

AUDIT COMMITTEE MEMBERS



MAKOTO NAKANO

Outside Director
(Audit Committee Member)

TSUYOSHI NOSHIRO

Director
(Audit Committee Member)

CHIE GOTO

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

DISCUSSION

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

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

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

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

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



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

MAKOTO NAKANO

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

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

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

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

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

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

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

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

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

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

TSUYOSHI NOSHIRO



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

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

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

Evolution of Group Management through Changes in Governance Structure

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

Nakano It is difficult for me to comment on previous measures as I was appointed after the current structure was put in place. However, I feel the group

management tone for the company is solid. The board of directors discusses how to allocate capital and human resources. As a holding company, this equates to the function of an internal capital market, i.e. allocating capital to operating companies from an investor's perspective. I have developed an impression that execution of the details for the strategy is left to the individual operating companies.

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

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

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



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

CHIE GOTO

department for human resources, promoting common hiring, or consolidating some functions to minimize operational costs.

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

Goto I have become more aware of the increase in responsibility I have taken on. When I was a corporate auditor, I was not involved in decision-making on business execution, so I perhaps felt somewhat reluctant to ask in-depth questions. However, in line with my move

to director, I approach board meetings with a strong awareness that I have voting rights and an intent to participate in decision-making.

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

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

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

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

Noshiro Mr. Kamoi, who joined as an outside director in September 2023, has been involved in HR-related businesses and has experience in CEO succession, so I see this as a strengthening of the board composition in terms of succession. Regarding succession of outside

directors, I understand there is no need to move urgently as most directors still have served less than five years, but rotation must be considered. This is my personal opinion, but I think it is preferable from a governance perspective to replace outside directors after 8-10 years for monitoring purposes, although a CEO should be able to continue for more than 10 years if he/she is excelling in the role.

