

The following is an overview of corporate governance at AVANT Corporation

## *1. Fundamental policy covering corporate governance and basic information about capital structure, corporate attributes*

### 1. Fundamental Policy

#### (1) Corporate Philosophy

Our corporate philosophy since our founding has been to respect the Japanese view of management as a public entity of society and to develop as an organization that exists for society. We believe that the fundamental idea of management based on Japanese culture lies in viewing the company as a public entity of society. Even in a globalized society, we respect this management philosophy as a cultural asset and aim to develop as an organization that exists for society.

Based on this Japanese management philosophy, we call our corporate activities "the creation of a 100-year company," which we have positioned as our corporate philosophy since our founding. It is not simply a continuation of the company or the brand. As a 100-year company, we have passed on our management philosophy as a public entity beyond generations, and all members are able to aim beyond his or her capacity in providing value to society in a free and creative manner. To this end, we practice group management that fosters independent organization and group synergies.

We emphasize advanced corporate governance for group management that contributes to the growth of people and organizations. By engaging in dialogue with various stakeholders and continuing to learn from them, we aim to develop our business from an open perspective so that we can provide value to society without being biased toward specific stakeholders.

#### (2) Policy on Corporate Governance

Based on this corporate philosophy, we have formulated the "Avant Group Fundamental Policy on Corporate Governance" and are striving to enhance corporate governance by enhancing the transparency and soundness of management, carrying out business operations promptly based on accurate decision-making, and building a management system that enables appropriate monitoring of these operations.

Reference document: [https://www.avantcorp.com/en/ir/governance/pdf/AVANTCorpCorporateGovernanceRule\\_en.pdf](https://www.avantcorp.com/en/ir/governance/pdf/AVANTCorpCorporateGovernanceRule_en.pdf)

[\[Reasons for non-compliance with the principals of the Corporate Governance Code\]](#)

#### **[Supplementary Principle 2-4 (1) Ensuring diversity in appointing core personnel, etc.]**

In order to realize our management philosophy, all of our employees share the following values: (1) customer-oriented, (2) high-profit-oriented, and (3) unique talent-oriented. These values lead to a virtuous cycle that supports continuous growth: putting the customer first, growing as a person through creative conversations with various stakeholders in order to meet the needs and expectations of customers in a changing environment, creating new value that is second to none, and earning a high reputation. In order to share such values, it is important to form an organization that transcends differences in age, gender, race, religion, and hobbies and preferences, and diversity is an important issue for us. As we place importance on the right person for the right job, we do not set targets for specific human resources, such as women and foreign nationals, but in the fiscal year ended June 30, 2021, 6.5% of our managers were women, 2.7% were foreign nationals, and 89.7% were mid-career hires, so people from a variety of backgrounds are active at the leadership level.

We believe that the advancement of diversity will lead to improved job satisfaction for our employees through the following effects: (1) employees will be able to exchange opinions from a broader perspective, (2) we will be able to make high-quality proposals to our customers, and (3) we will be more highly evaluated by our customers. For this reason, the entire group participates in the Great Place to Work (GPTW) survey and has set a goal of achieving a job satisfaction score of 70 points.

#### **[Supplementary Principle 4-1 (3): Establishment of a succession plan]**

The successor to the CEO is recognized as an important management issue for the Company, and discussions began at the Board of Directors from the fiscal year ended June 2018. In the fiscal year ended June 2019, we have contracted a third-party consultant and continued discussion of a comprehensive succession plan.

[Disclosure based on the individual principle of the Corporate Governance Code]

### **[Principle 1-4: Strategic shareholding] (Comply)**

The Company does not have so-called strategic shareholding. In case the Company acquires strategic shares, it should do so for the purpose of maintaining and strengthening business-to-business transactions. To that end, the director in charge of finance shall report the risk and return on such holding of shares regularly and seek approval by the Board of Directors as stipulated in "Rule on management of funds" and others. The basic criteria for exercising voting rights for strategic shares is whether or not the Company and the investee company are mutually increasing each other's corporate value.

