

CREATIVE
DIALOG 2024

MANGA
SPECIAL CONTENTS

SaaS Enables
Corporate Value
Management

Our company
must change!

DX

for Japanese
corporate
management.

Realizing a Society where Corporate Value Management becomes Widespread



Section I

Our Goals and the Society We Want to Realize

Conveying what kind of image our Group CEO is aiming for through messages from the Group CEO, cartoons, and dialogues.

CREATIVE DIALOG 2024

AVANT GROUP
INTEGRATED REPORT

Message of the Report

The integrated report “CREATIVE DIALOG” is published to inform investors and other stakeholders of the Avant group value creation and corporate value enhancement concepts, strategies, and Result, and to initiate dialogue.

This year, the fifth year since the publication of our first Integrated Report, we have prepared four sections to tell the story of what kind of image and society our group is aiming for and how we will realize it: “Our Goals and the Society We Want to Realize,” “Pathway to Realization,” “Governance for Steady Advancement,” and “Results and Data.”

In addition, the Group places great importance on dialogue with stakeholders in value creation, and three dialogues have been conducted and published in this “CREATIVE DIALOG 2024.” The Integrated Report also includes other original contents, so please visit our website for other related information not available in this report.

Trajectory of the Avant group since the publication of Integrated Report

2020	First integrated report published
2021	Strategic materiality “Becoming a software company that increases corporate value” established
2022	Reorganized operating companies based on strategic materiality and reformed management and governance structure
2023	“BE GLOBAL 2028,” a new medium-term management plan launched, aiming for a creation of a new corporate value management market and net profit growth of 25% CAGR or more.

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— Because we ourselves are in Japan, we strongly want to help Japanese corporate management by promoting a software suite defined by the theme of contributing to corporate value enhancement.

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SaaS Enables Corporate Value Management



— I have been running our company with no awareness of corporate value. Our company must change!

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What Is Essential to Increasing Corporate Value through Governance?



— The managers themselves are convinced that raising corporate value makes not only themselves but also those around them happy. I believe that would be the trigger for real governance reform. (Group CEO Morikawa)

— Managers are concerned about stock prices, but price and value are not the same thing. It is important for management itself to talk about how to maximize the value of the company, and this must be a common language with the stock market or it will not be understood by investors. (Mr. Kitagawa)

Section II

Pathway to Realization

Explaining how we are charting a path toward the realization of our vision and society, in terms of finance, human resources, and each of our businesses, centered on our medium-term management plan.

- 42 Progress of the Medium-Term Management Plan
“BE GLOBAL 2028”

- 44 **Financial Strategy:**
Group CFO Message



— P/E is expected to increase if we transform our business model through the promotion of our Software Driven Strategy, which will reduce the cost of shareholders' equity and increase the expected growth rate of profit.

- 50 **Human Resources Strategy:**

DIALOG 02

What Does Human Capital Management Mean to the Avant Group?



— I feel that effectively building a pipeline of human resources as a Group is a very important issue going forward. (Group CHRO Satonaka)

— I think it is also an important role for the holding company to continuously provide employees with growth opportunities in accordance with their career aspirations. (Outside Director Kamoi)

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Section III

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Explaining how governance can be effective to steadily progress along the path leading to our goals and increase corporate value.

- 60 **Outside Directors × Overseas Institutional Investor:**

DIALOG 03

Corporate Governance of the Avant Group to Support the Realization of a “100-Year Company”



— We believe that dialogue with various stakeholders, including shareholders, employees, and customers, and improvement of corporate governance as necessary, is important for continuous improvement of corporate value and is necessary to realize a 100-year company. (Outside Director Goto)

— In order to increase corporate value, it is important to focus on and expand high-margin businesses, rather than just increasing sales. I believe it is my responsibility to constantly check whether such operations are being carried out. (Outside Director Nakano)

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Related Information

 **Financial Data**
<https://www.avantgroup.com/en/ir/financial.html>

 **Sustainability**
<https://www.avantgroup.com/en/sustainability.html>

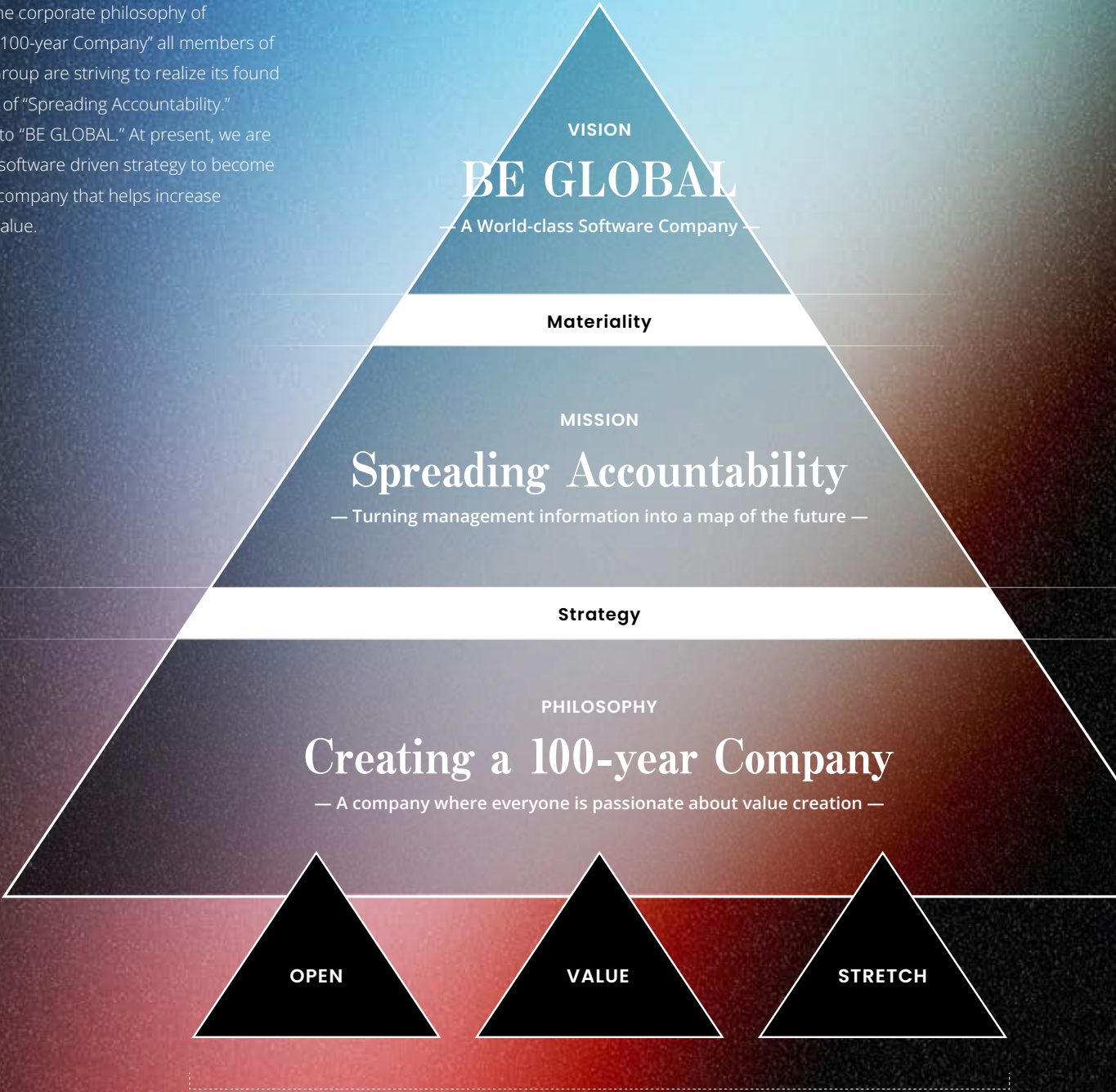
 **Glossary (Japanese only)**
<https://www.avantgroup.com/ja/ir/faq.html>

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.

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.



Values that support our corporate philosophy

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.**

MATERIALITY

Becoming a Software Company that Increases Corporate Value

Our top management priority is to transform our business model into a software company to help our clients increase their corporate value.

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.**

STRATEGY

Software Driven Strategy

The core of our current strategy is to build and provide a "Corporate Value Management SaaS Suite," a group of software that helps improve corporate value of clients.

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.

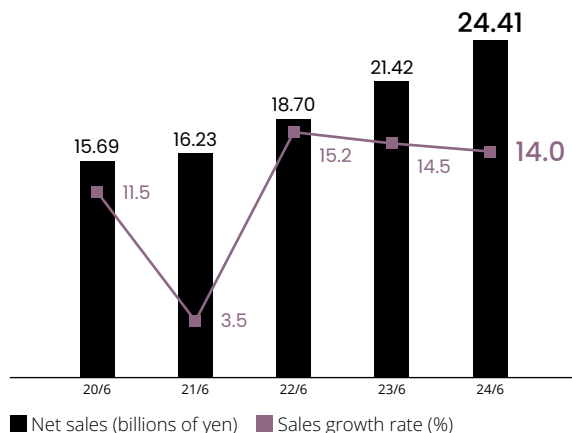
AT A GLANCE

GROWTH AND VALUATION

Net Sales /
Sales Growth Rate

¥ 24.41 bn

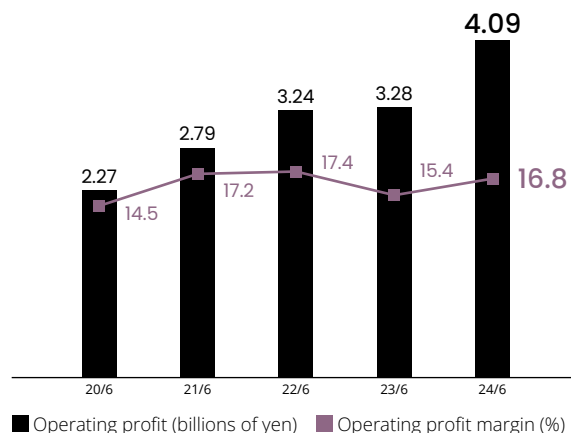
YoY
14.0%
UP



Operating Profit /
Operating Profit Margin

¥ 4.09 bn

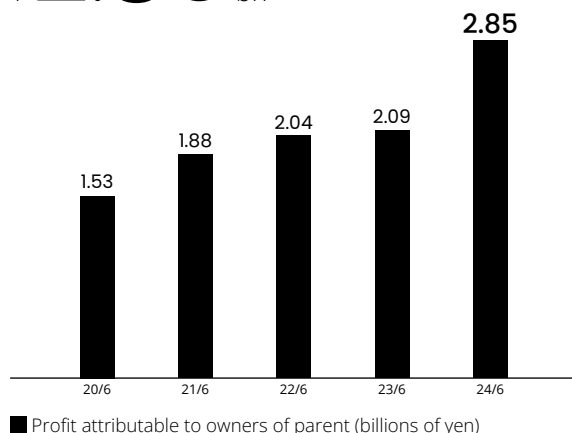
YoY
24.6%
UP



Profit attributable
to owners of parent

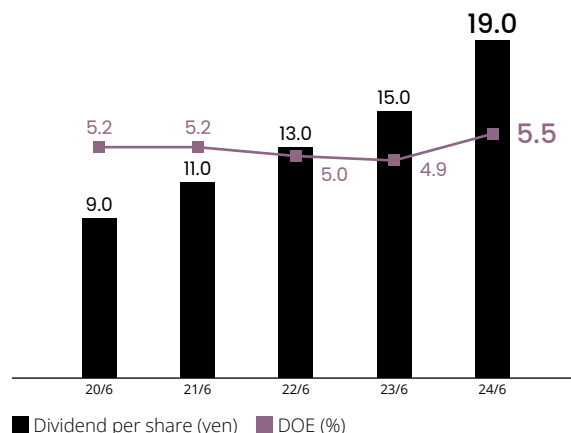
¥ 2.85 bn

YoY
36.1%
UP



Dividend per Share / DOE

Dividend per Share ¥ 19.0 DOE 5.5%



ROE

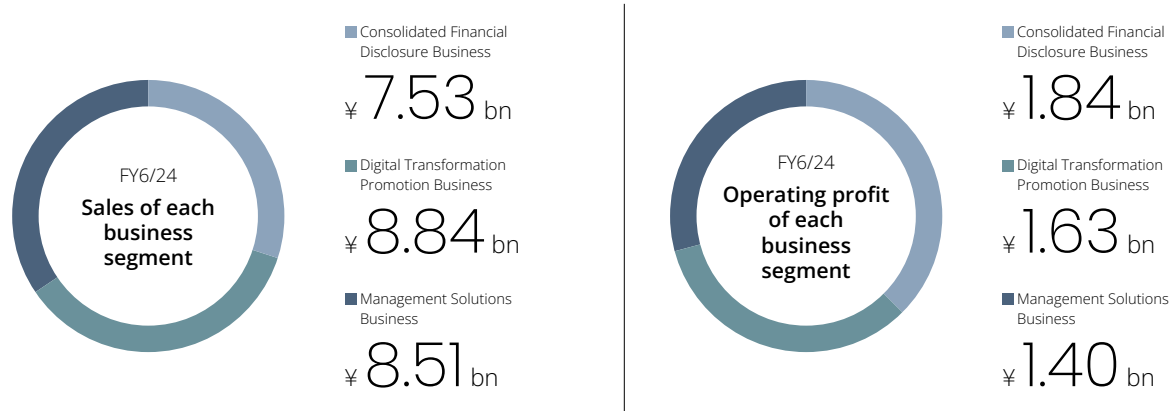
22.3%

P/B

4.0x

As of June 28, 2024

BUSINESS



Consolidated Financial Disclosure Business

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.

Products developed

DivaSystem LCA

consolidated
accounting software

No.1 in market share
in Japan (43.8%)*

Digital Transformation Promotion Business

ZEAL

Products developed

ZEUSCloud

ZEAL DX Learning Room

CO-ODE

STORYAI

Management Solutions Business

AVANT

Products developed

AVANT Compass
Powered by **NOMURA**

AVANT Cruise

AVANT Chart

Holdings

AVANT GROUP

Products developed

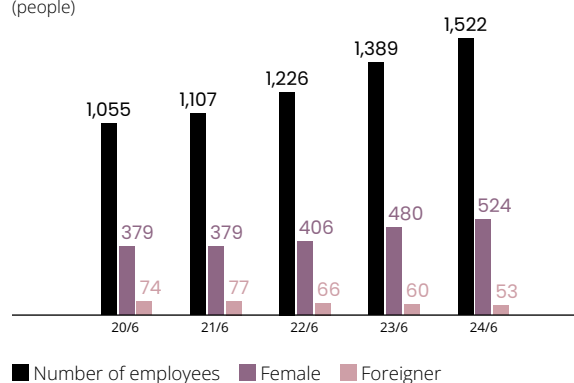
TRINITY BOARD

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

HUMAN CAPITAL

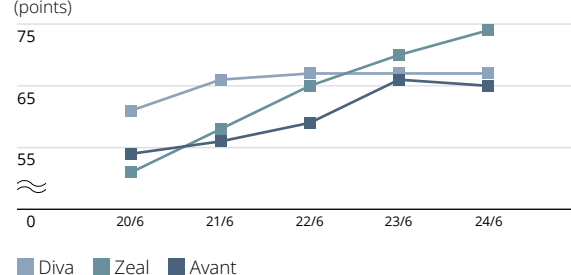
Number of Employees

(people)



GPTW* Score of Each Group Company

(points)



* 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.



DX for Japanese corporate management.
The Avant Group will contribute
to the enhancement of corporate value
through SaaS Suites.

TETSUJI MORIKAWA

Founder, Chairman & Group CEO

GROUP CEO MESSAGE



The Meaning of “Management”

On September 29, 2024, there was an executive camp for the company for which I serve as an Outside Director. At the dinner table, amidst a flurry of topics far removed from management discussions, I was asked, “Mr. Morikawa, are you still going to run a business?” The question came up not as a heavy subject like a succession, but in a light-hearted exchange, to which he replied, “Well, I’m finally starting to understand a little about management.” I gave such a reply.

However, it is not as if I have found some kind of license to do so, but rather that I have come to understand how to deal with management.

The more I have talked and listened to various managers, the more I realized that management is a very holistic activity. Although there are references and a common language of management techniques, no one person has the same management.

I have more than 12 years of experience as an outside director at multiple companies, but when I started, I was quite confused. I was surprised at the difference between my own style of management and theirs, and I don’t know how to help them in their management from my position as an outsider. I was repeatedly frustrated when I tried to communicate my ideas and they did not resonate.

The same is true for our own group management. Even after promoting the division of labor in management and a significant delegation of authority to create autonomous growth potential for the business, something did not mesh. I wonder why. My own answer is that management is not something that can be molded. Rather, it is one that maximizes individual freedom and creates free and vigorous action. That’s how it was.

Nowadays, my style is my own, and **the first thing is to understand each manager’s head as it is. This has been my way of dealing with management.**

This change in perspective has made dialogues with other managers much more interesting. I have learned an overwhelming amount. Of course, the other party was not limited to managers, but I believe that the pride of being a manager created an unconscious barrier like aversion to one’s own family.

Currently in My Head

Now, here is what is currently in my head, and if I were to visualize it, it would look something like this (Figure 1). It is not something I use officially within the company, but only to organize my thoughts. It's pretty busy. The original material, including duplicates, is in the hundreds of pieces annually.

Figure1: Group CEO Morikawa's current image in his mind



The actual mind is much fuzzier, but the level of importance and priority in conducting day-to-day management actions generally moves back and forth within the structure shown in the figure. Are the KPIs and basic policies we have set for each of them really good enough? We are looking at this with an awareness of the issues so that we do not stop thinking and delay adapting to change. As such, it is constantly being updated, and while it is not appropriate as a general management reporting document, it has a significant impact on what I do by disclosing what is in my head without being boxed in.

So how do you organize this constantly changing and ambiguous mind to talk with others? Here, we are utilizing the concept of “Analects and Abacus” updated in a modern style (Figure 2).

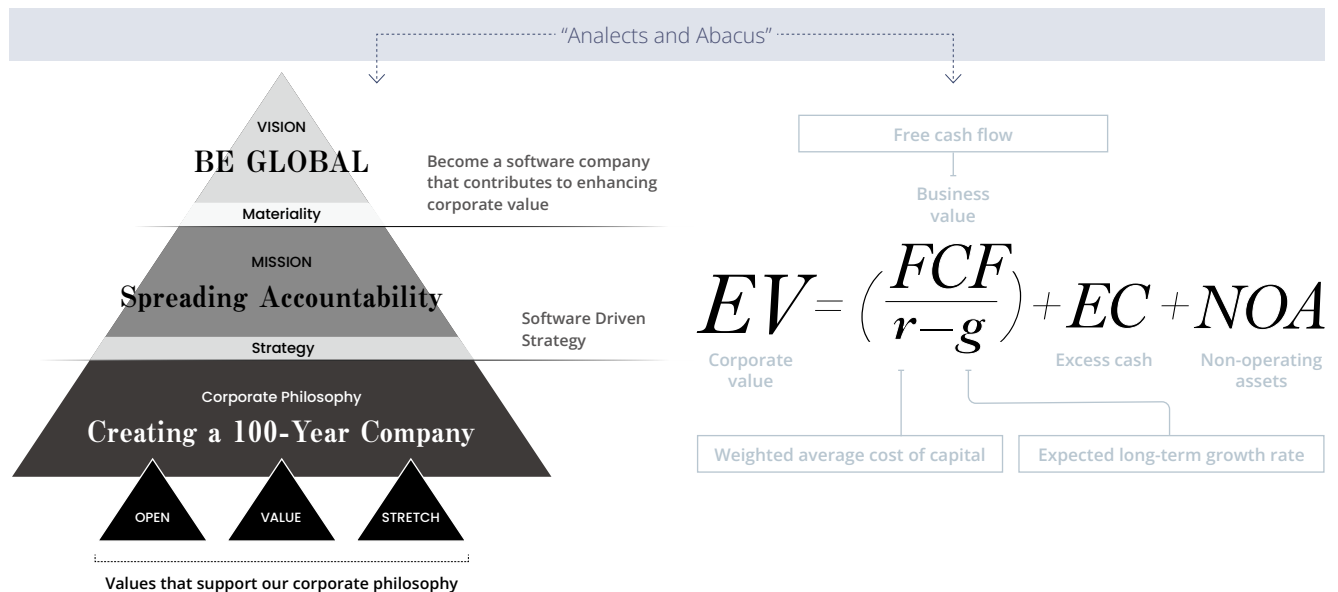
Business activities begin with being useful to someone else. The value of the activity is then expressed in financial results. Our company vision is “BE GLOBAL,” which means to conduct world-class business activities. To this end, we are updating the current “Analects and Abacus” in management so that it can be used in conversations with managers and investors around the world.

Management philosophy, vision, and mission, are the “Analects,” which are combined with materiality, which is the identification of the problem to be solved and the strategy is a concrete path to realize it, to give specificity to the activities. **The performance mechanism, which is the “Abacus,” is not only based on accounting that focuses on the evaluation of activity results, but also on the abacus from a finance perspective that focuses on the cash flows that will be generated in the future.**

While we have had the concept of “Analects and Abacus” since our founding, this update has greatly enhanced our future arrangements and has allowed us to organize our previously disjointed minds.

Our Group management is based on the division of responsibilities between the CxOs. Therefore, in order to have a balanced understanding of the entire group, it would be desirable for all CxOs who are managers to devote the same amount of time to explain their minds, but it can also be difficult for the reader. This time, I provide only myself, Tetsuji Morikawa, as an example. LOL!

Figure 2: The appropriateness of business activities can be measured by long-term corporate value growth.



Now, my immediate priority in my position is to evolve into a software company that can contribute to enhancing corporate value by promoting a Software Driven Strategy. From the perspective of market creation, this means launching the corporate value management market, which we call the M3 market. To achieve this, we restructured our business and carved out new markets from the traditional ones.

Because we ourselves are in Japan, we strongly want to help Japanese corporate management by promoting a software suite defined by the theme of contributing to corporate value enhancement.

