

# **AVANT Code of Conduct**

## **Introduction**

In recent years, the existence and influence of enterprises have been rapidly increasing in society. Private enterprises are increasingly expected to create jobs, as a matter of course, and contribute to socially beneficial welfare services. On the other hand, it is well recognized that this enterprise activity has attracted more public attention due to the evolution in communication of information. If an enterprise chooses an ethically questionable action, the enterprise may not only be required to compensate for damages but also have to cease its business activities due to loss of confidence. On the contrary, by maintaining confidence in its ethical practices, an enterprise can expect mid- and long-term reduction in costs for marketing and recruitment.

Also, AVANT Group is involved mainly in the business of development and sales of software (i.e., copyrighted works), the continuance of which is in part supported by customers' correct use of software based on their compliance with the copyrights of software, and with the provisions of other contracts concluded between AVANT Group and individual customers.

Accordingly, on the assumption that AVANT Group business is based on customer compliance with laws (e.g., those related to copyrights) and relevant contracts as mentioned above, AVANT Group believes that it must carry out its activities with awareness of compliance, by taking the initiative in enhancing its members' awareness of laws, regulations and business ethics.

It is of course important for a stock company to produce profits in order to continue business, but AVANT Group believes that, as described above, activities based on the awareness of compliance and the observance of laws, regulations and business ethics can be said to enhance confidence in AVANT Group as a corporation and, by extension, of relevant individuals.

Based on the above background, AVANT Group believes that its activities should not just be economic activities, but activities with sufficient awareness of ethics. Economic activities, of course, do not necessarily correspond to ethical activities, and at times they contradict each other. In this respect, AVANT Group has established the "AVANT Code of Conduct" based on the idea that it is the role of AVANT Group to pursue economic benefits while realizing business ethics. Please carefully read and understand the "AVANT Code of Conduct" and strive to act in compliance with the details thereof.

Be that as it may, the "AVANT Code of Conduct" is not necessarily applicable to all

circumstances because our social environment and relevant business rules are always subject to change, and existing laws are also always subject to revision. AVANT Code of Conduct is planned to be revised through regular annual reviews so that it can always correspond to the latest circumstances. Nevertheless, if there arises any event that causes difficulty in decision making because the AVANT Code of Conduct was not revised to address this newly encountered situation, you need to take appropriate action after communicating with your superior or relevant departments.

December 2018

Compliance and Risk Management Committee

## **Compliance System**

### (1) Compliance and Risk Management Committee

AVANT CORPORATION (hereinafter referred to as “AVANT”) establishes the Compliance and Risk Management Committee within AVANT in order to thoroughly inform members of the group composed of AVANT and its subsidiaries (hereinafter referred to as “AVANT Group”) about compliance-conscious activities.

The representative director of AVANT shall serve as the Chairperson of the Compliance and Risk Management Committee and appoint members thereof.

### (2) Compliance Hotline

When carrying out duties, please report by email to the Compliance Hotline if there is any question concerning the interpretation of the AVANT Code of Conduct with respect to the occurrence of a certain problem, or if a problem has obviously occurred. The details reported will be addressed with sufficient consideration of the privacy and treatment of the informant.

In addition, for any question concerning the general interpretation of the AVANT Code of Conduct, please contact by email the secretariat of the Compliance and Risk Management Committee which will then handle the question.

### (3) Review of the AVANT Code of Conduct

The AVANT Code of Conduct shall be regularly reviewed and, where necessary, revised appropriately upon approval of the Compliance and Risk Management Committee.

### (4) Thorough communication about the handling of confidential information, etc., to each AVANT Group member

Each member of AVANT Group is required, at the beginning of each business year, to submit a written confirmation on the compliance of the AVANT Code of Conduct, mainly related to “information acquired in the course of business for which confidentiality is required”) and to the handling of “nonpublic information” such as insider information. Each member is thereby expected to recognize the importance of the compliance with the AVANT Code of Conduct. In addition, with respect to the “handling of information received from customers” among the abovementioned information, each member is expected to understand the detailed method of handling and the points to note related thereto.