### **[Principle 1-7: Related party transactions] (Comply)**

The Company consults with the Board of Directors on discussions and resolutions regarding directors' transactions which could be competitive against or conflict with the interest of the Company. At the end of the fiscal year, each director, corporate auditor, and corporate officer will be questioned regarding transactions with related parties to confirm that there are no harms to the common interests of the Company or shareholders. There are no transactions between related parties.

### **[Principle 2-6: Role of corporate pension funds as asset owners] (Comply)**

Although we do not have a corporate pension scheme, we will make sure a corporate pension scheme should perform its role as an asset owner when introducing a scheme.

### **[Principle 3-1: Full disclosure] (Comply)**

- (i) We have formulated a philosophy system that includes the corporate philosophy of the Avant Group and announced management strategies and medium-term management plans for realizing our philosophy. Our corporate philosophy is also included in this report. Details of this philosophy, as well as our management strategies and medium-term management plans, are available on our website.
- (ii) Based on the principles of each of these codes, the Company's basic stance on corporate governance is described in "I.1 Basic Concept" in this report.
- (iii) In determining the compensation for directors, the basic policy is to make them function effectively as compensation for the director's contribution to improve corporate value. Within the limits of the amount of compensation which shall be resolved at the General Meeting of Shareholders, the allocation is determined in consideration of the position, performance and results during his tenure.
- (iv) When appointing and nominating candidates for directors and corporate auditors, the Board of Directors shall select the most suitable person by resolution considering whether they have the personality, experience, capabilities, broad insights and other factors to improve corporate value, and have a various experience and broad expertise in our business. In addition, outside directors also consider whether they can perform management oversight functions for the Company's management team from a neutral and fair objective perspective.
- (v) The reasons for the appointment of candidates for outside directors and candidates for outside auditors are disclosed in the convocation notice of the general meeting of shareholders.

### **[Supplementary Principle 3-1 (3) Initiatives for Sustainability, etc.] (Comply)**

As pointed out by the United Nations Intergovernmental Panel on Climate Change, global warming is progressing at a pace faster than expected, and we recognize that the impact of climate change on economic activities can no longer be ignored. The management philosophy that we have upheld since our founding, "Creating a 100-year company," reflects our sustainability philosophy of achieving continuous business growth through an independent organization that is highly adaptable to a rapidly changing market environment. It is not enough for a company to simply pursue profits, but it is also important for us to always consider how we can create sustainable corporate value in balance with society and the environment. We signed the United Nations Global Compact on August 25, 2020, and endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) on December 22, 2021. We will take this opportunity to consider and implement what we can do as a group while conducting risk assessment to achieve sustainability. As part of our environmental efforts, we will purchase "Green Power Certificates" issued by Japan Natural Energy Company Limited from July 1, 2021 for all electricity used in the offices of our group companies, based on our electricity consumption for the fiscal year ending June 2020 (approximately 1.5 million kwh). We will purchase Green Power Certificates issued by Japan Natural Energy Co., Ltd. from July 1, 2021 for all electricity used in the offices of Group companies, with the aim of reducing carbon dioxide emissions by approximately 660 tons per year, efficiently using electricity to prevent global warming, and promoting the use of natural energy for power generation. We will continue to build on these efforts and aim to reduce greenhouse gas emissions by 50% by the fiscal year ending June 30, 2030, compared to the fiscal year ended June 30, 2017.

For more information on our sustainability initiatives, please visit our website.

<https://www.avantcorp.com/en/corporate/sustainability/>

### **[Supplementary Principle 4-1-1: Scope of delegation to management] (Comply)**

The Company has established the distinction between management decision-making/supervision and business execution through the Board of Directors as a decision-making/supervisory body and the Executive Officer System as a business execution system based on the decisions made by the Board of Directors. The outline of the system is disclosed on our website and in the report on corporate governance. The Board of Directors makes decisions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as important matters concerning the Company and its subsidiaries in the Group. In addition, the directors or key members of Avant attend the meetings of the Board of Directors of the Company's subsidiaries and are aware of the management situation. The Company has entered into a management guidance and business management agreement with the Company's subsidiaries, and there is a system under which the Company receives reports on important matters related to the execution of duties by directors, and the results are reported to the Board of Directors of Avant. Avant's Group General Affairs Office confirms that the Board of Directors of our subsidiary meets monthly. The Board of Directors of the Company's subsidiaries makes decisions on important matters, but the regulations and operations for (a) investment including office contracts, (b) human resources, and (c) finance including capital policy are subject to approval from Avant, the holding company.

