adoption or rejection of International Financial Reporting Standards (IFRS) in our group. Be Global 2028 continues to aim for global standards from the previous medium-term plan. Although the adoption of international accounting standards has been discussed several times to work towards this goal, it was not adopted because it did not seem necessary. However, assuming capital allocation is executed in accordance with the new medium-term plan and large M&A projects occur in the third year of the plan or later, the amortization of goodwill under Japanese GAAP could significantly affect profit at various levels. This could threaten achievement of the net income growth target of 25% or more per year on average. Of course, goodwill amortization does not affect cash flow, and differences in accounting standards do not change the intrinsic value of a company. That said, during a recent IR meeting with a global institutional investor, I was asked about the feasibility of tripling or more net income even after implementing M&A involving large amounts of goodwill amortization. After reflecting on this, I feel the need to reexamine the cost-effectiveness of adopting International Financial Reporting Standards, keeping in mind it may be one way to achieve the net income goal.

HUMAN RESOURCES STRATEGY

GROUP CHRO MESSAGE

ERIKO SATONAKA

Group CHRO
General Manager

For the new medium-term management plan to be successful, it is essential to align business strategy with human resources strategy and develop a structure in which our human resources can support the business.

Therefore, we continue to look at what human resource measures will be required to realize our strategy of "becoming a software company that helps increase corporate value," and regularly hold internal meetings on the topic. As a result of our discussions, **we are currently focusing on (1) Optimizing the organization in line with the strategy of the operating company and (2) Developing a new generation of leaders that can drive the business.**

(1) Our policy of optimizing the organization in line with the business strategy involved setting out what we needed to do and identifying the organization and personnel structure necessary to realize our goals, as well as understanding the difference between what the current situation is and what will be required in future. We began looking at measures needed to close this gap in the fiscal year ending June 30, 2024.

Although it is not easy to find the right answer, and requires some trial and error, the discussions have resulted in concrete actions regarding investment in human resources (recruitment and training) throughout the group. Key factors in the organization and human resources of each operating company have also become apparent. We regard getting to this stage in the cycle as a big step forward, as once we can highlight what the issues are, we can consider how they are best dealt with.

At the same time, leaders are an essential factor behind the success of any business. To this end, **we are also focusing on (2) developing a new generation of leaders that can drive the business forward.**

The Group's Board of Directors considers developing a new generation of leaders a top priority issue. Most months, the board has in-depth discussions on how to identify the talent in the pipeline, the requirements for leaders, what organization is needed to achieve the goals in the medium-term management plan, and the type of leaders who will be able to take us in that direction in future.

Specific development actions are implemented in turn, including putting in place a leadership development program for younger employees (see below for details) and providing opportunities for group executive officers to meet and interact with presidents of outside companies to broaden their perspectives and deepen their thinking, with a focus on growing the number of potential successors across a wider pool of employees. These kind of initiatives help us develop a pipeline of potential new leaders from a deeper bench of talent.

At the same time, from the perspective of looking at developing human resources within the company as well as other potential leadership candidates in Japan, our Group CEO Morikawa, will take on a role as a visiting professor at Hitotsubashi University Graduate School of Business Administration in April 2024 and teach courses that draw on his experiences in entrepreneurship and IPOs. Focusing on corporate value management, we hope to convey practical approaches to business portfolios, dialogue with investors, what is needed in a leader, and hope that our group's experience will be of some help in developing future leaders in Japan.

Employee engagement is also a foundation upon which a business is built.

We use external assessments (GPTW) to ensure all employees share the same vision and strategy, and are able to experience growth on a daily basis through mutual enlightenment. By taking actions after these initiatives, and by repeating the PDCA cycle, engagement scores are improving every year.

In addition, we are working to increase investment in people by enhancing corporate value from various perspectives and strengthening our strategy based on people, such as by launching **a stock grant system** for all employees that can work to increase the share price through growth of the business and sharing these returns.

Development of Young Leaders

In order for a company to continue to create value, it is essential to bring through the next generation who can lead the organization in future. Developing the talent who can take charge of the company 10 to 20 years from now is an important initiative for the future of any organization. The development of future leaders ensures organizational sustainability, and fosters innovation and change in a rapidly evolving environment. Young leader development is an important pillar in human capital management.

A young leader development program for young candidates selected from our companies was started in the fiscal year ending June 30, 2024. We use a backcasting process, in which our goal is to help participants have a vision of their future leaders, help them identify and take action on what they need to take now to fill any gaps.

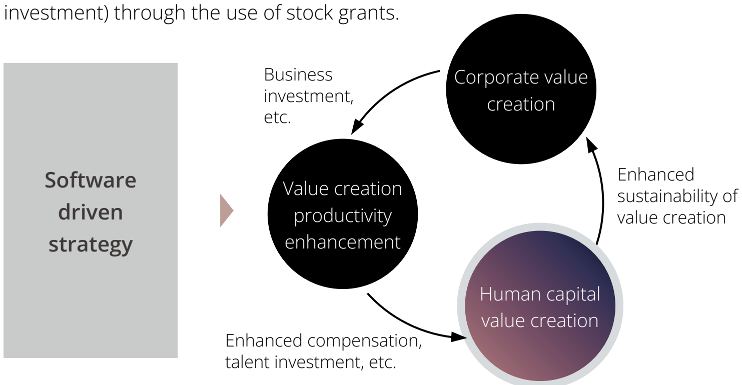
In an initiative termed the "Morikawa Juku" led by our group CEO Morikawa, we focus on the aspirations required of leaders, and include sessions that encourage creative dialogue and reflection, as well as practical training from a variety of perspectives. These include a management experience program to acquire an overall understanding and deep thinking skills, as well as training of specific mindsets to enhance autonomy, which leads to self-improvement. In addition to sessions that encourage reflection through creative dialogue, we also offer a management experience program to help participants look at situations from a more holistic perspective and acquire deep thinking skills. This initiative will be ongoing and the number of eligible participants will be expanded each year.

Introduction of a Stock Grant Program for All Employees

Beginning in the fiscal year ending June 30, 2024, a stock grant program (RS Trust) for all employees will begin providing shares worth ¥50,000 per year to all employees affiliated with the company for the full fiscal year.

The purpose is to raise awareness of the need to increase the corporate value of the company, as well as encouraging employees to contribute to the improvement of corporate value through their own actions. This should see returns through the benefit of future share price appreciation for all employees, an investment in human resources that will support the improvement of corporate value.

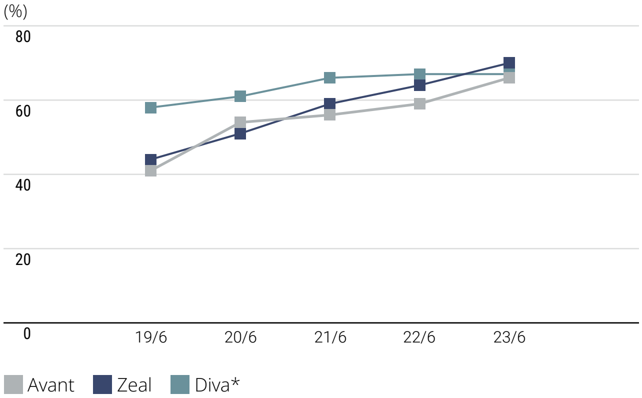
The more value a company can create, the more productive it will be. The value of the human capital involved in these processes also increases, leading to further human investment. In order to achieve this virtuous cycle, we intend to continue to strengthen our investment in people (human investment) through the use of stock grants.



GPTW

Our Group philosophy is the “Creation of a 100-year Company.” The strapline for this headline is “A Company Where All Employees Are Fired Up to Create Value.” This is aimed at realizing a virtuous circle within the group, where accumulated efforts are properly evaluated, which in turn makes work more rewarding and contributes to the establishment of higher goals. To this end, each group company has set a key KPI of a 70% GPTW score including participation from all members, and has established a system led by top management and company managers.

GPTW Score of Each Group Company



* February 2023 survey results

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>. Each company in the Avant Group uses the GPTW score to identify issues and aims to improve 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.

Group Companies’ Efforts to Improve GPTW Scores

Diva Corporation

DIVA

GPTW Results for the Year Ended June 30, 2023

Diva achieved a GPTW score of 67% in the February 2023 survey, the same as in the June 2022 survey*. With regards to job satisfaction, employees highlighted the following points in particular: people that deserve to be promoted are promoted, people are treated fairly regardless of age, and a safe and healthy working environment.

The entire company is committed to dealing with each and every employee from a variety of perspectives, including developing human resources with the ability to lead the organization, regardless of age or length of employment. Having leaders that take seriously job satisfaction and growth of their teams was appreciated, as well as the discussions about growth and improvement of individual employees at monthly human resources meetings held by the board of directors. The entire company is committed to dealing with each and every employee from a variety of perspectives. In addition, internal questionnaires are used to identify questions about the company and opinions about the internal environment, implement improvements, and have President Nagata answer questions directly to address any points raised.

* Due to a change in the timing of the GPTW survey for the fiscal year ending June 30, 2024, the February 2023 survey is an unofficial result that is not subject to the GPTW’s determination of “Best Companies to Work For” certification.

Challenges Seen in the Results for the Fiscal Year Ended June 30, 2023

Among the items that received low evaluations, we highlight three key issues: “fostering a sense of contribution,” “a company where people can work for a long time,” and “an organization where anyone can fit in.” We will focus on these three areas for improvement because we want DIVA to be a company that can offer something positive to employees who join DIVA and want them to be as healthy and happy as possible while they work with us.

Future Initiatives

While continuing to provide appropriate support for each individual’s job satisfaction, we will work with the leaders of each organization to analyze and improve organizational issues, and strengthen onboarding and improve the retention rate in these three priority areas.

We will strive to create an environment in which each employee has a sense of satisfaction in his or her work, and can grow through cooperation and friendly competition, aiming to create an organization in which employees can take pride in working for DIVA.

Group Companies' Efforts to Improve GPTW Scores

Zeal Corporation

GPTW Results for the Year Ended June 30, 2023

Zeal has carried out this survey since 2016 and has continuously worked to improve employee job satisfaction. When the survey began in 2016, the score was 51%, but as a result of company-wide efforts to improve the workplace environment and job satisfaction, the score rose to 70% for the fiscal year ended June 30, 2023, a significant improvement of +5 ppt over the previous year.

In addition, the company was selected as one of the "Best Workplaces" in the 2023 edition of the "Best Companies to Work for" certification, with employees citing points such as "opportunities for skill development" and "fair distribution of profits.

This result arose thanks to an initiative by department heads and senior managers in discussions about job satisfaction of their employees. The department heads themselves considered and implemented various measures, as well as the receiving input from the activities of the Working Group for Enhancing Job Satisfaction. This group has members participate on their own initiative, to create opportunities for employees at work. We believe that this is the result of the efforts of each employee to improve his or her own work environment.

Challenges Seen in the Results for the Fiscal Year Ended June 30, 2023

The gap in scores by position and age, such as young to mid-career and executive positions, has highlighted differences in values and other issues. The score gap between general employees and managers on questions related to "pride," such as the significance of individual duties and the sense of contribution, is also large. One key area to address is improving satisfaction among general employees.

Future Initiatives

A continued point of focus will be further bolstering of the company-wide skill enhancement training program and creating an environment in which individuals can realize growth and develop their abilities, one of the company's strengths, through the formulation of skill maps and other measures.

In addition, we will focus on measures that promote connections within the group both with individuals working at different levels and at similar roles in other parts of the organization. We will carry out initiatives such as promoting 1-on-1 meetings, workshop-style philosophy training, and online get-togethers open to anyone who wishes to participate, regardless of department. We will focus on creating an environment in which two parties can openly approach each other with mutual understanding and a common understanding that goes beyond age or position.

Group Companies' Efforts to Improve GPTW Scores

Avant Corporation

GPTW Results for the Year Ended June 30, 2023

Avant's GPTW score for the period ended June 30, 2023, was 66%, a +7 ppt increase over the previous quarter and the highest level ever recorded. In comparison to benchmark companies, Avant's strengths included "providing an easy work-life balance," "being entrusted with responsible work," and "compensation commensurate with work." The company has a high rate of employees taking paid leave, a high rate of male employees taking parental leave, and offers a hybrid work style of coming to the office as well as working from home that takes into consideration employees with various needs such as childcare or nursing care, etc. In addition to finding a work-life balance for employees, the company also sets goals that take into account career plans ("will"), organizational goals ("must"), and adjusts compensation scales using an external survey to achieve market-competitive pay levels. The company also supports employee growth ("can") through 1-on-1 communication and twice-yearly evaluation meetings. It also adjusts compensation using external surveys to ensure a market-competitive pay levels.

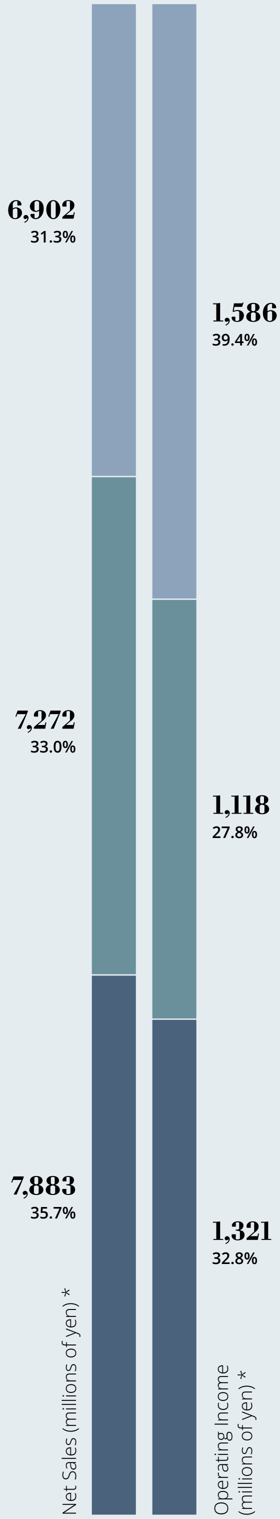
Challenges Seen in the Results for the Fiscal Year Ended June 30, 2023

Issues identified as challenges include "low scores of managers below the department head level," "solidarity," and "ease of approaching and speaking to the management and administrative level." This will be improved in future.

Future Initiatives

President Okabe will review the GPTW survey results for all employees and provide an opportunity to explain the company's strengths, growth opportunities, and future initiatives. He will also provide process improvement and implementation support related to various tasks faced by managers below general manager, a twice-yearly company-wide award system (Avant Award). The company aims to further improve employee job satisfaction by resolving issues through town hall meetings in which the president will address the whole company and through small meetings in which each director can provide further clarity on initiatives introduced at the company-wide meetings.

SNAPSHOT



Consolidated Financial Disclosure

M1

DIVA

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

Disclosure Information as a Basis for Dialogue with Investors

In addition to the development of the DivaSystem LCA consolidated accounting system and related products, the company is involved in outsourcing operations such as consolidated and non-consolidated financial closing operations. We also provide comprehensive support for corporate value creation processes through information disclosure.

Main Products

DivaSystem LCA
DivaSystem Dx3-Advance
DivaSystem FBX
TRINITY BOARD

DX Promotion

M2

ZEAL

Use the Latest Technology to Leverage Data and Bring Innovation to our Client's Business

Through consulting and system development, we provide a data platform that organizes and integrates internal and external data, and AI/BI solutions that allow analysis, forecasts, and data visualization to help drive digitization at companies and promote data-driven management. We also offer ZEUSCloud, a cloud-based data analysis platform developed in-house, and ZEAL DX-Learning Room, an e-learning service that supports human resource development.

Main Products

ZEUSCloud
ZEAL DX Learning Room
CO-ODE
STORYAI.

Management Solutions

M3

AVANT

Provide Information that Supports Management to Have an Awareness of Corporate Value

Our business is to use the business management software we developed in-house to improve corporate value for our clients', with a focus on group business management, consolidated accounting, and business management accounting. We provide one-stop support from consulting to software planning, construction, implementation, operation, and maintenance.

Main Products

AVANT Cruise
AVANT SMD
AVANT Compass
AVANT Chart

* Due to a change in business segments beginning in the fiscal year ending June 30, 2024, actual results for the fiscal year ended June 30, 2023 have been reclassified to the current segments. Figures for the period prior to June 30, 2022 in the current segment are not disclosed. Total sales and operating income are before elimination of intersegment transactions and therefore differ from the figures reported in the consolidated financial statements. Percentage figures are calculated based on the figures before elimination of intersegment transactions.

BUSINESS MODEL

BPO SaaS

DivaSystem LCA is the leading software in Japan in its field in terms of market share. It covers a series of operations from data collection to consolidated processing, reporting, and disclosure of financial results to streamline consolidated financial disclosures. Our unique business model offers services that combine this software with other outsourcing business for financial closing operations to automate our clients' consolidated financial closing operations. By creating a cycle in which know-how gained from outsourcing is fed back into the software development process, we aim to realize a BPO SaaS model that is difficult for other companies to follow.

The group has the largest customer base and serves as a bridgehead for entry into new markets.