- (5) Laws that should be complied with in connection with the business of AVANT Group  
The main relevant laws are listed below. With respect to duties to be conducted by yourself, you must always act with awareness of whether there is any problem under relevant laws.

The Penal Code, the Civil Code, the Commercial Code, the Companies Act, the Financial Instruments and Exchange Act, the Anti-Monopoly Act, the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, the Unfair Competition Prevention Act, the Copyright Act, the Patent Act, the Trademarks Act, the Labor Standards Act, the Foreign Exchange and Foreign Trade Act, etc.

## **AVANT Value**

### **[Openness]**

We prioritize making fair judgments through honest discussion and a highly transparent decision-making process, and act on the assumption that all events will eventually become public.

### **[Prioritizing practice]**

We prioritize practical ability based on experience. Values of a theory can only be realized through practice. Failure—the mother of success—should be tolerated.

### **[Keeping commitments]**

You should make commitments that you can keep, and should keep the commitment you made. You should act bearing in mind that the continued practice of keeping commitments is a business basic.

### **[Customer focus]**

We think from the perspective of customers. We/you should not impose our/your self-righteous logic, or our/your own convenience, on customers. We should also try to act and talk decently so that you can gain trust from customers.

### **[Self-reliance and autonomy]**

You should be voluntarily motivated to think independently. You should have your own proposal on what to do, considering what you are meant to be and what the current situation is, rather than seeking an easy answer.

### **[Teamwork]**

We prioritize producing higher values as a group, rather than by an individual. Individuals with diverse characters and abilities can create new values, by paying respect to and cooperating with each other.

## **Compliance Rules**

Listed below are the rules that should be observed with respect to individual compliance issues, which are categorized corresponding to the rules categorized under the “AVANT Value” described in the previous page. Members of AVANT Group are expected to read carefully the details of the Compliance Rules and strive to ensure that you can take appropriate action.

### **① [Openness]**

#### **1. Comply with relevant laws and regulations and ensure sound management**

As a matter of course, we will comply with relevant laws, regulations, rules, contracts, etc., and will not commit any anti-social or illegal activity, etc. In addition, we will not have members of AVANT Group, other companies (e.g., counterparties) and other individuals, commit the abovementioned activities. You must take a stance of always checking if there is any problem from the perspectives of laws, regulations and business ethics.

#### **2. Ensure appropriate disclosure of corporate information and strict management of insider information**

We will carry out sound corporate accounting practices in compliance with the Financial Instruments and Exchange Act and fair business accounting principles, and ensure appropriate disclosure of financial statements, etc., to our shareholders, etc.

#### **3. Ensure fair competition with our competitors**

We must neither participate in any cartel, bid-rigging, etc., that violates the Anti-Monopoly Act, nor attempt to compete by means of illegal use of intellectual property, illegal acquisition of information, libel or slander, bribery, etc.

#### **4. Ensure fair information disclosure in promotional activities and public relations**

We will not lie or exaggerate. Also, we will not libel or slander other individuals, and will respect copyrights of other individuals and never violate the privacy of such individuals.

**5. Build equal and fair trading relationships with counterparties**

We will not build cozy relationships with counterparties. We will not unreasonably impose anything on counterparties, utilizing our advantageous position. We will not carry out any trade without eligibility. In doing business with small- and medium-sized enterprises, you must take into consideration the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors. Also, in our relationship with the government and governmental agencies, we are not allowed to provide food and drinks, entertainment, or any other things with monetary value, which is regulated by laws and regulations that are stricter than generally accepted customary practice. In this case, we must recognize that we need to be specifically more careful than in the case of transactions with ordinary companies.

**6. Ensure a transparent decision making process in accordance with predetermined procedures**

We will make transparent decisions following the procedures based on the powers set forth in relevant rules in order to exclude the possibility of intervention into decision making based on personal or arbitrary consideration.

