

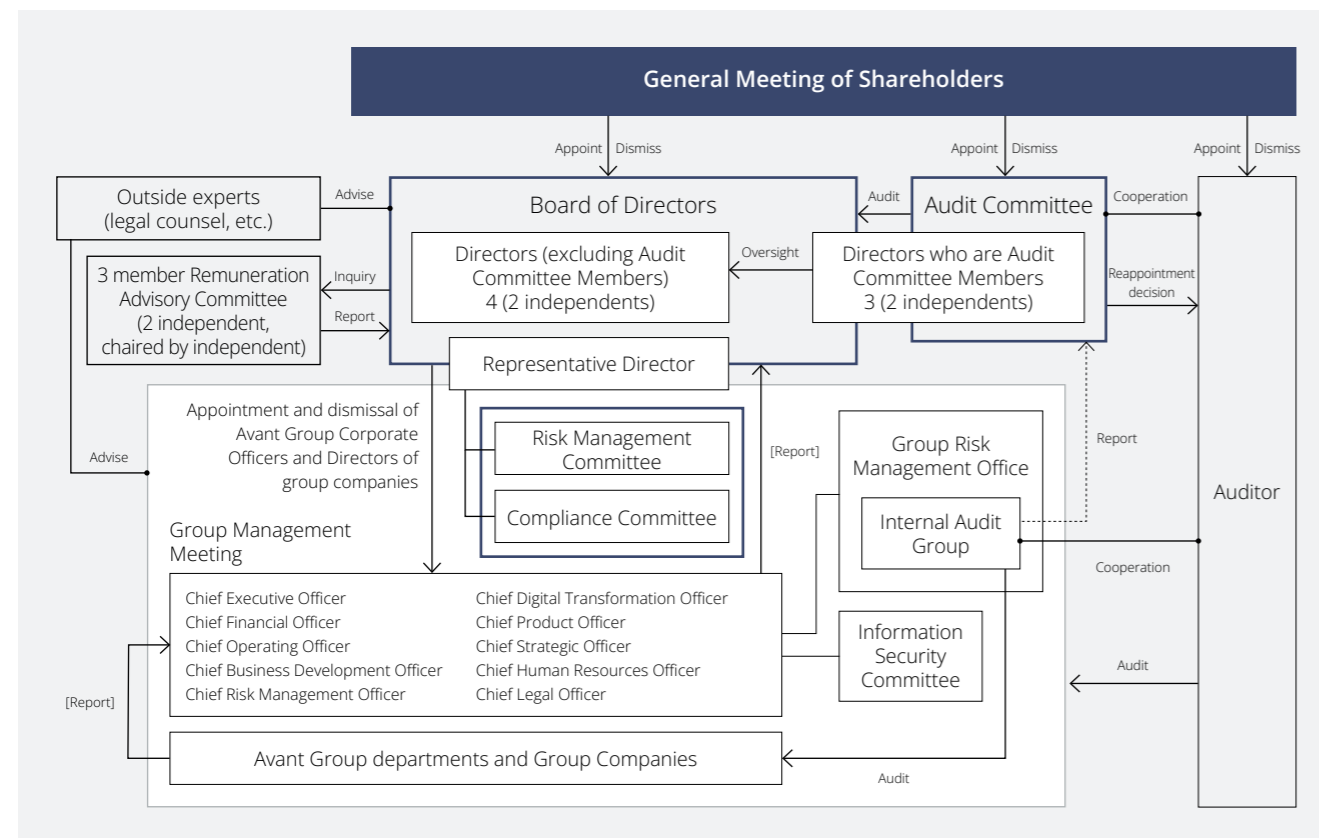
CORPORATE GOVERNANCE

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.

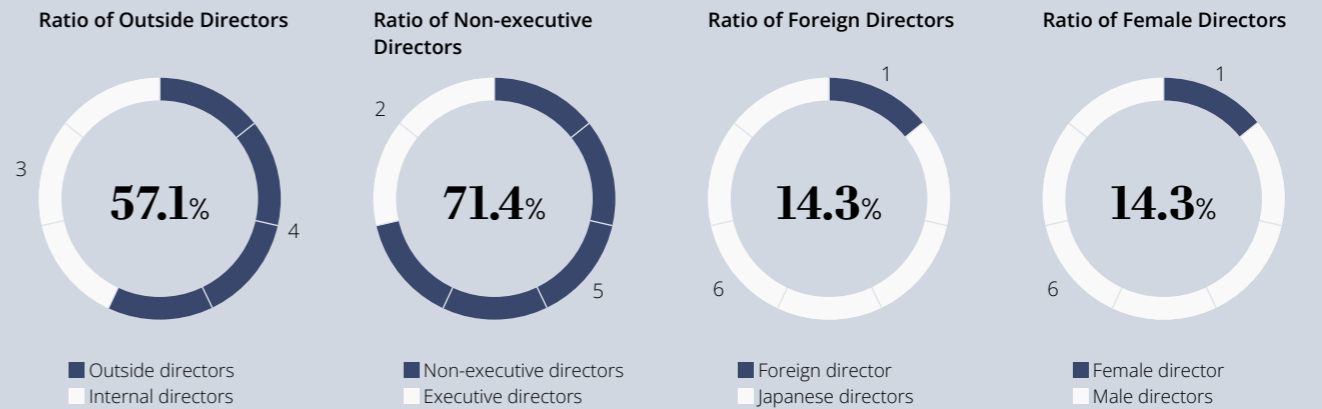
Avant Group's Corporate Governance Structure (as of December 31, 2023)