Improve Software Competitiveness and Margins while Growing Sales Related to BPO

BUSINESS MODEL

Consulting SI

In this segment, we provide full support for projects, from enabling understanding of current business conditions, to proposing solutions for problems, to system construction, through to system operation and support. The business model is similar to SIers and consulting firms, but is unique in that it focuses on data utilization, an essential part of companies' efforts to promote DX. Using data platforms from several major vendors in Japan and overseas, we are developing a system that aggregates data generated from various business processes, which can be used to visualize current conditions and make market forecasts.

The group also plays a role in expanding our commercial products by offering training to engineers in the latest methods of data utilization and promoting in-house development of data utilization infrastructure products through acquisition of the latest methods specific to data utilization.

Sales Growth from Tapping into Strong Demand

BUSINESS MODEL

Consulting SaaS

We promote a business model that can replace business management solutions, traditionally provided primarily through SI and consulting, with Consulting SaaS-based solutions, or a combination of SaaS and consulting. Furthermore, while our competitors in the form of major consulting firms and consolidated accounting business companies use overseas CPM products, our work in this segment mainly involves implementation of our in-house developed software at our clients. Revenues are made up of sales of the company's software, consulting services for implementation of the software, and maintenance contracts that provide related support.

Within the group, we play a role in continuously creating solutions that contribute to the enhancement of corporate value by maximizing group assets. A key example of this is AVANT Cruise, a product which incorporates business management know-how accumulated over the years.

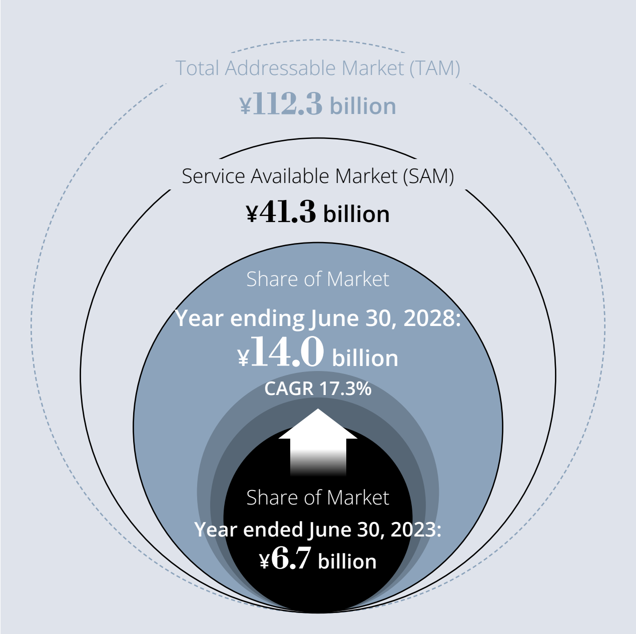
Improved Margins while Developing Markets and Expanding Sales with in-house Products

Enhancing the Corporate Value of our Customers

Consolidated Financial Disclosure Business

M1

Through the provision of consolidated accounting systems and BPO services, we break down and reconstruct value units within our clients' businesses and support the disclosure of financial results to facilitate dialogue with investors.



Market Environment Analysis

- The TAM for the consolidated financial disclosure market is estimated at ¥112.3 billion, of which consolidated accounting systems account for about ¥10 billion, BPO about ¥40 billion, and SAM ¥41.3 billion, excluding duplication.
- The BPO market is expected to grow by 20-25% as the need to outsource financial disclosure, a non-core routine task for companies, grows in response to a declining workforce and the need to reform work styles. The consolidated accounting system market is growing at around 9% due to an increasing need for earlier settlement of accounts and enhanced disclosure, with the cloud system market in particular expected to grow at around 20%.
- While there are several software competitors in the consolidated financial disclosure market, none of these also offer BPO solutions. We therefore believe there are no competitors offering a combination of software and BPO services.

Growth Drivers and Competitive Advantages

- In this expanding market, we aim to achieve an average annual growth rate of 17.3% in sales during the period covered by the new medium-term management plan, centered on one BPO business. At the same time, by leveraging know-how gained from the BPO business, we will increase the competitiveness of our software to boost sales and improve the profit margin of the business.
- The Group has established an outsourcing business for disclosure of consolidated financial results, which has been considered difficult due to significant differences between busy and slow periods, on the back of our unique position. With a client base of more than 200 companies, including leading companies that already have numerous consolidated subsidiaries and affiliates, including overseas, we have established an unparalleled barrier to entry through our extensive experiences and knowledge. As a result, we have been able to secure high profit margins, a key point of difference to a typical outsourcing business.
- DivaSystem LCA is the No. 1* product in terms of market share, with 43.1% of the domestic market for consolidated accounting systems. It has a significant edge because of an ability to expand functions through incremental additions of functionality acquired through the BPO business.
- The business model combining highly competitive software and BPO services is only feasible for our group, and we regard this as difficult for other companies to try and implement.

* Source: Fuji Chimera Research Institute, "Software Business New Market 2023," Consolidated Accounting Management Software Market Share Trends (Package) FY2022 Results

CSFs and Focus Points

- **We will increase the market share of DivaSystem LCA for large companies with sales of ¥100 billion or more to 70%, a level at which it can be considered the de facto standard, by the end of the fiscal year ending June 30, 2028. To this end, our primary investment will be in software development over the next three years.**

CSF

Become the de facto standard with a 70% share of the consolidated accounting system market

- In recent years, market share expansion for DivaSystem LCA has stalled. However, the reorganization of group companies in 2022 will enable the company to combine the BPO business with DivaSystem LCA, creating a structure that can generate synergies. We recognize that the biggest key and challenge is whether we can create a cycle to transfer consolidated disclosure business know-how gained through BPO processes to software development to further enhance our product capabilities.
- On the sales front, we will further cultivate customers in the strong BPO business and strengthen cross-selling of DivaSystem LCA.
- However, by accumulating operational know-how through BPO, we believe that it will be possible to develop software that fully automates consolidated closing operations for companies with sales of ¥100 billion or less in future. We also expect the development of software that fully automates consolidated closing operations will be achievable for companies with sales of ¥100 billion or less.
- Internet Disclosure, which provides major audit firms with “Disclosure Net,” a search service that stores comprehensive disclosure information on listed companies, also supplies data to Group companies for their products, taking advantage of its outstanding expertise in collecting and managing disclosure information.

INSIGHTS FROM BUSINESS OWNER

GEN NAGATA

President and Representative Director, Diva Corporation

Re-enforce DivaSystem LCA through Synergies with BPO and Get Back on a Growth Trajectory

Our operating company Diva utilizes software and BPO to automate consolidated financial disclosures for its clients. The key strength of the company is an ability to combine these two seemingly completely different business models and processes, while maintaining high profit margins in both services. Being the only BPO provider in this field also allows us to transfer and develop software based on our expertise as professionals in consolidated financial disclosure operations.

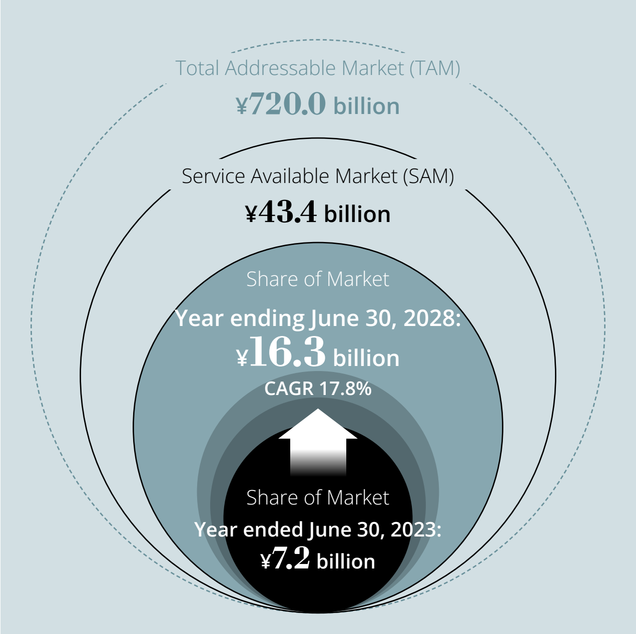
Since launch, the BPO business focused on client development, based on a belief that knowledge of consolidated financial disclosure operations is concentrated in large, complex companies with a large number of consolidated entities. By acquiring know-how accumulated in this way and embedding within DivaSystem LCA, we aim to develop software that raises the productivity of our customers and further expand our market share.

Beyond that, we are looking at two new developments. One is to develop software that fully automates operations for companies in the mid-range and below by reflecting common features of the consolidated financial disclosure operations of the more than 200 large companies that we have as customers. The other is global expansion. The nature of BPO, as well as language barriers, make this difficult. However, we believe that we will be able to overcome these challenges as workflow transcription progresses further and the scope of what can be automated with software expands. This will be a major step toward realizing the Group’s vision “BE GLOBAL.”

DX Promotion Business

M2

Through consulting and system development, we support digitization (DX) by maximizing the use of data to contribute to the growth of our clients' businesses and enhancing their corporate value.



Market Environment Analysis

- The DX market is estimated to have a TAM of ¥720 billion and a SAM of over ¥40 billion. The number of companies promoting DX is expected to continue to increase, and the market will continue to expand. On the other hand, major SIers and other companies that have deployed ERP in the past are increasingly entering the market as competitors.
- Within the DX market, the area of data utilization infrastructure is seeing rapid growth, as companies understand the importance of data essential for the functioning of generative AI, following the rapid rise in prominence of interactive generative AI tools such as ChatGPT. This has been our main business focus for many years, and we shall strive to continue our efforts to capture future market growth.

Growth Drivers and Competitive Advantages

- We will expand the scale of our business in line with market growth, aiming for average annual sales growth of 17.8% during the period of the new medium-term management plan. The operating profit margin is already high compared to SIer firms, but we intend to try and raise this on par with the consulting firms in future.
- In addition to further promoting the provision of data platforms, we will extend our range of services to incorporate high-value-added services such as consulting for DX concept formulation through data utilization, support for advanced data use centered on AI, and support for accompanying companies for their in-house production efforts, in order to further our contribution to each and every client. We also aim to increase sales and improve profit margins expansion of our high-value-added services.
- Our operating company Zeal was early in recognizing the potential of BI and has become an industry leader as a specialist vendor in BI and DWH (data warehousing) solutions for about 30 years since BI first emerged in Japan. Our greatest advantage is our accumulated know-how in data utilization.
- We have partner agreements with many vendors, and we have formulated a particularly strong relationship with Microsoft that began even prior to the shift to cloud computing. Today, as the number one partner in the data platform field and a technology leader, we are supporting many customers' DX with our Microsoft Azure cloud service.

CSFs and Focus Points

- **Expansion in number of employees and customer contribution value are critical success factors (CSFs).**
- We believe securing human resources is a key factor behind achieving sales expansion, and we aim to increase the number of employees by approximately 2.2x during the new medium-term management plan period. In pursuit of this objective, our greatest emphasis is on creating an environment in which employees can continue to grow. We believe this will strengthen the development and retention of human resources and also contribute to improving our ability to recruit. Specifically, we are supporting the career development of employees through expansion of our talent development systems, including the formulation of skill maps that enable employees to gain an understanding of the skills necessary for their careers, and by increasing the number of assignments to high-quality projects that lead to growth.
- We will focus on continuing transactions with customers with high potential, increasing the contribution level of this business, expanding the scope of projects, and broadening the scale of each project. We plan to reform our sales structure and processes so that we are able to make effective approaches to our customer base in line with this policy.

CSF

Number of Employees

Customer Contribution Value

INSIGHTS FROM BUSINESS OWNER

YOSHIYUKI NUMATA

President and Representative Director, Zeal Corporation

We Will Focus on Expanding our Human Resources, while Keeping in Mind Our Sales Strategies, and Maintain a High Growth Rate by Steadily Capturing the Expansion of the Market.

In recent years, market growth in our specialist area of DX data utilization infrastructure has risen significantly. Our basic strategy is to gain a firm understanding of the needs of our customers to achieve growth.

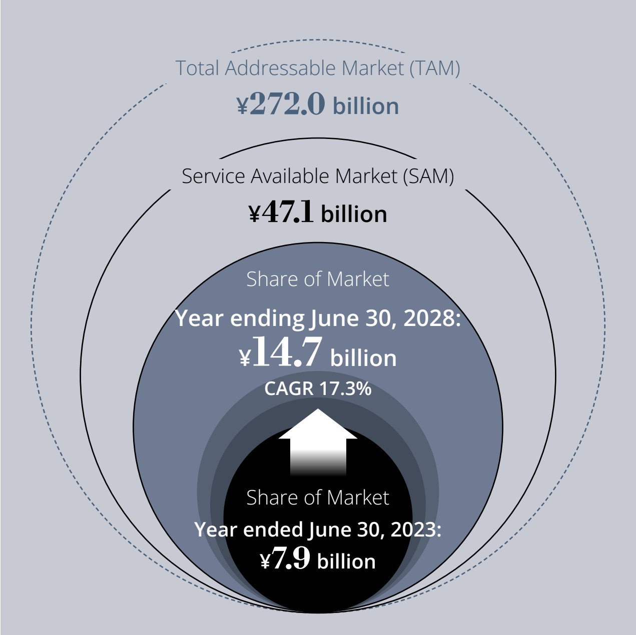
Since increased human resources is essential for our business model, we plan to more than double the number of employees over the five years of the new medium-term management plan. We believe that the most important thing for employee retention, especially for engineers, is to provide an environment in which staff can grow through learning new technology, and be rewarded accordingly. To this end, in addition to improving our training system, we also believe it is important to strategically acquire quality projects where we can acquire new skills and experiences, and we intend to focus more on service provision to large scale clients (enterprise clients). By providing broad and deep support for our clients' DX activities in a mutually beneficial manner, through processes such as consultation on data utilization and providing educational content to develop DX human resources, we will increase sales per company which should raise customer contribution value, as well as provide a wide range of growth opportunities for employees, and encourage ever higher retention levels. We will also actively engage in advanced data use through AI, utilizing our own product, StoryAI, which can analyze emotions from text and images.

In future, we would also like to strengthen collaboration within the group. One example may be implementation support from Zeal for a data platform, with Avant able to model company value through establishing KPIs.

Management Solutions Business

M3

By providing management information infrastructure,
we contribute to the enhancement of corporate value by offering a visualization of the value of the various businesses and assets at our clients and linking them to actions to maximize that value.



Market Environment Analysis

- The next-generation management information infrastructure market is estimated to have a TAM worth ¥272 billion and a SAM of ¥47.1 billion. Due in part to recent corporate governance reforms, an increasing number of companies are seeking to manage their businesses keeping an investor's perspective in mind, and we therefore expect the next-generation management information infrastructure market to expand accordingly.
- In particular, in response to the Tokyo Stock Exchange's announcement in March 2023 of "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," many listed companies are increasingly reviewing their management processes, setting new KPIs in their medium-term management plans. However, with many companies yet to formulate and disclose concrete plans to improve PBR, etc., there is a growing need to improve business management by understanding cost of capital and business value among other items, while minimizing this burden.

Growth Drivers and Competitive Advantages

- The Company aims to expand sales by capturing demand, and to achieve average annual sales growth of 13.2% during the period covered by the new medium-term management plan. At the same time, we also intend to improve our operating margin by increasing the ratio of software sales centered on our core product, AVANT Cruise.
- AVANT Cruise is being implemented using fit-gap analysis, based on our model of best practices in business management and addressing gaps in customer requirements. In addition, processing and arithmetic functions are pre-installed to convert company data into business management data. These measures significantly reduce man-hours compared to SI-type implementations, where engineers will typically set out requirements and process newly-defined data sets. We look to provide customers with an optimal information environment in a short period of time and at low cost.
- Furthermore, an October 2023 update to incorporate group management content will reduce the software implementation time by about half. The reduction in man-hours per case and shorter turnaround time have enabled our group to speed up expansion in the number of installations.
- The ability to approach approximately 1,100 accounting departments and CFO departments within Diva's client base and the approximately 1,000 information system departments and CIOs at Zeal is a major sales advantage.

CSFs and Focus Points

- **The most important critical success factor is to increase the number of companies that install AVANT Cruise from around 100 at present to around 300 by the end of the fiscal year ending June 30, 2028. Other CSFs include securing a higher number of business leads, building out a development system, and developing human resources services.**
- In order to meet targets for the number of companies that install our systems, we need to urgently raise recognition of both our AVANT as a company and our AVANT Cruise product. We are focusing on marketing so customers will be aware of Diva and Zeal and recognize our business management solutions business. We already expect to secure many business opportunities leads through our connections with CFOs, and we will further strengthen our approach with CIOs through collaboration with Zeal.
- We will also focus on the development of products and human resources. We will continue to update our products by embedding our know-how into our software and adding customer requirements for business management systems that we have accumulated through our increased number of companies. We will also refine skills of project managers needed to implement a fit-gap model and accelerate the recruitment and training of human capital.

CSF

AVANT Cruise (including peripheral products) **installed in 300 companies** (target for FY06/2028)

Number of Software Development Personnel

Number of Business Leads

Number of Project Managers

INSIGHTS FROM BUSINESS OWNER

TAKAHIRO OKABE

President and Representative Director, Avant Corporation
Chairman and Director, Zeal Corporation

Aiming for a Leading Position in Growing Markets with Differentiated Software

We are increasingly confident that AVANT Cruise, which incorporates our accumulated expertise in group business management, will be accepted by even more customers in future. The continued development and evolution of these software products is expected to allow us to further penetrate the market, not only by cutting delivery time, but also by reducing the skill requirements for implementation and securing human resources. We plan to triple the number of companies using AVANT Cruise from approximately 100 companies as of February 2024 to 300 companies by the end of fiscal 2028.