**② [Prioritize practice]**

**1. Value will be realized through practice**

The details described herein can be meaningful only after you actually put them into practice. Please be sure to well understand the details and try to put them into practice in the course of carrying out your duties.

**2. Act in practice based on the authority vested in you**

In carrying out these actions, you must act within the authority vested in you or in accordance with relevant decisions made through legitimate processes. Any act performed by you beyond your authority is an *ultra vires* act, which will constitute a breach of discipline.

**3. Create new values through the work on new projects, etc.**

We must not only respond to market and industrial changes but also ourselves be creative to provide new products and services. In this case, it

is needless to say that we must work on new areas based on research of related laws, practices, etc.

③ **[Compliance with commitments]**

**1. Comply with internal regulations and take orderly action**

You must comply with service regulations (e.g., rules of employment) and refrain from action that can lead to loss of credibility such as anti-social and illegal action.

**2. Keep trade secrets such as knowhow under strict control based on a clear management system**

You should ensure not to divulge trade secrets to third parties under a management system that clearly defines what trade secrets are. Also, when disclosing trade secrets to a customer, you must disclose them in accordance with prescribed methods.

**3. Strictly control the information acquired in the course of business for which confidentiality is required, and do not divulge such information without justifiable grounds**

We should ensure not to carelessly disclose information acquired in the course of business, which includes information such as personal information as well as, needless to say, information for which confidentiality is required. Also, you must take necessary measures to prevent external leakage of such information.

**4. Do not use nonpublic information acquired in the course of performing your duties in order to benefit therefrom**

There are cases where you may have to handle insider information due to the nature of our business. We must strictly control material nonpublic information acquired from customers, and, needless to say, refrain from involvement in insider trading, and build a system that will not raise any suspicion from customers.

**5. Perform duties in compliance with foreign exchange-related laws without causing any problem related to export restrictions**

Export of products such as software is controlled by export-related laws. If



you need to export certain products, you must check export-related laws of the destination country and then take action (such as acquisition of permit or approval if necessary) that does not cause any problem.

④ [Customer focus]

**1. Put customer benefits first**

We should accurately understand the needs of customers and act so that we can provide high added value for them.

**2. For the provision of products/services, provide appropriate explanation of the details thereof.**

We should accurately communicate the details of products/services and try not to use misleading expressions.

**3. Perform service quality control by conducting regular monitoring**

We must at all times verify the quality of products/services that we provide, and seek to improve them. We believe that, in order to improve our services, it is essential to establish a system that allows the results of such ex post facto checks to be reflected in new proposals to be formulated.

**4. Focus on marketing and accurately understand the needs of customers**

We should avoid degrading our corporate image and inviting law violation risks by setting goals that are not based on reasonable analysis of the needs of customers and by seeking only immediate profit (e.g., by asking for the impossible). Rather, our marketing should be based on an appropriate system building for organizations, etc.

**5. Listen actively to customer requests and utilize them in business operations**

Requests/claims from customers can be seen as free advice. We believe that listening sincerely to such requests/claims and taking advantage thereof for business operations will lead to business growth.

**6. When receiving claims, immediately investigate the facts and quickly and appropriately respond thereto**

When a problem occurs with a customer, it is first of all important to conduct an accurate initial investigation and understand the points at issue based thereon. You must establish an internal system that allows your staff

member to report to or consult with at an early stage.

⑤ [Self-reliance and autonomy]

**1. Respect free speech and create an environment that allows staff members to easily express opinions**

By creating a free and open atmosphere that allows staff members to freely exchange and express opinions to an extent possible, superiors will be able to have multiple bases for making decisions, which leads to the growth of subordinates, thereby enhancing the morale of the entire company. This can potentially form the foundation that enables thorough legal compliance measures.

**2. Develop human resources with deep insight and expertise**

In making independent decisions, we need many human resources, as a standard, capable of understanding the meaning of laws and regulations, etc., and making appropriate decisions by themselves. You, as a company, also need to prepare the environment in which these compliance issues are well understood.