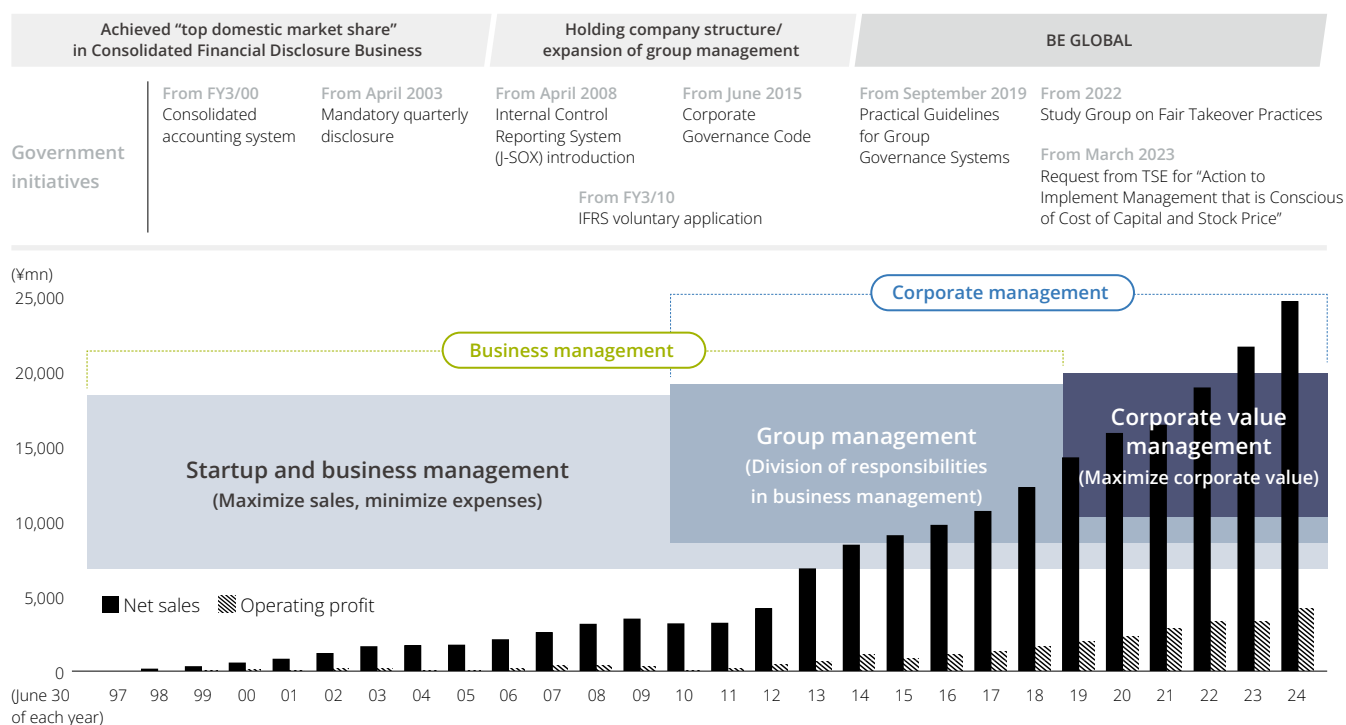
This is due to the fact that in our own management experience, as we had been subject to discontinuous management reskilling (Figure 3), we were not been able to shift to corporate value-conscious management on our own.

In our case, as we have mentioned in previous integrated reports, dialogue with external parties such as foreign outside directors and foreign institutional

investors was very useful, but the information needed for such dialogue was insufficient beyond the conventional management information required for dialogue with the company's internal parties. Therefore, we have developed a new management information environment for dialogue with the outside world, and we believe that information systems and services, perhaps through this experience, are useful for publicly listed companies that are required to manage their business with an awareness of stock prices, as well as for companies that raise funds even if they are privately held.

However, it is a small start. The financial results to be realized from the Software Driven Strategy in the current medium-term management plan, BE GLOBAL 2028, are approximately ¥6 bn on a software gross profit basis, which is not a large percentage of overall sales. However, the content to be realized there involves the creation of new markets. We regard this as an important action that is essential for creating the future.

Figure 3: Experienced discontinuous “management reskilling”



Corporate Value Management SaaS Suite

What software can contribute to enhancing corporate value? Since establishing the strategic materiality of the medium-term management plan, we have gone through various trials and errors. The concept of enterprise resource planning (ERP), which has been popularized since the 1990s and orders the state of enterprise information systems, does somehow does not fully cover it. There are also different mechanisms for digitizing business-to-business transactions, such as supply chains. Digital transformation covers a very wide range of areas. In the midst of all this, we found a map that clearly shows our areas of focus (Figure 4). The Ministry of Economy, Trade and Industry (METI) has compiled the following information.

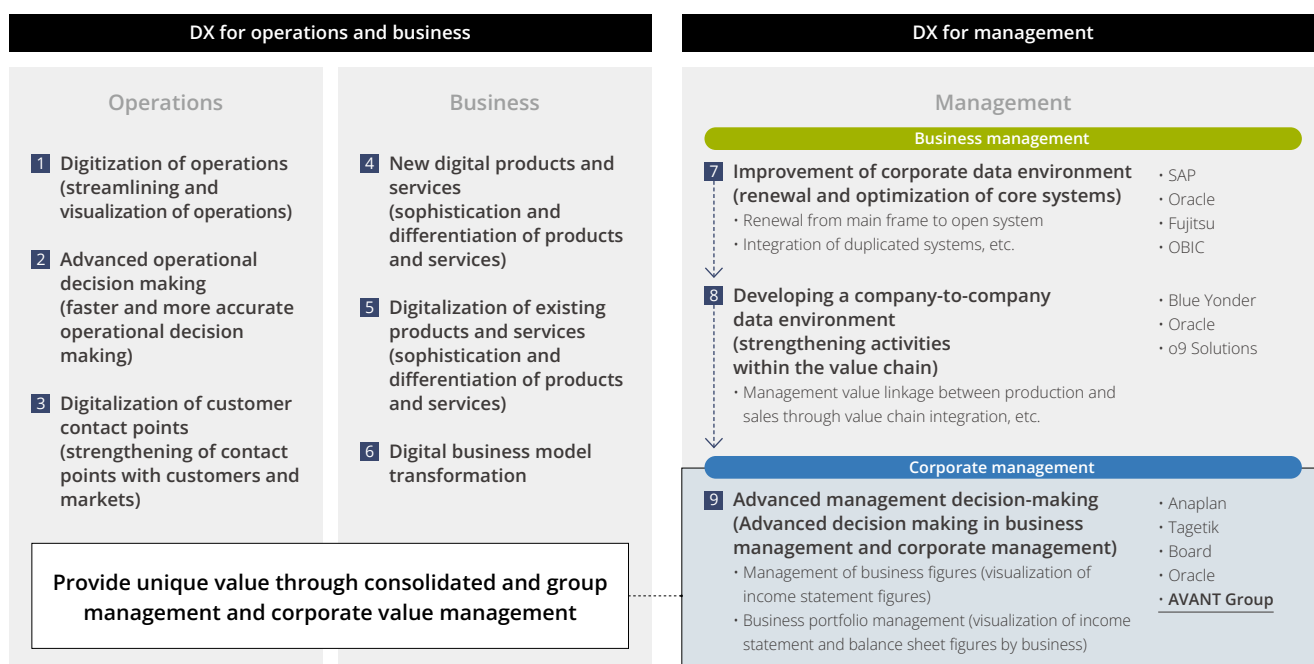
The bottom right segment is defined as software that contributes to enhancing corporate value. Traditionally, companies offering products such as Business Intelligence (BI) as an area for utilizing data

generated by various information systems and Corporate Performance Management (CPM) as a tool specialized for business management operations by applying such technology have been players, but, none of them focus on enhancing corporate value. Let's contribute in this area with a different way of thinking from other companies. That is what it means to "become a software company that contributes to enhancing corporate value." We are organizing such an arrangement.

So what exactly will the product be? It will focus on software and services that support operations that impact corporate value. The traditional way of doing things is quite immature, with only a few operations being covered and a lack of business expertise and content.

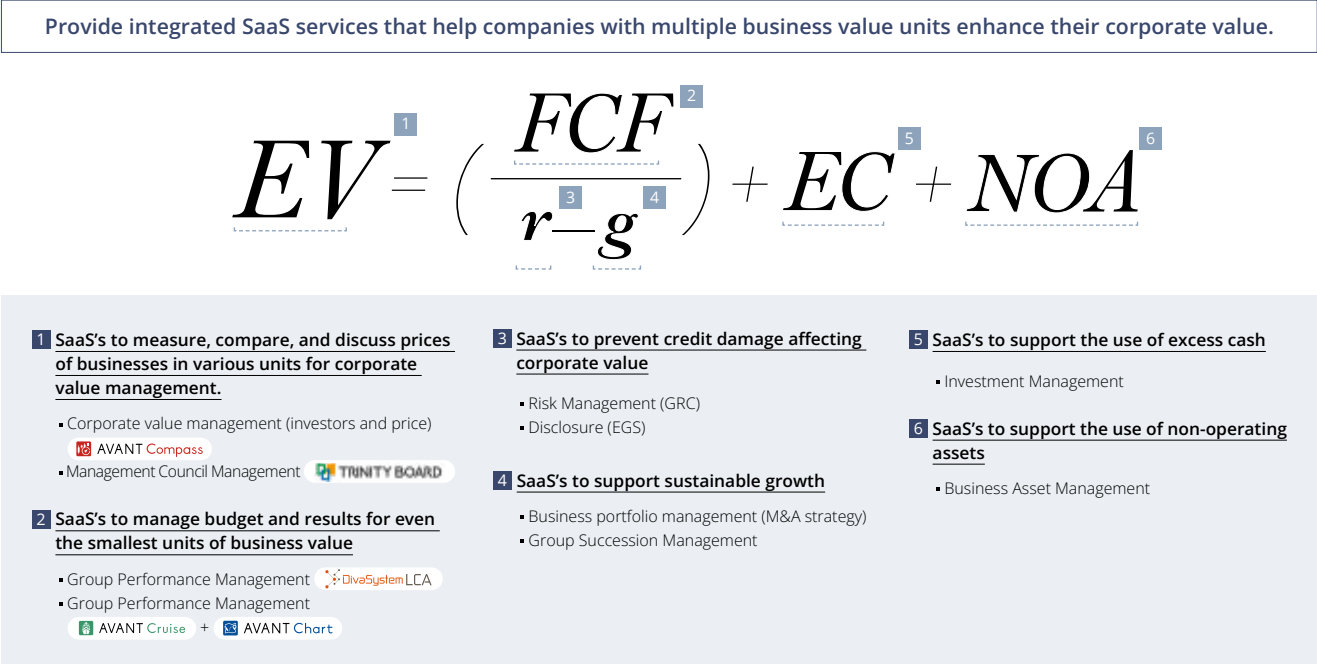
To begin with, it is also necessary for the companies that actually need them to solve issues like management reskilling. Even in these early days of the market, little by little, the state of the product is taking shape.

Figure 4: Current Avant Group focus areas of contribution



Source: We applied NTT DATA's DX Framework to the companies selected for the Ministry of Economy, Trade and Industry's "DX Issues 2022-2020" and "Aggressive IT Management Issues 2015-2019."

Figure 5: Corporate value management SaaS Suite concept





Our basic policy is to organize the necessary operations and systems using a formula that represents corporate value (Figure 5). In the case of ERP, software modules are designed for each business process, such as accounting, payroll, human resources, production management, etc. However, Enterprise Value Management (EVM) is specialized for management decision making, so it can be organized as a business system for each component of corporate value, such as decision making for increasing free cash flow, risk management, and sustainability. EVM can be organized as a business system for each component of corporate value, such as for decision making to increase free cash flow, for risk management, and for sustainability.

This can be reconstructed using the four measures identified as important in the “Discussion Paper for the Follow-up Conference on the Revision of Market Segmentation” released by the TSE in 2023, as shown in Figure 6 on the left. In the TSE request, the four elements include English disclosure, but since English disclosure is in a different context from the corporate value formula, it can be organized in the other three.

In this way, we are reorganizing the way software should help improve corporate value, repositioning our commercial products, and beginning to develop products and service systems accordingly.

We call these the Corporate Value Management SaaS Suite, but this Suite is not composed solely of our own products. We are trying to achieve this in cooperation with companies with various specialties. This is because the target areas need to cover niche but highly specialized areas ranging from ESG to management succession.

Over the past year or so, we finally have a base from which to think about what a software company should look like to help enhance corporate value.

Reflections and Future Prospects

Although I wrote this with a slight bias toward the software concept, BE GLOBAL 2028, now in its second year, has been able to move forward quite successfully, albeit through a process of trial and error.

The plan revolves around the not-so-easy challenge of creating a market, but it is a very rewarding subject. We will continue to focus on contributing to the enhancement of corporate value, including our own.

Tetsuji Morikawa

Tetsuji Morikawa
Founder, Chairman & Group CEO

SaaS Enables Corporate Value Management

In our Integrated Report 2022 Rise Company was targeted by activists for failing to understand its own corporate value. How did they decide to change their management? How can the Avant Group contribute to this? Please read the rest of this article.

Rise Corporation

Japanese comprehensive materials manufacturer with 2,700 employees. The company has been strong in the glass materials business since its founding in 1927, but has received demands from activists as it has diversified its operations.



President

Yuzo Yamatani

After working continuously in the sales field since joining the company, appointed Representative Director four years ago. Amidst a mountain of management issues, the company is about to embark on a management reform under the slogan "Open & Global" with the aim of maximizing corporate value.



CFO

Ayumu Ohashi

He joined Rise Company as a new graduate. After working for regional offices and in the accounting department, appointed CFO two years ago. The entire business is being reviewed with the aim of strengthening its financial position.



Outside Director

Louise Taguchi

Born in Japan to a French father and Japanese mother. Studied in France during university days, obtained an MBA in the U.S., and engaging in corporate management in France and Japan, she was appointed as an Outside Director of Rise one year ago.

Rainbow Investment

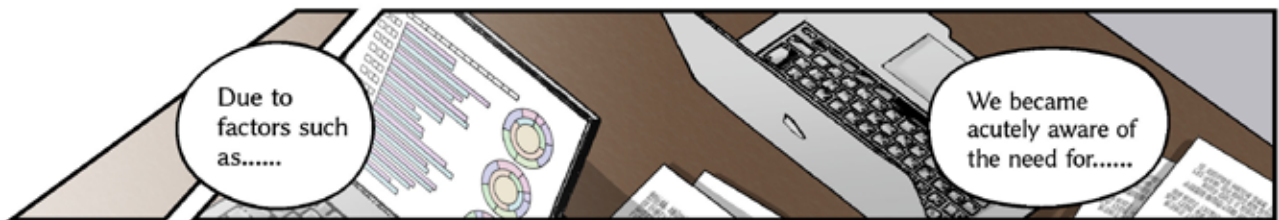
An activist fund based in New York, USA. Known for conducting thorough investigations and make aggressive proposals to improve corporate value. Operates globally, projects are often entrusted to a local specialist for investigation.



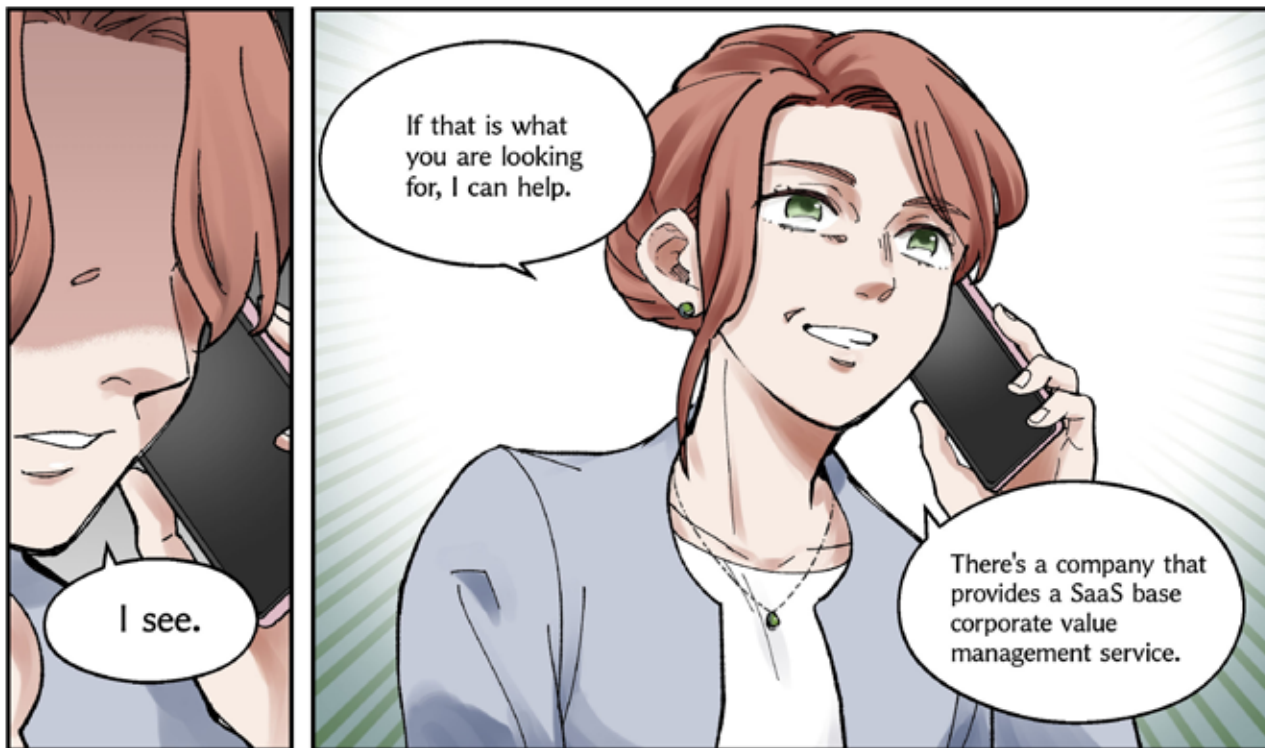
I see.

There's a company that provides a SaaS based corporate value management service.