Therefore, we put the highest priority on investment in product development. In November 2023, we partnered with Fluence Technologies of Canada for joint development and released the latest version of AVANT Cruise in March 2024. We will continue to invest in development to increase the number of options in line with customer needs, such as integration with ERP.

During the period of the new medium-term management plan, we intend to expand our market share by focusing on companies with mainly domestic operations that can easily demonstrate superiority over global CPM products. In the near term, however, we will not necessarily limit ourselves to our own products, but will sometimes use other companies' products to provide solutions in accordance with customers' requirements and attributes, giving priority to developing a track record. Through accumulating know-how and further refining of our products, we will aggressively aim to secure projects from major global companies and projects for upgrading our products in the next medium-term business plan as part of our aim to become the leading company in terms of domestic market share in business management software.

DISCUSSION

Formulate and Promote the New Medium-Term Management Plan under a New Governance Structure

In October 2022, Avant Group reorganized its group companies and transitioned to a company with an audit committee. We brought together three members of the Audit and Supervisory Board, including two outside directors, to discuss how the change in structure has had an impact on the new medium-term management plan and what the key points are for achieving the goals set out in the plan.

T
MITTEE MEMBERS

MAKOTO NAKANO
Outside Director
(Audit Committee Member)

TSUYOSHI NOSHIRO
Director
(Audit Committee Member)

CHIE GOTO
Lead Outside Director
(Audit & Supervisory Board Member)
Chairman of the Remuneration Advisory Committee

How the Medium-Term Management Plan (BE GLOBAL 2028) was Developed and the Key Software-driven Strategy

Noshiro The current mid-term management plan (hereafter referred to as "new medium-term plan"), BE GLOBAL 2028, was announced in August 2023. The overall strategy for our group was largely formulated one year prior to that, with each business company then required to put in place their own plans to finalize the new medium-term plan. At several points during the process, Mr. Nakano and Ms. Goto updated the board on progress at board meetings.

Nakano I first took on my position as a director in September 2022, and although I should have had a better understanding, I found some of the new materials presented at the board meeting difficult to understand. I have pointed out several times that I believe one of my roles is explaining management's thoughts to investors, and as such, I requested that the ideas were presented in ways that were easier-to-understand. In particular, we asked for improvements in the most important point, —notably the target to double sales and triple operating profit through a software-driven strategy, as we did not initially find much in the way of concrete strategies or numerical support for this.

> I believe the key to achieving the goals set out in the new medium-term plan comes down to our strategy regarding our people.

MAKOTO NAKANO

Goto I also highlighted areas where I felt that management's thinking was not clearly expressed in the documents or areas that I felt the content was not properly linked, and I also questioned the rationality of the estimates provided for operating companies' plans. Through these types of back-and-forth, I think we were able to make progress in improving the clarity for the possibilities of achieving the target figures. Compared to the previous medium-term management plan (hereinafter referred to as the "previous medium-term plan"), the new medium-term plan stands out as having been drawn up to represent the aggregate figures from targets at each individual company unit. However, at the heart of the policy for the new medium-term business plan is the materiality of "becoming a software company that helps increase corporate value," which is what our Group CEO Mr. Morikawa is striving to achieve.

Noshiro In the previous medium-term plan, we achieved our financial targets but fell short of our recurring sales ratio target, which was included to highlight a shift in the business model. We think the main factor behind this was because we failed to fully reflect opinions from client facing teams when we were formulating the targets. As a result, we set goals for the new medium-term plan in full coordination with the business execution teams. Rather than having Mr. Morikawa lead software development and M&A alone, we appointed Mr. Nakayama as Group Chief Product Officer (CPO) and Mr. Nagata, Group Chief Business development Officer (CBO), as General Manager of the Materiality Realization Office.

On the other hand, as Ms. Goto mentioned, I also see this as a return to the original aspirations that Mr. Morikawa had when he founded the company, namely to become a world-class software company. I am very proud to be a founder of Diva, because it was my desire when I started the company to create some intellectual property in the form of software for future generations in Japan.

Nakano Software involves a product that is more profitable and can grow more than a consulting-type business, which requires high labor costs. The structure is similar to Japan's world-class manufacturing industry. Mr. Morikawa often highlights his desire to have the company achieving Profitable Growth like other global companies. In other words, achieving sales growth as well as high profit margins and growth rates, I also believe that leveraging software to increase profit margins is a good strategy.

Goto The new medium-term plan emphasizes software, but does not necessarily focus on in-house development. There is a shift to a policy of buying time through M&A while continuing in-house development. In the near term, I am focusing on a strategy of selling software from other companies, but developing our own software in-house that will improve on these products. In the new medium-term plan, M&A is an integral part of the software driven strategy.

Nakano In-house development of software takes time and the chances of success are not high, so I also think the decision to look at M&A or make minority

investments in software companies that fit our strategy is extremely rational. The advantage is that it saves time and money compared to hiring new people to develop systems from scratch. Our company has sufficient funds for this purpose.

Noshiro Increasing the number of people does not necessarily bring about a directly proportional improvement in technology, so the policy of the current medium-term plan is to buy time and acquire expertise as leverage in order to double sales and triple operating profit.

Nakano There is no doubt that the key to achieving the goals of the new medium-term management plan is the software driven strategy. However, if I had to add something further, I would point to our people.

Mr. Morikawa also plans to create human capital value from higher value-creating productivity generated by the software-driven strategy and returning and investing this in our staff. As part of the new medium-term plan, we have decided to grant equity compensation to all employees who work for the company for a full year. While several companies offer equity compensation to employees above a certain position, it is rare these schemes are extended to all employees. We believe that incentives will enable us to secure outstanding human resources and develop excellent software.

Noshiro We must ultimately enable our employees to add value to our products, since we would only become a distributor if we just sell products developed by other companies. The measure to grant stock-based compensation to all employees also reflects our desire to realize the materiality of becoming a software company that helps increase corporate value by familiarizing employees with the concept of corporate value.

Goto While it is of course important to evaluate the progress of the new medium-term plan in a timely manner over a short-term span, I would like to reiterate the long-term perspective of our corporate philosophy, "Creating a 100-year Company." To this end, it is still important to secure and train human resources.

I think the policies behind the new medium-term plan looks to buy time and acquire expertise as leverage in our aim to double sales and triple profits.

TSUYOSHI NOSHIRO

Evolution of Group Management through Changes in Governance Structure

Noshiro Returning to my earlier comments about insufficient cooperation among the operating companies when setting KPIs for the previous medium-term business plan, in September 2022, when the new medium-term business plan was being formulated, we shifted from a company with corporate auditors to a company with an audit committee and delegated execution authority to each company. The Company's Board of Directors, as a holding company, is now primarily responsible for monitoring strategy execution. How do you both see the current functioning of the Board of Directors?

Nakano It is difficult for me to comment on previous measures as I was appointed after the current structure was put in place. However, I feel the group management tone for the company is solid. The board of directors discusses how to allocate capital and human resources. As a holding company, this equates to the function of an internal capital market, i.e. allocating capital to operating companies from an investor's perspective. I have developed an impression that execution of the details for the strategy is left to the individual operating companies.

Noshiro Each operating company has a different business model, and we respect their independence. While human resources at the management level will be part of the Group's strategy, each company is free to draw up their own strategy for human resources. The companies have achieved results to date, so it may be easier to leave them free to implement their own initiatives in some areas. Ms. Goto told the board that after the reorganization and establishment of Avant in 2022, it would be best to quickly address Mr. Okabe taking on the role of both president of Avant and Zeal and to find an alternative solution.

Goto Yes, and as a result, I believe the appointment of Mr. Numata as president of Zeal in July 2023 and which allowed Mr. Okabe to step away from the position as president was another step forward in group governance.

With the transition to a company with an audit committee system, proposals submitted to the Board of Directors have become more selective than before. Especially since when the new medium-term management plan was first being formulated, there has been an increase in proposals centered on business strategies. I feel that Mr. Morikawa has increasingly decided, as the head of group management, to focus on strategy, and delegated authority for execution to the presidents of the operating companies. The group has a clear management philosophy formed around the vision of our founder, Mr. Morikawa, and this philosophy permeates the entire group as a corporate culture. In this way, the operating companies have a strong sense of unity while maintaining a degree of independence. The Board of Directors is also discussing how to broaden collaboration between Avant and Zeal, and is making progress in strengthening group synergies. In future, we may come up with ideas such as creating a common development department for human resources, promoting common hiring, or consolidating some functions to minimize operational costs.

Agenda items presented to the Board of Directors are more selective than in the past and are increasingly focused on business strategy.

CHIE GOTO

Nakano Ms. Goto, you were appointed to the board of directors from the position of corporate auditor with the transition to a company with an audit committee.

Goto I have become more aware of the increase in responsibility I have taken on. When I was a corporate auditor, I was not involved in decision-making on business execution, so I perhaps felt somewhat reluctant to ask in-depth questions. However, in line with my move to director, I approach board meetings with a strong awareness that I have voting rights and an intent to participate in decision-making.

Noshiro With the transition to a company with an audit committee system, the Companies Act allows companies to select directors who are members of the audit and supervisory committee who have the authority to convene meetings of the Board of Directors, in addition to those who normally have the right to convene meetings of the Board of Directors. Pursuant to the Company's Articles of Incorporation, Ms. Goto is granted the right to convene such meetings by resolution of the Audit Committee. Together with the nomination of the lead outside director through mutual election of outside directors, this is expected from a corporate governance perspective.

The Most Urgent Issue is to Formulate a Succession Plan and to Develop Management Human Resources for this Purpose

Noshiro With the adoption of the audit committee system, the current board of directors no longer functions like a management board, but I think is closer to a monitoring board with some advisory board aspects. Ultimately, the monitoring board has the right to dismiss the top management. In our case, however, the top management, Mr. Morikawa, is the founder of the company and has demonstrated the leadership to drive growth and increase the share price to a valuation with a P/B ratio of 4 to 5 times, so we do not think it is necessary to strengthen the monitoring aspect to that extent at this point. What's more important is succession.

Goto In addition to the Group CEO, we also need to look at a succession plan for the Group CFO. This is an issue that must be promoted so that it can be undertaken at any point and ensure a smooth handover in the event something unexpected were to happen.

Noshiro Mr. Kamoi, who joined as an outside director in September 2023, has been involved in HR-related businesses and has experience in CEO succession, so I see this as a strengthening of the board composition in terms of succession. Regarding succession of outside directors, I understand there is no need to move urgently as most directors still have served less than five years, but rotation must be considered. This is my personal opinion, but I think it is preferable from a governance perspective to replace outside directors after 8-10 years for monitoring purposes, although a CEO should be able to continue for more than 10 years if he/she is excelling in the role.

Goto Prior to the transition to a company with an audit committee, the statutory term of office was two years for directors and four years for corporate auditors, so once a corporate auditor is reappointed, he or she would be in office for eight years. In contrast, after the transition to a company with an audit committee system, the statutory term of office is one year for directors who are not members of the audit committee, and two years for directors who are members of the audit committee. In future, I believe appointments will be based more on performance evaluation, regardless of whether someone is a member of the audit committee or not.

Nakano Regarding the development of management candidates that can be involved in succession plans, we have just begun to explore this with Mr. Morikawa and Ms. Satonaka, the group CHRO, taking the lead. Initiatives include the development of young leaders in a strategy we have termed the "Morikawa Juku." We recognize that our group is somewhat lacking in management-ready personnel, partly as a result of the low average age of our employees. As the number of staff in the current management team is minimal, we will not be able to achieve our goal of becoming a sustainable 100-year company unless we encourage the growth of young and mid-career talent. We need to be able to know that even if someone is attracted away by another company then we can still thrive.

Goto There is certainly a vulnerability in terms of the depth of human capital. To this end, we have been getting reports updating us on the considerable effort going into mid-career hiring.

Noshiro Yes. However, the company is still growing faster than the pace of hiring, and I think we are in a dilemma where one person has to take on multiple key roles at the same time. It is challenging to have to train people while growing, but I view this as an unavoidable challenge for a company that aspires to growth.

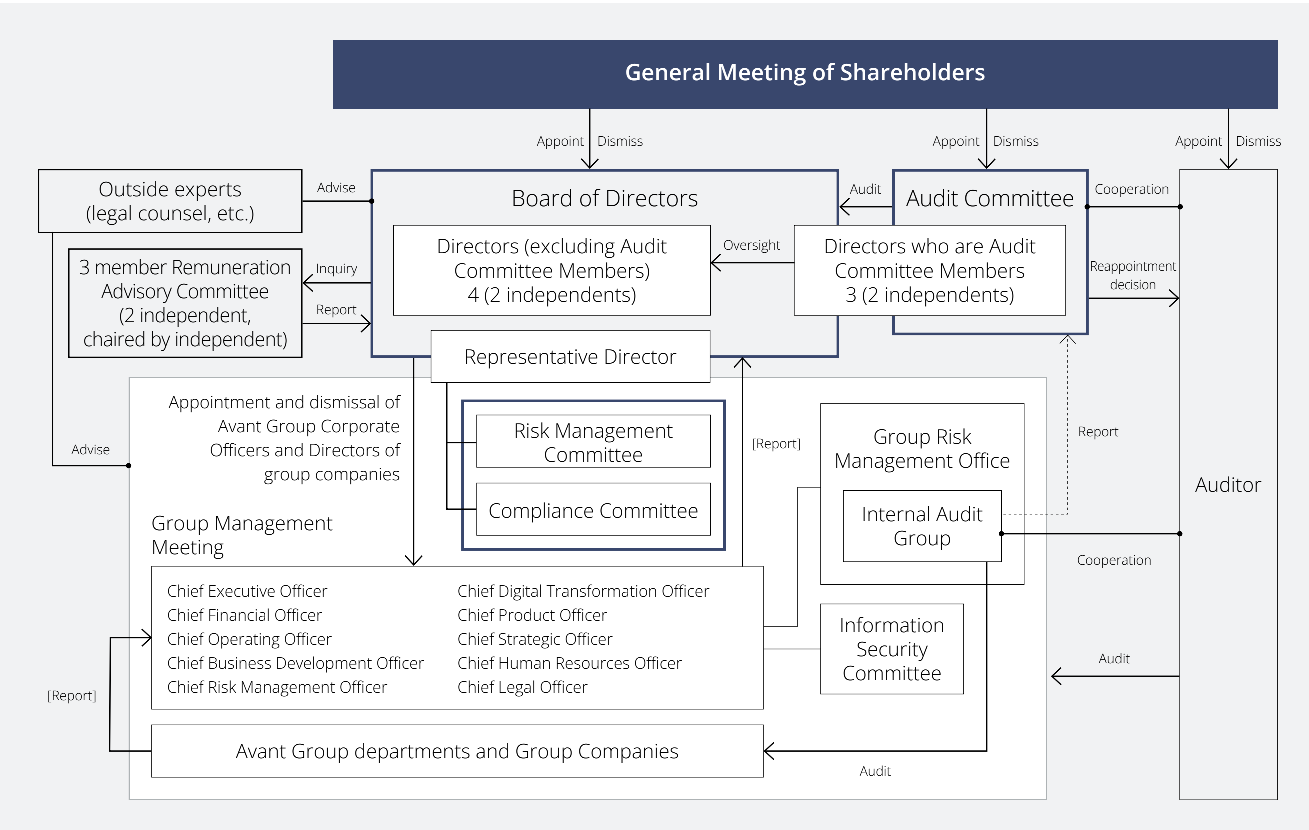
CORPORATE GOVERNANCE

Avant Group's Basic Approach to Corporate Governance

Corporate governance in our Company is a mechanism to realize a sustainable increase in corporate value based on our corporate philosophy, "Creation of a 100-year Company." This is done via increased transparency and soundness of management, ensuring accurate decision-making, linking supervision to execution, speeding up management decisions, and gaining trust and recognition from society.

We disclose the status of these activities in our Corporate Governance Report and promote constructive dialogue with our shareholders and investors.

Avant Group's Corporate Governance Structure (as of Decembar 31, 2023)

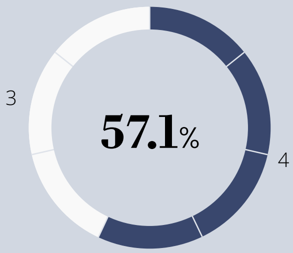


Corporate Governance Structure

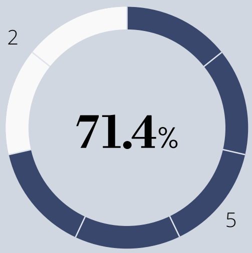
The Company has elected to establish an Audit Committee. The Board of Directors consists of four directors (excluding directors who are Audit Committee Members) (two outside and independent directors, including one foreign national) and three directors who Audit Committee Members (two outside and independent directors, including one female). To strengthen the supervisory function of the Board of Directors, the majority of directors are outside directors, and a Remuneration Advisory Committee has been established as a voluntary advisory body.