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

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

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

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

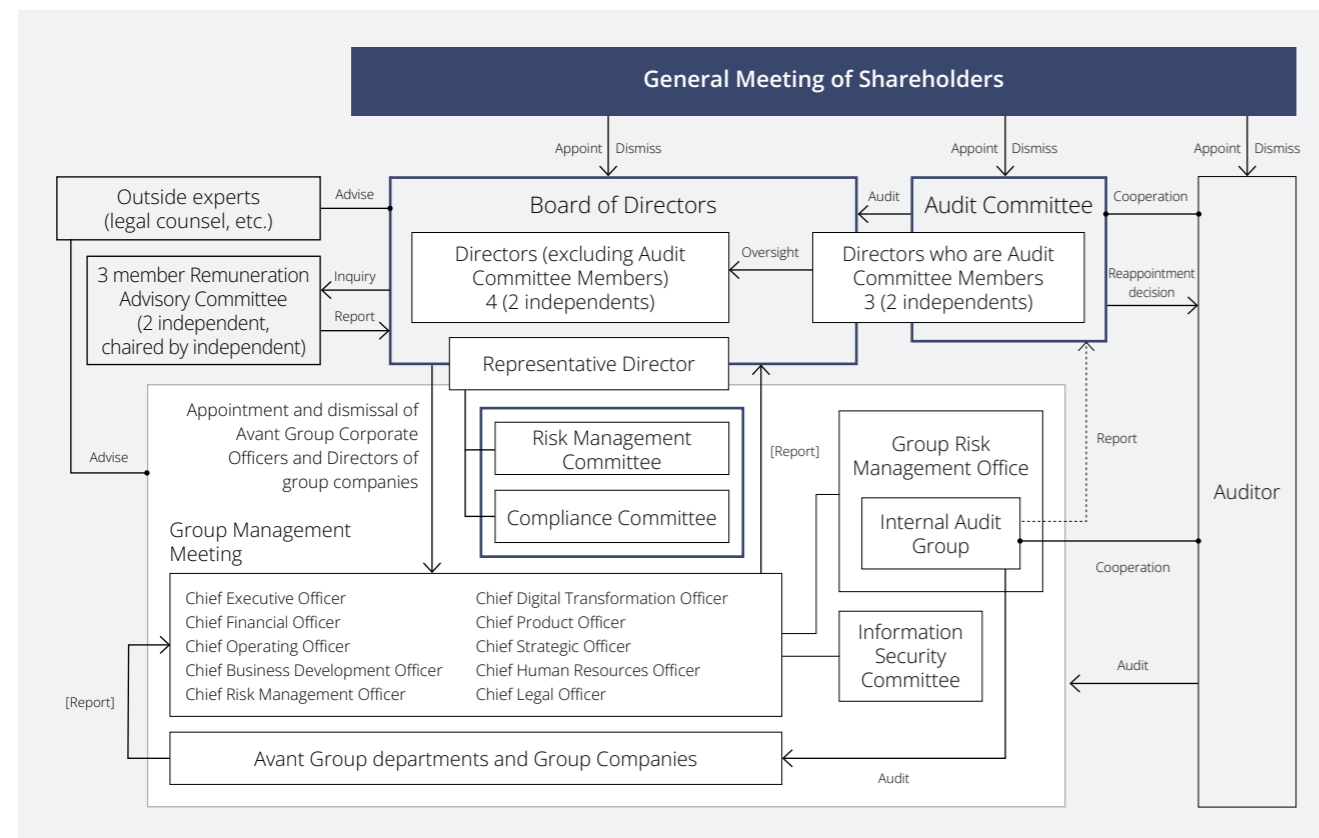
CORPORATE GOVERNANCE

Avant Group's Basic Approach to Corporate Governance

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

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

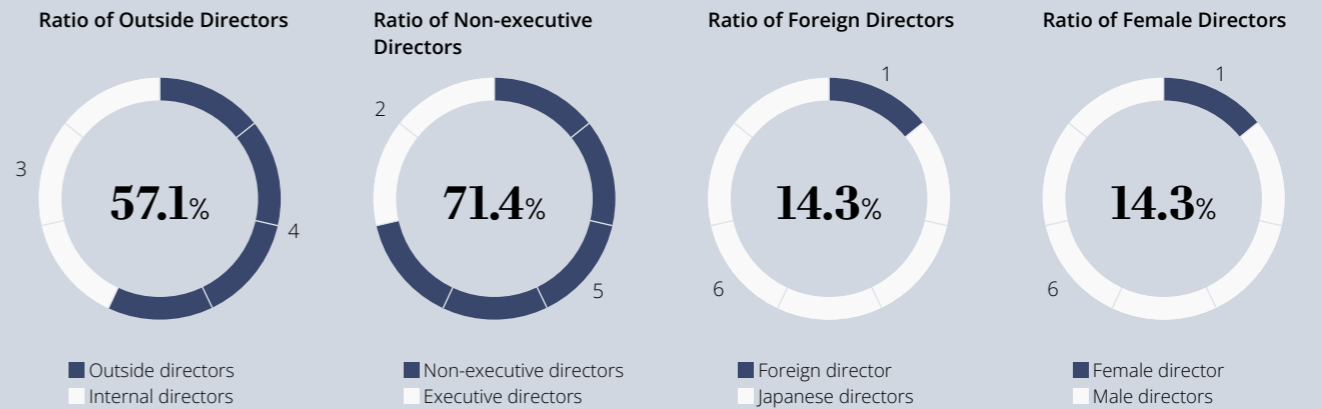
Avant Group's Corporate Governance Structure (as of December 31, 2023)



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)

Board of Directors

Chairman: Representative Director, President and Group CEO

Number of meetings: 14

Members: 3 internal directors and 4 outside directors (including 1 female (●) and 1 foreign director (●))

Chairman

Internal directors: 3, Outside directors: 4

Audit Committee

Number of meetings: 13

Members: 1 internal director and 2 outside directors (including 1 female (●) director)

Internal director: 1, Outside directors: 2

Remuneration Advisory Committee

Committee Chairman: Independent Outside Director

Number of meetings: 8

Members: 2 independent outside directors, Group CEO and President (including 1 female (●) director)

Committee Chairman

Group CEO and President: 1, Independent outside directors: 2

Group Management Meeting

Chairman: Representative Director, President and Group CEO

Number of meetings: 24

Members: 11 CxO members and others, including 3 internal directors








Chairman

Internal directors: 3

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.