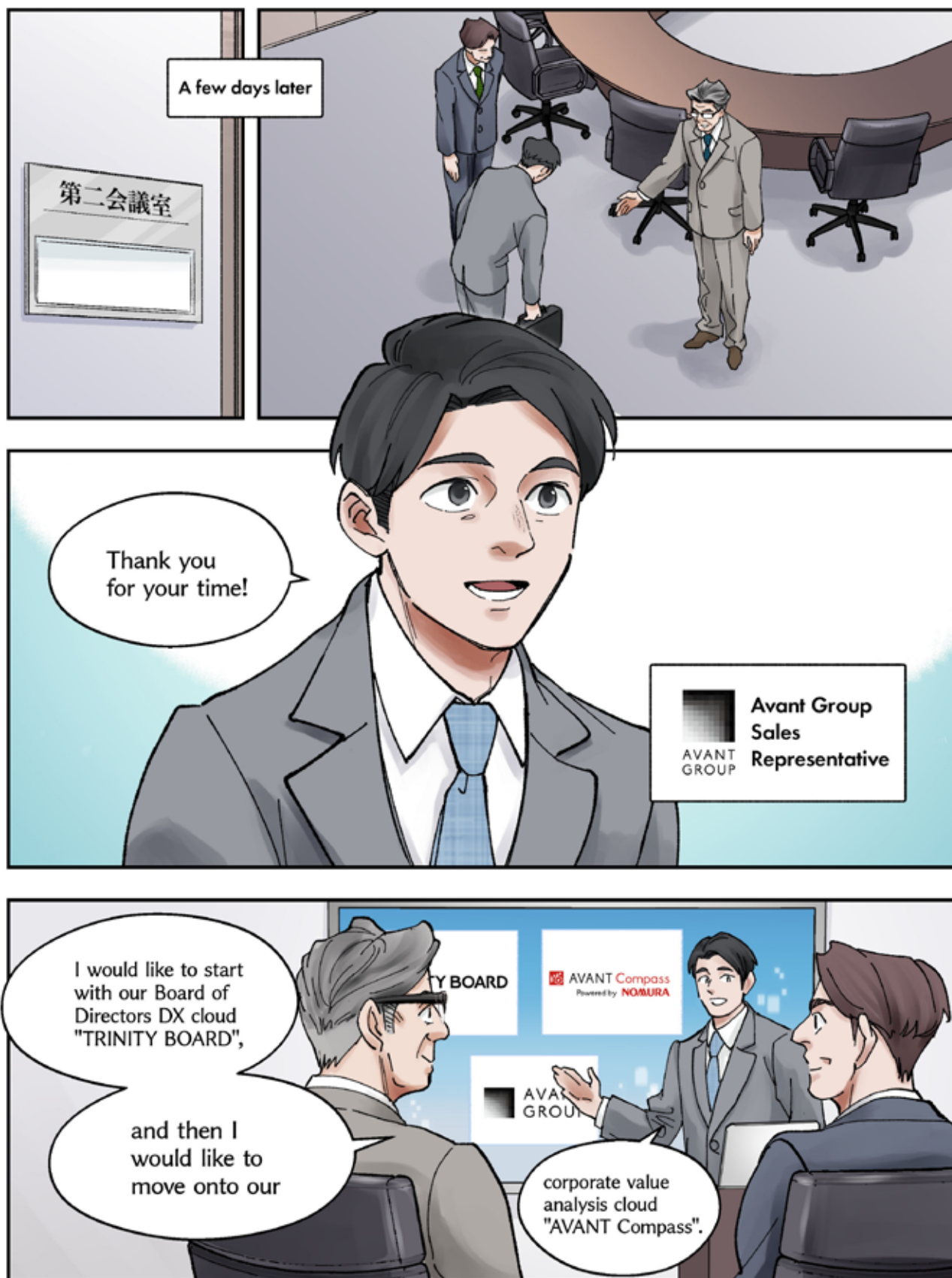








Second Conference Room







One month later

Today,

we're going to take a look at ROIC for each segment

to measure the capital efficiency

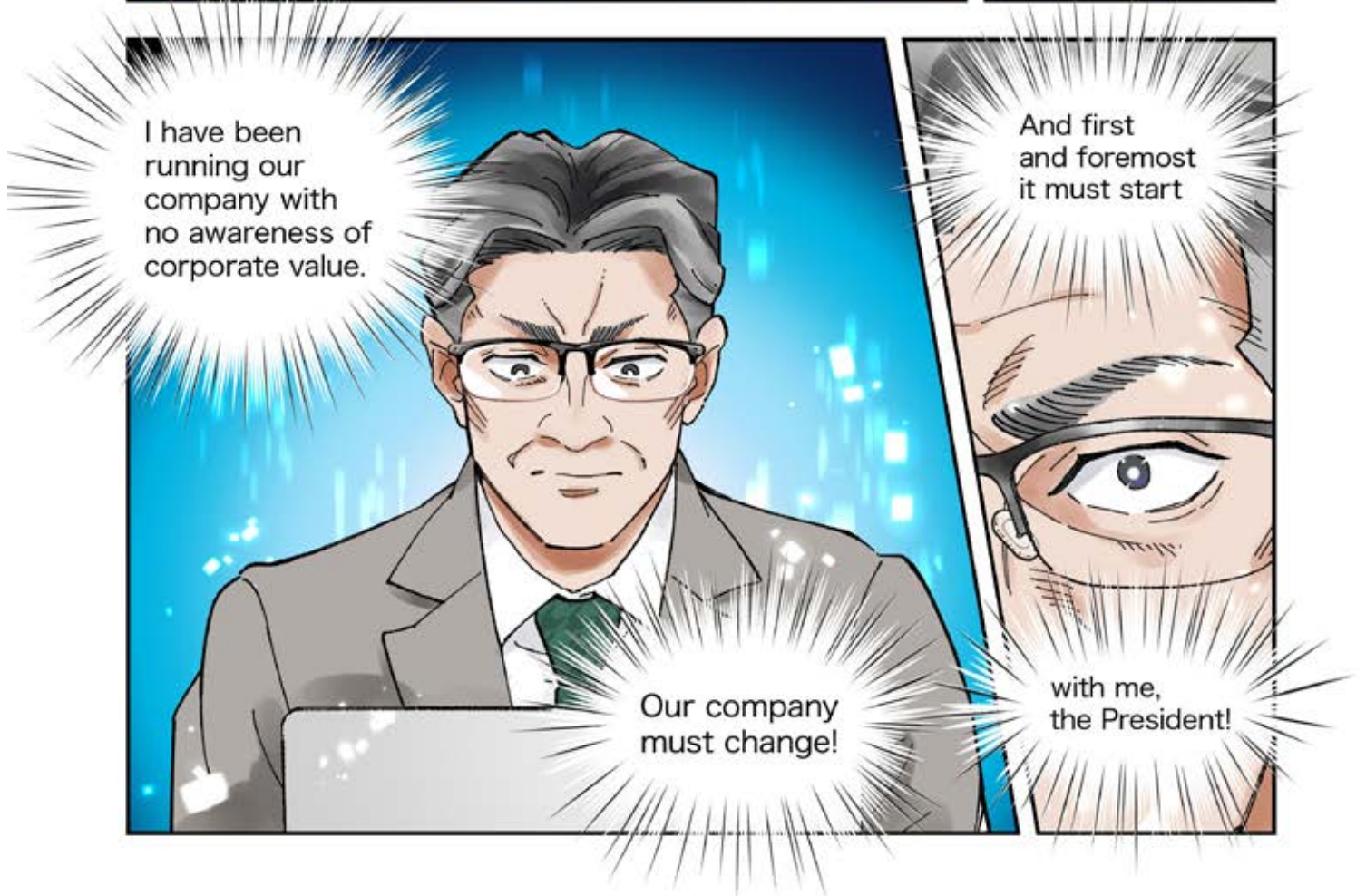
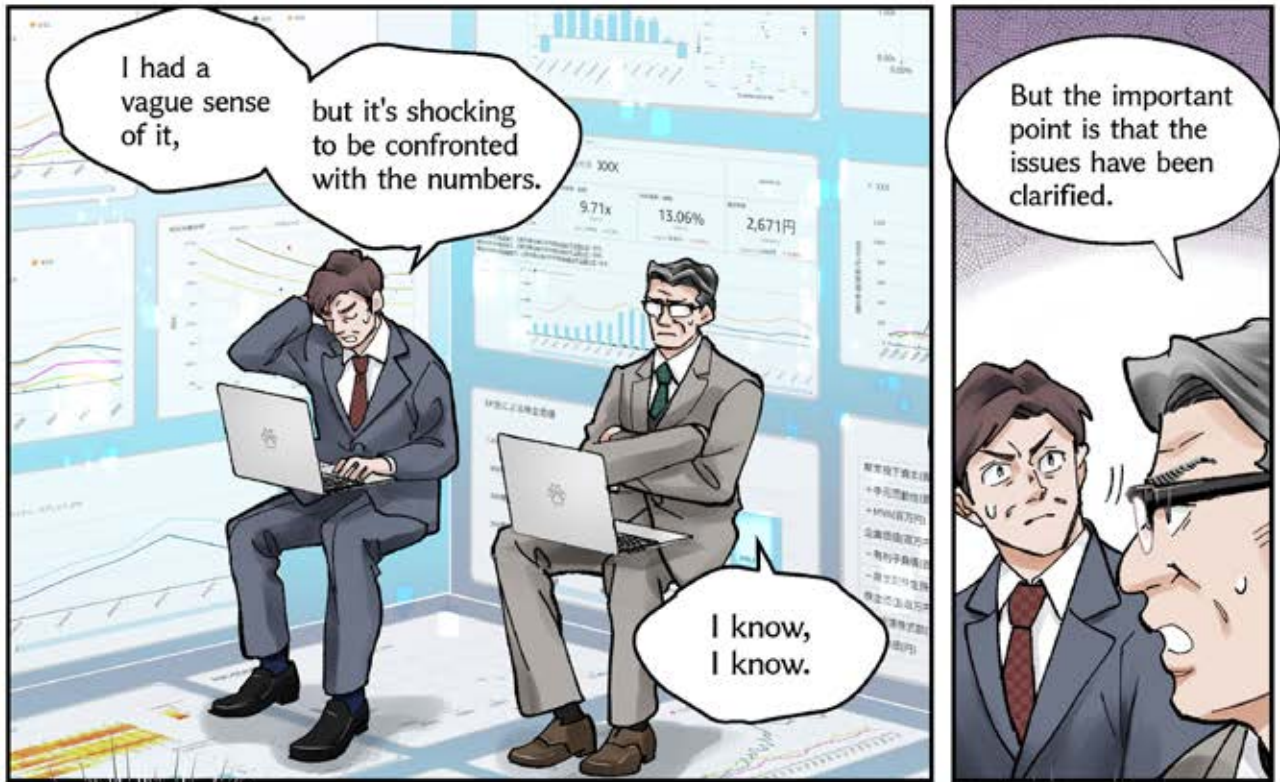
and understand contribution of each business to corporate value.

This is.....

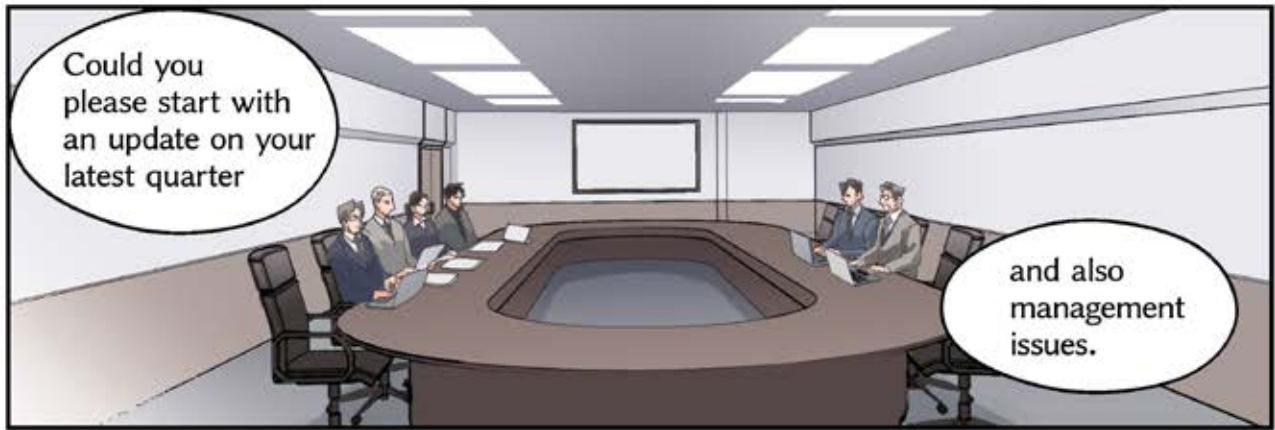
You say you are a comprehensive materials manufacturer,

But looking by product,

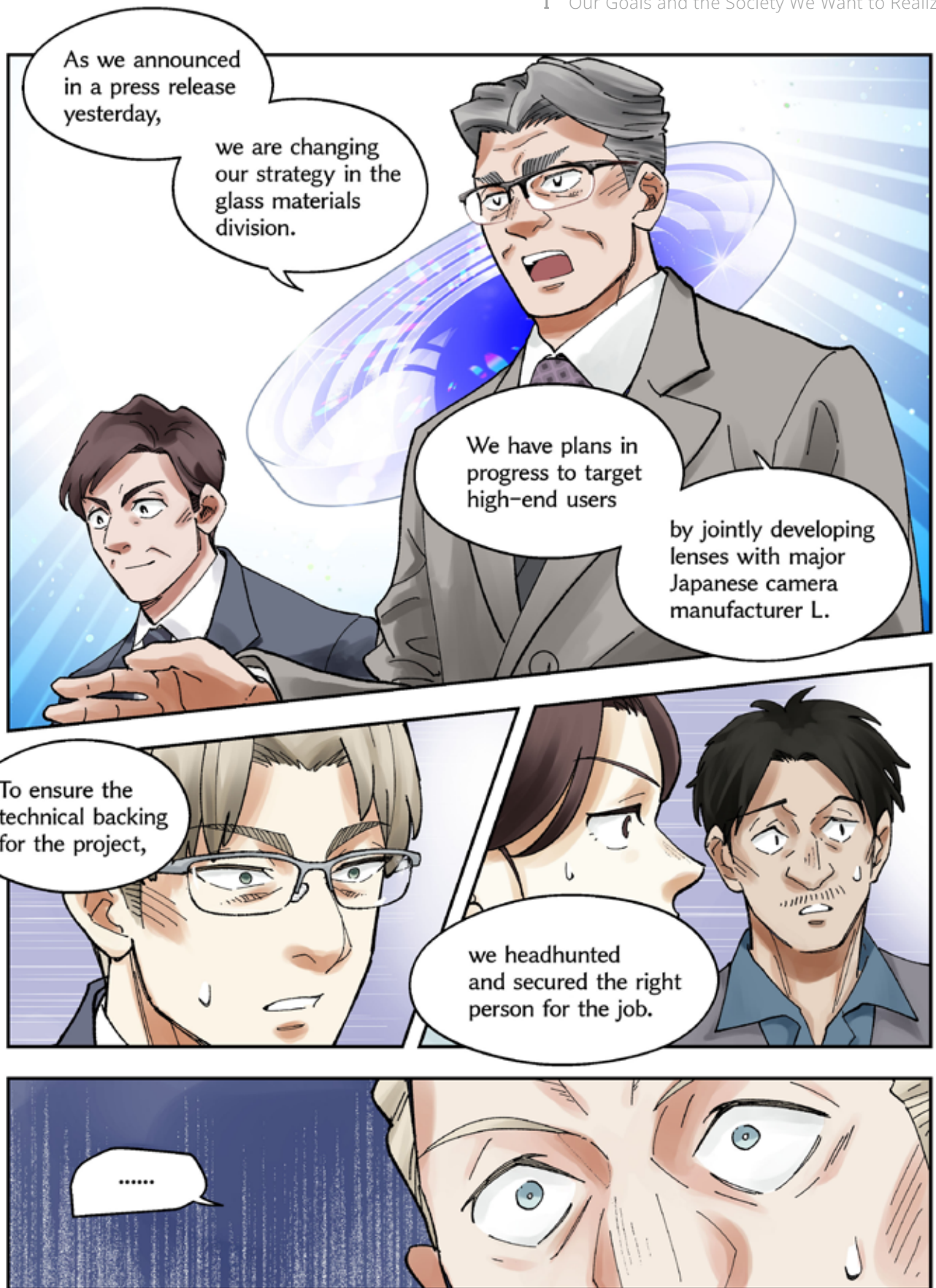
there are too many differences in performance, efficiency and contribution to corporate value.







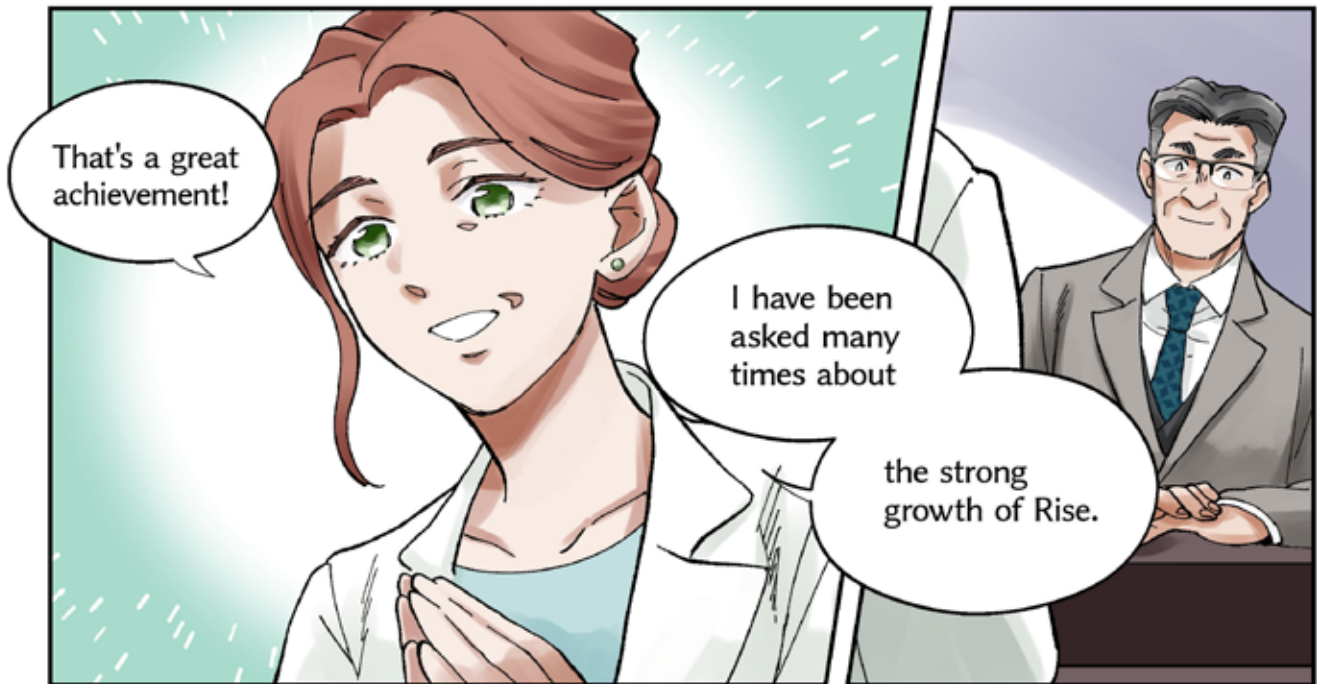


















We are going
to become
stronger!

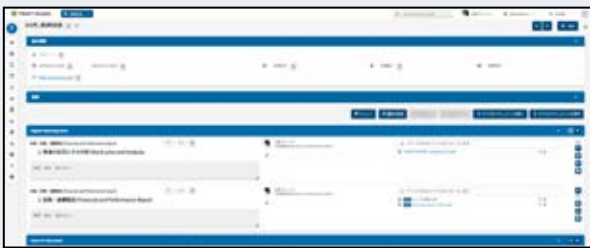


Sustainability is Value

Avant Group Corporate Value Management SaaS Suite

The Avant group is developing software that contributes to enhancing corporate value, which it calls the "Corporate Value Management SaaS Suite."

Two of these products were introduced by Rise Corporation in the comic strip.



- A cloud platform that centralizes all the information required by the board of directors and makes it available for search and reference.
- Processes related to board meetings (e.g., reviewing minutes).
- Various communications with board members and the secretariat can also be carried out within this platform.

Board of Directors DX Cloud

All the information and functionality you need for your board of directors is right here.

Main utilization

Information platform for directors

All information that directors need to see, including the board meeting schedule, annual agenda, and materials, as well as stock price and financial results, is centralized in a secure cloud environment and can be accessed at any time and from anywhere. Outside directors can also easily access internal information.

Management conscious of stock prices

It is possible to check the company's stock price and trading volume. When used in combination with "AVANT Compass", you can also see a summary of the results of your company's corporate value analysis.

Succession plan visualization

Store and review a variety of information on board members and internal and external candidates for incoming and prospective board members, including biographies, qualitative character profiles, past performance, and assessment results.

Group subsidiary governance

By extending the TRINITY BOARD to group companies, it will be possible for the parent company to check the status of board meetings, agendas, and materials of group companies.



- This is a management support tool that streamlines the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" requested by the Tokyo Stock Exchange and accelerates the management process required for sustainable value creation at once.
- We combine Nomura Securities Co., Ltd.'s expertise in cost of capital analysis, corporate valuation, and scenario risk analysis, which it has provided mainly to TSE Prime listed companies, with Avant's business management software technology to support business strategy formulation and disclosure, as well as constructive dialogue with investors.

Corporate Value Analysis Cloud

Support for "Management conscious of cost of capital and stock price"

Features

Provides analysis content in response to TSE requests as standard

Examples of included content

Competitor comparison function, Cost of capital calculator, Estimation of corporate value and theoretical stock price based on future financial scenarios, Calculation of ROE targets to reach target P/B (P/B goal analysis), Set KPI (profit margin, EBITDA, ROA, etc.) targets to reach stock price target (stock price goal analysis)

Preset data and analyst targets for corporate value analysis

Examples of included data

Financial information and market valuation of the company/other companies, Stock price and TOPIX data, Nomura Securities analyst estimates*, Risk free rate, risk premium etc.

* Only companies for which estimates were assigned by Nomura Securities analysts as of the end of the previous month. You can also manually enter forecast values for your company's future financial scenarios.

Fully supervised by Nomura Securities Financial Engineering Research Center

We provide multifaceted analytical content under the full supervision of the Nomura Securities Financial Engineering & Technology Research Center, which has supported the decision-making of numerous listed companies through financial consulting based on quantitative analysis.

* Nomura Securities Financial Engineering & Technology Research Center will support the effective use of this software. Providing explanations on how to view, think about, and use the outputs, and what to focus on and what to pay attention to. Provide commentary on corporate finance issues that form the backdrop for AVANT Compass content from an investor's perspective. Provide information on cost of capital and returns on capital for the companies analyzed (in Japan only). We may also provide advice based on corporate finance theory in response to the results of various types of analysis.

DIALOG 01



TORU KITAGAWA

After working for a trading company, he has been mainly involved in FP&A at venture companies and foreign companies. He joined Starbucks Coffee Japan K.K. in 2006 and served as CFO for 10 years. Since 2016, in addition to his consultancy work, he has served as an outside director of several publicly traded companies, including as Chairman of the Audit committee, Chairman of the Nomination and Compensation committee, and Audit Committee member

TETSUJI MORIKAWA

Founder, Chairman & Group CEO

What Is Essential to Increasing Corporate Value through Governance?

Tetsuji Morikawa, Group CEO of Avant Group has been pondering this for some time.

“Will governance reform really increase the corporate value of Japanese listed companies? Through their boards of directors, will they be able to increase their corporate value?” To find clues to these questions, we sat down with Mr. Toru Kitagawa, who has worked in corporate planning and as a CFO for several companies, and has also served as an outside director of listed companies.

Difficulties in Making the Board of Directors’ Function to Enhance Corporate Value

Morikawa ■ Mr. Kitagawa, you have extensive experience as an outside director. Do you see different management colors in each company? Or is there some sort of common denominator?

Kitagawa ■ All companies have a strong management philosophy and business mission, but sectors and history vary, and some companies emphasize internal culture in board discussions, while others are more open. My sense is that there is a disparity in the role of outside directors, their awareness of the executive side, and the way they interact with external stakeholders.

Morikawa ■ Do the expertise and experience of the outside directors who make up the board of directors also vary from company to company?

Kitagawa ■ Yes, the composition varies from company to company.

Morikawa ■ Is there a tendency for the board of directors or management to function or not function according to its composition?

Kitagawa ■ In Japan, many companies have a well-balanced collection of various specialists, and while this can be effective in some cases, I also feel that there is little overlap in knowledge, which makes it difficult to discuss issues in a common language at board meetings. As long as the board’s primary function is to oversee the company on behalf of shareholders, make important decisions, and build relationships with stakeholders, I feel that having more than one person with management experience as outside directors works better.

Morikawa ■ I also feel that it would be better to have several outside directors who are not necessarily the president, but have experience as CFO, or head or executive of some description. Even with executive experience, it is still difficult for outside directors to step into the management of a company they do not manage.

Kitagawa ■ Yes, it’s like a hard to scratch itch. If you have an idea of how to do this, do not overstate it. If an outside director has experience that the internal management team does not have, of course they will give advice in that area, but too much can spoil the function of the company.

Morikawa ■ I believe that the purpose of governance reform is to give Japanese companies the management capabilities to compete on the global stage, and ultimately this must lead to increased corporate value and company growth strategies, and to this end, it is necessary to acquire an investor perspective. First, increase the number of outside directors. However, in most cases, it is management that selects outside directors, and at present there are still few outside directors who understand management practices and can make top management personnel decisions from the perspective of long-term improvement of corporate value, my impression is that the reforms are only superficial. What do you think, Mr. Kitagawa?

Kitagawa ■ Certainly, there is an opinion that increasing the number of outside directors and imitating Western style boards of directors in form only is not appropriate for Japanese companies. But that may be because the board of directors is not yet functioning well. I also believe that if the board of directors does not discuss growth strategies, the company will not be able to realize its full potential. For example, if a company has

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very strong technological capabilities or has established a solid relationship of trust with its customers, this is the result of its meticulous business execution, but if such value is not fully discovered by the stock market, the P/B ratio may be less than 1x. If the agenda of the board of directors is centered on growth strategies, this will be the engine for effective utiliza-

tion of management resources, and I think the potential value of the company will be appreciated in the stock market.

makes not only themselves but also those around them happy. I believe that would be the trigger for real governance reform. Publicly listed companies are implementing a value creation cycle by practicing “sampo yoshi,” which means that employees contribute to customers and society through their enthusiastic activities, which in turn increases economic value and cor-

generations, “sampo yoshi” is a spirit that has been instilled in me since I was a child, but Mr. Morikawa’s modern meaning is very inspiring. Of the three parties, management needs to monitor corporate value as perceived by stakeholders to see if the company has value to customers, who are the “buyers,” and to society and investors, who are the “public”. When we inspect the current situation from this perspective, we find that while many corporate executives are well oriented toward customers, they do not seem to be oriented toward society or investors. CFOs who are serious about the stock market in Japan tend to be lonely within their companies. In this respect, in U.S. companies, perhaps thanks to MBAs, not only CEOs and CFOs but also senior management have a certain level of financial literacy. I feel like we speak the same language within the company and are able to make investment decisions in a common language.

Morikawa ■ Perhaps the reason why Kazuo Inamori’s “Real world learning (Jitsugaku)” was so well read more than 20 years ago was because many managers felt uncomfortable with the gap between accounting figures and actual management. The book stated, “If we don’t look at things not only from the perspective of maximizing sales and minimizing costs on the income statement, but also from the perspective of cash, we will end up with a situation where the accounts match but the money is not enough. I remember that the book said, “Don’t just take accounting for granted; understand the essence of accounting and apply it to actual business management.

It’s not just about accounting literacy anymore, but financial literacy. Financial

tion of management resources, and I think the potential value of the company will be appreciated in the stock market.