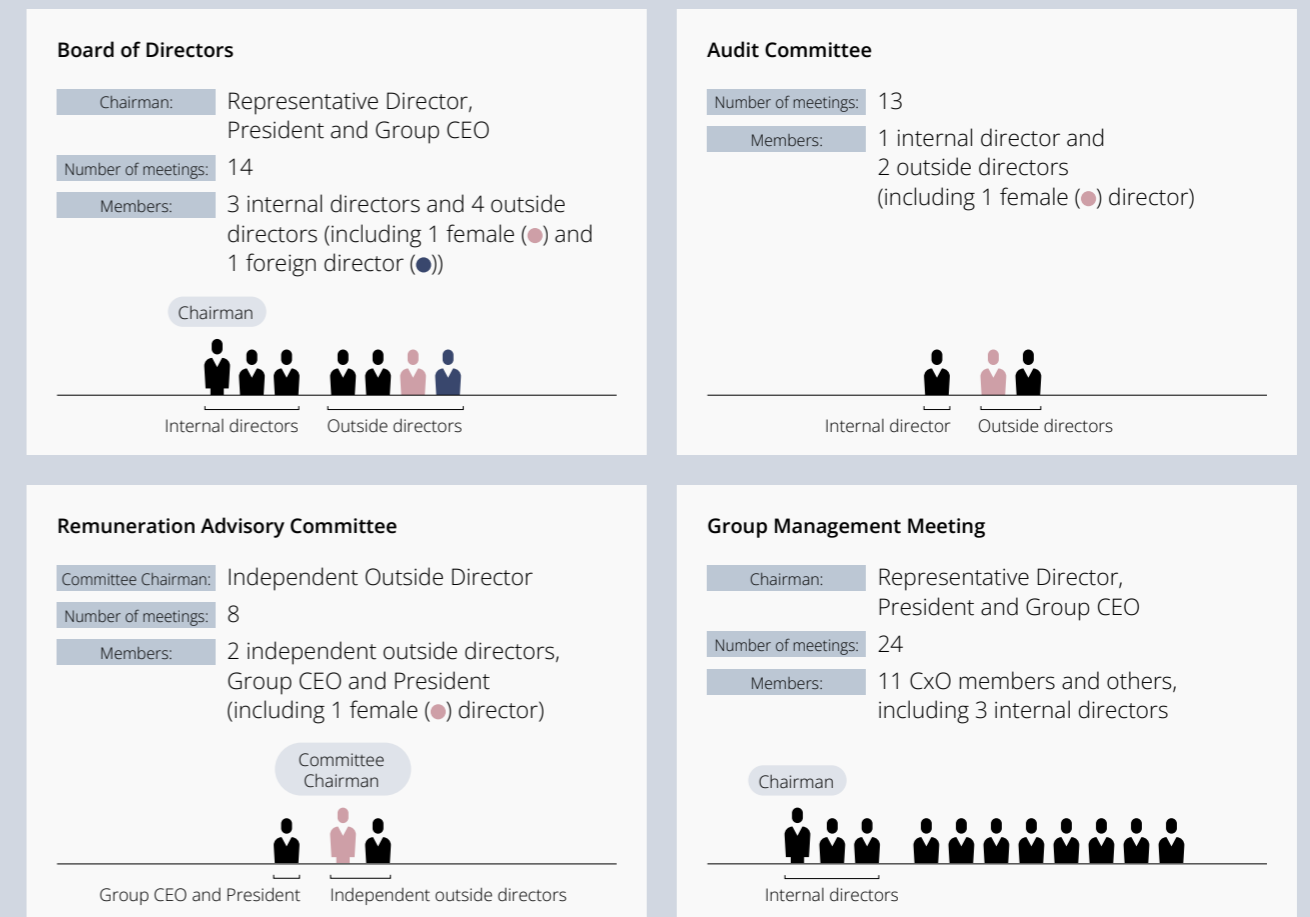
Corporate Governance Structure

The Company has elected to establish an Audit Committee. The Board of Directors consists of four directors (excluding directors who are Audit Committee Members) (two outside and independent directors, including one foreign national) and three directors who 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 (as of October 1, 2023)










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



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

Characteristics of the Board of Directors	Majority are independent outside directors	1 foreign national	1 female
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*1 Transition to a company with an audit committee upon approval at the 26th Ordinary General Meeting of Shareholders on September 27, 2022.
 *2 Makoto Nakano became a Director (Audit Committee) upon approval at the 26th Ordinary General Meeting of Shareholders on September 27, 2022.