### **[Principle 4-2: Role and responsibilities of the board] (Comply)**

The Board of Directors accepts proposals from directors and corporate officers who are responsible for business execution at any time, and makes a multifaceted and thorough examination that the proposals are in line with the management philosophy, fiscal year business plan, medium-term management plan, etc. At the same time, proposals approved by the Board of Directors are executed mainly by directors and corporate officers in each business field. The Board of Directors will provide personnel, finance, and other necessary support for smooth execution.

### **[Supplementary Principle 4-2 (1): Healthy management compensation based on sustainable growth] (Comply)**

The Company's compensation for directors and corporate auditors is divided into "basic compensation in accordance with the functions of directors and corporate auditors" and "compensation system to achieve sustainable growth through a combination of bonuses linked to short-term and medium- to long-term business performance", which is determined within the scope of the compensation quota resolved at the General Meeting of Shareholders. In order to reflect medium-term corporate performance and risks and to encourage incentivization that contributes to the exercise of sound entrepreneurial spirit, the "Decision on Remuneration for Performance-Linked Stock Compensation for Directors" was submitted as Proposal 4 at the 22nd Ordinary General Meeting of Shareholders held on September 19, 2018, and was approved, and as a result, the Company has introduced this system.

For the remuneration system for directors, please refer to "II. Status of the management control organization and other corporate governance systems related to management decision-making, execution and supervision," 1. Matters related to organizational structure and organizational management, etc. [Directors' remuneration] "Disclosure details of the policy for determining the amount of remuneration or its calculation method.

### **[Supplementary Principle 4-8 (2): Effective use of independent directors] (Comply)**

Mr. Naohisa Fukutani was appointed as the lead independent outside director at the regular board meeting on May 23, 2018.

### **[Principle 4-9: Criteria for Determining Independence and Qualifications of Independent Outside Directors] (Comply)**

The Company has established the following independence standards for independent outside directors, which are based on the independence standards set forth in the Companies Act and the Financial Instruments and Exchange Law and focus on ensuring the independence of the persons who become independent outside directors in terms of substance. At the Board of Directors meetings, outside directors actively provide opinions and advice from an objective and neutral standpoint, and fully contribute to constructive discussions.

- (1) A person who is currently, and during the last 10 years have been, an officer (executive officer, corporate officer, employee or contractor) of the Company or its subsidiaries, affiliates (collectively, the "Group");
- (2) An organization or its officer who directly or indirectly holds 10% or more of the total number of voting rights of the Company
- (3) An organization or its officer who conducts major transaction (Note1) to the Group, or to who the Group conduct major transaction (Note1)
- (4) An organization or its officer who has earned a large (Note2) amount of money or other financial benefits other than executive compensation, or an executive officer, in exchange for providing professional services to our group through consultants, lawyers, certified public accountants, tax accountants, etc.
- (5) An organization or its officer who receive donations or grants from our group exceeding 15 million yen per year

- (6) A person who belongs to the auditing firm, which is the accounting auditor of the Group
- (7) An officer of companies that appoint executives of the Group as officers
- (8) A person who falls under the category of 2 to 7 above in the past three years
- (9) Spouse or relative within the second degree of kinship of a person who falls under 1 to 8 above

(Note1) Major transactions are transactions involving the transfer of money in excess of 2% of annual consolidated net sales or financing of money in excess of 2% of consolidated total assets

(Note2) A large amount means that, in the case of an individual providing professional services, such profit, excluding executive compensation received from our group, exceeds 15 million yen per year for the most recent fiscal year, and in the case of an organization such as a corporation or union, the person providing professional services exceeds the higher of 2% of the group's annual gross income or 15 million yen in the most recent fiscal year.