Financial Literacy Will Help You Realize “Value”

Morikawa ■ The managers themselves are convinced that raising corporate value

porate value at the end of the cycle. Measuring and improving corporate value, which is the end result of this process, is a way of checking how well the “sampo yoshi” principle has been realized and further expanding it, which I believe is a value that has taken root in Japan since ancient times, but not many companies still see it that way.

Kitagawa ■ As the owner of a construction company that has been in Omi for

literacy that goes beyond accounting is necessary to go beyond looking at past figures, to create a vision for the future and explain it in a way that is easy to understand for people outside the company, such as investors. I feel that if we can organize this vision in a way that it can be communicated to investors, it can be communicated more clearly to employees and enhance the execution of the organization as a whole.

Kitagawa ■ Managers are concerned about stock prices, but price and value are not the same thing. It is important for management itself to talk about how to maximize the value of the company, and this must be a common language with the stock market or it will not be understood by investors.

If you become financially literate and try to think in those terms, you will notice the various values that lie dormant in your company. It would make it easier to add more value and invest in that value.

Morikawa ■ I also feel that management will change if the board of directors can discuss issues in the common language of finance. If there is financial literacy, especially among outside directors, the hurdle for management to be accountable will be raised, and the resolution of the strategy will naturally increase.

How Can Financial Literacy Be Acquired?

Morikawa ■ I feel that in today's Japan, it would be difficult for corporate executives to acquire financial literacy intrinsically. Mr. Kitagawa, in your experience, what has been most helpful to you in developing

your financial literacy?

Kitagawa ■ It was very important for me to learn finance standards and textbook management at Levi Strauss Japan, where I used to work. The basics are still important. It was only with that foundation that I was able to apply it in my later work as CFO of Starbucks Coffee Japan.

Morikawa ■ When I joined a consulting

academia, such as an MBA, is a good way to go. However, for experienced managers, the MBA content may be too abstract compared to actual business and difficult to take seriously. So for corporate leaders, it may be an effective move to have someone like Mr. Morikawa coaching them from the standpoint of an outside director. Good leaders will grow quickly with it.



firm as a new graduate, I too was taught frameworks and methodologies so that even someone with no experience could sell complex services, which helped me later in my business. You can't apply it without understanding its essence, so you can't easily rely too much on methodologies, but in finance, methods are necessary.

Kitagawa ■ I agree. If you are a young, future business leader, studying in

While serving as an outside director myself, I intend to work on how to raise the financial literacy of the management team to a certain level in the future.

Morikawa ■ I believe that at present, outside directors are most effective in areas such as strategy, investment, and human resources, and in fact, some companies are beginning to see outside directors functioning well in the succession area. In the future, as you mentioned, it

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could be an important function to increase the awareness and ability of accountability on the executive side through coaching. If we have the perspective of learning from outside directors, we may avoid unnecessary backlash in our discussions.

Kitagawa ■ But coaching also requires tools. For example, I believe that using your AVANT Compass, which you showed us earlier, will raise the level of financial literacy of both internal directors and, more importantly, outside directors.

Morikawa ■ Mr. Kitagawa, you have been in the finance field for a long time, including FP&A. In your experience, with tools, can anyone fill in the gaps?

Kitagawa ■ If you are a manager with some sense of numbers, an excellent tool like AVANT Compass will help you connect the dots of existing information in your head.

people on the board of directors who agree on the importance of increasing corporate value. It also depends on whether outside directors have sufficient access to information within the company. Problems are common for outside directors who have no idea where to find information, or if they do get it, it is not up-to-date. In this regard, your TRINITY BOARD will be a powerful support tool. The information you want can be pulled up remotely at any time, allowing you to prepare in advance for board meetings. Only then can the power of the outside directors be demonstrated.

Morikawa ■ Thank you very much. The ultimate form of governance is to reverse the number of internal and outside directors and to appoint a president with an objective viewpoint, in other words, to create an environment in which the top management can be dismissed, but I am

not sure that it is easy for the Japanese mentality to actually exercise such power. Rather, what is required in Japan today is for management to have a sense of accountability. I think it would be better suited to Japanese people if managers set their own goals, rather than being told to do so from the outside, and if the board of directors were to create a simulated situation as though investors are always inside the company, so to speak, and train them to fulfill their accountability.

Kitagawa ■ Yes, I think so. In the U.S., there is a sufficient pool of professional management personnel, so it is common to dismiss a top executive and invite a new candidate from the outside. In Japan, however, the external human resource market for management is not so large, so even if a top executive can be dismissed, it is difficult to find the next candidate. From this perspective, rather than the dismissal of

Governance Reform Takes Next Step by Creating an Environment Where Management Skills Are Honed

Morikawa ■ So far we have seen that financial literacy seems to be the key to a well-functioning board, but do you think it is possible for outside directors to take the initiative and increase the company's corporate value?

Kitagawa ■ The position of outside director is only a pull rather than a push type, so it will not happen overnight. However, there are things that can be done in a pull-type approach, and I think it is important to increase the number of

Train management to be accountable by creating a situation as though investors are inside the board of directors.



top management, I think it is important to first establish the basic function of the board of directors, which is to provide the top management and management team with goals for the next several years and have them agree to them, and then evaluate progress toward achieving those goals in a transparent manner.

Morikawa ■ I feel that the essence of governance reform in Japan lies in creating an environment that enhances the manager's own management skills. Management skills cannot be acquired overnight, so I think it is essential to have a training process that positions management as a profession, for example, by giving employees a variety of experiences from a long-term perspective. If such an environment can be established, a stronger management team will emerge in Japan, and governance will become more effective.

Kitagawa ■ I agree, at least at this stage. In the future, though, there may be an increase in the number of management personnel in Japan with enhanced literacy, making it easier to invite new top management from outside the company.

Morikawa ■ First, there has been the reform to date of increasing the number of outside directors has been formulaic, and now the second step is for management to increase financial literacy through dialogue with directors and investors in order to enhance the resolution of corporate value improvement. Then, when both internal and external literacy has been sufficiently increased, the third step is to promote more dynamic management innovation.

Kitagawa ■ What's more, if more CEOs and CFOs like Mr. Morikawa, who have acquired financial literacy at a listed

company serve as outside directors of other companies, the governance of those companies will evolve, and outside directors will be able to objectify their own knowledge, which will further accelerate governance reform.

Dialogue with the Market Refines Management and Unleashes Buried Strengths

Kitagawa ■ Needless to say, dialogue with investors is very important for a company. I became acutely aware of this when Levi's, which I mentioned earlier, later went through an MBO and management struggled. As U.S. companies began to produce in China in droves in the 1980s to cut costs, the founding family of Levi's was at odds with the stock market when it tried to pull out of China for labor and environmental protection reasons. Then they chose to conduct an MBO, but as a result, I think they lost their competitiveness because they lost the opportunity to interact with the market and fell into a complacent management style.

Morikawa ■ Especially in Japan, there are still many companies that do not have the management capabilities to compete with global companies and institutional investors, so depending on the situation, it may be a strategic decision to choose an MBO to solve the problem after thorough discussions. But unless that is the case, I also believe that management can only be refined in a healthy environment exposed to the stock market.

Kitagawa ■ As you say, I don't feel that MBOs to flee from the stock market are a

convincing path for listed companies. In the case of Levi's, the founding family's wishes were well understood, but it is difficult to say whether it was the right choice for a publicly traded company.

Morikawa ■ The TSE's advocacy of promoting "management that is aware of cost of capital and stock price" starting in 2023 is probably aimed at encouraging companies to improve their management capabilities.

Kitagawa ■ Until now, governance reforms have had an atmosphere of just getting the form right, but from now on, we can see the seriousness of the TSE in looking at the substance of the reforms. I think this is a good trend, as it shows a willingness to support companies and frequently disseminate information.

Morikawa ■ With the mechanism for increasing corporate value coming into view, thanks in part to the information being disseminated by the TSE, there is a sense that Japanese corporate managers have been confronted with the fact that, in the end, it all comes down to growth strategies. In many cases, the stagnation of corporate value is purely a matter of perspective, and once the direction of increasing corporate value is set, I believe that the highly capable managers of each of these companies will be able to demonstrate their abilities.

Kitagawa ■ Japanese companies have excellent human resources and great technical and service capabilities. But it feels buried, doesn't it? How do we unlock it and how do we communicate the value we uncover to the stock market? I believe that if we can develop financial literacy, P/B is not merely 1x.

Morikawa ■ Yes, let's unlock it together. Thank you very much for your time today.

Progress of the Medium-Term Management Plan “BE GLOBAL 2028”

Overview of the Medium-Term Management Plan

Beginning with the fiscal year ending June 2024, we are implementing a five-year medium-term management plan “BE GLOBAL 2028”. In the current medium-term business plan, to realize our strategic materiality of “becoming a software company that increases corporate value,” we are focusing on a “Software Driven Strategy,” in which software is the source of value creation, and are working to improve value creation productivity (operating profit per capita) by expanding gross profit from software in our business.

The goal is to double sales and triple operating profit and net profit in five years, with an annual net profit CAGR of at least 25%. We intend to increase software gross profit through a software-driven Software Driven Strategy to improve value-creating productivity and increase profits more than net sales. We will also be conscious of capital efficiency while growing net profit income and maintain ROE at the 20% level. The plan does not incorporate M&A and assumes organic growth.

Progress in FY6/24

Net sales ¥24.4 bn YoY 14.0% growth	Operating profit ¥4.09 bn YoY 24.6% growth	Profit attributable to owners of parent ¥2.85 bn YoY 36.1% growth
Operating profit per capita ¥2.8 mn YoY 12.0% growth	Software gross profit ¥2.44 bn YoY 3.2% growth	ROE 22.3% YoY +4.0 points

	FY6/23 results	FY6/24 results	Vs. plan	Vs. prior period	FY6/28
Net sales	¥21.4 bn	¥24.4 bn	+1.7%	+14.0%	¥40–45 bn
Operating profit	¥3.28 bn	¥4.09 bn	+6.5%	+24.6%	¥9–11 bn
Operating profit margin	15.4%	16.8%	+0.7 points	+1.4 points	20–24%
Net profit attributable to owners of parent	¥2.09 bn	¥2.85 bn	+14.0%	+36.1%	¥6–7 bn
Operating profit per capita	¥2.5 mn	¥2.8 mn	+8.7%	+12.0%	¥3.9 mn
Software gross profit	¥2.36 bn	¥2.44 bn	+26.6%	+3.2%	¥5.5–6.0 bn
ROE	18.3%	22.3%	+3.0 points	+4.0 points	20% or more
DOE	4.9%	5.5%	+0.2 points	+0.6 points	8.1% or more
Dividend	¥15	¥19	±0	+26.7%	¥51 or more

*1 Operating profit per capita is calculated using the average number of employees during the period.

*2 Software gross profit is re-calculated based on the Group's standardized definition, which takes into account the calculation lead time.

The fiscal year ended June 2024, the first year of the current medium-term plan, got off to a good start, achieving all key management indicators. In addition to financial figures such as net sales, operating profit, and net profit, operating profit per capita,

which measures value creation productivity, was up 8.7% from the plan, and software gross profit, which measures the progress of the Software Driven Strategy, was up 26.6% from the plan. ROE also improved to 22.3%, achieving the target of 20% or more.

		FY6/23 results	FY6/24 results	Vs. prior period
Consolidated Financial Disclosure Business	Net sales	¥6.9 bn	¥7.53 bn	+9.2%
	Operating profit	¥1.58 bn	¥1.84 bn	+16.0%
	Operating profit margin	23.0%	24.4%	+1.4 points
	Orders received	¥7.43 bn	¥8.26 bn	+11.2%
	Order backlog	¥3.94 bn	¥4.68 bn	+18.5%
Digital Transformation Promotion Business	Net sales	¥7.27 bn	¥8.84 bn	+21.7%
	Operating profit	¥1.11 bn	¥1.63 bn	+46.1%
	Operating profit margin	15.4%	18.5%	+3.1 points
	Orders received	¥7.91 bn	¥9.21 bn	+16.3%
	Order backlog	¥1.7 bn	¥2.06 bn	+21.4%
Management Solutions Business	Net sales	¥7.88 bn	¥8.51 bn	+8.1%
	Operating profit	¥1.32 bn	¥1.4 bn	+6.6%
	Operating profit margin	16.8%	16.5%	-0.2 points
	Orders received	¥7.99 bn	¥9.41 bn	+17.6%
	Order backlog	¥3.11 bn	¥4.0 bn	+28.7%

By business segment, both sales and profits increased in all segments. In particular, the Digital Transformation Promotion Business led the overall growth in net sales and operating profit. In addition, order received and order backlog also increased from

the previous year in all segments. We believe that the Management Solutions Business, which is taking on the challenge of creating new markets, is also on a growth trajectory.

FY6/25 plan

	FY6/24 results	FY6/25 plan	Vs. plan	Vs. prior period	FY6/28
Net sales	¥24.4 bn	¥28.8 bn	+6.8%	+17.9%	¥40–45 bn
Operating profit	¥4.09 bn	¥4.90 bn	+19.0%	+19.5%	¥9–11 bn
Operating profit margin	16.8%	17.0%	+1.8 points	+0.2 points	20–24%
Net profit attributable to owners of parent	¥2.85 bn	¥3.35 bn	+25.2%	+17.5%	¥6–7 bn
Operating profit per capita	¥2.8 mn	¥3.0 mn	+21.8%	+5.6%	¥3.9 mn
Software gross profit	¥2.44 bn	¥2.47 bn	+0.7%	+1.3%	¥5.5–6.0 bn
ROE	22.3%	22.4%	+4.0 points	+0.1 points	20% or more
DOE	5.5%	6.2%	-0.3 points	+0.7 points	8.1% or more
Dividend	¥19	¥25	±0	+31.6%	¥51 or more

*1 Operating profit per capita is calculated using the average number of employees during the period.

*2 Software gross profit is re-calculated based on the Group's standardized definition, which takes into account the calculation lead time.

As the results for the period ending June 30, 2024 exceeded the plan, we target all major indicators for the period ending June 30, 2025 to exceed the levels at the time BE GLOBAL 2028 was formulated, with the exception of DOE. On the other hand, operating profit per capita, which measures value creation productivity, exceeded the plan but was only +5.6% y-y, and Software gross profit, which measures the progress of the Software Driven Strategy, is expected to be +0.7% vs. plan and +1.3% y-y, which is less progress than the other indicators.

We recognize this as a lack of resolution on the path to improving value-creating productivity through the Software Driven Strategy. Through the full-scale sales of TRINITY BOARD, a DX cloud for board of directors, and AVANT Compass, a cloud for corporate value analysis, we will deliver management information that enables discussion from the perspective of corporate value to the boards of directors of client companies and realize more sophisticated management decision-making. Creating this condition will increase the value of information provided by each group company, accelerate Software gross profit growth, and improve value creation productivity.

For more information on financial strategies, including capital allocation, see Financial Strategies on p. 44.



Aiming to Further Enhance Corporate Value

NAOYOSHI KASUGA

Director and Group CFO

GROUP CFO MESSAGE



Review of FY6/24 Business Results

In FY6/24, the first year of the “BE GLOBAL 2028” Medium-Term Management Plan (hereinafter “MTP”), both sales and profits increased from the previous year, and all KPIs got off to a good start, exceeding the plan. In particular, net sales of the Digital Transformation (DX) Promotion Business grew significantly by 21.7% y-y, and within Consolidated Financial Disclosure Business, the Outsourcing business also continued to perform well, with sales up more than 20% y-y, and both businesses improved their profitability, resulting in a significant increase in profit. Meanwhile, the Management Solutions Business, which is taking on the challenge of creating new markets, finally began to get back on track in the fourth quarter, after a difficult start due to sales activities hampered by the impact of the Group’s business reorganization. As a result, although consolidated net sales grew at the same level as the previous year, the growth rate of consolidated net profit was 36% y-y, far exceeding the 25% CAGR targeted in the MTP, due to increased profits in each business segment and a decrease in one-time expenses incurred in the prior year in connection with the Group reorganization.

However, there are still four years left in the MTP period, and we cannot rest easy at this point. The average annual growth rate of consolidated net profit over the five-year period of the previous medium-term management plan was 14.5%, which is quite high. We believe that it is impossible for each company to achieve this goal simply by proceeding along the same path as before.

Analysis and Evaluation to Enhance Corporate Value

The Group has incorporated stock price analysis into the regular agenda of the Board of Directors, and at the beginning of each monthly meeting, the Board of Directors evaluates the movement of the Group’s stock price relative to a group of similar companies currently selected for comparison and the group of companies to which it is aiming, and reports and discusses the factors behind this movement. In addition, by adopting P/B as a measure of corporate value improvement and expanding it into four components that lead to improvement of P/E and ROE, we clarify the strategies that must be addressed by the Group as a whole, while monitoring the implementation of each strategy through changes in each indicator.

Specifically, although the Group has set a target of 8x P/B, the current P/B ratio is 5.37x*, which is still a considerable discrepancy. As mentioned earlier, P/B is broken down into P/E and ROE, and while the respective targets are P/E of 40x and ROE of 20%, ROE was 24.3% in FY6/25 2Q, but P/E is still at 20x, so it needs to be nearly doubled going forward.

*FY6/25 2Q average

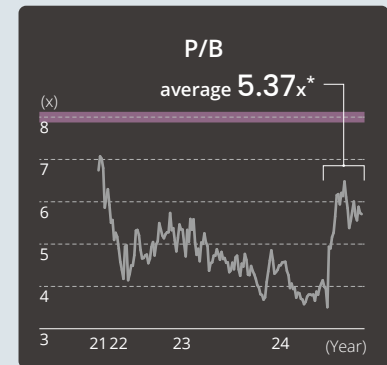
Utilize the Tree to Improve P/B

Improvement of P/E

P/E is theoretically calculated as $1/(\text{cost of shareholders' equity} - \text{expected long-term growth rate})$. Therefore, P/E is expected to increase if we transform our business model through the promotion of our Software Driven Strategy, which will reduce the cost of shareholders' equity and increase the expected growth rate of profit.

The only variable among the components of cost of shareholders' equity costs expressed in the Capital Asset Pricing Model that can be controlled by the company to some extent is beta, and we believe that lowering it can be done by, for example, making the cash flows to be earned in the future more certain. However, we recognize that the Group's current business model is still flow-based and centered, and as a result, cash flows are highly variable, thus not resulting in a lower beta and no decrease in the cost of capital. In order to stabilize cash flow, it is necessary to implement a Software Driven Strategy and shift the entire Group to a recurring-type business model represented by SaaS companies.

The concept is also the same for improving the expected growth rate of net profit. For products that take time to implement, rapid expansion in scale is unlikely, and profitability will decline because a larger percentage of deals will be service sales, but for SaaS companies, once they are able to develop a marketable product or solution, sales may grow exponentially through its sale, and as a result, we believe that the expected growth rate of profits that will be earned later in the year will increase, which is likely to lead to a higher P/E.



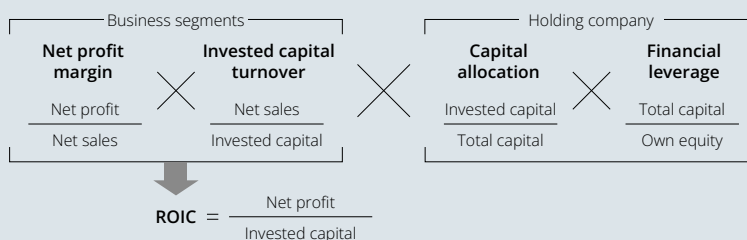
*FY6/25 2Q average

Target: 8x

Improvement of ROE

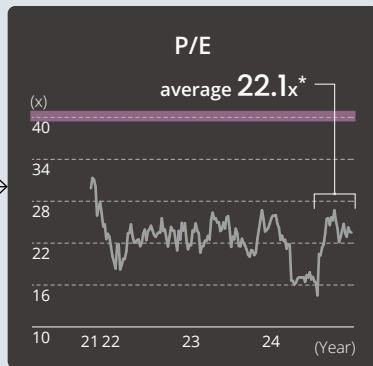
In the DuPont decomposition, ROE is usually expressed as net profit margin x asset turnover x financial leverage, but it can also be expanded as follows.

Augmented DUPONT Formula



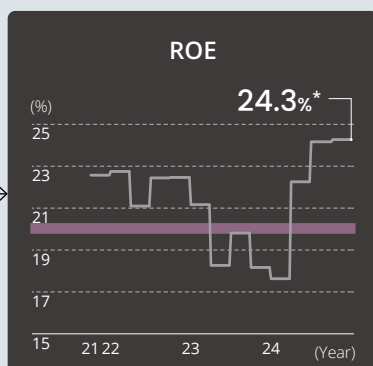
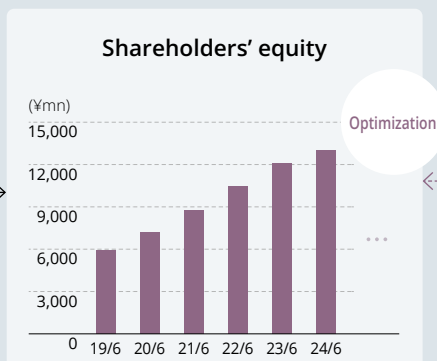
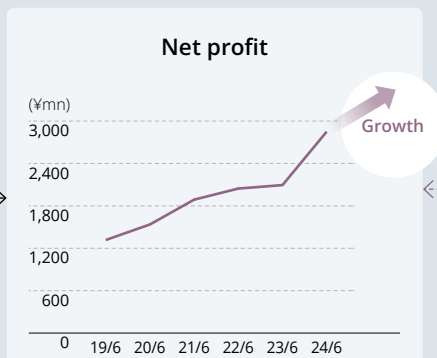
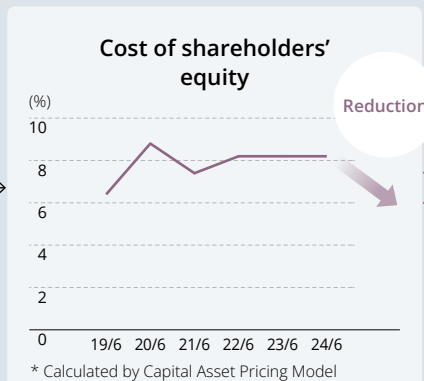
Measures to
improve P/E and ROE

Approach to
financial strategy



* FY6/25 2Q average
Calculated from P/B and ROE

Target: 40x



*FY6/25 2Q

Target: 20%

Business model
transformation
through growth
investments

Capital allocation
optimization

Creative dialogue
with investors

The first two elements constitute ROIC, and we can see that to maximize it, each business must maximize profitability by making the best use of capital invested. However, since none of our Group's businesses are capital-intensive, we are currently not so conscious of asset turnover. On the other hand, in order to become a "world-class software company" as stated in the Group's vision, we identify and benchmark global SaaS companies and use the Rule 40*, which is used by many managers and investors in the SaaS industry, as one measure to compare and analyze their performance with our own. Since the previous MTP, we have been working to implement Rule 40 in all business segments, and each business is striving to maximize the two components of ROIC while taking into consideration the balance between sales growth and profitability (operating profit margin). To encourage these activities, performance bonuses for each of the operating company directors for each fiscal year are to be paid in accordance with the Rule 40 approach.