Name	Reason for Appointment	Attendance at Board of Directors meetings, Audit & Supervisory Board and Audit Committee meetings, and committee meetings	Directors' Skills Matrix						
 <p>Tetsuji Morikawa President and Representative Director Group CEO Shares held: 9,764,000 shares</p>	<p>Since founding the Company in May 1997, he has led the management of the Group as Representative Director for 26 years. Through the sale of its proprietary consolidated accounting software package, the Company has established itself as a provider of infrastructure for a variety of management information, particularly financial information, and has demonstrated leadership in diversifying its business through M&A and transitioning to a holding company structure. Currently, he is leading the Group's transformation and growth toward the realization of the new medium-term management plan BE GLOBAL 2028. We requested his appointment for further development of the Group.</p>	<p>Board of Directors 14/14 Remuneration Advisory Committee 8/8</p>	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
 <p>Hisayoshi Kasuga Director Group CFO Shares held: 19,721 shares</p>	<p>Joined the firm in October 2010 after working at a commercial bank and the New York Stock Exchange. Since September 2011, he has served as the Company's Director in charge of Finance and is currently the Group CFO, overseeing the Company's financial affairs based on his broad experience and knowledge of management. We requested his appointment based on his outstanding character and insights.</p>	<p>Board of Directors 14/14</p>	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
 <p>Jon Robertson Director Outside Director Independent Director Diversity Shares held: 0 share</p>	<p>Has over 30 years of experience leading international organizations in Japan and the Asia-Pacific region, and has excellent management, leadership, and communication skills. He has a deep knowledge of the latest IT technologies, including cloud-native areas, and has demonstrated leadership skills with enthusiasm in the rapidly changing IT industry. We requested his continued appointment in the expectation that he will contribute to the achievement of our vision BE GLOBAL and the creation of corporate value through cloud computing in our new medium-term management plan.</p>	<p>Board of Directors 13/14</p>	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
 <p>Tatsuya Kamoi Director Outside Director Independent Director Shares held: 0 share</p>	<p>Has more than 20 years of experience in consulting and IT development in global companies in Japan and overseas, as well as extensive experience as a business leader at Mercer Japan K.K. and ABeam Consulting K.K. and in the human resources field. We selected him to join the board based on our judgment that he will contribute to the supervision of management and the realization of our new medium-term management plan, BE GLOBAL 2028.</p>	<p>Appointed to the Board of Directors upon approval of the 27th Annual General Meeting of Shareholders on September 27, 2023.</p>	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
 <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 and as Director in charge of Finance since 2001, and has been a full-time corporate auditor since September 2011. Based on his deep understanding of the Company's business operations, he provides useful opinions as a non-executive full-time director at meetings of the Board of Directors and the Audit & Supervisory Board, focusing on legal, accounting, governance, human resources, and other perspectives.</p>	<p>Board of Directors 14/14 Audit & Supervisory Board 5/5*1 Audit Committee 13/13</p>	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
 <p>Chie Goto Audit Committee Lead Outside Director Independent Director Diversity Shares held: 0 share</p>	<p>In addition to work experience at general businesses, she is a licensed attorney and certified public accountant and has been involved in various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. She is currently fulfilling her responsibilities as an outside corporate auditor of the Company, and we believe that she will continue to provide useful advice in the process of management judgment and decision-making as an Audit Committee Member, utilizing her extensive knowledge as a legal and accounting expert in the Company, thereby strengthening the functions of the Board of Directors of the Company.</p>	<p>Board of directors 14/14 Audit & Supervisory Board 5/5*1 Audit Committee 13/13 Remuneration Advisory Committee 8/8</p>	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
 <p>Makoto Nakano Audit Committee Outside Director Independent Director Shares held: 1,900 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 we believe that he is capable of appropriately performing his duties as an outside director of the Company as an Audit Committee Member. In addition to advising us on how to improve the corporate value of our Company and our clients, we expect him to play an active role in the development of our next generation management team.</p>	<p>Board of Directors 10/10*2 Audit Committee 13/13</p>	Expertise in Finance/ Accounting	Expertise in Legal and Compliance	Leadership	IT Industry/ SaaS Experience	Expertise in Corporate Value	Experience of Global Business	Expertise in Organizations/ Human Resources