**3. Choose your action based on whether such action is beneficial to the company**

For business decisions, we must ensure not to make business decisions for the purpose of benefiting yourself or a third party or causing damage to the company. The abovementioned decisions that are made for the purpose of benefiting yourself include those for saving your own neck.

**4. Respect human rights and do not commit unfair discrimination, with due consideration to privacy protection, sexual harassment, etc.**

We will respect human rights of each staff member and will not cause hardship for any staff member by unfair discrimination based on his/her birth, ethnic origin, religion, gender, disability, age, hobby, academic qualifications, etc., bullying, harassment (e.g., sexual harassment) or the like. We must note that others can be hurt not only by any intentional acts of discrimination but also by casual words, expressions, etc. Also, we must strictly control the privacy (e.g., personal information) acquired in the course of your duties and keep it fully protected from leakage.

**5. Draw a line between public and private matters, and interact with customers with moderation**

We must maintain the serious atmosphere of the workplace and create an environment that is unlikely to cause clerical mistakes or accidents by distinguishing between public and private matters (e.g., by prohibiting the private use of furniture and equipment of the workplace or conduct of private business during working hours or at the workplace. Also, you must understand that interaction with customers is a part of business operations, and must perform your duties in an orderly and moderate manner.

**⑥ [Teamwork]**

**1. Mutually enhance values through mutual respect**

There may be cases where you can gain appropriate advice by consulting with another member (e.g., specialized staff) or an outside expert. We believe that you can enhance your values by actively listening to the opinions of such other people because such an experience will help you widen your perspectives. Thus, mutual respect and listening to the opinions of other people eventually lead to mutually enhancing the values of yourself and your counterparties.

**2. Attend to your duties faithfully and follow faithfully your own authority in the course of performing your organizational duties**

Each of you must make decisions based on your understanding of your own roles and authority, otherwise you are likely to overstep your duties and authority. Also, you must establish a system in which the checking function will always works for internal management because questionable conduct is likely to be found where checking is not sufficiently carried out in a situation that an excessive trust is given to a specific employee.

**3. Secure smooth performance of duties by increasing the sharing of necessary information**

Techniques for using information are important when an enterprise acts as an organization. You must share and utilize the information acquired in the course of your duties for the purpose of promoting the interests of the entire company rather than those of yourself or the department you belong to. However, if the use of the abovementioned information is against the

protection of trade secrets or customer secrets/privacy, then the latter, needless to say, prevails.

#### **4. Develop fair employment conditions through positive labor relations**

It is the responsibility of companies to comply with labor-related regulations and secure appropriate a working environment. Management supervisors must endeavor to develop working environment, and maintain and improve working conditions so that each staff member can work energetically. It is important for management supervisors to thoroughly ensure the management of working days and hours, avoidance of demanding excessive work and forcing overtime work, and attention to the health of subordinates, etc.

### **⑦ [Others related to social contributions, etc.]**

#### **1. No relationship with anti-social forces**

We must not trade with any anti-social forces such as organized crime groups, pseudo-anti-discrimination activists or fraudulent business operators, or allow for unjustified intervention by them. In case you are forced to respond to them, you must keep a firm attitude and prevent them from taking opportunities.

#### **2. Respect intellectual property rights of others**

You must take care not to unintentionally infringe upon intellectual property rights such as copyrights because such rights are invisible. Respect for rights of others is one of the basic rules; therefore, you must comply with such rules in order to earn the trust of customers. Also, you must be more careful about intellectual property rights in other countries because their scope is different from those in Japanese and thus requires separate research.

#### **3. Approaches to environmental issues**

At present, our business is not directly related to environmental issues in many respects. Nevertheless, we believe that, if we launch into business that is related to environmental issues, and to the extent our business is related thereto, we must act with consideration of the protection of the global environment.

#### **4. Support for local communities, welfare, and artistic culture**

We believe that we are naturally responsible for the above-mentioned social contribution activities as a social entity. It is important for us to have an interest in social and cultural projects and think of what you can do.

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