* Rule 40 is a management indicator based on the sum of a company's growth rate and profitability (usually using net sales and operating profit, EBITDA, free cash flow, etc. in the numerator) being at least 40%. It is particularly used by software and SaaS companies for a simplified assessment of the balance between growth and profitability. In general, meeting the criteria suggests sound management, but the weighting of growth rate and profit margin can be changed as necessary to take into account the economic environment, and new criteria such as Rule 50 have recently emerged.

Capital Allocation Optimization

On the other hand, the remaining two elements in the extended DuPont formula described earlier indicate the role that we, as the holding company, play as the main entity, i.e., to optimize capital allocation to maximize the ROIC and ROE of the group and to maintain an appropriate level of equity capital.

For example, in terms of capital allocation, when the current MTP was first formulated, the plan was to actively pursue small investments, considering about ¥3.5 bn of the ¥5 bn for the first growth investment over the three-year period from FY6/24 to FY6/26 as seed money for capturing future growth opportunities outside the group. However, as the number of investment targets, including recruitment of future management candidates and research and development, has increased within the Group, we have decided to reduce the amount of investment allocated to the search for growth opportunities outside the group to ¥1.5-2.5 bn, and to shift the surplus to investment in internal group businesses that are expected to yield more reliable results in a relatively short period of time, thus the Company has decided to increase the amount

allocated to internal investments. Although expenditures for human resources and research and development are recognized as expenses for accounting purposes, they are also considered investments, and we intend to execute them more aggressively than before during the current MTP period. On the other hand, small investments will be made with the minimum discipline that ROIC exceed the cost of capital, with the objective of acquiring from outside the company a variety of SaaS solution groups that will help increase corporate value, which will be provided through our proprietary platform, TRINITYBOARD. For example, in business areas where future growth is expected but there is still much uncertainty, as a potential alternative to in-house R&D, where appropriate we will pursue initiatives such as ties with domestic SaaS start-up including the possibility of longer term comprehensive business alliances, or acquiring exclusive sales rights in the Japanese market for products and solutions developed by an overseas startup company that are not developed by our Group.

We are also revising our plan at the time of the announcement of the current MTP for a ¥15 bn second growth investment phase, including large-scale M&A, which was planned for FY6/27 and beyond. Based on the negative financial impact factors of corporate M&A, such as large temporary cash outflows and several years of lower profits and ROE due to goodwill amortization, as well as the organizational and human resource burden of PMI, we currently do not believe that M&A is the only way to go at all costs. Rather, in my opinion, as in the first three years, we expect to continue to make new and additional investments in businesses, products and solutions that contribute to the formation of our SaaS Suite that will help enable us to increase our corporate value, regardless of whether the target is inside or outside the Group. As of 2023, the adoption of International Financial Reporting Standards (IFRS) was also on the agenda for consideration, based on the benefit of non-amortization of goodwill, but after discussion by our Board of Directors, we decided to forego this option, judging that improving accounting figures is not essential.

Shareholder Returns

With respect to shareholder value, we emphasize maximizing total shareholder return (TSR) over the medium to long term. TSR is broken down into capital gains and income gains, and capital gains will be

enhanced by improving P/E through sustained growth in net profit and reduction in the cost of shareholders' equity, as mentioned earlier, and by improving EPS through an increase in net profit itself. Income gains will continue to be targeted at DOE of 8%.

As part of its shareholder return policy, the Company has also been acquiring its own shares since the fourth quarter of FY6/24. Frankly speaking, I personally considered our acquisition of own share to be an undesirable use of cash and cash equivalents, as it could be seen as a statement of the lack of good investment opportunities within the Group. However, through dialogue with the Group CEO and discussions at the Board of Directors' meeting, we reaffirmed that the conversion of cash and cash equivalents into treasury shares opens up the possibility of using it for incentive compensation for employees and officers and for future M&A, and that, at least in the short term, it is expected to contribute to improving ROE, thereby increasing the share price. Although we must give due consideration to liquidity, I believe that this will continue to be an option to make effective use of cash and cash equivalents and will be implemented appropriately. Incidentally, for employees, a lump-sum purchase of five years' worth of restricted company stock was made through a trust bank to provide each employee who had been with the company for one year with an annual grant of ¥50,000 worth of restricted company stock. Our intention was to raise awareness of the need to increase corporate value by having employees hold shares in the company, and we are seeing a gradual increase in employees' interest in the share price.

Creative Dialogue with the Market

In FY6/24, we conducted 99 individual meetings with institutional investors. More than 40% of these investors are foreign investors, and we place particular emphasis on dialogue with growth-style investors among them. In addition to helping to eliminate information asymmetries and reduce the cost of shareholders' equity, dialogue with investors also helps us to improve our strategies. For example, the review of the balance between the amount of internal investment and the amount of investment to procure growth assets that I mentioned earlier referenced the exchange of opinions when we met with foreign institutional investors who have been long-term owners of our shares. On the other hand, before the business



reorganization, the most common question was about the Consolidated Financial Disclosure Business, the Group's ancestral business. However, now there is more interest in the market trends and product status of the Management Solutions Business, and we feel that the growth strategy since the current MTP is gradually gaining understanding.

CFO Succession Planning

Finally, I will share progress on the Group CFO succession, which I mentioned as an issue in last year's Integrated Report. Although CFOs are expected to play a variety of roles these days, I personally believe that, at a minimum, CFOs need to have a good balance of knowledge in both finance, which is a forward-looking perspective, and accounting, which is an accurate understanding of past performance and analysis of its causes and effects. But, of course, knowledge alone is not sufficient. Regardless of whether the candidate is appointed from inside or outside the Group, we believe that the candidate having experience as CFO of an operating company is a shortcut to the next Group CFO appointment. This is because, compared to the holding company, at an operating company the CFO is more likely to be able to visualize the results of individual activities, and by building a track record and a relationship of trust there, it is more likely to be recognized as "natural progression" within the Group.

DIALOG 02



TATSUYA KAMOI

Outside Director,
member of the Compensation Advisory Committee



ERIKO SATONAKA

Corporate Officer, Group CHRO



What Does Human Capital Management Mean to the Avant Group?

Human capital is an important asset that is indispensable for the sustainable growth of a company.

What does human capital management mean to the Avant Group, whose strategic materiality is “becoming a software company that contributes to enhancing corporate value?” Tatsuya Kamoi, an Outside Director with extensive experience in corporate management and human resource consulting, and Eriko Satonaka, CHRO, will discuss the essential elements of a human resource strategy that contributes to corporate value enhancement.

No Strategy Can Be Implemented without Human Capital

Kamoi ■ My relationship with Mr. Morikawa began when we were both employed at PwC Consulting for a short period of time. We have continued to exchange views with each other after we left the company, and when I was asked to join the board in 2023, I accepted the position of Outside Director because I felt that I might be able to contribute to the continued growth of the Avant Group. We are currently at a critical juncture in our corporate philosophy of “creating a 100-year company,” where we are required to move to a new growth stage. In this context, the issue of succession, a particularly important issue unique to a founding president, has been the subject of in-depth discussion since I began participating on the Board of Directors and the Compensation Advisory Committee. Based on the idea that the starting point of business is “people,” we also discuss a wide range of topics, including the development and promotion of human resources, compensation, and the development of managerial human resources that will lead to successions.

Satonaka ■ In 2023, we launched a five-year medium-term management plan, “BE

GLOBAL 2028,” and have been strengthening our efforts to enhance corporate value. Mr. Kamoi’s participation on the Board of Directors has further accelerated this effort.

As part of this topic, we have been discussing how to get employees interested in corporate value. As a concrete result of this initiative, we have begun a policy of annually granting shares worth ¥50,000 yen to all employees beginning FY6/24. We feel that this initiative has certainly increased employee awareness of how the Avant Group is viewed externally and valued in the stock market. In addition, although a stock compensation plan had been in place for Directors and Corporate Officers of the Avant Group for some time, we have put in place a system that allows them to hold shares more sustainably by the lifting of restrictions upon retirement.

As another important change, Mr. Kamoi pointed out that “discussing human resource strategy without a clear direction for business strategy does not give us a clear direction”. Although we have been aware of this issue for some time, we have not been able to fully resolve it. Currently, with the advice of Mr. Kamoi, we are repeatedly articulating the goals of our business strategy and discussing how to improve the resolution of that goal.

Kamoi ■ We may be able to formulate medium- to long-term business strategies, but whether or not we are able to implement them depends on our human resources. We must consider whether the ability to execute our business strategy will be sufficient if our current employees grow, and if so, how to acquire the necessary skills and human capital, and how to train them to fill the shortfall.

Can We Continue to Provide Growth Opportunities for Employees?

Satonaka ■ In promoting the “Software Driven Strategy” that the Avant Group is pursuing, we are currently focusing on hiring and developing appropriate human resources internally, rather than acquiring human resources externally through mergers and acquisitions. As a result, human capital is more important than ever. We are also working to clarify the respective roles of the holding company and operating companies in our human resources strategy.

Kamoi ■ When looking at the group as a whole, decisions such as transferring an employee from Company A to Company B

DIALOG 02

What Does Human Capital Management Mean to the Avant Group?

to promote his or her growth, or assigning a person to be in charge of an overseas office, for example, are important roles that should be performed by the holding company, not by the president of each operating company. One of the extremely important themes is to clarify and strike a balance between the responsibilities that each operating company should assume and the role that the holding company, which oversees the entire Group, should play.

Satonaka ■ In addition to this, I feel that effectively building a pipeline of human resources as a Group is a very important issue going forward.

Kamoi ■ The Avant Group has developed a variety of unique businesses, so when employees want to gain new experience, I think it is important for the holding company to have the entire Group, including its partners, be viewed as a single job market. I think it is also an important role for the holding company to continuously provide employees with growth opportunities in accordance with their career aspirations.

Satonaka ■ Yes, ideally, we want our employees to continue to be active within the Group. Until now, there have been limited opportunities for each company to fully understand each other's businesses and operations, but starting in 2023, we will increase contact and deepen mutual understanding through the Morikawa Juku*, a cross-group training program for young leaders. By sharing the challenges faced by each company and the points where synergies can be achieved, the participants not only deepen their understanding of each business, but also develop a perspective on how the Group as a whole can contribute to clients.

Mr. Kamoi, are there any other issues that you feel need to be addressed?

Kamoi ■ In order for our Group to advance to a new stage, we have to climb a very high staircase. The granularity of the human capital strategy for this purpose is linked to the financials, such as what kind of human capital and how many people need to be hired, whether the volume of that human capital market is sufficient, and whether the amount of compensation to hire is sufficient, so it is essential that the CHRO also work with the CFO and corporate planning. Also, branding in the labor market is also very important, both to enhance recruitment and to motivate existing employees.

Satonaka ■ In recent years, with attention focused on P/B ratios below 1x, the definition of "corporate value," which has often been discussed in the abstract, has gradually become clearer, and I feel that interest is growing even stronger. This has had an impact on our recruitment activities as well, as an increasing number of people have expressed an interest in joining our company because they share our vision of increasing our corporate value and its social impact. We believe that further strengthening our branding around

improving corporate value will make it even smoother to secure the human resources needed to realize our vision.

* "Young Leader Development Training (Morikawa Juku)" is led by Group CEO Morikawa that focuses on the "aspiration" required of leaders and encourages reflection through creative dialogue. In addition, we are starting multifaceted practical training in FY6/24, including roundtable discussions with CEOs of operating companies, a management experience program to develop a holistic understanding and deep thinking skills, and mindset training to enhance autonomy and lead to self-improvement.

Human Capital Management Is about Being There for Each and Every One of Us

Kamoi ■ As I mentioned at the beginning, one of the key issues for our group is succession. Succession generally refers to the succession of management human resources, but a company can only grow if it has both wheels of human resources, such as software developers and salespeople, who actually drive the business forward. In addition to the management



human capital area, we must also consider stratifying the human capital pool for key areas of business development. First, we will create a pool of human resources based on the assumption of business growth over the next three to five years, and organize the key expected roles at each level, as well as the abilities and competencies that will be required to fill those roles. And we are now discussing whether we have someone who fits that description, and if not, what kind of experience we need to gain to get closer. It is also essential that the status of the expansion of the human resource pool and the progress of the succession plan be checked annually in the form of a talent review, and that issues be identified and revised as appropriate.

Satonaka ■ After visualization of “key role models,” we are now in the process of understanding the current situation to clarify what is currently lacking and what is quantitative or qualitative aspects. With regard to the human resource pool, we are strengthening training by creating various mechanisms such as Morikawa Juku for employees in their 30s, who will be the next generation of management, in particular. In addition, we are actively recruiting human resources that are in short supply and focusing on strengthening “management specialists” who can take an active role with a group-wide perspective.

Kamoi ■ Another important theme is the diversification of human resources. In addition to the expansion of female leadership, there is also the issue of whether the executive board can be composed solely of Japanese nationals in order to realize the “BE GLOBAL” vision. There will also need to be a mix of people with

different backgrounds and who can bring outside common sense. I would like to continue discussions on the diversification of human resources, which is necessary for the Avant Group, as we create a pool of human resources.

Satonaka ■ The “for the Avant Group” perspective is the key to the future. In order to keep pace with the speed of business growth, mid-career hires account for more than 80% of the Group's total workforce, resulting in an increasingly diverse range of backgrounds and experiences. We would like to deepen the discussion on the diversity needed for future growth and translate this into concrete actions.

Kamoi ■ I mentioned earlier that it is important to be able to continue to provide opportunities for growth, but the companies I have seen that have been able to create a substantial pool of human resources seem to have a culture where each employee is autonomous in terms of

growth opportunities and career.

Satonaka ■ I believe that if each employee has the habit of looking back on his or her daily work and thinking, “What did I learn today, and did I achieve any growth or change today over yesterday?” While further leveraging the high level of professionalism that is one of the strengths of our Group, we will evolve into an organization that supports and cooperates with each other, aiming for further growth by raising the power of the entire team. Specific measures to achieve this goal will be discussed in the future.

Kamoi ■ Of course, each employee is a different person, and even the same person can grow and develop at different times with twists and turns. Including this, human capital management is a process that is carried out with each individual. We need to set a firm time frame and work on it based on the ongoing commitment of management.



Consolidated Financial Disclosure Business



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.

Products developed

DivaSystem LCA

TRINITY BOARD

Diva automates its clients' consolidated financial book closing operations by developing and maintaining products related to DivaSystem LCA, a software package that covers a series of operations from data collection to consolidated processing, reporting, and financial disclosure, and by providing an outsourcing business for financial book closing operations using these products.

Furthermore, by transferring the know-how gained from outsourcing to software development, we have realized a "BPO SaaS" that is difficult for other companies to follow. We have the largest client base in the Group and serves as a bridgehead in entering new markets.

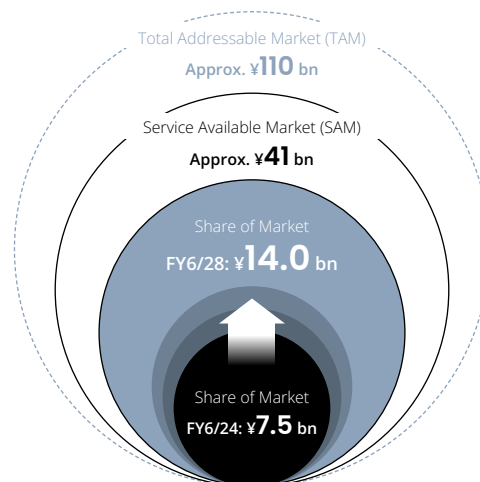
Internet Disclosure provides major audit firms with "Disclosure Net," a search service that stores comprehensive disclosure information on listed companies, and also supplies data for the products of Group companies.

Competitive Edge

- DivaSystem LCA is the No.1 consolidated accounting system product in Japan, and has a significant advantage because of its ability to expand functions by transferring business know-how acquired through the BPO business.
- We have established an outsourcing business for disclosure of consolidated financial results, which has been considered difficult due to the large difference between busy and slow periods, based on our unique know-how. With a client base of more than 300 companies, including top-range companies with numerous consolidated subsidiaries and affiliates, we have built an overwhelming barrier to entry and achieved high profit margins by accumulating extensive experience and knowledge.
- The business model that combines extremely competitive software and BPO is only feasible for our Group, and it is difficult for other companies to follow suit.

Market Environment Analysis

- The TAM for the consolidated financial disclosure market is approximately ¥110 bn, of which consolidated accounting systems account for approximately ¥10 bn and BPO approximately ¥40 bn, and excluding duplication, SAM is estimated to be approximately ¥41 bn.
- In response to the declining workforce and changes in work styles, there is a growing need for companies to outsource financial disclosure, a non-core routine task for companies, and the BPO market continues to realize expected growth of more than 25%. The consolidated accounting system market is growing at around 10%, thanks to the wide range of maintenance services that can be provided up to BPO and the software that transfers this know-how, and the cloud system market is expected to grow at around 20%.
- While there are several software competitors in the consolidated financial disclosure market, there are no competitors in BPO, nor are there any competitors that offer a combination of these services.



Targets in the Medium-Term Management Plan

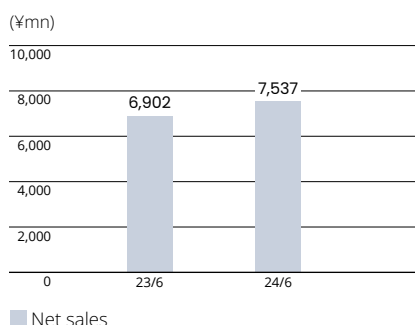
Net sales: Growing at a 15.2% CAGR, driven by the expanding BPO market

Operating profit margin: Improve by increasing software sales by transferring know-how gained from outsourcing business

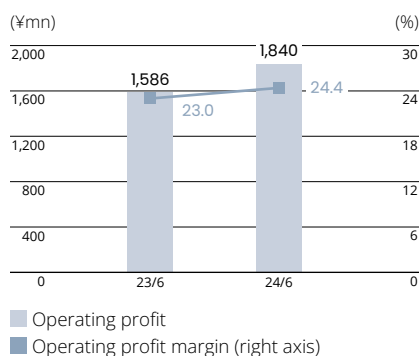
Progress in the First Year of the Medium-Term Management Plan

- In FY6/24, net sales rose 9.2% y-y and operating profit rose 16.0% y-y. Diva's outsourcing business remained strong and its software business also grew, with net sales growing 13.9% from the prior year and the operating profit margin improving 2.5 percentage points due to a review of pricing strategies and other factors. Internet Disclosure maintains stable sales and profits.
- The company has set a goal of achieving a 70% market share for DivaSystem LCA, the de facto standard in the consolidated accounting system market, and is aggressively investing in software development. We assess that the development is progressing well, with BPO productivity steadily increasing as software functionality is expanded. We intend to continue to accelerate the cycle of transferring the consolidated financial statement disclosure operations know-how gained through BPO to software to enhance product capabilities, which will then be used in BPO to improve efficiency.

Net sales



Operating profit



CSF

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



Gen Nagata

President and Representative Director,
Diva corporation

Business Owner Message

Pursuing further growth with a one-of-a-kind business model that fuses two businesses

The medium-term management plan is progressing well. Not only is the outsourcing business maintaining a high growth rate of more than 25%, but the software business, whose market is maturing, is about to return to a growth trajectory under a new structure after the reorganization of group companies in October 2022. Even with the increasing number of corporate delistings due to M&A and MBOs, we have continued to grow without major impact by steadily acquiring sales of ¥100 bn or more.

The main reason for the strong performance is that the outsourcing business and the software business are working together in unison under the current structure to focus on the wisdom of the business. In addition to the focus on cross-selling by the outsourcing business to DivaSystem LCA

clients, both businesses are being re-enforced through a virtuous cycle of utilizing the know-how of the outsourcing business for software development and utilizing the software with enhanced functions for the outsourcing business.

We believe that most of the tasks that humans can perform in consolidated financial disclosures can be reproduced by software development, and that there is still room for further evolution of DivaSystem LCA. The outsourcing business is expected to continue to grow in the market, and we are making steady progress in securing personnel through hiring, and we intend to continue to maintain a growth rate of about 25%, which will ensure the quality of our services.

Digital Transformation Promotion Business



Products developed



This segment follows a business model similar to that of Slers and consulting firms, providing one-stop support from organizing the client's business situation to proposing a solution, building it, and supporting its operation and establishment.

Among these, the company is unique in its focus on "data utilization," which is indispensable for DX promotion.

We are developing a system that aggregates data generated in business processes using data platforms from major vendors in Japan and overseas, which can be used to visualize current conditions and predict the future.

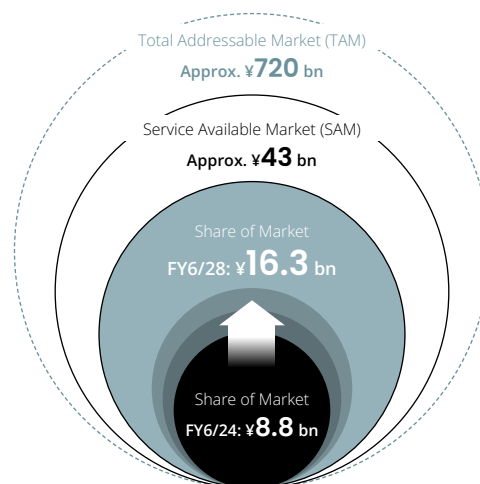
The group also plays a role in expanding the group's commercial offerings by promoting the training of engineers specializing in data utilization and the in-house development of data utilization infrastructure products.

Competitive Edge

- Zeal, the operating company in this segment, was one of the first to recognize the potential of BI and has led the industry as a solution vendor specializing in BI and DWH (Data Warehouse) for about 30 years since the dawn of BI in Japan. Our greatest advantage is our accumulated know-how in data utilization.
- We have partner agreements with many vendors, and we have built a particularly strong relationship with Microsoft, even before the move to cloud computing began. Currently, as the number one partner in the data platform field, we have quickly mastered the technology and are supporting many customers' DX with the cloud service "Microsoft Azure."

Market Environment Analysis

- We are aware that the DX market is worth approximately ¥720 bn for TAM and over ¥43 bn for SAM, but we are certain that the market will expand further as investment in data utilization is expanding, especially among large companies, and there is a marked trend toward promoting DX not only in specific businesses but also throughout the entire group. The market is certain to expand further.
- In the past year or two, companies have reaffirmed the importance of data essential to the functioning of generative AI, and the market for the area of data utilization infrastructure has expanded markedly. The Group will focus on this area, which has been the mainstay of its business development for many years, to capture the growth of the market.