Effectiveness of the Board of Directors

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

Evaluation Methodology

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

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

Results of Evaluation

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

(1) Organization of the Board of Directors

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

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

(2) Agenda of the Board of Directors

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

(3) Operation of the Board of Directors

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

Future Correspondence

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

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

Activities of the Board of Directors

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

Activities of the Board of Directors (14 meetings)

Resolutions	Matters to be reported
<ul style="list-style-type: none"> ▪ Avant Group key personnel and organization ▪ Approval of executive remuneration plan and remuneration amounts ▪ Institutional design changes ▪ Investment in VC funds ▪ Empower Japan's source code buyout 	<ul style="list-style-type: none"> ▪ New medium-term management plan ▪ Report on institutional design ▪ Role of the Board of Directors in resolving materiality ▪ Consideration of introducing equity remuneration for employees ▪ Progress report on the formulation of the new medium-term management plan and core KGI "human capital value enhancement rate" ▪ How to increase software—Improvement of product planning capability in the medium-term management plan ▪ Report on startup investments and collaborations ▪ Policy on candidates for Outside Directors for the fiscal year ending June 30, 2024 ▪ Remaining issues and responses to Group restructuring ▪ Share price report

Executive Remuneration System

Basic Policy on Remuneration

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

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

Items discussed by the Remuneration Advisory Committee

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

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

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

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

The ratio of fixed remuneration and performance-linked remuneration for directors is as follows, with the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

Composition of Directors' Compensation

Director	50-55% (Fixed remuneration)	15%-20% (Short-term performance-linked remuneration)	30% (Medium- to long-term performance-linked remuneration)
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1. Short-term Performance-linked Remuneration

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

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

Short-term Incentive Coefficient

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

- (i) If (a) is less than or equal to (b): 0
- (ii) If (a) is more than (b) but less than $b \times 112\%$: $0.5 \times \{1 + ((a) - (b)) / ((b) \times 12\%)\}$
- (iii) If (a) is more than 112% of (b): $1 + 0.5 \times ((a) - (b) \times 112\%) / ((b) \times 6\%)$

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

$$\left\{ \text{Short-term incentive coefficient} = 0.5 \times \left(1 + \frac{\text{Consolidated operating profit for the current period: } ¥3,289 \text{ million} - \text{Consolidated operating profit for the previous period: } ¥3,247 \text{ million}}{\text{Consolidated operating profit for the previous period: } ¥3,247 \text{ million} \times 12\%} \right) \right\} = 0.55$$

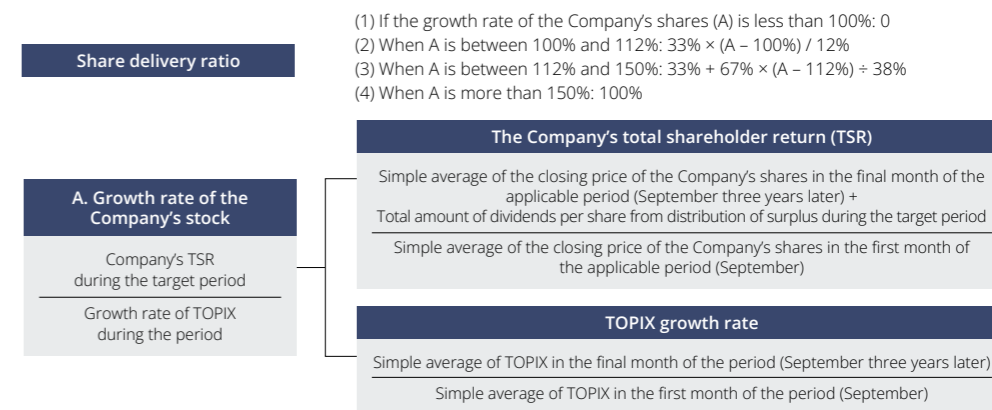
2. Medium- to long-term Performance-linked Remuneration

The medium- to long-term performance-linked remuneration is a performance-linked share-unit system in which the Company's common shares are paid as a performance-linked stock remuneration system for the purpose of providing Directors with incentives to improve the corporate value of the Company over a longer period of time and further promoting alignment of interests between Directors and shareholders.

It is determined by multiplying the number of shares (standard number of shares to be delivered) determined by the Board of Directors of the Company by the share delivery ratio determined in accordance with the growth rate of the Company's shares, which is a representative indicator of the corporate value of the Company. The Company's stock growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the target period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the target period.

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

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



- (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%

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

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

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

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

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

Succession Plan

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

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

Strategic Shareholdings

The Company has no so called strategic shareholdings.