

Risk Management

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.	<ul style="list-style-type: none"> Declaration of commitment to reduce our CO₂ emissions and implementation of the following measures Since 2021, by purchasing Green Power Certification, carbon offsets have been implemented for all electric power consumption Establishment of a system in which the CRM Committee assesses climate change risks, considers countermeasures, and reports to the Board of Directors 	
Community	Human rights and local communities	Our brand could be severely damaged in the event of a serious accident as a result of normalization or similar behavior that does not respect human rights (e.g., discrimination).	<ul style="list-style-type: none"> Consider responses in accordance with the basic policy of respect for human rights set forth in the Avant Group Human Rights Policy Conduct human rights assessments Preparation of harassment prevention manual Periodic seminars on corporate philosophy, training/diversity 	If the company is at the level of an international blue chip company, its appeal could lead to an increase in brand value.
	Labor standards	Our brand could be severely damaged in the event of a serious accident resulting from the normalization or because of ongoing violations of labor laws and regulations.	<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
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.	<ul style="list-style-type: none"> Strengthening the compliance system based on our Group's Code of Conduct Implement and enhance insider training and other legal training Improving the effectiveness of the hotline 	

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.