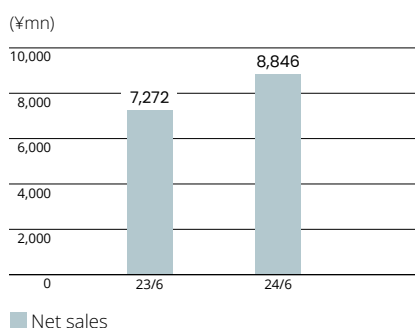
Targets in the Medium-Term Management Plan

Net sales: Growing at a 17.8% CAGR as the business scale expands in line with market growth
Operating profit margin: Improved to the same level as consulting firms

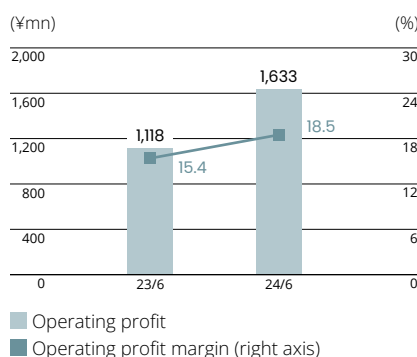
Progress in the First Year of the Medium-Term Management Plan

- In FY6/24, net sales rose 21.7% y-y and operating profit rose 46.1% y-y, a significant increase in both net sales and operating profit, due to a booming market in the area of data utilization and a successful revision of pricing to reflect personnel costs.
- Another major factor behind the increase in sales and profit is the “expansion of client contribution value,” as stated in the CSF. In particular, for clients who are rebuilding their data utilization infrastructures, we have expanded the provision of consulting services in the conceptual phase, which is the upstream process, outsourcing of data utilization after the infrastructures are built, and AI-assisted support, resulting in a significant increase in the operating margin from 15.4% in the prior year to 18.5% in the fiscal year ended June 30, 2024. From FY6/25, we have set the expansion of our business portfolio in areas other than these data platforms as a new CSF and have changed our organizational structure.
- On the other hand, progress in “expansion of the number of employees” is slightly below the plan, as it has become increasingly difficult to hire IT personnel due to aggressive hiring by other companies. To this end, we are also investing heavily in human resources development, creating an environment in which employees can grow quickly, and strengthening collaboration with our business partners. Although the recruitment of consulting and AI personnel has been strengthened by fully explaining management policies and focus areas during the hiring process, securing human resources is expected to remain the biggest challenge for this segment in the future.

Net sales



Operating profit



CSF

Expansion of client contribution value

Expansion of number of employees



Yoshiyuki Numata

President and Representative Director,
Zeal Corporation

Business Owner Message

We are transforming to achieve sustainable high earnings growth

The first year of the medium-term management plan got off to a strong start, but it is precisely because we are now in a strong position that we need to make changes ourselves in order to respond to the situation in which the SI business is undergoing major changes. To this end, two organizational changes were implemented in July 2024.

The first is to create a structure in line with the business portfolio we are aiming for. In addition to data platform construction, which is the pillar of our business, we have clearly differentiated business areas such as consulting in the DX concept phase,

AI, software, and in-house production support, and have created a structure in which the person in charge committed to each area leads each business.

The other is to reform the sales department. We created a department dedicated to sales for existing clients, which conducts so-called account sales. We aim to bring long-term business success by working diligently with clients to provide optimal solutions. We are increasingly providing quality services and various proposals to each and every client, and we intend to make this a part of our culture.

Management Solutions Business



Products developed



Management Solutions, previously provided mainly through SI and consulting, are being converted to “Consulting SaaS,” a combination of SaaS and consulting, to establish a new business model.

In addition to providing customers with our own software, we also combine it with software developed by other companies. Our sales are comprised of software sales, consulting services related to the implementation of the software, and maintenance contracts that provide support in running the project.

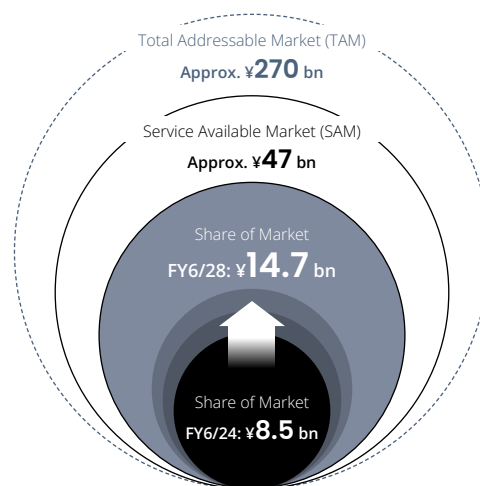
Within the Group, we are responsible for maximizing the use of Group assets and continuously creating solutions that provide management information useful for enhancing corporate value.

Competitive Edge

- “AVANT Cruise” is a fit-gap implementation model that utilizes best practices developed based on the business management of clients that the Group has supported over the years, and is equipped with data processing and computing functions to convert the client's data for business management. Compared to the traditional SI model, man-hours are reduced and an optimal information environment can be provided to customers in a shorter period of time and at a lower cost.
- This is a competitive advantage in terms of sales, as it makes it easier to approach the Group's client base of approximately 1,100 Diva clients (accounting department/CFO line) and 1,000 Zeal clients (IT department/CIO line).

Market Environment Analysis

- We estimate that the TAM for next-generation management information infrastructure market is approximately ¥270 bn and that the SAM is approximately ¥47 bn. In recent years, an increasing number of companies have been seeking to manage their businesses from an investor's perspective, and the next-generation management information infrastructure market is expected to expand accordingly.
- In response to the request announced by the Tokyo Stock Exchange (TSE) in March 2023 to “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” an increasing number of listed companies are reviewing their management, for example by setting new KPIs such as business ROIC in their medium-term management plans. In addition, with the TSE starting to publicly announce companies disclosing information regarding this requirement in January 2024, this trend is expected to intensify and expand business opportunities for this segment.



Targets in the Medium-Term Management Plan

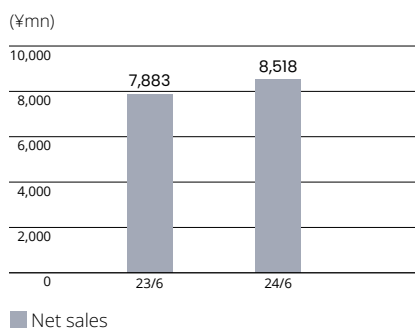
Net sales: Growing at a 13.2% CAGR, expanding to meet demand

Operating profit margin: Improve by expanding software sales composition

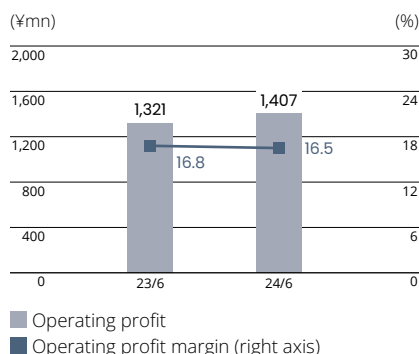
Progress in the First Year of the Medium-Term Management Plan

- Net sales for FY6/24 rose 8.1% y-y, and operating profit rose 6.6% y-y, showing a solid result compared to the plan. The start of disclosure by the TSE in January 2024 triggered an increase in the number of companies interested in cost of capital and ROIC initiatives, and especially in the fourth quarter, sales of “AVANT Cruise” and other products led to increased performance.
- The introduction of “AVANT Cruise” is progressing as planned. For high-end customers, we offer a consulting-based implementation, while for those who prefer to start small, we promote a fit-gap approach with packages that can be implemented in as little as one week. We believe that the development and sales of packages, especially those that enable the calculation of ROIC by business segment, will be the biggest key to achieving the medium-term management plan, since the introduction of packages is relatively more profitable and enables the swift training of human resources capable of handling it. Through FY6/25, the company plans to focus primarily on development investments and identifying customer targets, after which it aims to introduce the system to dozens of companies annually. In the first half of the year, we received more than three times as many inquiries in FY6/25 as we did in the same period of the prior year, and we believe that our goal of introducing 300 companies by FY6/28 is fully feasible.
- The number of project managers is increasing as planned, partly because we have switched to a policy of training newly hired graduates. On the other hand, it has been difficult to hire the development personnel that are required to be immediately effective, and there has been some delay in increasing the number of employees, so we are also making efforts to utilize outside partners.

Net sales



Operating profit



CSF

- AVANT Cruise (including peripheral products)
installed base: 300 companies (FY6/28 target)
- Expanding the number of software development personnel
- Increase in the number of business leads
- Expanding the number of project manager personnel



Takahiro Okabe

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

Business Owner Message

We aim to increase the number of companies introducing “AVANT Cruise,” starting with “AVANT Compass.”

In order to achieve the target for the number of companies to install AVANT Cruise, our top-tier CSF, it is essential to secure the pipeline, and we are focusing on marketing. This is where “AVANT Compass” is a great weapon. “AVANT Compass” is structured in line with the current situation analysis and measures recommended by the TSE in “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” and features easy benchmarking with other companies in the industry and no consulting fees at the time of introduction. We aim to use this introduction as an opportunity to make our clients aware of the importance of business portfolio management and to propose “AVANT Cruise” to them.

At the same time, now that we have narrowed down our client target, Kunihiro Nakamura, who took over as Chief Customer Officer (CCO) of the Avant group in October 2024, and I are working together to focus on top sales to potential client CxOs. We believe this approach is particularly effective because “AVANT Cruise” needs to be proposed to those in charge of corporate planning and finance departments rather than to those in the field. Since awareness of AVANT Cruise among clients of DivaSystemLCA, the product with the largest market share in our Group, has become widespread, we will further strengthen our marketing efforts to new markets and companies.

Please refer to page 35 for details on “AVANT Compass.”

Section III Governance for Steady Advancement

DIALOG 03

Outside Directors × Overseas Institutional Investor

A portrait of Makoto Nakano, a middle-aged man with dark hair and glasses, wearing a dark blue pinstripe suit, a white shirt, and a light blue tie. He is sitting at a desk with a laptop in front of him, his hands clasped. The background shows a window with horizontal blinds.

MAKOTO NAKANO

A portrait of Sasha Thompson, an investment analyst. The image shows a close-up of a laptop keyboard and a blurred background, with the text overlay on the right side.

SASHA THOMPSON

Investment Analyst
Highclere International Investors

A portrait of Chie Goto, a woman with short dark hair and glasses, wearing a dark blue jacket over a patterned top. She is gesturing with her hands while speaking. A laptop is visible in the foreground.

CHIE GOTO

Corporate Governance of the Avant Group to Support the Realization of a “100-Year Company”

The Avant Group has worked to enhance its corporate value through creative dialogue with investors. In this integrated report, two outside directors held a dialogue with an overseas institutional investor, who is a long-term shareholder of the Group.



Sasha Thompson

Highclere International Investors is a London-based, long-only global (ex-US) small and mid cap specialist asset management company.

Q. Thompson

What do you consider to be the most important aspect of corporate governance?

Goto ■ As a company with an Audit Committee, we believe it is important for the Board of Directors, based on its fiduciary responsibility and accountability to shareholders, to formulate management policies and develop internal controls, and for the Audit Committee to fulfill its responsibilities of effective supervision of execution.

Nakano ■ In other words, it is to fulfill a monitoring function. We must monitor and, if necessary, apply the brakes to prevent the management from going off course or worse irregularities occurring at the company.

That said, it is also important for us to view the company from an investor's perspective and encourage it to increase corporate value over the long term, which is the role of a gas pedal for the company.

Q.

What is unique to the Avant Group in its corporate governance practices?

Goto ■ The first point concerns the number of outside directors. Taking into

consideration the requirements of the Corporate Governance Code regarding the number of outside directors, we voluntarily appoint four outside directors, the majority of the seven members of the Board of Directors, although this is not a requirement for a company with an Audit Committee. We believe that this provides a sufficient structure to reflect the knowledge and perspectives of outside directors in the formulation of management policies, and that the Board of Directors has effectively reserved the right to dismiss the Group CEO.

The second is the DX of the Board of Directors using TRINITY BOARD that we have developed. TRINITY BOARD is a tool that provides a mechanism for directors to access various documents at any time, contributing to the efficient operation of the Board of Directors and other important meetings. It is also useful for group governance, such as improving the Board of Directors through assessing its effectiveness and managing the boards of subsidiaries.

Third, outside directors provide training for directors, executive officers, and executive candidates, drawing on their areas of expertise. By deepening management's knowledge through training, outside directors contribute to the advancement of corporate governance.

Q.

You mentioned that four of the seven directors of the Avant Group are outside directors. How do you think the importance of these outside directors?

Nakano ■ We believe it is important that we serve as a bridge for communication with investors. Even ideas that are taken for granted internally are often difficult to understand from an external perspective, such as that of an investor. We believe it is an important role for outside directors to encourage internal management to communicate in a way that outside investors can understand. For example, in formulating the current medium-term management plan, we repeatedly pointed out the need to revise the wording so that it would be understood by investors.

Outside directors are also important from the standpoint of board independence. Because of our position as independent outside directors, we are able to ask frank questions of the group's CEO, CFO, and other senior management, without being disciplined, and we can sometimes express opposing views.

Corporate Governance of the Avant Group to Support the Realization of a “100-Year Company”



Q.
**What experience from your past
has been most useful to you
as an Audit Committee member?**

Goto ■ I am a practicing attorney and CPA. As a lawyer, I am able to use my legal knowledge to supervise whether directors are managing the company in accordance with their duty of care, etc., and as a certified public accountant, I am able to look at the company from a numerical perspective, including its finances.

Nakano ■ In my case, my university experience in accounting research has been helpful. When significant changes are observed in financial statements, such as balance sheets and income statements, I am able to infer the factors behind these changes based on my experience in accounting research. This allows me to ask a variety of questions when checking financial statements at board meetings and other meetings.

Also, I have been a faculty member at an MBA school for 25 years and have been training executives of leading Japanese companies for about 20 years. In this context, I have a great deal of opportunity to see the management of Japan's leading companies, and

through this experience, I can envision the path to improving corporate value. I believe that such experience can contribute to enhancing the corporate value of our group.

Q.
**What are your personal
responsibilities in serving
as an outside director?**

Nakano ■ It is to provide advice from a finance perspective. In order to increase corporate value, it is important to focus on and expand high-margin businesses, rather than just increasing sales. I believe it is my responsibility to constantly check whether such operations are being carried out.

In addition, it is my responsibility to ensure that the medium-term management plan, strategies, KPIs, and corporate value enhancement are coherent and feasible, and to give advice so that investors can understand and accept the plan.

Goto ■ As an outside director and a member of the Audit Committee, I am responsible for supervising and auditing the directors' execution of their duties. In addition, I chair the Remuneration Advisory Committee, which is involved in designing the compensation system and determining individual compensation for Group CEO Morikawa and other senior executives, as well as the compensation system for employees.

I also believe that my role is to appropriately reflect the opinions of minority shareholders and other stakeholders in the Board of Directors, and to utilize my knowledge as a lawyer to identify risks in M&A projects and other transactions from a legal perspective and provide my opinions.

Q.
**What opportunities and risks
do you see in effective corporate
governance in a situation**

**where the Group CEO Morikawa is
both the founder and a major
shareholder? What are your plans
for dealing with them and
how are they being addressed?**

Goto ■ Group CEO Morikawa has grasped all of the Avant Group's businesses since the company's inception and has been able to make quick top-down decisions based on medium- to long-term management thinking, which he believes has enabled the company to quickly adapt to the rapidly changing external environment while enhancing corporate value over the medium- to long-term.

On the other hand, there can also be the risk of runaway and corruption due to absolute power, such as when top management disregards social common sense and ethics and violates laws and regulations, when they arbitrarily go ahead with high-risk projects, or when they misappropriate company assets and otherwise mix up company and private affairs. To prevent such a situation, the Board of Directors must establish an internal control system that is effective in supervising the execution of duties. The outside directors will seek explanations from the Group CEO regarding management until they are satisfied, examine whether there is anything that cannot be endorsed from the standpoint of shareholders, express their opinions frankly, discuss them at board meetings, evaluate management, and ultimately decide whether the management can be entrusted to the Group CEO.

In addition, if top management has personnel authority, it is difficult for other executives to express their opinions, and the whistle-blowing system may become dysfunctional. The Group plans to improve the system to avoid concentration of management personnel authority in the hands of the Group CEO, by changing the Remuneration Advisory Committee into a Nomination and Remuneration Committee.

Nakano ■ In many listed companies, various problems arise due to the separation of ownership and management. For example, it has been noted that the pursuit of self-interest and sabotage of daily operations can damage shareholder value. In this regard, since the Group CEO Morikawa is also a major shareholder, these so-called agency problems are unlikely to arise.

On the other hand, as Mr. Goto mentioned, there is a danger of falling into dictatorial management. However, I have the impression that the Group values transparency and fairness, and as an outside director I assess that such risks are low.

Q.
How important is dialogue with external parties in the development of the Avant Group's corporate governance principles?

Goto ■ As stated in the Group's "Basic Corporate Governance Policy," dialogue with external parties is extremely important for improving corporate value over the medium to long term. The Group regards the

company as a public institution of society and seeks to develop in order to contribute to customers around the world. We express this activity in our corporate philosophy, "Creation of a 100-year company," which has been our management vision since our founding.

The Group aims to be an organization that provides value to society without being biased toward any particular stakeholder and that develops sustainably based on the growth of its employees, and corporate governance is the mechanism for achieving this. We believe that dialogue with various stakeholders, including shareholders, employees, and customers, and improvement of corporate governance as necessary, is important for continuous improvement of corporate value and is necessary to realize a 100-year company. In particular, we believe that dialogue with our shareholders will provide us with an opportunity to grow our Group from an objective and bird's-eye viewpoint.

Q.
What is also the most challenging aspect of communicating management's thoughts to investors?

Nakano ■ We are sometimes told that our explanations to investors tend to be inadequate. Management is constantly thinking about the group's operations and tends to lack sufficient explanation of the assumptions behind our actions. Investors do not understand everything about our group, so careful explanations are required so that they can grasp the full picture.

There is also a tendency to undervalue and under communicate one's own company. Although our group's business model is highly profitable and our ROE is solid, we tend to take this state of affairs for granted internally, and we believe it would be a shame if this leads to an overly low reputation being communicated externally.

Finally, getting investors to understand the thinking of the Group CEO Morikawa is another area of difficulty. Group CEO Morikawa is an excellent practitioner as well as an abstract thinker. However, due to its very high level of abstraction, we believe that it is not easy for investors to understand his thought patterns and what he is thinking, and we need to take care to make it easy to communicate.

Q.
Are there any areas for continuous improvement in your corporate governance practices?

Goto ■ First, there is insufficient diversity in the appointment of executives and core personnel. Diversity is an important issue for our group, but at present we have not yet set a numerical target for the ratio of women and foreign nationals in our workforce. Although greater diversity on the board of directors is expected to stimulate discussion and better decision-making, not enough is being done to address this issue.

Second, we have not been able to formulate a concrete plan for the selection of a successor to the Group CEO Morikawa. The Board of Directors began discussing this issue in the fiscal year ending June 30, 2018, but has yet to develop a plan, including the selection of specific candidates. We are currently in the process of developing an environment for succession planning, while working to separate the role of the founder from that of the group CEO. I mentioned earlier that we plan to reorganize the Remuneration Advisory Committee into a Nomination and Remuneration Committee, and after the reorganization, we plan to develop a succession plan for the management level, including the CEO. Since it takes time to materialize, we recognize that this is an issue that should be addressed for continuous improvement in our governance practices.



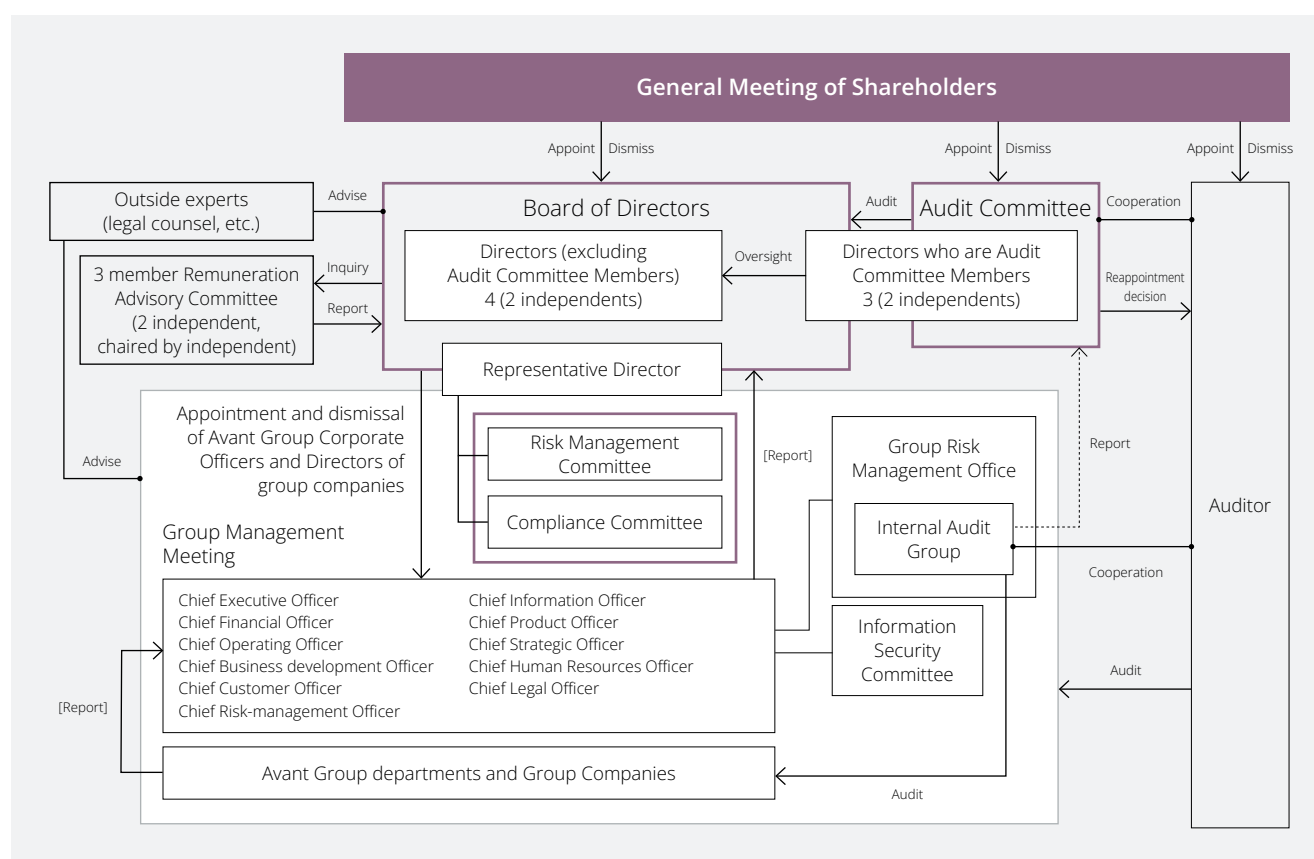
CORPORATE GOVERNANCE

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.