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

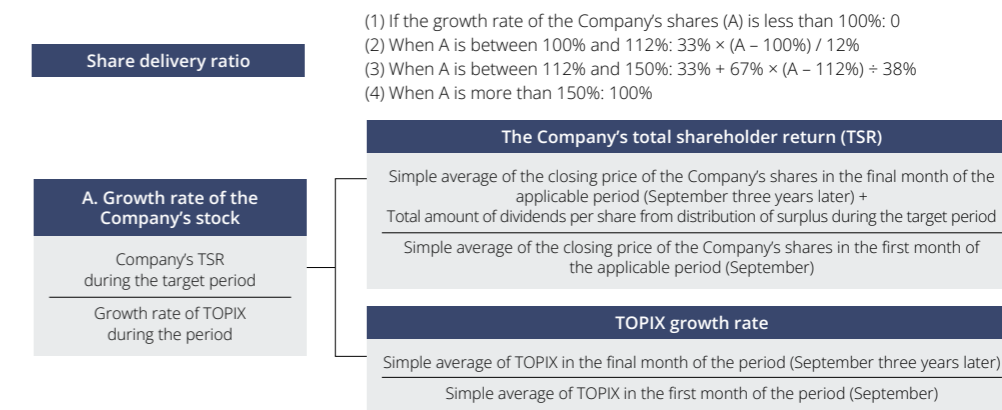
2. Medium- to long-term Performance-linked Remuneration

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.

Risk Management Policy

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

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

Notably Significant Risks

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

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

Significant Risks

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

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

Compliance

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

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

GROUP CRO MESSAGE

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



HIROKI TAKEMURA

Group CRO
Executive Vice President,
Diva Corporation

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

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

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

response is essential for maintaining business continuity and customer trust.

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

Directors



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



Naoyoshi Kasuga
 Director
 Group CFO



Jon Robertson
 Director
 Outside Director Independent Diversity
 [Concurrent positions]
 President, Asia Pacific & Japan, Snowflake Inc.



Tatsuya Kamoi
 Director
 Member of the Remuneration Advisory Committee
 Outside Director Independent
 [Concurrent positions]
 Vice Chairman of the Board at
 ABeam Consulting Ltd.

Directors (Audit Committee Members)



Tsuyoshi Noshiro
 Director (Audit Committee Member)
 [Concurrent positions]
 None



Chie Goto
 Director (Audit Committee Member)
 Chairman of the Remuneration Advisory Committee
 Lead Outside Director
 Independent Diversity
 [Concurrent positions]
 Partner, Sakura Kyodo Law Office



Makoto Nakano
 Director (Audit Committee Member)
 Outside Director Independent
 [Concurrent Positions]
 Professor, Graduate School of Business
 Administration, Hitotsubashi University

Corporate Officers



Takahiro Okabe
 Group COO
 President and Representative
 Director, Avant Corporation
 Chairman and Director,
 Zeal Corporation



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



Yoshiyuki Numata
 President and Representative
 Director, Zeal Corporation



Hiroki Takemura
 Group CRO
 Executive Vice President,
 Diva Corporation



Shingo Moroi
 Group CSO
 Director, Avant Corporation



Teppei Terashima
 Director, Avant Corporation



Tatsuru Nakayama
 Group CDO and Group CPO
 Director, Avant Corporation



Kunihiro Nakamura
 Director, Zeal Corporation



Hiroyuki Morita
 Director, Zeal Corporation



Seiji Fukuda
 Director, Zeal Corporation



Tetsuya Kawamura
 Director, DIVA Corporation



Yoko Hosokawa
 Director, DIVA Corporation



Tomotatsu Osada
 Director, DIVA Corporation



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



Masamitsu Suzuki
 Group CLOs

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

Sustainability Management and ESG Risks

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

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

	Theme	Risk	Examples of possible measures	Opportunity
Governance	Risk management	Our sustainability may be threatened due to the occurrence of serious risks that are not recognized or understood, or for which countermeasures (mitigation or transfer) are insufficient.	<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.	<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 	

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

Human Rights

Avant Group recognizes that all business activities of the directors and employees of the Group and group companies have an impact on human rights. Each and every one of us supports and respects the International Bill of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work of the International Labor Organization. We have also signed the United Nations Global Compact, which outlines universal principles on human rights, labor, the environment, and anti-corruption, and we support and respect its 10 principles. Based on these ideas, the Board of Directors established a Human Rights Policy on July 22, 2020.