Composition of the Board of Directors (as of October 1, 2023)

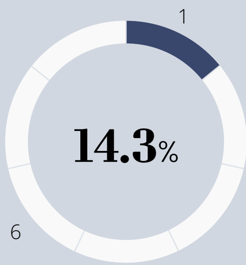
Ratio of Outside Directors



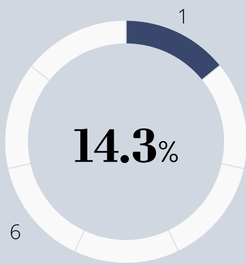
Ratio of Non-executive Directors



Ratio of Foreign Directors



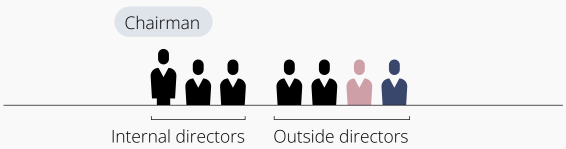
Ratio of Female Directors



Activities of the Various Bodies (for the period ended June 30, 2023)

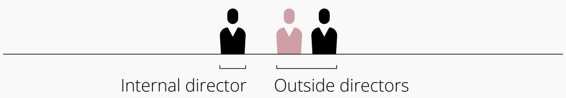
Board of Directors

Chairman:	Representative Director, President and Group CEO
Number of meetings:	14
Members:	3 internal directors and 4 outside directors (including 1 female (●) and 1 foreign director (●))



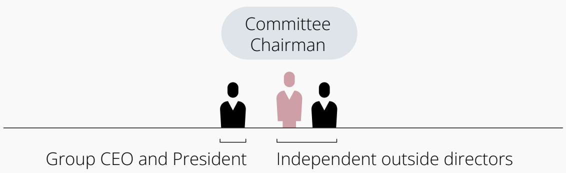
Audit Committee

Number of meetings:	13
Members:	1 internal director and 2 outside directors (including 1 female (●) director)



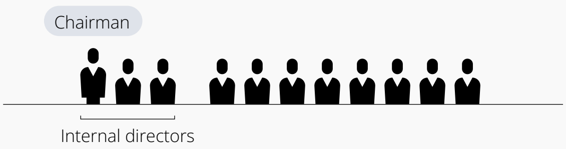
Remuneration Advisory Committee

Committee Chairman:	Independent Outside Director
Number of meetings:	8
Members:	2 independent outside directors, Group CEO and President (including 1 female (●) director)



Group Management Meeting

Chairman:	Representative Director, President and Group CEO
Number of meetings:	24
Members:	11 CxO members and others, including 3 internal directors



Composition of Directors and Audit Committee Directors (as of October 1, 2023)

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

Name	Reason for Appointment
 Tetsuji Morikawa President and Representative Director Group CEO Shares held: 9,764,000 shares	Since founding the Company in May 1997, he has led the management of the Group as Representative Director for 26 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 leading the Group's transformation and growth toward the realization of the new medium-term management plan BE GLOBAL 2028. We requested his appointment for further development of the Group.
 Hisayoshi Kasuga Director Group CFO Shares held: 19,721 shares	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 based on his outstanding character and insights.
 Jon Robertson Director Outside Director Independent Director Diversity Shares held: 0 share	Has over 30 years of experience leading 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 cloud-native areas, and has demonstrated leadership skills with enthusiasm in the rapidly changing IT industry. We requested his continued appointment in the expectation that he will contribute to the achievement of our vision BE GLOBAL and the creation of corporate value through cloud computing in our new medium-term management plan.
 Tatsuya Kamoi Director Outside Director Independent Director Shares held: 0 share	Has more than 20 years of experience in consulting and IT development in global companies in Japan and overseas, as well as extensive experience as a business leader at Mercer Japan K.K. and ABeam Consulting K.K. and in the human resources field. We selected him to join the board based on our judgment that he will contribute to the supervision of management and the realization of our new medium-term management plan, BE GLOBAL 2028.
 Tsuyoshi Noshiro Audit Committee 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 and as Director in charge of Finance since 2001, and has been a full-time corporate auditor since September 2011. Based on his deep understanding of the Company's business operations, he provides useful opinions as a non-executive full-time director at meetings of the Board of Directors and the Audit & Supervisory Board, focusing on legal, accounting, governance, human resources, and other perspectives.
 Chie Goto Audit Committee Lead Outside Director Independent Director Diversity Shares held: 0 share	In addition to work experience at general businesses, she is a licensed attorney and certified public accountant and has been involved in various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. 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 an Audit Committee Member, 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 Audit Committee Outside Director Independent Director Shares held: 1,900 shares	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 an Audit Committee Member. 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.

*1 Transition to a company with an audit committee upon approval at the 26th Ordinary General Meeting of Shareholders on September 27, 2022.
*2 Makoto Nakano became a Director (Audit Committee) upon approval at the 26th Ordinary General Meeting of Shareholders on September 27, 2022.

Attendance at Board of Directors meetings, Audit & Supervisory Board and Audit Committee meetings, and committee meetings	Directors' Skills Matrix						
Board of Directors 14/14 Remuneration Advisory Committee 8/8	Expertise in Finance/ Accounting	Expertise in Legal and Compliance	**Leadership**	**IT Industry/ SaaS Experience**	**Expertise in Corporate Value**	Experience of Global Business	**Expertise in Organizations/ Human Resources**
Board of Directors 14/14	**Expertise in Finance/ Accounting**	Expertise in Legal and Compliance	Leadership	IT Industry/ SaaS Experience	**Expertise in Corporate Value**	**Experience of Global Business**	**Expertise in Organizations/ Human Resources**
Board of Directors 13/14	Expertise in Finance/ Accounting	Expertise in Legal and Compliance	**Leadership**	**IT Industry/ SaaS Experience**	**Expertise in Corporate Value**	**Experience of Global Business**	**Expertise in Organizations/ Human Resources**
Appointed to the Board of Directors upon approval of the 27th Annual General Meeting of Shareholders on September 27, 2023.	Expertise in Finance/ Accounting	Expertise in Legal and Compliance	**Leadership**	**IT Industry/ SaaS Experience**	Expertise in Corporate Value	**Experience of Global Business**	**Expertise in Organizations/ Human Resources**
Board of Directors 14/14 Audit & Supervisory Board 5/5*1 Audit Committee 13/13	**Expertise in Finance/ Accounting**	**Expertise in Legal and Compliance**	Leadership	IT Industry/ SaaS Experience	Expertise in Corporate Value	Experience of Global Business	**Expertise in Organizations/ Human Resources**
Board of directors 14/14 Audit & Supervisory Board 5/5*1 Audit Committee 13/13 Remuneration Advisory Committee 8/8	**Expertise in Finance/ Accounting**	**Expertise in Legal and Compliance**	Leadership	IT Industry/ SaaS Experience	Expertise in Corporate Value	Experience of Global Business	**Expertise in Organizations/ Human Resources**
Board of Directors 10/10*2 Audit Committee 13/13	**Expertise in Finance/ Accounting**	Expertise in Legal and Compliance	Leadership	IT Industry/ SaaS Experience	**Expertise in Corporate Value**	Experience of Global Business	**Expertise in Organizations/ Human Resources**

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 Methodology

The Company conducted evaluations using a third-party organization for fiscal years ended June 2018 and June 2019, from the perspective of increasing the independence and objectivity of the analysis and evaluations. However, the Board of Directors highlighted the difficulties in clarifying issues given the evaluations were largely quantitative. Therefore, from the fiscal year ended June 30, 2020 onward, the Company has carried out its own questionnaire survey and conducted interviews between all directors and corporate auditors with appropriate third parties. In order to identify issues more clearly from the fiscal year ended June 30, 2021 onward, we created and implemented our own questionnaires to enable employees to assess any issues that have arisen and offer their opinions on how to deal with these challenges.

In June 2023, the Company conducted a survey of all directors, including Audit Committee Members, regarding the evaluation of the effectiveness of the Board of Directors for the fiscal year ended June 30, 2023, and the report was presented to the Board of Directors on July 19, 2023.

Results of Evaluation

In summary, most respondents believed the transition to a company with an audit committee has strengthened the monitoring function, and that management strategies and medium-term management plans, which was highlighted as an issue in the previous survey, have been discussed adequately, the effectiveness of the Board of Directors was generally evaluated as high, and the Board of Directors was evaluated as operating in an appropriate manner. However, issues regarding the timing of information provision to outside directors and the need for prior exchange of opinions were highlighted, and we recognize the need to take specific actions.

(1) Organization of the Board of Directors

With regards the organization of the Board of Directors, the following comments and issues were noted.

- Establishment of a nominating committee is not necessary, but the Board of Directors should discuss a succession plan for the Group CEO.
- Information needs to provided to enable discussions on KPIs, etc. that require monitoring from a medium- to long-term perspective to enhance corporate value.
- More training should be provided to outside directors.

(2) Agenda of the Board of Directors

It was pointed out that items such as succession plans for the Group CEO, which has long been identified as requiring continued discussion, still need to be addressed. Some views were also heard about of the need to discuss investment in talent and identification and development of human resources.

(3) Operation of the Board of Directors

As in the previous meeting, it was pointed out that prior distribution and prior explanation of the reporting system were insufficient. Previously, it was suggested opportunities should be provided to better understand the strategies and realities of the operating companies, and improvements have been made through the holding of off-site meetings.

Future Correspondence

In light of the above, we report that we will push for the following actions in the operation of the Board of Directors for the fiscal year ending June 30, 2024.

(1) Re-organize the annual agenda and reconsider allotted times given the importance of the agenda
(2) Ensure materials are distributed in sufficient time, or provide advance explanations to streamline discussion times
(3) Identify needs of outside directors and enhance training content for outside directors
(4) Develop information to enable discussion on KPIs to allow monitoring from a medium- to long-term perspective

Activities of the Board of Directors

The Board of Directors met 14 times during the fiscal year ended June 30, 2023, for a total time of 1,419 minutes. Some 338 minutes (about 23%) were allotted for discussions on management strategies such as the new medium-term management plan, 322 minutes (about 22%) for discussions on governance enhancement such as changes in the institutional design, and 144 minutes (about 10%) for discussions on investments such as VC funds. The main agenda items are as follows.

Activities of the Board of Directors (14 meetings)

Resolutions	Matters to be reported
▪ Avant Group key personnel and organization ▪ Approval of executive remuneration plan and remuneration amounts ▪ Institutional design changes ▪ Investment in VC funds ▪ Empower Japan's source code buyout	▪ New medium-term management plan ▪ Report on institutional design ▪ Role of the Board of Directors in resolving materiality ▪ Consideration of introducing equity remuneration for employees ▪ Progress report on the formulation of the new medium-term management plan and core KGI "human capital value enhancement rate" ▪ How to increase software—Improvement of product planning capability in the medium-term management plan ▪ Report on startup investments and collaborations ▪ Policy on candidates for Outside Directors for the fiscal year ending June 30, 2024 ▪ Remaining issues and responses to Group restructuring ▪ Share price report

Executive Remuneration System

Basic Policy on Remuneration

In order to strengthen the independence, objectivity, and accountability of the decision-making process, the policy for determining individual remuneration and other items for Company directors is determined by the Remuneration Advisory Committee, which is made up of a majority of independent outside directors and which deliberates on the appropriateness of any decision before it is agreed by the Board of Directors.

The Remuneration Advisory Committee consists of two independent directors and the Group CEO and President, and its chairman is selected from among the independent outside directors. We strive to ensure objectivity by taking advice from outside experts and considering market-wide or industry-wide standards. The Remuneration Advisory Committee's agenda includes the following.

Items discussed by the Remuneration Advisory Committee

(a) Policy for determining remuneration, etc. for directors and corporate officers
(b) Draft proposals on remuneration, etc. for directors, audit committee members and corporate officers to be submitted at the General Meeting of Shareholders
(c) Draft proposals for determining remuneration, etc. for individual directors and corporate officers to be submitted to the Board of Directors
(d) Draft proposals for remuneration, etc. for individual directors and corporate officers to be submitted to the Board of Directors
(e) Other matters deemed necessary by the Board of Directors with respect to each of the preceding items

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

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

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

The short-term performance-based compensation provided to directors is the compensation plan to provide in money according to change compared to the previous year in the consolidated operating profit consistently emphasized among the Company's mid-and long-term management strategies, mid-term management plan and fiscal year performance. The amount is calculated by multiplying the standard amount defined according to the positions by the short-term incentive factors set from 0% to 200% according to fluctuation compared to the previous year in the consolidated operating profit.

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

Short-term Incentive Coefficient

If the consolidated net income after tax for the current period is (a) and the consolidated net income after tax for the previous period is (b), the coefficient shall be the value calculated by the following formula.
(i) If (a) is less than or equal to (b): 0
(ii) If (a) is more than (b) but less than b × 112%: 0.5 × {1 + ((a) – (b)) / ((b) × 12%)}
(iii) If (a) is more than 112% of (b): 1 + 0.5 × ((a) – (b) × 112%) / ((b) x 6%)

Consolidated operating profit for the fiscal year ended June 30, 2023, which serves as the key performance indicator, was ¥3,289 million, a 1.30% increase from the previous year's consolidated operating profit (¥3,247 million). As a result of applying this to the formula in (ii) above, the short-term incentive coefficient was 0.55 as shown below, and 55% of the base amount of short-term performance-linked remuneration was paid as short-term performance-linked remuneration.

Short-term incentive coefficient = 0.5 × (1 + ((Consolidated operating profit for the current period: ¥3,289 million – Consolidated operating profit for the previous period: ¥3,247 million) / (Consolidated operating profit for the previous period: ¥3,247 million x 12%)) = 0.55

2. Medium- to long-term Performance-linked Remuneration

The medium- to long-term performance-linked remuneration is a performance-linked share-unit system in which the Company's common shares are paid as a performance-linked stock remuneration system for the purpose of providing Directors with incentives to improve the corporate value of the Company over a longer period of time and further promoting 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 stock 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 Stock Price Index (TOPIX) during the target period.

After the end of the applicable period, monetary remuneration claims will be paid to eligible directors, and but all monetary remuneration claims are to be settled in kind in Company shares, be either issuance of new 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

$$\frac{\text{Company's TSR during the target period}}{\text{Growth rate of TOPIX during the period}}$$

The Company's total shareholder return (TSR)

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

TOPIX growth rate

$$\frac{\text{Simple average of TOPIX in the final month of the period (September three years later)}}{\text{Simple average of TOPIX in the first month of the period (September)}}$$

In addition, as the Company's medium- to long-term management strategy calls for 18% annual growth in operating profit, the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 approved a restriction on the grant of stock remuneration to the President and Representative Director if the annual growth rate (CAGR) of adjusted net income per share for the three years to the end of the subject period is less than 18%. The Company received approval at the 26th Ordinary General Meeting of Shareholders held on September 27, 2022 for this restriction.

The total shareholder return for the Company in the period from September 2019 to September 2022 was 147.0% and TOPIX growth rate was 121.7%, resulting in a growth rate in our stock for A above of 120.7%.

Remuneration for Directors and Corporate Auditors (Fiscal Year Ended June 2023)

Officer Classification	Total amount of remuneration, etc. (¥million)	Total amount of remuneration, etc. by type (¥million)			Number of eligible directors (person)
		Fixed remuneration	Performance-linked remuneration	Of which, non-monetary remuneration, etc.	
Directors (excluding Audit Committee Members and Outside Directors)	106	86	19	2	2
Audit Committee Members (excluding Outside Directors)	13	13	—	—	1
Auditors (excluding Outside Auditors)	3	3	—	—	1
Outside Directors	48	48	—	—	7

*1 Effective September 27, 2022, the Company transitioned from a company with an audit & supervisory board to a company with an audit committee.
*2 Total amount of non-monetary remuneration to directors (excluding Audit Committee Members and Outside Directors) includes ¥2 million of medium- to long-term performance-linked remuneration.
*3 The above includes one director and one corporate auditor who retired after the 26th Ordinary General Meeting of Shareholders held on September 27, 2022.

Succession Plan

We recognize that a succession plan for the Chief Executive Officer (Group CEO) is an important management issue for the Company. In September 2021, the Articles of Incorporation were amended to change the article under which the Chief Executive Officer will also serve as the Chairman of the Board of Directors to a system under which the Chief Executive Officer is selected from among the directors. From October 2022, the founder, the CEO, stepped away from his position as president of an operating company.

We believe that the environment for succession planning is improving with the separation of roles among founders.

Strategic Shareholdings

The Company has no so called strategic shareholdings.

RISK MANAGEMENT

Risk Management Policy

The Group conducts an annual review of risks that may affect the achievement of the new medium-term management plan and existing business, and maintains a “management crisis list.” This list sets out risks with the potential to have a significant impact, which are classified as “material risks.” These include risks that require rapid contingency measures in addition to normal controls and for which risk avoidance, reduction, transfer, and other measures should be initiated with a priority classified as “significant material risks.” For each “material risk,” the Group as a whole promotes focused control activities, and for “significant material risks,” it implements a risk management cycle (PDCA) by regularly monitoring the status, confirming the effectiveness of response, and making recommendations for improvement. We are also engaged in other activities necessary for the uptake and thorough implementation of risk management.

