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## 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

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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.