Human Rights Policy

1. Basic Policy on Respect for Human Rights

All human beings are born free and equal in dignity and rights. We must not be complicit, directly or indirectly, in the violation of human rights. It is prohibited to discriminate on the basis of race, color, gender, sexual orientation, language, religion, creed, political or other opinion, national or social origin, property, family origin, or other status or similar grounds. We will prohibit forced labor and child labor, and respect labor rights such as freedom of association and the right to collective bargaining. We recognize the right of everyone to the enjoyment of fair and favorable working conditions, ensure safe and healthy conditions at work, and guarantee fair and just compensation for work.

2. Efforts to Realize Respect for Human Rights

To respect human rights and realize a sustainable society, we will work to raise awareness of human rights through training and other means. Through discussions and dialogue with all stakeholders involved in the Group's business activities, the Company understands issues related to human rights and their impact, and discusses how to respond. The Group will disclose its efforts to respect human rights and its progress to stakeholders in an appropriate and timely manner.

Environment

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

Avant Group Environmental Policy

Compliance with environmental laws and regulations	We will comply with environmental-related laws and regulations, as well as agreements with stakeholders, and take appropriate measures.
Awareness of environmental policy	We will conduct education and awareness-raising activities to raise the environmental awareness of each and every Group employee so that they can carry out their own environmental conservation activities.
Environmental conservation activities	We will work closely with government agencies, local communities, and related organizations to actively support individual Group employees' efforts to address climate change, promote resource recycling, and biodiversity conservation activities by each and every Group employee.
Communication with Stakeholders	Aiming to realize a sustainable society, we will strive for mutual understanding with stakeholders and active disclosure of information.

Disclosure Based on TCFD

Governance	Led by President and Group CEO Morikawa, the Avant Group's Investor Relations Department and CRM Committee will gather information on climate change, its impact, and will discuss how responses. The Board of Directors discusses opportunities and risks associated with climate change in regular reports to the CRM Committee and at the Group Management Meeting, and formulates future policies and oversees progress.
Strategy	<p>Transition Risks Response</p> <p>In the fiscal year ended June 30, 2023, the Avant Group spent approximately ¥24 million, which is equivalent to 0.11% of sales. If we are forced to purchase alternative energy sources due to stricter regulations on greenhouse gas emissions, our business performance may be slightly affected from rises in unit prices for electricity and gas. Going forward, we aim to reduce Scope 2 greenhouse gas emissions by 50% compared to the fiscal year ended June 30, 2018. We will use carbon offsets and other means. Offset credits are finite, and if a large number of companies adopt similar methods, it may not be possible to secure offset credits for the assumed unit price and quantity.</p>