The following is a list of 11 items that could have a significant impact on the achievement of the Group’s business plan and on the Group’s existence. One of these risks has been designated as a “notably significant risk” and is being addressed as a priority.

Notably Significant Risks

	Risk items	Countermeasures
1. Risk of cyber-attacks	Some cloud services offered by the Group include services involving the handling of important customer data, such as institutional accounting, management accounting, and business management. In the event of a service outage or loss of customer data due to cyber-attacks on those services, there could be a significant impact on customer operations. In addition, we recognize that this is a significant important risk because the occurrence of such an event for reasons attributable to our Company could have a material impact on our Group’s performance and financial position, including the payment of compensation for damages, and could also lead to a decline in the credibility and brand image of our Group. We recognize that this is a particularly important risk.	The Group has established a security organization to reduce risk, and is continuing risk identification and improvement activities to promote system failure countermeasures such as multiple data backups and other security measures such as multi-factor authentication. In addition, we have obtained SOC1 Type2 reports for some of our cloud services in compliance with the U.S. Statement on Standards for Assurance Engagements No. 18 (SSAE18), and we strive to improve the quality of system operations by utilizing objective evaluations from a third-party perspective. During the period under review, we focused on the “recovery” aspect of the cyber security framework, and are working to develop a mechanism for data preservation and rapid recovery.

Next, we will go through risks that we recognize as very important, but that will not have a significant impact if they materialize, or risks we believe we can adequately address before they materialize.

Significant Risks

	Risk items	Countermeasures
2. Risks related to equity investment and M&A	The Group aims to achieve sustainable earnings growth and business expansion under its new medium-term management plan, BE GLOBAL 2028. To this end, the Company's policy is to make acquisitions and enter into capital tie-ups as necessary, while taking into account its performance and financial position. However, in proceeding with M&A, there is a possibility that the transaction will not proceed as envisioned by our Group due to an inability to find suitable candidates or to reach agreement on transaction terms, etc. In addition, problems that cannot be identified in preliminary investigations, such as the occurrence of contingent liabilities or unrecognized liabilities after the investment or M&A, may lead to impairment of goodwill, etc., which may affect our Group's performance and financial position. In addition, problems that cannot be identified in the preliminary investigation, such as the occurrence of contingent liabilities or the discovery of unrecognized liabilities after investment or M&A, may lead to impairment of goodwill or other losses, which may affect the Group's performance and financial position.	The M&A organization conducts detailed due diligence on the financial position and contractual relationships of candidate companies in advance, and makes decisions based on the verification of each identified risk and countermeasures. We also strive to reduce such risks by quantitatively and qualitatively understanding the business conditions of the investee companies involved in each business.
3. Risks related to business investment and capital expenditure	In order to achieve the goals of the new medium-term management plan, the Group is investing in human resources and R&D, as well as in product development to strengthen product competitiveness, and in the development and expansion of its business infrastructure. However, it is possible that these business investments may not produce the expected investment results due to changes in the market environment or a gap between developed products and market needs. If the investment does not produce the expected effect, the Group's performance and financial position may be affected in the medium to long term.	In response to this risk, the Group carefully decides on business investments at the consideration stage after evaluating investment effects and risks in accordance with the authority stipulated in the "Authority Regulations" in advance. We strive to prevent risks from materializing and reduce their impact.
4. Risks related to securing and fostering human resources	If the Group's ability to secure and develop talented human resources with the expertise needed to promote its business and achieve growth does not proceed as planned over the medium term, the Group's future growth potential and business performance and financial position may be affected.	In addition to strengthening our recruiting system and ensuring competitiveness in recruiting by understanding the market's appropriate remuneration levels, we are also promoting measures to enable new employees to contribute to the Company as soon as possible, such as by enhancing our training menu for new hires.
5. Risks related to dependence on management	Although our Group's organization is currently working to develop human resources and establish an organizational structure, we recognize that our management is highly dependent on Tetsuji Morikawa, our President and Representative Director, and if something unexpected were to happen to the President and Representative Director, it could affect the promotion of our business activities and our business performance and financial position.	To address this risk, we are working to formulate and execute a succession plan by appointing the next generation of leaders as directors of operating companies and entrusting them with the management of these companies, and by providing supervision and guidance from the holding company to develop successors.
6. Risks related to system outage of cloud service data	If a failure occurs in the cloud services provided by our Group and the operation of the system or service is suspended, it may have a significant impact on customer operations. In addition, if problems such as loss of customer data were to occur, the impact would be even greater, and in some cases, compensation payments for damages incurred could have a significant impact on our Group's performance and financial position. In addition, any delay in the operation of the service will lead to a deterioration of the Group's social credibility and brand image.	To address this risk, we are promoting various measures to prevent failure and minimize the impact of failure so that our systems can operate stably and services can be provided continuously.

	Risk items	Countermeasures
7. Risk of legal violations	The Group believes that an effective compliance system is essential to fulfilling its social responsibilities as a corporation.	To ensure that the compliance system functions effectively in response to this risk, the Group formulates compliance rules and other compliance-related regulations, and ensures that all officers and employees are fully aware of them through education and training. In addition, the Compliance Committee promotes compliance activities by establishing quantitative checkpoints for compliance.
8. Risks related to service quality	The Group provides support for the introduction of software developed in-house or by third parties that is systematized according to customer needs, contracted development, and BPO services for undertaking financial closing operations. In the provision of services, there is a possibility that deviations from initial estimates may occur due to ambiguities in contractual content or requirements, or that unforeseen technical problems or project management issues may arise, resulting in increased costs and delays in schedules. If such a problem were to occur, the Group's performance and financial position could be significantly affected due to higher-than-expected costs and compensation payments for damages resulting from delays in delivery.	To address this risk, we are taking measures to reduce the impact on our business performance and financial position by purchasing insurance to cover contingencies, while improving project quality through the establishment of a service quality management department.
9. Risks associated with product development quality	The Group has developed several in-house software products in the areas of institutional accounting, management accounting, business management, and data utilization platforms. In the development of new products and additions to existing products, we continuously strive to improve quality and prevent the occurrence of defects through development based on our management process. However we cannot deny the possibility that product defects may occur. Defects in our Group's products may affect our customers' operations, and failure to resolve such defects may cause a loss of trust in our Group, which may affect our Group's business performance and financial position.	To address this risk, we have established a product quality control department to reduce quality risk during product development.
10. Risks related to information security such as data loss and information leakage	In the course of our business activities, the Group may handle personal and confidential information of its affiliates and customers. There is a possibility that this information could be leaked due to unauthorized access to our Group's infrastructure from outside, leakage of information due to errors by our Group's officers and employees or contractors, or other unforeseen circumstances. Such an incident could have a serious impact on the social credibility of the Group and its customers, as well as on the Group's business performance and financial position.	To address this risk, we have established an Information Security Policy and a Personal Information Protection Policy to deal with security risks, and review these policies in response to advances in information and communication technology and changes in social conditions and the regulatory environment. The Information Security Committee, led by the Chief Information Security Officer (CISO) and headed by the President, has been established to formulate policies, implement measures, educate and enlighten employees, and conduct audits and evaluations. We have also acquired ISMS certification (ISO/IEC27001:2013), an international standard for objective evaluation and continuous improvement of these operations. We also conduct quarterly information security training to raise the security awareness of all executives, temporary employees, and outsourced employees.
11. Risks related to natural disasters	An eruption of Mt Fuji, flood damage from typhoons, storm surges, etc., could result in the loss of important information assets, a shortage of work-ready personnel, or the collapse of infrastructure, may make it impossible to resume business operations quickly. In addition, if our Group's business sites are damaged by natural disasters such as earthquakes or fires, and important documents and data related to business execution and intellectual property, etc. are lost, business activities may be hindered and our business performance and financial position may be affected.	To mitigate this risk, we are backing up important documents and data to a remote location, establishing an emergency headquarters and other initial response systems, and formulating a Business Continuity Plan (BCP) to resume business operations. In addition, by enhancing our online business infrastructure, we are striving to prepare for both the safety of our executives and business partners and the continuity of our business operations by utilizing remote work from normal times.

Compliance

In order to fulfill our responsibility for corporate organization and activities as a public institution of society, and to ensure the growth of our business and the continuous and efficient operation of our corporate organization, we have established the General Meeting of Shareholders as the highest body within the Company, and have designed the following organizational structure and internal control system.

- Establishment of a Board of Directors and selection a President and Representative Director to ensure accurate decision-making and speedy execution of operations
- Establishment of an Audit and Supervisory Committee, audit of the execution of duties by the Directors by the Audit and Supervisory Committee, election and dismissal of the Accounting Auditor, and determination of the content of proposals regarding non-reappointment of the Accounting Auditor
- Establishment of accounting auditors to ensure the appropriateness of financial reporting and internal controls through accounting audits and improve disclosure and information provision functions
- Response to important risks through the Risk Management Committee, Compliance Committee, and Information Security Committee, each of which includes the president, and ensuring compliance with laws, regulations, and rules, as well as information security

GROUP CRO MESSAGE

The Group has assigned a CRO and a Group Risk Management Department to oversee and promote risk management from the Group's perspective, and is promoting the strengthening of the risk management system. Group CRO Hiroki Takemura highlights our focus on strengthening risk management.

HIROKI TAKEMURA

Group CRO
Executive Vice President,
Diva Corporation

Our Risk Management System is an Important Means of Maximizing Business Opportunities and Achieving Sustainable Growth.

The Group positions risk management as a top priority item in order to achieve the new medium-term management plan and preserve the existing business base. Throughout the year, we maintain a Management Crisis List, with particular emphasis on risks from cyber attacks as a "significant important risk."

To address this risk, we promote control activities throughout the Group and regularly monitor and confirm their effectiveness. Cyber security is an unavoidable issue in today's age of digital transformation, and a prompt and appropriate response is essential for maintaining business continuity and customer trust.

In addition, we are also working to make continuous improvements by appropriately implementing a risk management cycle (PDCA) for other critical risks, such as investment and M&A risks, risks in securing and training human resources, and information security risks. Our risk management system is an important tool not only to avoid risk, but also to maximize business opportunities and achieve sustainable growth.

Leadership

(As of October 1, 2023)

Directors

Tetsuji Morikawa

President and Group CEO
Member of the Remuneration Advisory Committee
[Concurrent positions]
CEO, Diva Corporation of America
Outside Director, Kayac, Inc.

Naoyoshi Kasuga

Director
Group CFO

Jon Robertson

Director

Outside Director | Independent | Diversity

[Concurrent positions]
President, Asia Pacific & Japan, Snowflake Inc.

Tatsuya Kamoi

Director
Member of the Remuneration Advisory Committee

Outside Director | Independent

[Concurrent positions]
Vice Chairman of the Board at
ABeam Consulting Ltd.

Directors (Audit Committee Members)

Tsuyoshi Noshiro

Director (Audit Committee Member)
[Concurrent positions]
None

Chie Goto

Director (Audit Committee Member)
Chairman of the Remuneration Advisory Committee

Lead 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
Chairman and Director, Zeal Corporation

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

Yoshiyuki Numata
President and Representative Director, Zeal Corporation

Hiroki Takemura
Group CRO
Executive Vice President, Diva Corporation

Shingo Moroi
Group CSO
Director, Avant Corporation

Teppei Terashima
Director, Avant Corporation

Tatsuru Nakayama
Group CDO and Group CPO
Director, Avant Corporation

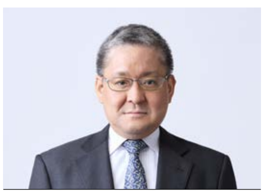
Kunihiro Nakamura
Director, Zeal Corporation

Hiroyuki Morita
Director, Zeal Corporation

Seiji Fukuda
Director, Zeal Corporation

Tetsuya Kawamura
Director, DIVA Corporation

Yoko Hosokawa
Director, DIVA Corporation



Tomotatsu Osada
Director, DIVA Corporation

Eriko Satonaka
Group CHRO
[Concurrent Positions]
Outside Director, NIPPON GAS CO., LTD.

Masamitsu Suzuki
Group CLOs

COO: Chief Operating Officer CBO: Chief Business Development Officer CRO: Chief Risk Management Officer CSO: Chief Strategic Officer
CDO: Chief Digital Transformation Officer CPD: Chief Product Officer CHRO: Chief Human Resources Officer CLO: Chief Legal Officer

SUSTAINABILITY

Sustainability Management and ESG Risks

The Group's management philosophy of "Creating a 100-Year Company," which highlights our aim to contribute to society by providing our customers with value-added management information that can be used to shape the future, while its mission is to "Spreading Accountability" to contribute to society by providing management information. Each and every employee of the Group will give due consideration to maintaining a balance between economic activities, environmental conservation, and social fairness, and will strive to achieve both sustainable enhancement of corporate value and resolution of social issues.

The Group signed the United Nations Global Compact on August 25, 2020. This provided us with an opportunity to promote sustainability initiatives while conducting risk assessments to achieve sustainability.

Correlation between ESG Risks and Avant Group Specific Risks

	Theme	Risk	Examples of possible measures	Opportunity
Environment	Biodiversity conservation	Little direct relationship with the Group's business activities		▪ General data visualization ▪ Brand creation through on-demand media publications, etc. ▪ Sales of templates for collecting and visualizing non-financial information
	Water security			
	Waste and recycling	Large number of PCs are disposed of each year and need to be recycled	▪ Utilize recyclers while ensuring security	
	Climate change	Little direct relationship with business activities, but the fact that no efforts are being made to reduce CO_2 emissions may be regarded as problematic.	Declaration of commitment to reduce our CO_2 emissions and implementation of the following measures ▪ Since 2021, by purchasing Green Power Certification, carbon offsets have been implemented for all electric power consumption ▪ Establishment of a system in which the CRM Committee assesses climate change risks, considers countermeasures, and reports to the Board of Directors	
Community	Human rights and local communities	Our brand could be severely damaged in the event of a serious accident as a result of normalization or similar behavior that does not respect human rights (e.g., discrimination).	Consider responses in accordance with 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, training/diversity	If the company is at the level of an international blue chip company, its appeal could 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 ongoing violations of labor laws and regulations.	▪ Ensure compliance with 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 may be severely damaged if there is a major problem with the quality of a product or service, or if a serious accident while providing a service. In addition, long-term sustainability may be hindered if the company does not continue to contribute to society and maintain a sincere commitment to customer needs.	▪ Strengthen quality control management and implement quality declarations ▪ Conduct customer satisfaction surveys ▪ Periodic corporate philosophy training	The brand value could be increased by promoting the results of "Spreading Accountability" as part of the mission.
	Health & safety	As with labor standards	As with labor standards	As with labor standards

	Theme	Risk	Examples of possible measures	Opportunity
Governance	Risk management	Our sustainability may be threatened due to the occurrence of serious risks that are not recognized or understood, or for which countermeasures (mitigation or transfer) are insufficient.	▪ Strengthen disclosure of the Group's risk management system ▪ Improve effectiveness of Risk Management Committee	Consider products and services that help customers improve governance
	Corporate governance	There is a possibility that maximization of shareholder profits is not pursued if appropriate corporate governance is not carried out.	▪ Strengthen disclosure of the Group's governance system ▪ Organizational review, including transition to a company with a nominating committee, etc.	
	Compliance	Our brand may 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 a particular risk.	Strengthening the compliance system based on our Group's Code of Conduct ▪ Implement and enhance insider training and other legal training ▪ Improving the effectiveness of the hotline	

Human Rights

Avant Group recognizes that all business activities of the directors and employees of the Group and group companies have an impact on human rights. Each and every one of us supports and respects the International Bill of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work of the International Labor Organization. We have also signed the United Nations Global Compact, which outlines 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, gender, sexual orientation, language, religion, creed, political or other opinion, national or social origin, property, family origin, or other status or similar grounds. We will prohibit forced labor and child labor, and respect labor rights such as freedom of association and the right to collective bargaining. We recognize the right of everyone to the enjoyment of fair and favorable working conditions, ensure safe and healthy conditions at work, and guarantee fair and just compensation 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 training and other means. Through discussions and dialogue with all stakeholders involved in the Group's business activities, the Company understands issues related to human rights and their impact, and discusses how to respond. The Group will disclose its efforts to respect human rights and its progress to stakeholders in an appropriate and timely manner.

Environment

"Avant Group Environmental Policy," which emphasizes mutual understanding with stakeholders and active disclosure of information in order to realize a sustainable society. Against this backdrop, and Avant expressed its support for the TCFD recommendations in light of the need to further strengthen corporate efforts to resolve issues related to climate change. In future, Avant will continue to strengthen corporate activities to address climate change and will actively promote information disclosure in line with the disclosure recommendations set forth in the TCFD recommendations. We will strengthen our corporate activities with regard to climate change and actively promote information disclosure in line with the disclosure recommendations set forth in the TCFD recommendations. We are committed to maintaining and preserving the global environment and promoting activities to realize a sustainable society.