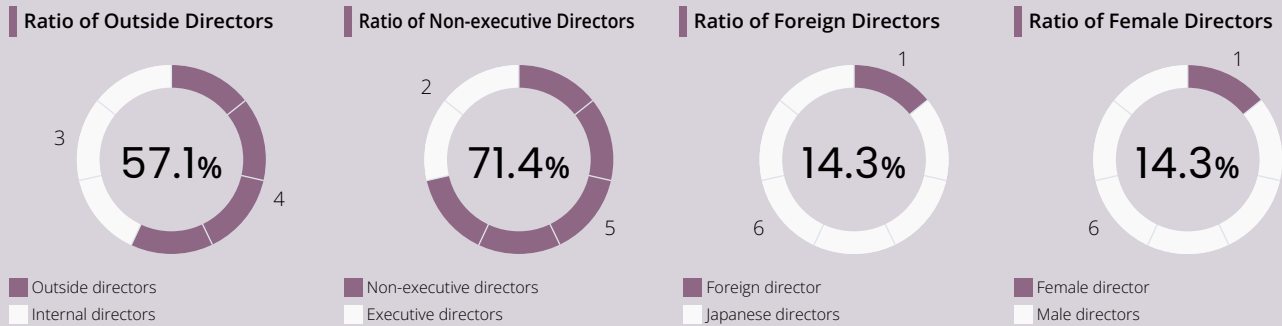
Avant Group's Corporate Governance Structure (as of December 31, 2024)



Features of Our 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 are 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.

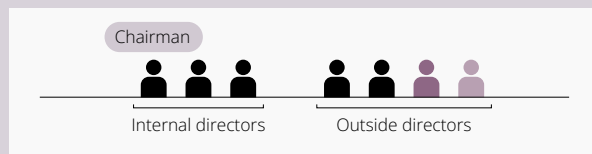
Composition of the Board of Directors (for the fiscal year ending June 30, 2024)



Activities of the Various Bodies (for the period ended June 30, 2024)

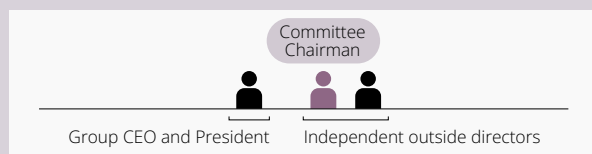
Board of Directors

Chairman	Founder, Chairman & Group CEO
Reason for Appointment	The Avant group is currently in a “growth” stage, and in the process, the need for strategic decision-making is increasing. The Director has been appointed based on her ability to execute prompt and appropriate decision-making under these circumstances.
Number of meetings	13
Members	3 internal directors and 4 outside directors (including 1 female (●) and 1 foreign director (●))



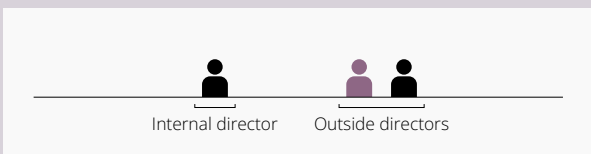
Remuneration Advisory Committee

Committee Chairman	Independent Outside Director (Chie Goto)
Reason for Appointment	She has an excellent ability to listen calmly to others' opinions while accurately expressing her own ideas and developing a conversation in a constructive manner. As an attorney and a certified public accountant, we have also appointed her based on our judgment that she is capable of making precise suggestions from a professional perspective, such as corporate law, with logic.
Number of meetings	6
Members	2 independent outside directors, Group CEO and President (including 1 female (●) director)



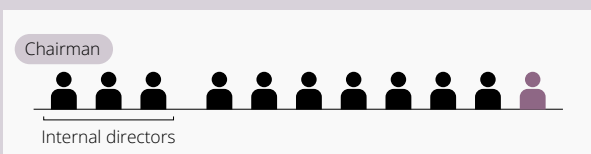
Audit Committee

Number of meetings	19
Members	1 internal director and 2 outside directors (including 1 female (●) director)










Group Management Meeting

Chairman	Founder, Chairman & Group CEO
Number of meetings	23
Members	11 CxO members and others, including 3 internal directors (including 1 female (●) director)



Composition of Directors and Audit Committee Directors (as of October 1, 2024)

Characteristics of the Board of Directors		Majority are independent outside directors	1 foreign national	1 female
Name	Reason for appointment			
 <p>Tetsuji Morikawa Founder, Chairman & Group CEO Shares held: 9,764,000 shares</p>	<p>Since our founding in May 1997, he has been leading the management of our group for 27 years as Representative Director. In addition to his ability to establish the company as an infrastructure for providing various management information, especially financial information, through the sale of our proprietary consolidated accounting software package, he has also demonstrated leadership in diversifying the company's business through M&A, transitioning to a holding company structure, and reorganizing the group. He also demonstrated strong leadership in the realization of our medium-term management plan "BE GLOBAL 2028" and achieved the plan in its first year. We continue to appoint him for the further development of our group toward the realization of "BE GLOBAL 2028."</p>			
 <p>Hisayoshi Kasuga Director Group CFO Shares held: 19,721 shares</p>	<p>He joined the firm in October 2010 after working at a commercial bank and the New York Stock exchange. As Director in charge of Finance since September 2011 and currently Group CFO, he is in charge of the Company's financial affairs based on his broad experience and knowledge of management, and together with the Group CEO, he is leading the Group toward the realization of the "BE GLOBAL 2028" medium-term management plan. He is also appointed because of his outstanding character and insights.</p>			
 <p>Jon Robertson Director <div> <div>Outside Director</div> <div>Independent Director</div> <div>Diversity</div> </div> Shares held: 0 share</p>	<p>He has been leading highly international organizations in Japan and the Asia-Pacific region for over 30 years, and has excellent management, leadership, and communication skills. He has a deep knowledge of the latest IT technologies, including the cloud-native field, and has demonstrated leadership skills with enthusiasm in the rapidly changing IT industry. We continue to appoint him as he will contribute to our vision "BE GLOBAL" and our medium-term management plan "BE GLOBAL 2028" to create corporate value through cloud computing.</p>			
 <p>Tatsuya Kamoi Director <div> <div>Outside Director</div> <div>Independent Director</div> </div> Shares held: 0 share</p>	<p>In addition to more than 20 years of experience in consulting and IT development for global companies in Japan and overseas, he also has extensive experience as a business leader at Mercer Japan K.K. and ABeam Consulting K.K., as well as extensive experience in the field of human resources, and we believe his leadership will contribute to our medium-term plan. We have appointed him based on our belief that he will continue to contribute to the supervision of management and the realization of our mid-term management plan, BE GLOBAL 2028.</p>			
 <p>Tsuyoshi Noshiro Audit Committee Shares held: 1,868,800 shares</p>	<p>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, as a Director in charge of Finance since 2001, as a full-time corporate auditor since September 2011, and as a Director (Audit Committee member) since September 2022. At meetings of the Board of Directors and the Audit Committee, he has provided useful opinions based on his deep understanding of the Company's business operations, particularly from the perspectives of legal affairs, accounting, governance, human resources, and other areas, which is why we appoint him.</p>			
 <p>Chie Goto Audit Committee <div> <div>Lead Outside Director</div> <div>Independent Director</div> <div>Diversity</div> </div> Shares held: 0 share</p>	<p>In addition to her work experience at general businesses, she is a licensed attorney and certified public accountant and has been involved in a variety of companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment matters. Currently, as an Outside Director of the Company (Audit Committee member), she provides useful advice in the process of management judgment and decision-making. As the Chairman of the Remuneration advisory Committee and the Lead Independent Outside Director, she has led active dialogue at meetings from an independent standpoint.</p>			
 <p>Makoto Nakano Audit Committee <div> <div>Outside Director</div> <div>Independent Director</div> </div> Shares held: 3,500 shares</p>	<p>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 is appropriately performing his duties as an Outside Director on the Company's Audit Committee. In addition to providing advice to enhance the corporate value of not only our company but also our clients, we have determined that he will also play an active role in the development of our next generation management team, and we continue to appoint him.</p>			

* Tatsuya Kamoi became a Director upon approval at the 27th Ordinary General Meeting of Shareholders on September 27, 2023.

	Attendance at Board of Directors meetings, Audit Committee meetings and committee meetings	Directors' skills matrix						
	Board of Directors 13/13 Remuneration Advisory Committee 6/6	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 13/13	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 11/13	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 10/10* Remuneration Advisory Committee 4/4*	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 13/13 Audit Committee 19/19	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 13/13 Audit Committee 19/19 Remuneration Advisory Committee 6/6	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 13/13 Audit Committee 19/19	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 Method

We have conducted third-party evaluations from the perspective to enhance independency and objectiveness of analysis and evaluation in the fiscal years ending June 2018 and 2019. However, the Board of Directors pointed out that it was difficult to clarify issues because the evaluation was mainly quantitative, and therefore, from the fiscal year ending June 30, 2020 onward, the Company will focus on its own questionnaire survey and conduct interviews with directors and corporate auditors by a third party as appropriate. In order to identify issues more clearly, we have created and implemented our own questionnaire form from the fiscal year ending June 30, 2021 onward to enable employees to evaluate issues and describe their opinions on how to respond to them.

Results of Evaluation

In summary, as in the results for the fiscal year ended June 30, 2023, the majority of respondents answered that the monitoring function has been strengthened by the transition to a company with an Audit Committee, and that the Board of Directors is operating efficiently through the use of our own product, TRINITY BOARD, the Board of Directors DX Cloud. The effectiveness of the Board of Directors was generally evaluated highly, with respondents evaluating that the Board of Directors is operating appropriately. On the other hand, we recognize the following main points as issues.

(1) Organization of the Board of Directors

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

- The establishment of a nominating committee is not necessary, but the Board should discuss the succession of the Group CEO and the management team.
- Need people with knowledge of software technology and M&A.
- The opportunity for each director to develop the skills necessary to fulfill his or her responsibilities as a director is left to the individual director, but basic skills need to be shared and learned in common.

(2) Agenda of the Board of Directors

Issues were identified that need to be further discussed in depth with the Group CEO and the rest of the management team regarding succession and key issues on the executive side.

(3) Operation of the Board of Directors

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

Future Correspondence

In light of the above suggestions, we report that we will push for the following actions in the operation of the Board of Directors for the fiscal year ending June 30, 2025.

- Reconsideration of the annual agenda in light of the importance of the agenda
- Organize and discuss group human capital strategies leading to management team successions
- Provide training opportunities to improve basic skills as a director

Activities of the Board of Directors

Between July 2023 and June 2024, 13 Board of Directors meetings were held, totaling 1,606 minutes, 603 minutes (about 37%) were spent on financial matters, including reports on the stock price and monthly business results, and resolutions on the next medium-term management plan, while 415 minutes (about 25%) were spent on management strategies, including the Group's organizational strategy, Investments, such as the establishment of a joint venture in India, were discussed for 275 minutes (approximately 17%), and governance, such as the board operation policy based on the board effectiveness evaluation, was discussed for 193 minutes (approximately 12%). The main agenda items were as follows.

Main Agenda Items for Consideration by the Board of Directors (13 meetings in total)

Main Items

- Resolution on the next medium-term management plan
- Stock compensation for employees (RS Trust)
- Stock compensation for Group Corporate Officers (RS Trust)
- Established joint venture, DivaCygnet Private Limited
- Acquisition of own shares
- IR Strategy
- Discussion on shareholder composition
- Reporting on the operation of internal controls
- Overseas IR report
- Activities in the M3 market
- Group organization strategy
- Group human resource recruitment strategy
- Report on status of key personnel hiring
- Investment in domestic SaaS startups
- Defined contribution (DC) pension plan for the Group

Board Meeting Deliberation Time by Agenda Item

Total deliberation time: 1,606 minutes



To Promote Active Discussion

Meetings are held twice a month to discuss agenda items with the CFO lines of each group company, and preparatory meetings for these meetings are also held separately. Board meeting agendas and time allocations are determined by the President & Group CEO, by referring to past track records in TRINITY BOARD. There will also be a meeting on meeting materials in the afternoon of the day the board meeting is held. These processes are based on the PDCA cycle to promote lively discussions.

In addition, in order to stimulate discussion, an off-site meeting is held in March each year, including not only directors but also top executives from each company.

Information Sharing to Outside Directors

Use of TRINITY BOARD

Avant Group introduced the TRINITY BOARD in the fiscal year ending June 30, 2022, and uses it to share agendas and other information. With the introduction of this tool, Outside Directors have commented that it makes it easy for them to obtain necessary information wherever they are. In addition, access to information from all group companies has become much easier, a dramatic change compared to before the introduction of the system.

Before introduction

- Reports and explanations of agenda items were provided via e-mail.
- Difficulty in Outside Directors obtaining information
- Difficult to ensure transparency of information
- Information asymmetry between Inside Directors and Outside directors

After introduction

- Utilizing the database, the site is now viewable on smartphones as well.
- Easy access to information
- Easy access to information not only on the holding company, but also on group companies
- Efficient agenda setting and time allocation by referring to past track records

Activities of Each Council
(for the fiscal year ending June 30, 2024)

Audit Committee

The cycle of the Audit Committee's activities begins with the Annual General Meeting of Shareholders and ends with the submission of the Audit Report the following year. In the fiscal year ended June 30, 2024, corporate governance, group governance, Compliance Committee, Risk Management Committee (following the split of the Compliance and Risk Management Committee), organizational auditing, human resources development (leadership development), and medium-term management plan "BE GLOBAL 2028" progress (investment) and others were priority areas of consideration.

In the fiscal year ending June 30, 2025, we are discussing the Risk Management Committee (including the Information Security Committee), human resource investment (process for finding and developing leaders), progress in the BE GLOBAL 2028 mid-term management plan (process leading to investment), and organizational auditing (strengthening coordination with internal audit).

Remuneration Advisory Committee

The Remuneration Advisory Committee discusses the design of the remuneration system and the content and composition of incentives with respect to directors and group corporate officers, using examples from other companies as a benchmark. In the fiscal year ended June 30, 2024, we focused on designing a remuneration plan to improve our stock price under our medium-term management plan, BE GLOBAL 2028, and have introduced a trust system to purchase shares in advance for a period of five years.

In addition, discussions are underway regarding the establishment of a management system for compensation, since the process basically involves setting specific amounts after target audience is determined.

Group Management Meeting

In the fiscal year ended June 30, 2024, the first year of our "BE GLOBAL 2028" medium-term management plan, the committee members discussed the priority issue of increasing the resolution of the Software Driven Strategy and human resource strategy.

In addition, the Compliance and Risk Management Committee has been separated into the Compliance Committee and the Risk Management Committee, each of which meets once every three months beginning in the fiscal year ended June 30, 2024. The discussions of the Compliance Committee and Risk Management Committee are reported and shared with the Board of Directors in the same month.

Director's Remuneration

The Company's directors' remuneration is divided into two categories: fixed remuneration (fixed periodic remuneration of the same 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 responsibility.

For directors other than outside directors, performance-linked remuneration consists of (1) short-term performance-linked remuneration, which is a bonus linked to business performance, etc. for each fiscal year, and (2) medium-term performance-linked remuneration, which is a bonus linked to changes in metrics over a three-year period. The medium-term performance-linked remuneration is a stock-based remuneration in which shares of the Company's common stock are delivered to the subject directors, with the aim of further sharing value between the subject directors and shareholders through sustained improvement of the Company's stock price and providing incentives for the subject directors to continuously enhance the Company's corporate value.

Composition of Directors' Remuneration

Director	45-50% (Fixed remuneration)	15%-20% (Short-term performance-linked remuneration)	35% (Medium-term performance-linked remuneration)
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Calculation Method for Each Directors' Compensation

1. Short-term Performance-linked Remuneration

Short-term performance-linked remuneration

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

Short-term incentive coefficient

If consolidated net income after tax for the current period is (a) and consolidated net income after tax for the previous period is (b), the coefficient is the value calculated by the following formula.

- (i) If (a) is less than or equal to (b): 0
- (ii) If (a) exceeds (b) and is less than (b) × 137.5%: $(a/b-1) / 0.375 \times 1.5$
- (iii) If (a) is 137.5% or more of (b): 1.5

2. Medium-term Performance-linked Remuneration

Medium-term performance-linked remuneration (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%:
 $33\% \times (A - 100\%) / 12\%$
- (3) When A is between 112% and 150%:
 $33\% + 67\% \times (A - 112\%) \div 38\%$
- (4) When A is more than 150%: 100%

A Growth rate of the Company's stock

Company's TSR
during the target
period

Growth rate of
TOPIX during the
period

The Company's total shareholder return (TSR)

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

Simple average of the closing price of the Company's shares in the first month of the applicable period (September)

TOPIX growth rate

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

Simple average of TOPIX in the first month of the period (September)

Remuneration for Directors and Corporate Auditors (for the fiscal year ending June 30, 2024)

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)	137	88	49	0	2
Audit Committee Members (excluding Outside Directors)	16	16	—	—	1
Outside Directors	42	42	—	—	5

* The above includes one director who retired at the conclusion of the 27th Ordinary General Meeting of Shareholders held on September 27, 2023. Please refer to the website for details on director's remuneration. <https://www.avantgroup.com/en/sustainability/governance/reward.html>

Succession Plan

The Remuneration Advisory Committee is also pursuing in-depth discussions on nominations, and is considering the succession of CxOs and management structures in operating companies. Concrete discussions have begun regarding the candidates for the contingency deputy, the successor who will take charge of the next medium-term management plan, and even the leaders of the next generation.

In addition, since the image of human resources required changes depending on the direction of the strategy we are aiming for, we are in the process of deepening discussions on both "human resources" and "strategy" and enhancing our resolution of organizational issues. In addition, we focus on creating and providing experience for posts with an awareness of young leaders' development programs and management professionals.

Management Training

Study sessions are held to utilize the specialties and areas of expertise of Outside Directors, with the participation of Inside Directors and Corporate Officers of group companies. This initiative is strengthening management.

In addition, we encourage Corporate Officers of group companies to participate in training provided by the Japan Association of Corporate Directors and leadership training at Hitotsubashi University to help them improve their management skills.

Risk Management Policy

The Group has established a Compliance Committee, Risk Management Committee, and Information Security Committee, each chaired by the Representative Director, to monitor the status of compliance and risk management, manage risks appropriately, and promote prompt compliance responses, thereby establishing a company-wide risk management system. In addition, we have developed a “management crisis list” of risks that could affect the achievement of our group’s medium-term management plan, “BE GLOBAL 2028,” and our existing business base, which we review annually. In this list, we analyze and evaluate the frequency of occurrence and degree of impact that may affect management, and organize risks that may have a significant impact as “significant risks” and risks among “significant risks” that require prompt emergency responses in addition to normal controls, and for which measures such as risk avoidance, reduction, and transfer should be initiated on a priority basis as “notably significant risks”. For each “significant risk,” the Group as a whole promotes focused control activities, clarifies countermeasures and issues mainly for “notably significant risks,” and periodically checks the control status of these risks. In addition to implementing the risk management cycle (PDCA) by monitoring and confirming the effectiveness of the risk management system and making recommendations for improvement, we are also engaged in activities necessary for the penetration and thoroughness of other risk management.

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.	To reduce risk, the Group has established an Information Security Committee, which continuously identifies and improves risk and promotes security measures such as multiple data backups and other system failure countermeasures and multi-factor authentication. In addition, some of our cloud services have obtained SOC1 Type2 reports in compliance with the U.S. Statement on Standards for Attestation Engagements No. 18 (SSAE18), and we strive to improve the quality of system operations by utilizing objective evaluations from a third-party perspective. In addition, in the fiscal year ending June 30, 2025, we are focusing on strengthening our “structure” and “cyber resilience” and are working to develop and put in place a company-wide cyber security risk management strategy.

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 medium-term management plan, BE GLOBAL 2028. Therefore, it is our policy to make acquisitions and enter into capital tie-ups as necessary, taking into consideration our business 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 the inability to find suitable candidates or to reach agreement on the terms of the transaction. 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 the 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	To achieve the goals of our medium-term management plan BE GLOBAL 2028, our 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 our 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, it may affect the Group's performance and financial position over 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.

	Risk items	Countermeasures
4. 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 ensure stable system operation and the continuous provision of services, the Group is promoting a variety of measures to prevent failures from occurring and minimize the impact of failures when they do occur.
5. Risks related to changes in competition, technology and market needs	In the cloud-based service market in which our Group operates, many companies are developing their businesses, and the pace of technological innovation and changes in market needs is extremely fast, requiring operators of cloud-based service businesses to respond flexibly to these changes. Therefore, if the Group is unable to respond in a timely manner to intensifying competition from companies offering similar services, technological innovations, or changes in market needs, or if the Group must spend a large amount of money on system investments, personnel expenses, or other costs to respond to changes, the Group's performance and financial position may be affected.	In response to this risk, the Group is not only building a system to keep abreast of the latest technological trends and changes in the environment, but is also working to improve its competitiveness by building services that pursue optimal usability, differentiating its sales areas, and enhancing customer support. In addition, we strive to respond quickly to technological innovations and changing market needs by securing and training talented human resources.
6. Risks related to securing and training 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 response to this risk, we are working to strengthen our recruiting and training systems, to ensure competitiveness in recruiting by understanding the market's appropriate compensation levels, and to review our personnel evaluation system to ensure that new employees are able to contribute and continue to work at an early stage.
7. Risk of changes in economic conditions	The Group uses cloud services provided by overseas companies and is affected by fluctuations in exchange rates as it pays for these services in U.S. dollars. Therefore, an increase in costs due to exchange rate fluctuations could affect the Group's performance and financial position.	The Group hedges this risk by settling accounts through foreign currency deposit accounts. The Group's policy is to use foreign currency deposits within the scope of actual demand and not to conduct transactions for speculative purposes.
8. Risk of non-compliance with laws and regulations	The Group is subject to various laws and public regulations in the course of its business operations. Violations of these public regulations may result in disciplinary action by regulatory authorities, lawsuits, or even suspension of business activities, as well as damage to corporate brand value and loss of social credibility. We believe that it is essential for a company to have an effective compliance system in order to fulfill its social responsibilities.	In response to this risk, the Group has not only established a system to keep abreast of the latest legal and regulatory trends, but has also formulated compliance regulations and other compliance-related rules to ensure the effective functioning of the compliance system and to ensure that all officers and employees are fully aware of them through education. In addition, the Compliance Committee promotes activities by establishing quantitative checkpoints for compliance.
9. Third party risk	In the cloud-based services business in which our Group operates, cloud services and network technologies are becoming increasingly complex, and system design and development costs are on the rise. Therefore, we use third parties such as system design and development vendors and cloud service vendors for the purpose of improving operational efficiency and productivity. In the event of a system failure or cyber attack at these third parties, there is a possibility that service provision may be disrupted, important information such as customer information may be leaked, and our Group's business operations may be disrupted, and compensation to the affected customers may be incurred, which could affect our business performance and financial condition.	In order to prevent these adverse effects from occurring, the Group has established subcontracting management regulations and strives for ongoing risk management by verifying the appropriateness and suitability of business partners when subcontracting, providing guidance, and reviewing the management system during the contract period.
10. Risks related to artificial intelligence (AI)	The Group aims to achieve sustainable earnings growth and business expansion under its medium-term management plan, BE GLOBAL 2028, and is exploring the use of AI-based business management tools. The speed of technological innovation in AI is rapid, and it is thought that consulting earnings in the program development area may shrink if various automated creation technologies, including those in the programming language area, become popular. Competition is also intensifying, and if we are unable to hire highly specialized personnel to implement AI technology as planned, or otherwise fail to secure the necessary human resources, our business and performance could be affected.	In response to this risk, the Group is not only building a system to keep abreast of the latest technological trends and changes in the environment, but is also exploring the use of AI technology in business areas and acquiring and securing highly specialized human resources who can handle AI system development.
11. 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 Founder, Chairman & Group CEO, and if something unexpected were to happen to the Founder, Chairman & Group CEO, 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.