Strategy	<p>Physical Risk Response</p> <p>According to the Ministry of the Environment's "Impact Assessment of Intensifying Disasters Caused by Climate Change (Interim Report)" in response to the IPCC Fifth Report, typhoons are likely to approach Japan with greater intensity than at present, and bring more rain to the Kanto and Tohoku regions mainly because water vapor from the sea is more likely to be supplied to typhoons due to rising sea surface temperatures and the amount of water vapor that the atmosphere can store will increase due to rising temperatures. Scenarios have been established for changes in the amount of rainfall and sea levels associated with global warming for rises of 2°C and 4°C. However, as with events such as Typhoon No. 15 in 2019, which passed through the Kanto region and damaged the power transmission system on a scale that exceeded these scenarios and the once-in-50-year risk, the reality is that these scenarios have already occurred. Rather than adopting countermeasures in line with these scenarios, the Group has adopted countermeasures that anticipate the occurrence of the largest class of possible disasters.</p> <p>We believe that the greatest risks to our group are (1) it will be difficult to maintain a safe living and working environment for employees in the event of a catastrophic disaster and (2) the continuity of service provision to customers will be lost. In particular, the continuity of our group's services is an extremely important issue because the services provided by the Group broadly contribute to the formation of important information related to the survival of a company, such as the preparation of customers' financial statements and the generation and disclosure of information that contributes to management decisions. The CRM Committee shall consider an appropriate BCP in response to such risks and report progress to the Board of Directors.</p>
	<p>Opportunity Response</p> <p>For customers to respond to climate change, visualizing economic activities that lead to the generation of greenhouse gases within an organization, taking countermeasures, and providing customers with an environment that deepens communication with stakeholders are possible as part of solutions in line with the "Spreading Accountability" that we are promoting, and represent an opportunity for further growth for our Group. It is also an opportunity for further growth for the Group. These opportunities will be discussed and promoted by the Group CEO and representatives of each Group company at the Group Management Committee.</p>
Risk Management	<p>Risk Management System</p> <p>The Avant Group's Investor Relations Department and CRM Committee gather information and discuss responses. Important information is reported to the Board of Directors through the CRM Committee for discussion as appropriate.</p>
	<p>Formulation of BCP Assuming the Greatest Risk</p> <p>The CRM Committee will formulate and report to the Board of Directors a BCP to ensure the safety of employees before and after a disaster, support their daily life and work during the reconstruction period, and ensure the continuity of services for customers in the three largest possible disasters (Tokyo Arakawa River Massive Flood, Tokyo Bay Massive Storm Surge, and Osaka Bay Massive Storm Surge) that are associated with the intensification of natural disasters such as short-term localized torrential downpours and huge typhoons associated with climate change risks.</p>

Quantitative Measurement and Targets

As for greenhouse gas emissions by the Core Group Companies, direct emissions from the use of fuel (Scope 1) were zero, and indirect emissions from the use of electricity, steam, and heat (Scope 2) were 359 t-CO₂ in the fiscal year ended June 30, 2023. On the other hand, indirect emissions generated by procurement of raw materials, employee business trips, and outsourced waste disposal (Scope 3) were 11,119 t-CO₂ in the fiscal year ended June 30, 2023. However, we aim to reduce Scope 2 emissions by 50% by the fiscal year ending June 30, 2030 compared to the fiscal year ended June 30, 2018 through carbon offsets, in addition to curbing excessive electricity consumption by encouraging appropriate working hours and telecommuting and to reduce total greenhouse gas emissions by 50% by the fiscal year ending June 30, 2030 compared to the fiscal year ended June 30, 2018. We have been purchasing green power certificates corresponding to our Scope2 emissions since July 1, 2021, and achieved carbon offset.

Greenhouse Gas Emissions (t-CO₂)

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

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

Carbon Offset Initiatives

On July 1, 2021, we purchased the “Green Power Certificate” issued by Japan Natural Energy Company, Limited (Head Office: Shinagawa-ku, Tokyo; President: Keiki Kato) for all electric power in the offices of the five group companies and switched to green power.

The Green Power Certificate System is a system whereby the environmental added value of electric power generated by renewable energy (green electric power) is traded in the form of “Green Power Certificates” by certificate issuing business operators who obtain certification from the Japan Quality Assurance Organization (JQA). By purchasing a Green Power Certificate, companies can assume that the amount of electricity (kWh) listed in the Certificate was generated from renewable energy sources without having to own power generation facilities. Since it can be regarded as a contribution to the spread of renewable energy equivalent to the electricity listed on the Green Power Certificate, it is attracting attention as a mechanism to curb carbon dioxide emissions, which cause global warming. The Group is working to promote the efficient use of electric power and the penetration of power generation using natural energy to prevent global warming.



Our Group and Society

The National Museum of Modern Art, Tokyo

The National Museum of Modern Art, Tokyo boasts one of the largest collections of Japanese modern art in Japan, with over 13,000 works. It is the only museum in Japan where visitors can see the history of Japanese art from the Meiji period to the present day. As a Gold Partner since 2017, the Group supports the National Museum of Modern Art, Tokyo's activities in support of the National Museum of Modern Art, Tokyo, which aims to enrich the lives of each and every citizen through the appreciation of the national collection, various events and programs.



Mt Fuji Trail Run

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



NIPPON IT Charity Ekiden

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