Avant Group Environmental Policy

Compliance with environmental laws and regulations	We will comply with environmental-related laws and regulations, as well as agreements with stakeholders, and take appropriate measures.
Awareness of environmental policy	We will conduct education and awareness-raising 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 activities	We will work closely with government agencies, local communities, and related organizations to actively support individual Group employees' efforts to address climate change, promote resource recycling, and biodiversity conservation activities by each and every Group employee.
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 and Group CEO Morikawa, the Avant Group's Investor Relations Department and CRM Committee will gather information on climate change, its impact, and will discuss how responses. The Board of Directors discusses opportunities and risks associated with climate change in regular reports to the CRM Committee and at the Group Management Meeting, and formulates future policies and oversees progress.
Strategy	**Transition Risks Response** In the fiscal year ended June 30, 2023, the Avant Group spent approximately ¥24 million, which is equivalent to 0.11% of sales. If we are forced to purchase alternative energy sources due to stricter regulations on greenhouse gas emissions, our business performance may be slightly affected from rises in unit prices for electricity and gas. Going forward, we aim to reduce Scope 2 greenhouse gas emissions by 50% compared to the fiscal year ended June 30, 2018. We will use carbon offsets and other means. Offset credits are finite, and if a large number of companies adopt similar methods, it may not be possible to secure offset credits for the assumed unit price and quantity.

Strategy	**Physical Risk Response** According to the Ministry of the Environment's "Impact Assessment of Intensifying Disasters Caused by Climate Change (Interim Report)" in response to the IPCC Fifth Report, typhoons are likely to approach Japan with greater intensity than at present, and bring more rain to the Kanto and Tohoku regions 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. Scenarios have been established for changes in the amount of rainfall and sea levels associated with global warming for rises of 2°C and 4°C. However, as with events such as Typhoon No. 15 in 2019, which passed through the Kanto region and damaged the power transmission system on a scale that exceeded these scenarios and the once-in-50-year risk, the reality is that these scenarios have already occurred. Rather than adopting countermeasures in line with these scenarios, the Group has adopted countermeasures that anticipate the occurrence of the largest class of possible disasters. We believe that the greatest risks to our group are (1) it will be difficult to maintain a safe living and working environment for employees in the event of a catastrophic disaster and (2) the continuity of service provision to customers will be lost. In particular, the continuity of our 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 progress to the Board of Directors.
	Opportunity Response For customers to respond to climate change, visualizing economic activities that lead to the generation of greenhouse gases within an organization, taking countermeasures, and providing customers with an environment that deepens communication with stakeholders are possible as part of solutions in line with the "Spreading Accountability" that we are promoting, and represent an opportunity for further growth for our Group. It is also an opportunity for further growth for the Group. These opportunities will be discussed and promoted by the Group CEO and representatives of each Group company at the Group Management Committee.
Risk Management	**Risk Management System** The Avant Group's Investor Relations Department and CRM Committee gather information and discuss responses. Important information is reported to the Board of Directors through the CRM Committee for discussion 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 a disaster, support their 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, and Osaka Bay Massive Storm Surge) that are associated with the intensification of natural disasters such as short-term localized torrential downpours and huge typhoons associated with climate change risks.

Quantitative Measurement and Targets	As for greenhouse gas emissions by the Core Group Companies, direct emissions from the use of fuel (Scope 1) were zero, and indirect emissions from the use of electricity, steam, and heat (Scope 2) were 359 t-CO_2 in the fiscal year ended June 30, 2023. On the other hand, indirect emissions generated by procurement of raw materials, employee business trips, and outsourced waste disposal (Scope 3) were 11,119 t-CO_2 in the fiscal year ended June 30, 2023. However, we aim to reduce Scope 2 emissions by 50% by the fiscal year ending June 30, 2030 compared to the fiscal year ended June 30, 2018 through carbon offsets, in addition to curbing excessive electricity consumption by encouraging appropriate working hours and telecommuting and to reduce total greenhouse gas emissions by 50% by the fiscal year ending June 30, 2030 compared to the fiscal year ended June 30, 2018. We have been purchasing green power certificates corresponding to our Scope2 emissions since July 1, 2021, and achieved carbon offset.

Greenhouse Gas Emissions (t-CO_2)

	19/6	20/6	21/6	22/6	23/6
Scope 1	0	0	0	0	0
Scope 2	741	650	543	556	359
Scope 3	8,238	9,351	8,195	9,743	11,119
Total	8,980	10,001	8,738	10,299	11,478

* Due to changes in emission calculations from the fiscal year ended June 30, 2018 to the fiscal year ended June 30, 2022 as a result of optimization of the scope of calculation, emissions have changed compared to figures shown in previous integrated reports.

Carbon Offset Initiatives

On July 1, 2021, we purchased the "Green Power Certificate" issued by Japan Natural Energy Company, Limited (Head Office: Shinagawa-ku, Tokyo; President: 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 whereby the environmental added value of electric power generated by renewable energy (green electric power) is traded in the form of "Green Power Certificates" by certificate issuing business operators who obtain certification from the Japan Quality Assurance Organization (JQA). By purchasing a Green Power Certificate, companies can assume that the amount of electricity (kWh) listed in the Certificate was generated from renewable energy sources without having to own power generation facilities. Since it can be regarded as a contribution to the spread of renewable energy equivalent to the electricity listed on the Green Power Certificate, it is attracting attention as a mechanism to curb carbon dioxide emissions, which cause global warming. The Group is working to promote the efficient use of electric power and the penetration 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 of Japanese modern art in Japan, with over 13,000 works. It is the only museum in Japan where visitors can see the history of Japanese art from the Meiji period to the present day. As a Gold Partner since 2017, 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 Trail Run

The event has a long history dating back to 1948, and the height difference is approximately 3,000 meters, which is the largest in Japan. This event is regarded as the most prestigious trail running, and is part of the "Grand Slam" to achieve along with a sub-three hour full marathon and a sub-ten hour 100km ultramarathon, and it attracts many people trying to reach beyond their limits. Our group has been supporting the event as an official sponsor since 2013, as we aim for the "Creation of a 100-year Company" and many runners participate in the event.

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 workers who are socially disadvantaged. The 2010 NIPPON IT Charity Ekiden was organized with the aim of bringing as many underemployed people as possible back into society. The proceeds from this event are donated to Future Dream Achievement (FDA), a non-profit organization that provides employment support for people suffering from depression and societal withdrawal. The funds will also be used to support reconstruction efforts in areas affected by the Great East Japan Earthquake and Kumamoto Earthquake. As a Gold Sponsor, the Group has supported this activity since 2011.

MD&A

Industry Environment

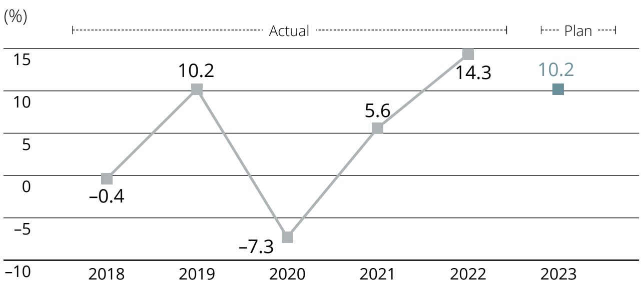
The environment surrounding the Japanese economy is expected to remain difficult to forecast, in light of a series of unexpected and strong risks, including the protracted war between Russia and Ukraine, the sluggish European economy, the substantial depreciation of the yen brought about by the strong U.S. economy despite monetary tightening, and the war between Israel and Hamas. Against this backdrop, demand for software has been solid, confirming 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.

Global Economic Growth Forecasts

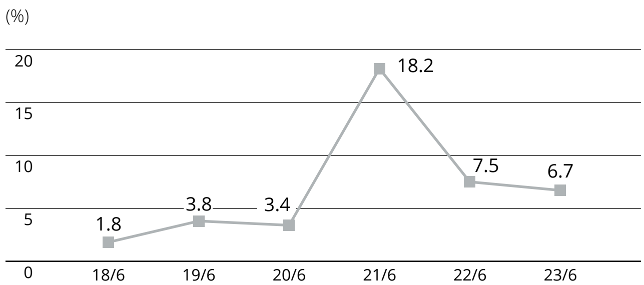
(%)	2021	2022	2023 (estimate)	2024 (forecast)	2025 (forecast)
Global	6.2	3.0	2.6	2.4	2.7
Developed economies	5.5	2.5	1.5	1.2	1.6
Japan	2.6	1.0	1.8	0.9	0.8

Source: THE WORLD BANK

Tankan: Software Investment (all industries)



Sales Growth of Information Services Industry (YoY)



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

Analysis of Operating Results and Financial Position

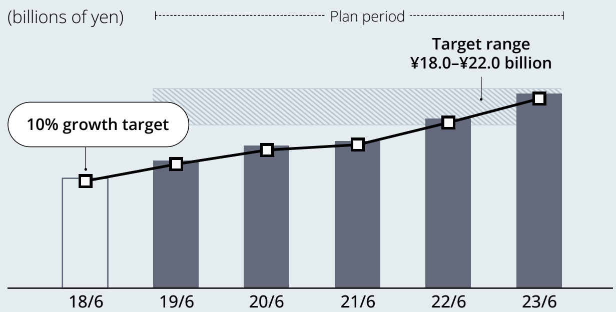
In September 2018, the Group formulated a new five-year medium-term management plan BE GLOBAL 2023 for the period through the fiscal year ended June 30, 2023, with the goal of "becoming a world-class software company." In the plan, the Company set targets for the following six items: sales, recurring sales ratio, operating profit, sales growth rate + operating profit ratio (GPP), ROE, and dividends. The targets for each of these items and the progress made during the fiscal year ended June 30, 2023, which is the final fiscal year of the plan, are as follows.

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

		19/6	20/6	21/6	22/6	23/6	23/6 (target)
Operational KPIs	Net sales (¥ billion)	14.07	15.69	16.23	18.70	21.42	18.0–22.0
	Operating income (¥ billion)	1.96	2.27	2.79	3.24	3.28	3.1–3.8
Strategic KPIs	Recurring sales ratio (%)	31.4	32.6	36.0	34.6	35.3	70
	Sales growth rate + operating margin (points)	30.2	26.0	20.7	32.6	29.9	40 or more
Financial KPIs	ROE (%)	24.6	23.5	23.6	21.1	18.3	20 or more
	Dividend (¥)	7.5	9.0	11.0	13.0	15.0	15 or more

Net Sales

The Group has set a target of reaching a target range of ¥18.0 to ¥22.0 billion in the fiscal year ended June 30, 2023. This was based on the assumption that sales growth would remain at an average growth rate of around 10% achieved in the fiscal year prior to the period of the new medium-term plan. In the fiscal year ended June 30, 2023, we achieved steady growth in all three businesses: Group Governance, Digital Transformation, and Outsourcing, as we proactively responded to growing investment needs among Japanese companies, our customers, to maintain and strengthen competitiveness by upgrading corporate management and activities using data and digital technology, which is becoming a medium- to long-term trend. Sales growth was achieved in every segment, and overall consolidated net sales totaling ¥21,424 million. This represented a 14.5% increase over the previous fiscal year, reaching the target range set for the previous medium-term plan period and realizing sales growth close to the upper limit.



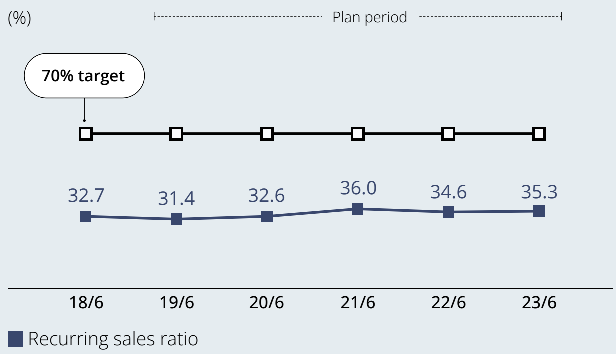
The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended June 2022, so the figures for the fiscal year ended June 2022 are the figures after the application of the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

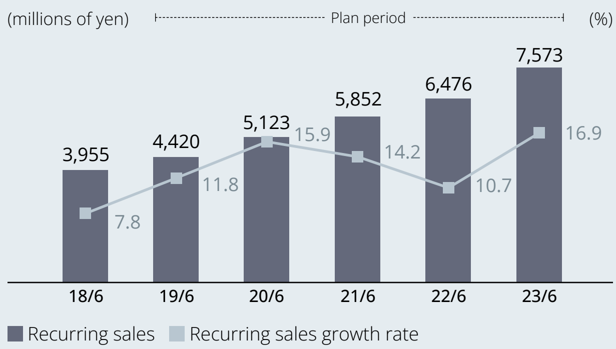
Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

Recurring Sales Ratio

With the aim of transforming the business model during the previous medium-term plan, the Group has set a target of increasing the recurring sales ratio, (sales that continuously are booked every fiscal year, such as software maintenance fees) to 70% of total sales. The recurring sales ratio in the fiscal year ended June 30, 2023 was 35.3%, up 0.7 percentage points from the fiscal year ended June 30, 2022. While recurring sales grew steadily, including growth in the Outsourcing Business and cloud sales in the Group Governance Business, each business responded to growth opportunities against the backdrop of robust demand, and non-recurring sales, particularly in the Digital Transformation Business, which contributed to overall growth. This was one factor why the recurring sales ratio itself fell short of the target.

Meanwhile, total recurring sales grew 16.9% from the previous fiscal consolidated year. While there are some points to reflect on regarding the appropriateness of the target, this reflects the result of each business segment of the Group going after growth opportunities and responding appropriately to customer needs against the backdrop of increasing needs for management streamlining and investments in system infrastructure. This was symbolized by the acceleration of digital transformation during the previous medium-term plan period. As a result, we do not necessarily believe this was a bad outcome.



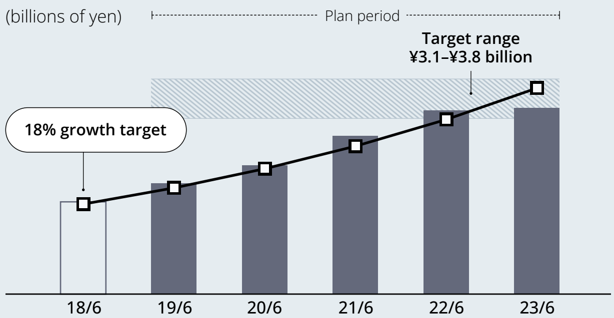


Operating Profit

The Group set a target of reaching a target range of ¥3.1 to ¥3.8 billion in the previous fiscal year ended June 30, 2023 on the basis of an average growth rate of 18% during the period of the medium-term management plan.

In the fiscal year ended June 30, 2023, as the Group as a whole worked to prepare for the start of the new medium-term management plan, there were increases in fixed personnel expenses due to improved remuneration and an increase in headcount following efforts to bolster recruitment measures to strengthen competitiveness as we looked to secure human resources. On the back of the group reorganization, we had cost increases due to rebranding, as well as product rationalization and improvement of the development environment at operating companies. There was also an increase in outsourced processing expenses in response to increased demand from customers. Despite these and other factors, we recorded operating profit of ¥3,289 million.

As described above, operating profit was up 1.3% year-on-year, a slight increase from previous years, due to aggressive spending to realize future growth. However, we were able to achieve the target range level for the previous medium-term plan period for operating profit as well as sales.



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.

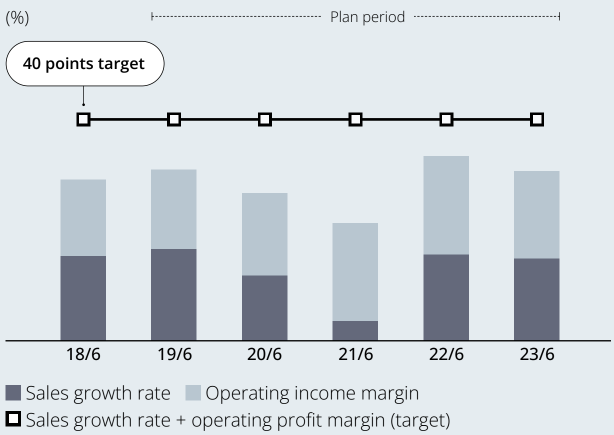
Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

Sales Growth Rate + Operating Profit Margin (GPP)

In order to strike a balance between improving profitability and expanding scale, the previous medium-term management plan incorporates a metric which looks at the combined sales growth rate and operating profit margin. We set a goal to achieve a ratio of 40 points or more, which is high even compared to global peers.

In the fiscal year ended June 30, 2023, each segment continued to experience solid demand growth and achieved double-digit revenue growth with a sales growth rate of 14.5%. However, the operating profit margin deteriorated by 2.0 points to 15.4% due to aggressive spending to realize future growth. As a result, the GPP was 29.9 points.

This was a 2.7-point drop from the previous fiscal year, meaning GPP came up short of the target level for the previous medium-term plan period. We recognize the need to work toward further acceleration in sales growth or improved profitability.



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.

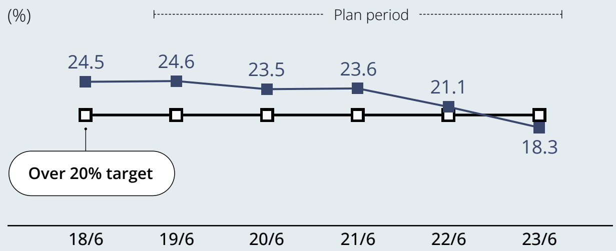
Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

ROE

In order to realize our previous medium-term management plan, we recognize that it is necessary both to grow our three existing businesses, as well as engage in investment activities, such as internal investment or external growth. As a guideline for investment activities, we set a target of maintaining ROE of 20% or more on an ongoing basis.