	Risk items	Countermeasures
12. Risks related to service quality	The Group provides implementation support and contracted development services to systematize its own software or third-party software according to customer needs, as well as BPO services to undertake financial book closing operations. In the provision of services, there is a possibility that deviations from initial estimates may occur due to changes in accounting procedures, publication of practical guidelines, or ambiguities in contract content or requirements, or that unforeseen technical problems or project management issues may arise, resulting in increased costs or delays in schedules. This may cause cost increases and schedule delays. If a lawsuit is filed due to any factor, including the manifestation of such problems or quality deterioration, the Group's business performance and financial position could be significantly affected due to higher-than-expected costs and payment of compensation for damages resulting from delayed delivery.	To address this risk, we are taking measures to reduce the impact on our business performance and financial condition by insuring against contingencies, while improving project quality through the establishment of a quality control department. We are also working to strengthen our services through enhanced recruitment and in-house training of specialized personnel in the accounting and digital fields.
13. 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 quality control department to reduce quality risk during product development.
14. Information security risks 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 security risks, the Group implements firewalls, VPNs, and other system measures to monitor and prevent unauthorized access, and has established information security and personal information protection policies, which are reviewed in response to advances in information and communication technology and changes in social and regulatory environments. The Information Security Committee, headed by the Representative Director and 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.
15. Natural disaster risk	An eruption of Mt.Fuji, Tokyo-area earthquake, 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, making it impossible to resume business operations quickly. In addition, we recognize that the loss of important documents and data related to business execution, intellectual property, etc. due to damage caused by earthquakes and other natural disasters or fires at our Group's business sites could hinder our business activities and affect our business performance and financial position, and is therefore a particularly important risk.	As risk mitigation measures, we are backing up important documents and data to remote locations, establishing an emergency response 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 employees and business partners and the continuity of our business operations by utilizing remote work from normal times.

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		<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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 <ul style="list-style-type: none"> ■ 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 <ul style="list-style-type: none"> ■ 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.	<ul style="list-style-type: none"> ■ 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.	<ul style="list-style-type: none"> ■ 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
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.	<ul style="list-style-type: none"> ■ 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.	<ul style="list-style-type: none"> ■ 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 <ul style="list-style-type: none"> ■ Implement and enhance insider training and other legal training ■ Improving the effectiveness of the hotline 	

Compliance

Since its founding, the Group has emphasized compliance as a fundamental principle of corporate governance. To ensure thorough compliance, the Compliance Committee meets regularly to check the compliance status of the Group, and the Board of Directors receives reports from the Group CLO to ascertain the status of compliance.

Management Team

(As of October 1, 2024)

Directors



Tetsuji Morikawa

Founder, Chairman & Group CEO
Compensation Advisory Committee Member
[Concurrent positions]
CEO, DIVA CORPORATION OF AMERICA
Outside Director, Kayak Co.



Naoyoshi Kasuga

Director
Group CFO



Jon Robertson

Director

Outside Director Independent Diversity

[Concurrent positions]
President, Asia Pacific and Japan Region, Snowflake Corporation.



Tatsuya Kamoi

Director
Compensation Advisory Committee Member

Outside Director Independent

[Concurrent positions]
Director, 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 Compensation Advisory Committee

Outside Director Independent Diversity

[Concurrent positions]
Partner, Sakura Kyodo Law Office
Outside Director, Asahi International Corporation
Outside Director (Member of the Audit Committee),
Toho Holdings Co.



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

Group COO
President and Representative
Director, Zeal Corporation



Hiroki Takemura

Group CRO and Group CIO
Executive Vice President, Diva
Corporation



Shingo Moroi

Group CSO
Director, Avant Corporation



Teppei Terashima

Director, Avant Corporation



Tatsuru Nakayama

Group CPO
Director, Avant Corporation



Kunihiro Nakamura

Group CCO
Director, Zeal Corporation



Seiji Fukuda

Director, Zeal Corporation



Shunpei Kumagai

Director, Zeal Corporation



Tomotatsu Osada

Director, DIVA Corporation



Eriko Satonaka

Group CHRO
[Concurrent positions]
Outside Director, NIPPON GAS CO., LTD.



Masamitsu Suzuki

Group CLO

COO: Chief Operating Officer CBO: Chief Business development Officer CRO: Chief Risk-management Officer CIO: Chief Information Officer
CSO: Chief Strategic Officer CPO: Chief Product Officer CCO: Chief Customer Officer CHRO: Chief Human Resources Officer CLO: Chief Legal Officer

Section IV Results and Data

FINANCIAL DATA

	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023	Year ended June 30, 2024
Operation Indicators:					
Recurring sales (millions of yen)	5,123	5,852	6,476	7,573	9,215
Recurring sales ratio (%)	32.6	36.0	34.6	35.3	37.7
Value-added productivity (thousand yen/person)	9,784	10,332	10,607	10,400	10,841
Orders received (millions of yen)	15,357	17,401	20,012	22,375	26,180
Consolidated Financial Disclosure Business*	—	—	—	7,435	8,269
Digital Transformation Promotion Business*	—	—	—	7,919	9,211
Management Solutions Business*	—	—	—	7,999	9,410
Order backlog (millions of yen)	3,595	4,761	6,070	7,021	8,782
Consolidated Financial Disclosure Business*	—	—	—	3,949	4,681
Digital Transformation Promotion Business*	—	—	—	1,705	2,069
Management Solutions Business*	—	—	—	3,113	4,006
Income Statement:					
Consolidated net sales (millions of yen)	15,691	16,236	18,703	21,424	24,419
Consolidated Financial Disclosure Business*	—	—	—	6,902	7,537
Digital Transformation Promotion Business*	—	—	—	7,272	8,846
Management Solutions Business*	—	—	—	7,883	8,518
Operating profit (millions of yen)	2,278	2,796	3,247	3,289	4,099
Consolidated Financial Disclosure Business*	—	—	—	1,586	1,840
Digital Transformation Promotion Business*	—	—	—	1,118	1,633
Management Solutions Business*	—	—	—	1,321	1,407
Ordinary profit (millions of yen)	2,282	2,808	2,988	3,265	4,121
Profit before income taxes (millions of yen)	2,282	2,808	2,988	3,079	4,131
Income taxes (millions of yen)	744	919	943	984	1,280
Profit attributable to owners of parent (millions of yen)	1,537	1,888	2,045	2,094	2,850
Balance Sheet:					
Cash and deposits (millions of yen)	6,335	7,238	9,444	10,317	10,874
Property, plant and equipment (millions of yen)	469	407	398	487	488
Intangible non-current assets (millions of yen)	191	608	676	728	652
Software	190	607	676	728	609
Investments and other assets (millions of yen)	1,614	1,893	1,800	2,137	2,554
Investment securities	428	491	511	772	1,037
of which, stocks of subsidiaries and affiliates	—	267	—	—	—
Total assets (millions of yen)	11,780	13,956	16,617	18,705	21,896
Current liabilities (millions of yen)	4,314	4,943	5,820	6,122	8,307
Non-current liabilities (millions of yen)	272	226	198	254	295
Total liabilities (millions of yen)	4,586	5,169	6,019	6,377	8,603
of which, interest-bearing debt	—	—	—	—	—
Net assets (millions of yen)	7,194	8,787	10,597	12,328	13,293
Shareholders' equity (millions of yen)	7,161	8,728	10,466	12,103	12,994
Accumulated other comprehensive income (millions of yen)	32	58	131	224	299

* Effective from the fiscal year ending June 30, 2024, the Company has reviewed its business segment classification method and changed its reporting segments.

	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023	Year ended June 30, 2024
Consolidated Cash Flow:					
Operating cash flow (millions of yen)	1,890	2,561	3,026	2,175	3,680
Depreciation and amortization	227	254	349	449	543
Investment cash flow (millions of yen)	-420	-789	-398	-795	-630
Purchase of property, plant and equipment	-236	-114	-89	-225	-159
Purchase of intangible non-current assets	-121	-429	-317	-521	-222
Free cash flow (millions of yen)	1,470	1,771	2,627	1,379	3,049
Financial cash flow (millions of yen)	-294	-359	-433	-507	-1,981
Repayments of long-term debt	—	—	—	—	—
Payments of dividends	-281	-338	-413	-489	-564
Profitability and Capital Efficiency:					
EBITDA (millions of yen)	2,506	3,038	3,582	3,737	4,642
Effective tax rate (%)	30.6	30.6	30.6	30.6	30.6
NOPAT (millions of yen)	1,581	1,940	2,253	2,282	4,099
ROIC (%)	24.2	24.3	23.3	19.9	30.8
ROE (%)	23.5	23.6	21.1	18.3	22.3
Net sales growth (%)	11.5	3.5	15.2	14.5	14.0
Operating profit margins (%)	14.5	17.2	17.4	15.4	16.8
GPP (net sales growth rate + operating profit ratio) (points)	26.0	20.7	32.6	29.9	30.8
Total asset turnover (times)	1.41	1.26	1.22	1.21	1.11
Research and development expenses (millions of yen)	409	445	382	375	190
Capital adequacy ratio (%)	61.1	63.0	63.8	65.9	60.7
Cash conversion ratio (%)	75.4	84.3	84.5	58.2	79.3
Share Information and Shareholder Returns:					
Number of shares issued (shares)	37,586,982	37,603,203	37,625,501	37,645,851	37,645,851
Average number of shares during the period (shares)	37,582,026	37,598,448	37,614,361	37,636,218	37,206,951
BPS (yen/share)	191.42	233.70	281.68	327.51	362.95
EPS (yen/share)	40.92	50.24	54.37	55.65	76.62
DPS (yen/share)	9.0	11.0	13.0	15.0	19.0
DOE (%)	5.2	5.2	5.0	4.9	5.5
Dividend payout ratio (%)	22.0	21.9	23.9	27.0	24.8
TSR (%)					
3 years	295.8	347.6	136.6	140.1	86.6
5 years	584.4	1,228.8	389.0	304.6	143.5

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 2020.

NON-FINANCIAL DATA

	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023	Year ended June 30, 2024
Environmental					
GHG emissions (t-CO ₂)*	10,001	8,738	10,299	11,478	12,692
of which Scope 2	650	543	556	359	370
of which Scope 3	9,351	8,195	9,743	11,119	12,323
Electricity consumption (thousand kWh)*	1,455	1,225	1,216	975	999
Percentage of renewable energy (%)	0	0	100	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)	1,055	1,107	1,226	1,389	1,522
Avant Group	36	45	47	37	37
Diva (Formerly Fierte)	203	229	288	473	534
ID	11	11	11	11	11
Zeal	351	372	401	429	491
Avant (Formerly Diva)	454	450	479	439	449
Number of female employees (persons)	379	379	406	480	524
Ratio of female managers (%)	6.8	6.5	7.7	8.8	9.5
Number of non-Japanese employees (persons)	74	77	66	60	53
Employment rate of persons with disabilities (%)					
Avant Group / Avant (Formerly Diva)	2.3	2.0	2.5	2.4	2.3
Diva (Formerly Fierte)	1.0	0.8	0.7	1.5	2.0
Zeal	1.4	1.3	1.2	1.4	3.3
Rate of male employees taking paternity leave (%)	9.5	23.5	29.6	36.8	50.0

	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022	Year ended June 30, 2023	Year ended June 30, 2024
Number of hires (persons)	241	197	261	334	355
Number of new graduates	56	30	50	59	67
Number of mid-career hires	185	167	211	275	288
Number of resignations (persons)	145	109	128	168	182
Employee turnover (%)	13.4	10.2	11.3	13.4	12.8
Average years of service (years)	4.1	4.6	4.6	4.3	4.8
Recruitment expenses (millions of yen)	263	326	353	433	489
Recruitment cost (thousand yen/number of hires)	1,091	1,656	1,353	1,296	1,378
Personnel expenses (millions of yen)	7,162	7,748	9,135	10,257	15,331
Training expenses (millions of yen)	39	46	63	84	101
Training cost (yen/number of employees)	37,449	42,234	52,020	60,973	66,808
Average salary (yen/year)	5,397,341	5,772,288	5,892,667	6,010,044	6,055,912
Salary increase rate (%)	1.04	3.60	4.70	7.3	4.20
Average age (years)	34.0	34.5	34.6	34.3	34.3
Average annual overtime hours worked (hours/month)	16.7	16.2	14.7	13.2	13.5
GPTW score (points)*					
Diva (Formerly Fierte)	61	66	67	67	67
Zeal	51	58	65	70	74
Avant (Formerly Diva)	54	56	59	66	65

Governance

Number of shareholders (persons)	2,536	3,674	3,311	2,926	2,864
Shareholder Composition (%)					
Individual	61.3	60.5	59.4	58.0	59.1
of which directors	31.8	31.8	31.8	31.1	30.0
of which Employee Stock Ownership Plan	8.5	6.1	6.1	3.8	3.7
Government	0.0	0.0	0.0	0.0	0.0
Financial institutions	12.1	12.7	13.8	14.9	14.0
Domestic corporations	10.5	10.1	8.0	8.0	8.8
Foreigner	14.2	14.8	17.3	17.6	17.1
Securities company	1.8	1.9	1.5	1.5	1.0
Treasury shares	0.0	0.0	0.0	0.0	0.0
Number of meetings of the Board of Directors (times)	16	17	14	14	13
Total board meeting time (minutes)	1,107	1,413	1,454	1,419	1,606
Average Board meeting time (minutes)	65	83	103	101	123
Number of meetings of the Compensation Advisory Committee (times)	—	3	7	8	6

* 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.

About Us / Stock Information

About Us

Company name:	Avant Group Corporation	Number of shareholders:	2,864 (as of June 30, 2024)
Founded:	May 26, 1997	Stock exchange listing:	Prime Market, Tokyo Stock Exchange
Location:	Shinagawa Intercity B Tower 13F, 2-15-2 Konan, Minato-ku, Tokyo	Stock code:	3836
Number of employees (consolidated):	1,522 (as of June 30, 2024)	Closing date:	June 30
Capital stock:	345,113,000 yen (as of June 30, 2024)	Ordinary general meeting of shareholders:	Within three months from the day following the last day of the fiscal year
Total number of shares issued and outstanding:	37,645,851 shares (as of June 30, 2024)	Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited
Share unit:	100 shares	Accounting Auditor:	Deloitte Touche Tohmatsu LLC

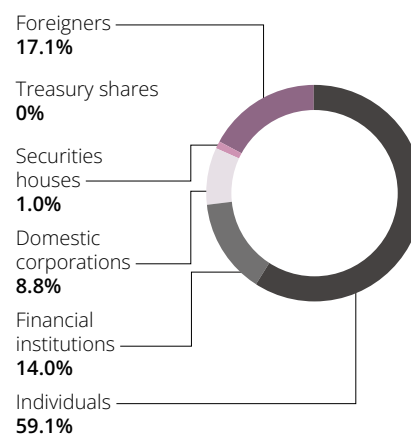
Stock Information

Major Shareholders (as of June 30, 2024)

Name of Shareholders	Number of shares held	Percentage*
Tetsuji Morikawa	9,764,000	26.19
The Master Trust Bank of Japan, Ltd.	3,270,100	8.77
Tsuyoshi Noshiro	1,868,800	5.01
Obic Business Consultants Co., Ltd.	1,600,000	4.29
Custody Bank of Japan, Ltd. (trust account)	1,457,600	3.91
AVANT GROUP employee stock ownership association	1,380,453	3.70
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	995,400	2.67
PCA Corporation	778,400	2.09
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	750,000	2.01
NORTHERN TRUST CO.(AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	658,100	1.77

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

Shareholder Distribution by Type (as of June 30, 2024)



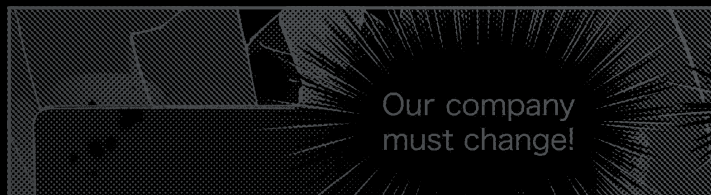
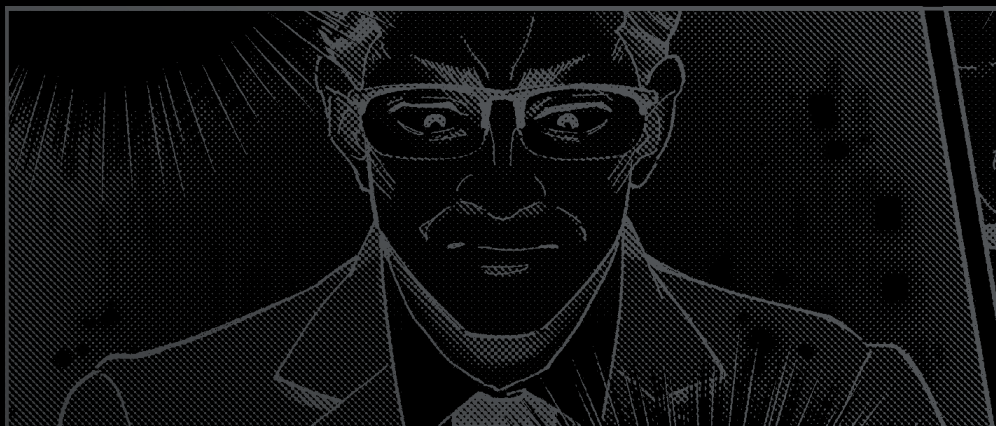
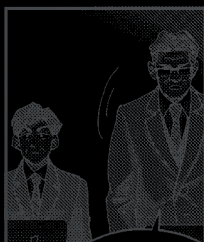
Due to factors such as.....

We became acutely aware of the need for.....

There are differences by material,

especially in the glass materials division,

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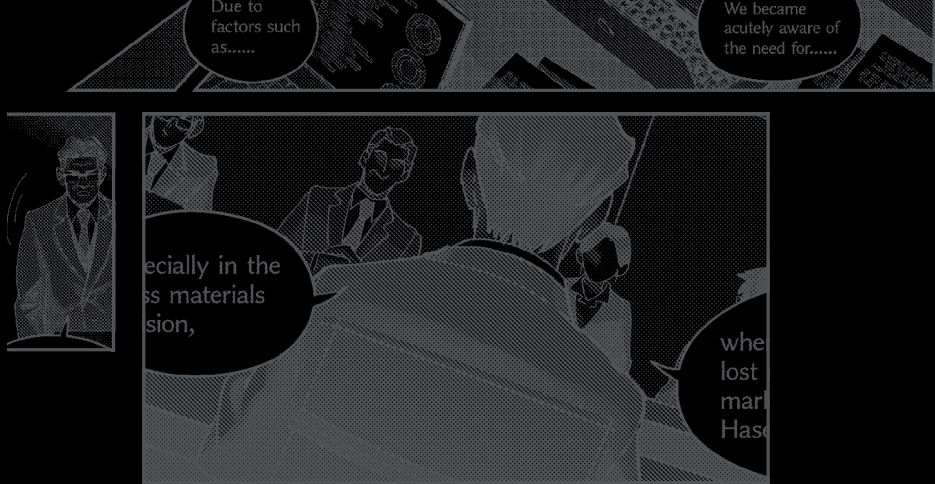
I think we must fundamentally rethink

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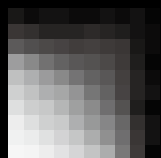
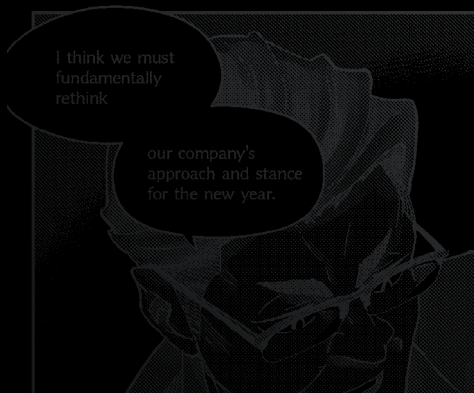
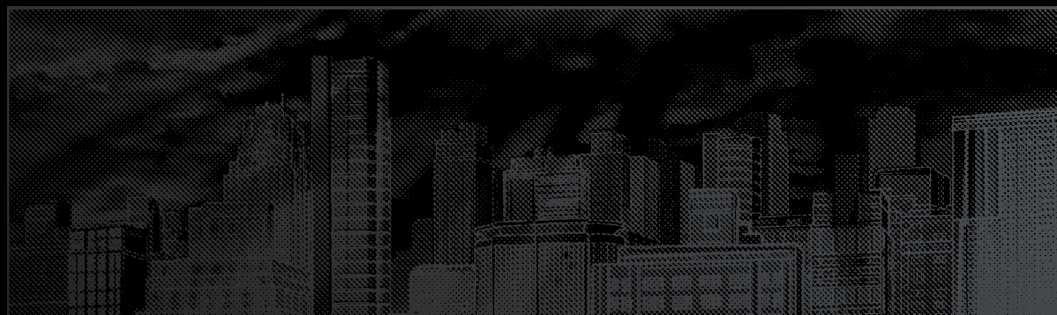
CREATIVE DIALOG 2024

AVANT GROUP
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