ROE for the fiscal year ended June 30, 2023 was 18.3%, down 2.8 percentage points from the previous fiscal year, falling short of the 20% target. This was due to the impact of aggressive temporary spending to realize future growth during the fiscal year ended June 30, 2023, which worked to lower profit growth compared to previous years.

On the other hand, the five-year average was above the 20% level due to the stable maintenance at the 20% level during the plan period except for the final year.

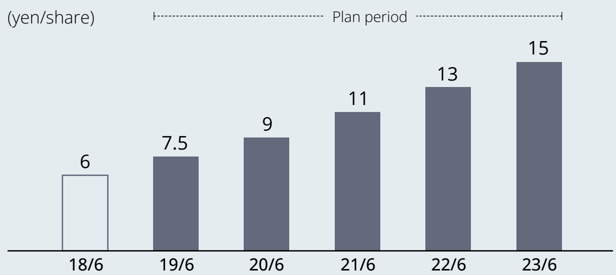


Dividends

The Group regards dividends as an important part of its shareholder return policy and focuses on indicators such as the ratio of dividends to net assets. We aim to maintain and increase the amount of dividends in a stable manner without any excessive influence from the business performance of each fiscal year. The Company set out to achieve operating results and manage its balance sheet in order to pay a dividend of ¥15 per share for the fiscal year ended June 30, 2023.

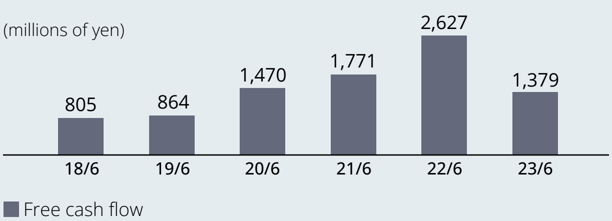
In the fiscal year ended June 30, 2023, the Company increased the dividend by ¥2 per share to ¥15 per share, in line with its basic policy of continuous stable dividends. The ratio of dividends to net assets is approximately 4.9%, well above the average for companies listed on the Tokyo Stock Exchange.

The target during the period of the current medium-term plan is expected to be achieved in the fiscal year ended June 30, 2023, the final year of the plan.

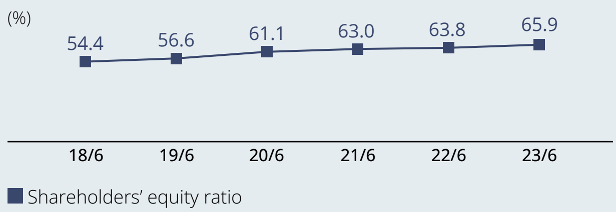


Free Cash Flow and Shareholders' Equity Ratio

Free cash flow for the year ended June 30, 2023 amounted to ¥1,379 million due to a significant increase in investments due to the purchase of software source code (acquisition of intangible assets) and office expansion (acquisition of property, plant and equipment and increase in compensation for garnishments), despite an increase in net profit attributable to parent company shareholders.



Net assets after payment of dividends from retained earnings of ¥489 million were ¥12,328 million. As a result, the shareholders' equity ratio improved 2.1 percentage points to 65.9% from 63.8% at the end of the previous fiscal year. We believe that the company has no interest-bearing debt and maintains a very stable financial balance.

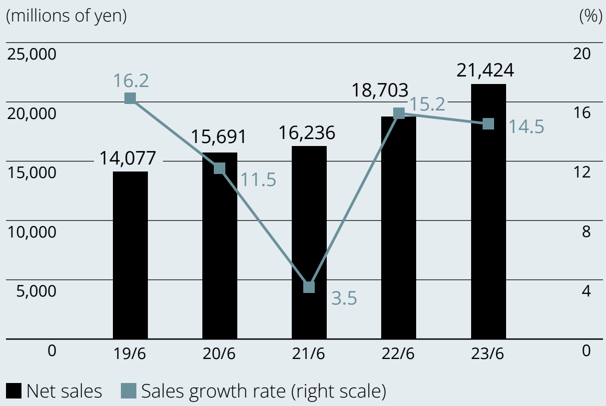


The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended June 2022, so the figures for the fiscal year ended June 2022 are the figures after the application of the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

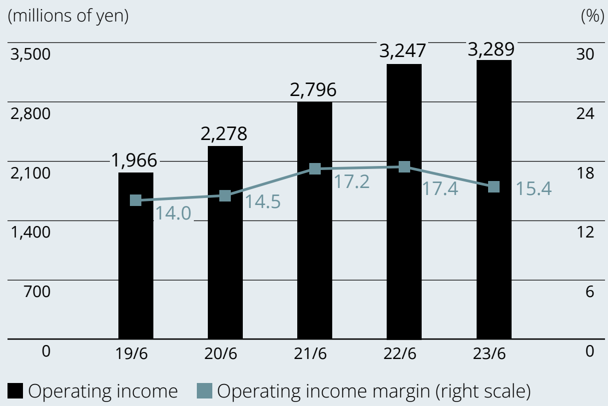
Please be aware of that there is an impact from the change in accounting standard when comparing with figures from the fiscal year ended June 2021 and earlier.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

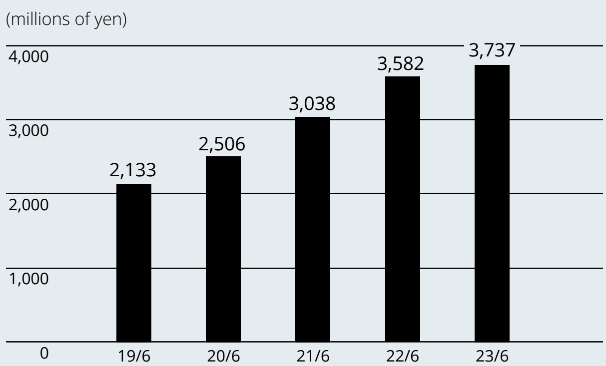
Net Sales / Sales Growth Rate



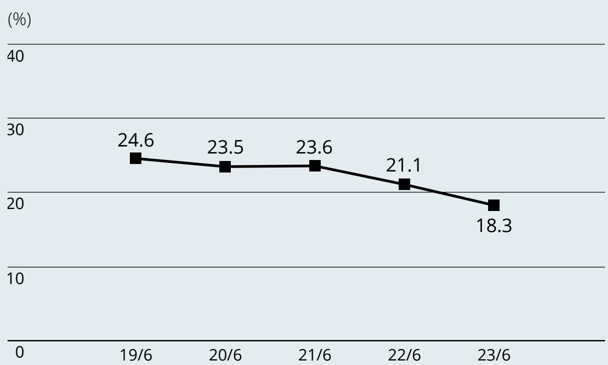
Operating Income / Operating Income Margin



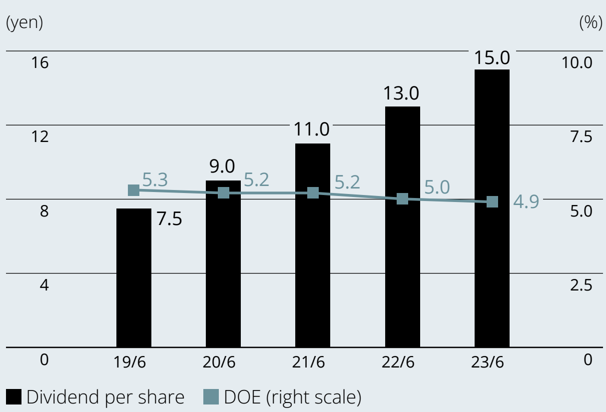
EBITDA



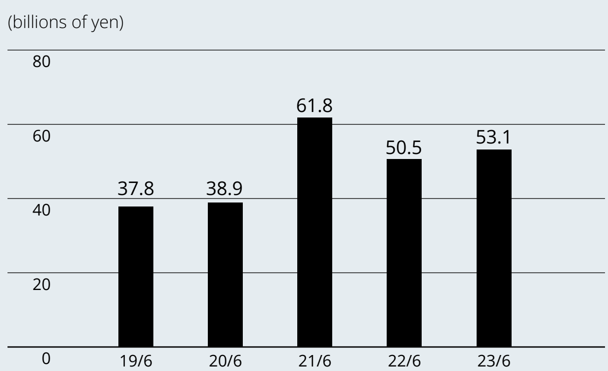
ROE



DOE / Dividend per Share

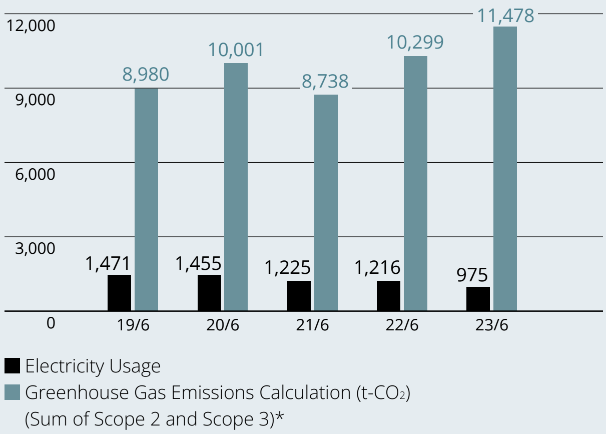


Market Capitalization

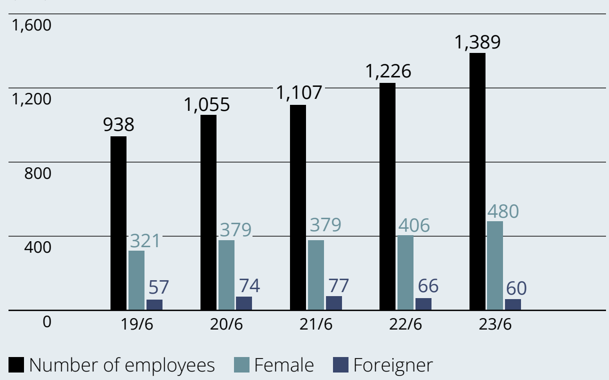


The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020) etc. have been applied from the beginning of the financial year ended 30 June 2022, and the figures for the year ended 30 June 2022 are after the application of these accounting standards, etc. When comparing these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

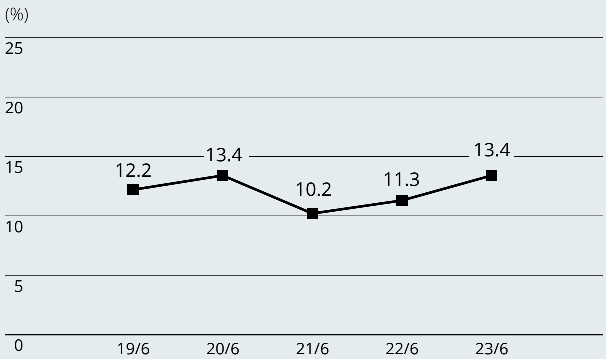
Electricity Usage / Greenhouse Gas Emissions Calculation (t-CO_2)*



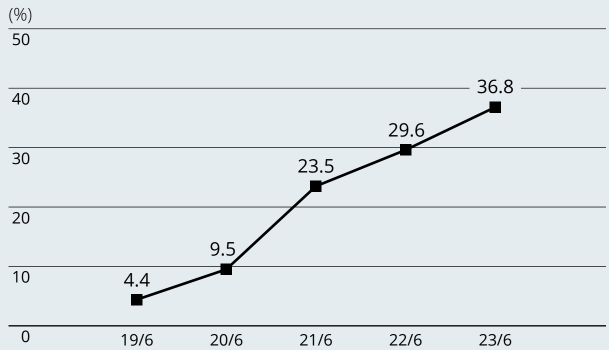
Number of Employees



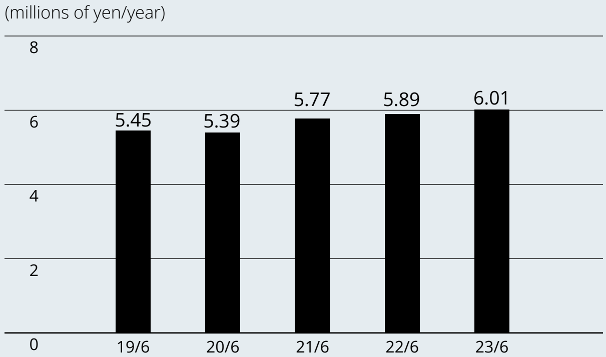
Employee Turnover Rates



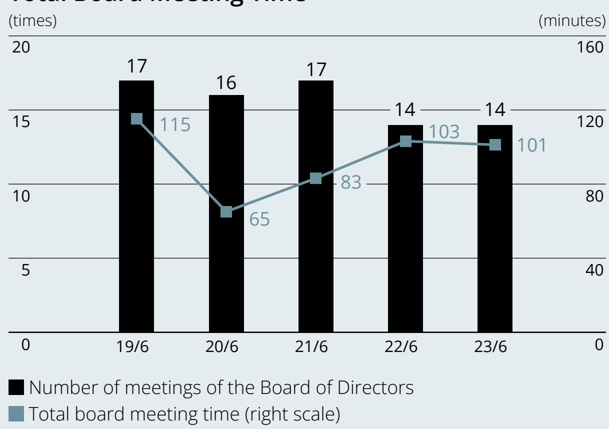
Rate of Male Employees Taking Maternity Leave



Average Salary



Number of Meetings of the Board of Directors / Total Board Meeting Time



* Calculations for emissions for the period from June 2019 to June 2022 have been changed to reflect optimization of the inputs. The emission and electricity usage figures are therefore different than those presented in previous Integrated Reports.

FINANCIAL DATA

	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023
Operation Indicators:					
Recurring sales (millions of yen)	4,420	5,123	5,852	6,476	7,573
Recurring sales ratio (%)	31.4	32.6	36.0	34.6	35.3
Value-added productivity (thousand yen/person)	9,629	9,784	10,332	10,607	10,400
Amount of orders received (millions of yen)	14,171	15,357	17,401	20,012	22,375
Consolidated Financial Disclosure Business	—	—	—	—	7,435
Digital Transformation Promotion Business	—	—	—	—	7,919
Management Solutions Business	—	—	—	—	7,999
Group Governance Business*	7,774	8,313	8,510	10,155	9,839
Digital Transformation Business*	5,265	5,417	6,639	6,902	9,208
Outsourcing Business*	1,807	2,160	2,987	3,751	4,016
Order backlog (millions of yen)	3,927	3,595	4,761	6,070	7,021
Consolidated Financial Disclosure Business	—	—	—	—	3,949
Digital Transformation Promotion Business	—	—	—	—	1,705
Management Solutions Business	—	—	—	—	3,113
Group Governance Business*	2,173	1,999	2,349	3,132	2,938
Digital Transformation Business*	1,204	854	1,244	1,131	1,957
Outsourcing Business*	852	950	1,457	2,164	2,425
Income Statement:					
Consolidated net sales (millions of yen)	14,077	15,691	16,236	18,703	21,424
Consolidated Financial Disclosure Business	—	—	—	—	6,902
Digital Transformation Promotion Business	—	—	—	—	7,272
Management Solutions Business	—	—	—	—	7,883
Group Governance Business*	8,034	8,485	8,160	9,372	10,033
Digital Transformation Business*	4,990	5,767	6,250	7,015	8,381
Outsourcing Business*	1,629	2,062	2,479	3,044	3,755
Operating income (millions of yen)	1,966	2,278	2,796	3,247	3,289
Consolidated Financial Disclosure Business	—	—	—	—	1,586
Digital Transformation Promotion Business	—	—	—	—	1,118
Management Solutions Business	—	—	—	—	1,321
Group Governance Business*	1,293	1,616	1,935	2,060	1,709
Digital Transformation Business*	636	692	811	1,244	1,521
Outsourcing Business*	318	364	523	661	824
Ordinary income (millions of yen)	1,972	2,282	2,808	2,988	3,265
Income before income taxes (millions of yen)	2,003	2,282	2,808	2,988	3,079
Income taxes (millions of yen)	686	744	919	943	984
Profit attributable to owners of parent (millions of yen)	1,317	1,537	1,888	2,045	2,094
Balance Sheet:					
Cash and deposits (millions of yen)	5,160	6,335	7,238	9,444	10,317
Tangible fixed assets (millions of yen)	277	469	407	398	487
Intangible fixed assets (millions of yen)	165	191	608	676	728
Software	164	190	607	676	728
Investments and other assets (millions of yen)	1,574	1,614	1,893	1,800	2,137
Investment securities	397	428	491	511	772
of which, stocks of subsidiaries and affiliates	—	—	267	—	—
Total assets (millions of yen)	10,415	11,780	13,956	16,617	18,705
Current liabilities (millions of yen)	4,348	4,314	4,943	5,820	6,122
Long-term liabilities (millions of yen)	169	272	226	198	254
Total liabilities (millions of yen)	4,517	4,586	5,169	6,019	6,377
of which, interest-bearing debt	—	—	—	—	—
Net assets (millions of yen)	5,898	7,194	8,787	10,597	12,328
Shareholders' equity (millions of yen)	5,889	7,161	8,728	10,466	12,103
Accumulated other comprehensive income (millions of yen)	8	32	58	131	224

* Effective from the fiscal year ending June 30, 2024, the Company has reviewed its business segment classification method and changed its reporting segments from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business" to "Consolidated Financial Disclosure Business," "Digital Transformation Promotion Business," and "Management Solution Business" from "Group Governance Business," "Digital Transformation Promotion Business," and "Outsourcing Business." Data for the new business segments are included as year-on-year comparisons for the fiscal year ended June 30, 2023.

	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023
Consolidated Cash Flow:					
Operating cash flow (millions of yen)	1,320	1,890	2,561	3,026	2,175
Depreciation and amortization	167	227	254	349	449
Investment cash flow (millions of yen)	–455	–420	–789	–398	–795
Acquisition of tangible fixed assets	–127	–236	–114	–89	–225
Acquisition of intangible fixed assets	–54	–121	–429	–317	–521
Free cash flow (millions of yen)	864	1,470	1,771	2,627	1,379
Financial cash flow (millions of yen)	–232	–294	–359	–433	–507
Repayment of long-term debt	—	—	—	—	—
Payment of dividends	–225	–281	–338	–413	–489
Profitability and Capital Efficiency:					
EBITDA (millions of yen)	2,133	2,506	3,038	3,582	3,737
Effective tax rate (%)	30.6	30.6	30.6	30.6	30.6
NOPAT (millions of yen)	1,364	1,581	1,940	2,253	2,282
ROIC (%)	25.5	24.2	24.3	23.3	19.9
ROE (%)	24.6	23.5	23.6	21.1	18.3
Net sales growth (%)	16.2	11.5	3.5	15.2	14.5
Operating income margins (%)	14.0	14.5	17.2	17.4	15.4
GPP (revenue growth rate + operating income ratio) (points)	30.2	26.0	20.7	32.6	29.9
Total asset turnover (times)	1.46	1.41	1.26	1.22	1.21
Research and development expenses (millions of yen)	215	409	445	382	375
Capital adequacy ratio (%)	56.6	61.1	63.0	63.8	65.9
Cash conversion ratio (%)	61.9	75.4	84.3	84.5	58.2
Share Information and Shareholder Returns:					
Number of shares issued (shares)	37,570,188	37,586,982	37,603,203	37,625,501	37,645,851
Average number of shares during the period (shares)	37,561,940	37,582,026	37,598,448	37,614,361	37,636,218
BPS (yen/share)	157.00	191.42	233.70	281.68	327.51
EPS (yen/share)	35.06	40.92	50.24	54.37	55.65
DPS (yen/share)	7.5	9.0	11.0	13.0	15.0
DOE (%)	5.3	5.2	5.2	5.0	4.9
Dividend payout ratio (%)	21.4	22.0	21.9	23.9	27.0
TSR (%)					
3 years	748.5	295.8	347.6	136.6	140.1
5 years	549.6	584.4	1,228.8	389.0	304.6

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 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 ended 30 June 2019.

NON-FINANCIAL DATA

	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023
Environmental					
GHG emissions (t-CO_2)*	8,980	10,001	8,738	10,299	11,478
of which Scope 2	741	650	543	556	359
of which Scope 3	8,238	9,351	8,195	9,743	11,119
Electricity consumption (thousand kWh)*	1,471	1,455	1,225	1,216	975
Percentage of renewable energy (%)	0	0	0	100	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.				
Social					
Number of employees (persons)	938	1,055	1,107	1,226	1,389
Avant Group	37	36	45	47	37
Avant (Formerly Diva)	424	454	450	479	439
Zeal	311	351	372	401	429
Diva	154	203	229	288	473
ID	12	11	11	11	11
Number of female employees (persons)	321	379	379	406	480
Ratio of female managers (%)	8.3	6.8	6.5	7.7	8.8
Number of non-Japanese employees (persons)	57	74	77	66	60
Employment rate of persons with disabilities (%)					
Avant Group / Avant (Formerly Diva)	1.6	2.3	2.0	2.5	2.4
Zeal	0.3	1.4	1.3	1.2	1.4
Diva (Formerly Fierte)	1.3	1.0	0.8	0.7	1.5
Rate of male employees taking paternity leave (%)	4.4	9.5	23.5	29.6	36.8
Number of hires (persons)	226	241	197	261	334
Number of new graduates	48	56	30	50	59
Number of mid-career hires	178	185	167	211	275
Number of resignations (persons)	90	145	109	128	168
Employee turnover (%)	12.2	13.4	10.2	11.3	13.4

* Calculations for emissions for the period from June 2018 to June 2022 have been changed to reflect optimization of the inputs. The emission and electricity consumption figures are therefore different than those presented in previous Integrated Reports.

	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023
Average years of service (years)	4.6	4.1	4.6	4.6	**4.3**
Recruitment expenses (millions of yen)	268	263	326	353	**433**
Recruitment cost (thousand yen/number of hires)	1,189	1,091	1,656	1,353	**1,296**
Personnel expenses (millions of yen)	6,419	7,162	7,748	9,135	**10,257**
Training expenses (millions of yen)	39	39	46	63	**84**
Training cost (yen/number of employees)	42,445	37,449	42,234	52,020	**60,973**
Average salary (yen/year)	5,451,533	5,397,341	5,772,288	5,892,667	**6,010,044**
Salary increase rate (%)	5.60	1.04	3.60	4.70	**7.3**
Average age (years)	34.2	34.0	34.5	34.6	**34.3**
Average annual overtime hours worked (hours/month)	19.2	16.7	16.2	14.7	**13.2**
GPTW score (points)*					
Avant (Formerly Diva)	41	54	56	59	**66**
Zeal	44	51	58	65	**70**
Diva (Formerly Fierte)	58	61	66	67	**67**

Governance

	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023
Number of shareholders (persons)	2,176	2,536	3,674	3,311	**2,926**
Shareholder Composition (%)					
Individual	64.1	61.3	60.5	59.4	**58.0**
of which directors	31.8	31.8	31.8	31.8	**31.1**
of which Employee Stock Ownership Plan	9.2	8.5	6.1	6.1	**3.8**
Government	0.0	0.0	0.0	0.0	**0.0**
Financial institutions	10.1	12.1	12.7	13.8	**14.9**
Domestic corporations	11.5	10.5	10.1	8.0	**8.0**
Foreigner	12.6	14.2	14.8	17.3	**17.6**
Securities company	1.6	1.8	1.9	1.5	**1.5**
Treasury stock	0.0	0.0	0.0	0.0	**0.0**
Number of meetings of the Board of Directors (times)	17	16	17	14	**14**
Total board meeting time (minutes)	1,956	1,107	1,413	1,454	**1,419**
Average Board meeting time (minutes)	115	65	83	103	**101**
Number of meetings of the Remuneration Advisory Committee (times)	—	—	3	7	**8**

* 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

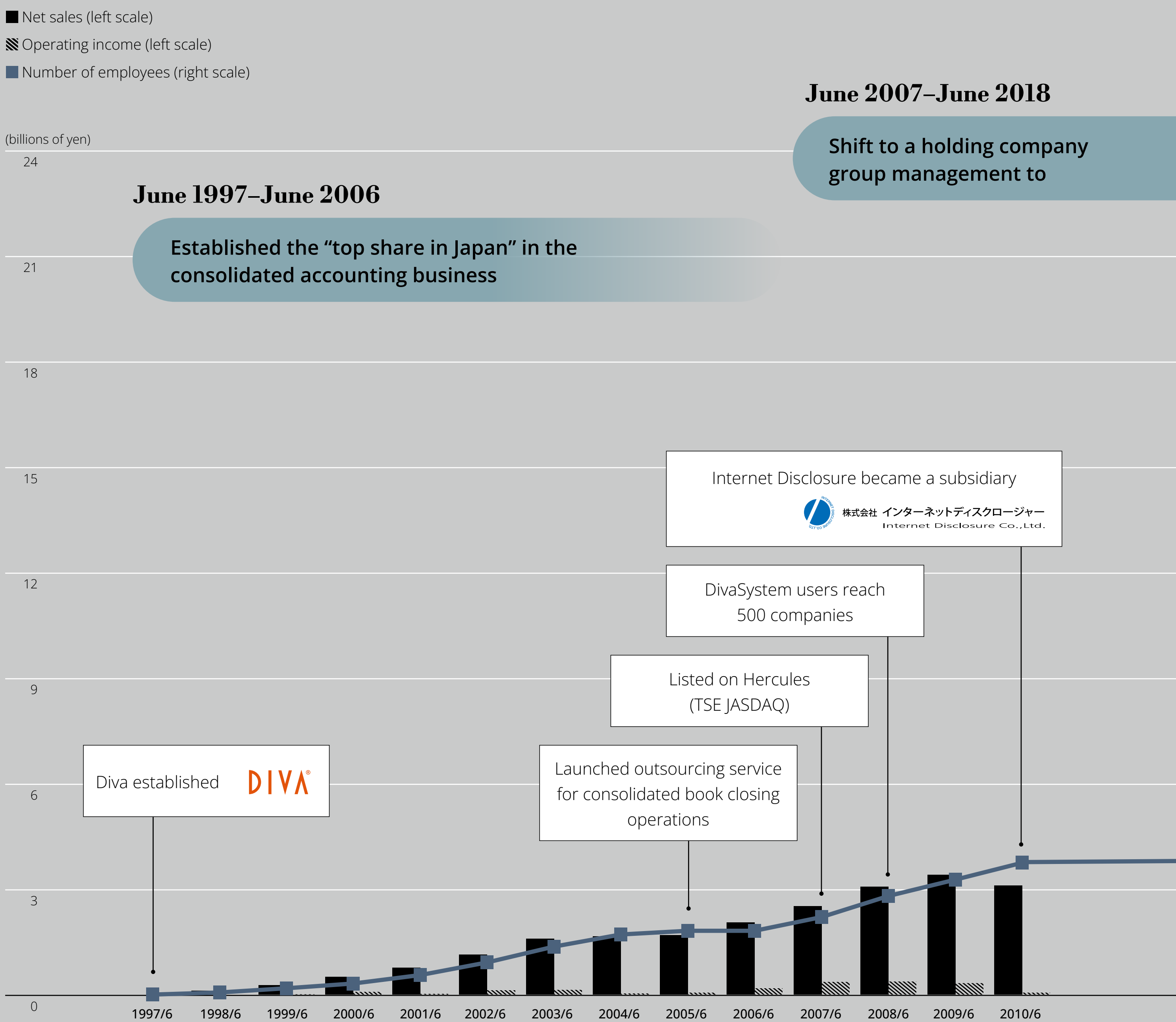
- **Consolidated Reporting Rule (from the fiscal year ended March 2000)**
- **Quarterly disclosure (from April 2003)**
- **Introduction of internal control reporting system (J-SOX) (from April 2008)**

June 1997–June 2006

Established the "top share in Japan" in the consolidated accounting business

June 2007–June 2018

Shift to a holding company group management to



October 2022–

AVANT GROUP

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

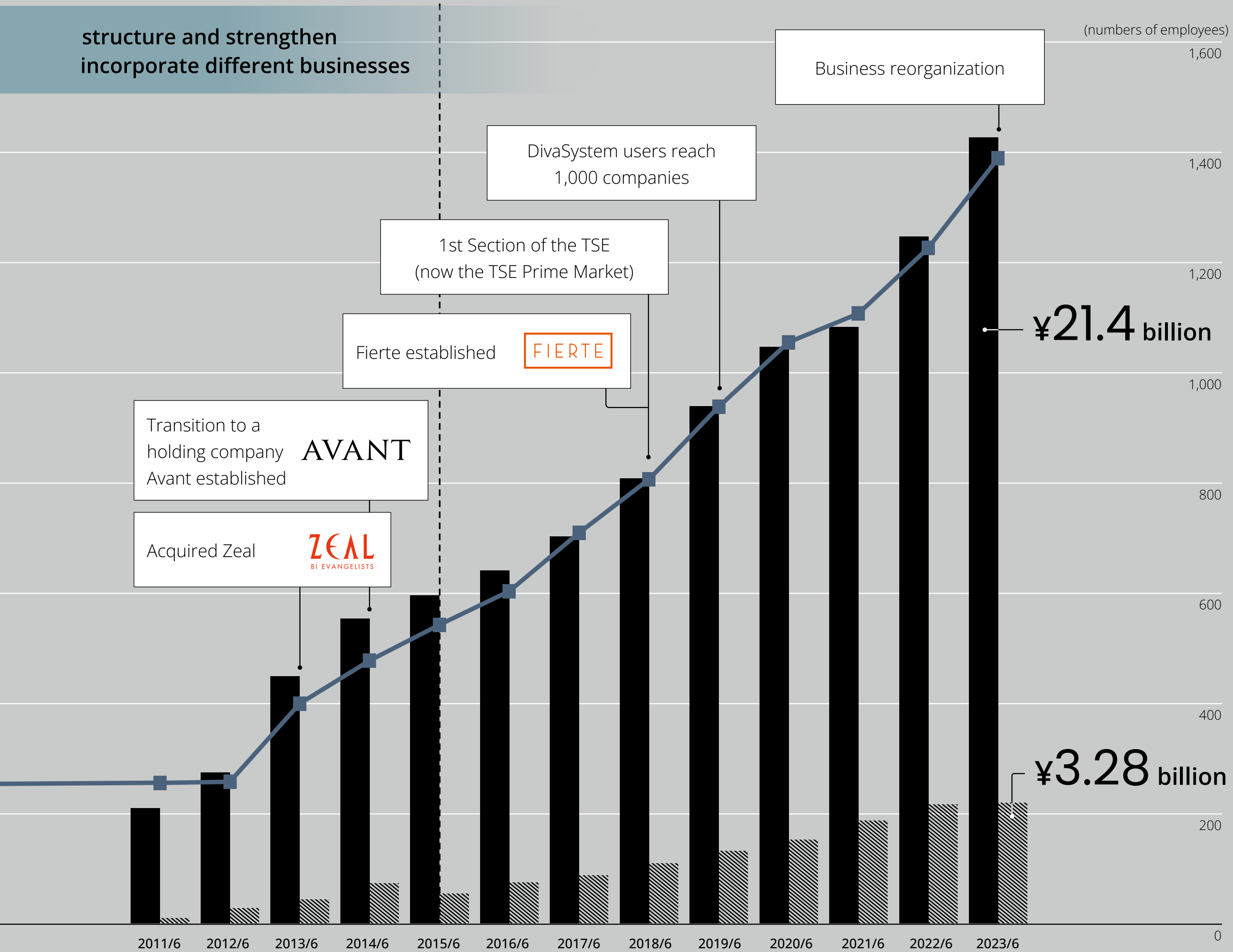
IFRS voluntary application (from the fiscal year ended March 2010)

Corporate Governance Code
(from June 2015)

June 2019–June 2023

Medium-Term Management Plan “BE GLOBAL 2023”

structure and strengthen incorporate different businesses



About Us / Stock Information

About Us

Company name:	Avant Group Corporation
Founded:	May 26, 1997
Location:	Shinagawa Intercity B Tower 13F, 2-15-2 Konan, Minato-ku, Tokyo
Number of employees (consolidated):	1,389 (as of June 30, 2023)
Capital stock:	329,128,099 yen (as of June 30, 2023)
Total number of shares issued and outstanding:	37,645,851 shares (as of June 30, 2023)
Share unit:	100 shares
Number of shareholders:	2,926 (as of June 30, 2023)
Stock exchange listing:	Prime Market, Tokyo Stock Exchange
Stock code:	3836
Closing date:	June 30
Ordinary general meeting of shareholders:	Within three months from the day following the last day of the fiscal year
Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited
Accounting Auditor:	Deloitte Touche Tohmatsu LLC

Stock Information

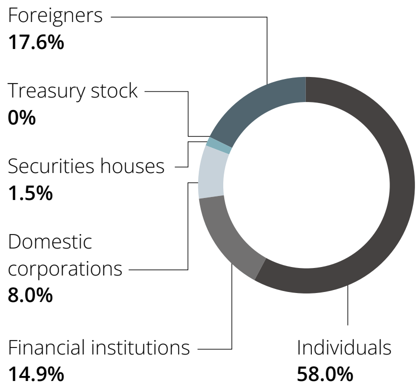
Major Shareholders (as of June 30, 2023)

Name of Shareholders	Number of shares held	Percentage*
Tetsuji Morikawa	9,764,000	25.94
The Master Trust Bank of Japan, Ltd.	3,197,300	8.49
Tsuyoshi Noshiro	1,868,800	4.96
Custody Bank of Japan, Ltd. (trust account)	1,801,800	4.79
Obic Business Consultants Co., Ltd.	1,600,000	4.25
AVANT GROUP employee stock ownership association	1,436,700	3.82
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	1,262,502	3.35
JP MORGAN CHASE BANK 385174 (Standing proxy: Mizuho Bank, Ltd.)	975,300	2.59
PCA Corporation	778,400	2.07
Tatsuru Nakayama	653,508	1.74

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

Shareholder Distribution by Type

(as of June 30, 2023)



CREATIVE DIALOG 2023

AVANT GROUP
INTEGRATED REPORT

AVANT GROUP INTEGRATED REPORT 2023

AVANT GROUP CORPORATION

https://www.avantgroup.com/en

AVANT GROUP