### [Supplementary Principle 4-10 (1) Use of voluntary mechanisms] (Comply)

The Board of Directors and the Audit & Supervisory Board of the Company consist of five directors (including three external and independent directors and two foreign nationals) and three audit & supervisory board members (including two external and one independent director and one woman), and we believe that the independence and objectivity of the decision-making process and the enhancement of accountability are secured. However, in order to strengthen the policy on how to determine the content of remuneration, etc. and the content of the determined remuneration, etc., the Board of Directors, at its meeting held on March 17, 2021, resolved to establish the Compensation Advisory Committee as a voluntary advisory body. The Remuneration Advisory Committee will consist of three members, two independent directors and the Group CEO, and the chairperson will be selected from independent outside directors. The committee strives to ensure objectivity by receiving advice from outside experts and taking into consideration the level of the market as a whole and the industry as a whole. The Compensation Advisory Committee deliberates on the following matters

- (1) The policy for determining the remuneration, etc., of Directors and Executive Officers
- (2) Drafts of proposals on remuneration, etc. of Directors, Corporate Auditors and Executive Officers to be submitted to the General Meeting of Shareholders; and
- (3) Draft policy regarding decisions on the details of compensation, etc. for individual Directors and Executive Officers to be submitted to the Board of Directors; and
- (4) Proposed contents of individual remuneration, etc. of Directors and Executive Officers to be submitted to the Board of Directors; and
- (5) Any other matters deemed necessary by the Board of Directors in relation to the preceding items.

The Board of Directors has confirmed that the method of determining the details of remuneration, etc. for directors and corporate auditors for the fiscal year ending June 30, 2021 and the details of the remuneration, etc. determined are in line with the said determination policy through the report of the Compensation Advisory Committee.

### [Supplementary Principle 4-11 (1): View on the diversity and size of the board as a whole] (Comply)

With the aim of enhancing corporate value, the Company's directors are selected from among candidates who have diverse and specialized knowledge in the areas of management, legal and compliance, finance and accounting, M&A and finance, IT business, global business, governance, human resources and organization, as well as experience and knowledge as managers, while giving due consideration to diversity. The Board of Directors and the Audit & Supervisory Board are composed of five directors (including three outside and independent directors, and two foreign nationals) and three audit & supervisory board members (including two outside and one independent directors, and one female). The Board of Directors considers the diversity of human resources and the balance of knowledge, experience, and ability to be sufficiently balanced to maintain a high level of decision-making capability. The reasons for the appointment of outside directors and outside corporate auditors are disclosed in the notice of convocation of the General Meeting of Shareholders.

Executive Skills Matrix

	Directors					Auditors		
	Tetsuji Morikawa	Naoyoshi Kasuga	Naohisa Fukutani	Georges Ugeux	Jon Robertson	Tsuyoshi Noshiro	Kunio Suzuki	Chie Goto
Management	●		●	●	●		●	
Legal and Compliance						●		●

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Finance and Accounting	●	●	●	●		●	●	●
M&A and Finance		●	●	●				
IT Business	●				●		●	
Global		●	●	●	●			
Governance	●	●	●	●	●	●	●	●
Human Resources and Organization	●		●	●	●	●	●	

## [Supplementary Principle 4-11 (2): Directors and Auditors' concurrent position] (Comply)

The status of concurrent positions of outside directors and outside auditors is disclosed annually in the notice of convocation of the general meeting of shareholders, the annual securities report, and the corporate governance report. Regarding concurrent positions with other companies, they are appointed after confirming that there is no hindrance to the execution of duties as directors and corporate auditors of the Company

## [Supplementary Principle 4-11 (3): Analysis, Evaluation, and Disclosure of Results of the Effectiveness of the Board of Directors] (Comply)

With the aim of realizing sustainable enhancement of corporate value, the Company recognizes issues related to the responsibilities, composition, and operation of the Board of Directors, and is working to make continuous improvements. The Board of Directors analyzes and evaluates the effectiveness of the Board of Directors based on the self-evaluation of each director every year.

### [Evaluation method]

The Company conducted evaluations by third-party organizations in the fiscal years ending June 30, 2018 and June 30, 2019 from the perspective of enhancing the independence and objectivity of analysis and evaluation. From the fiscal year ending June 2020 onward, we have decided to conduct interviews with directors and corporate auditors by third-party organizations as appropriate, mainly through our own questionnaires.

For the fiscal year ending June 30, 2020, the Company decided to use a questionnaire that asks for a wide range of free comments, and in addition, in order to more clearly understand the issues during the current fiscal year, the Company created a questionnaire form that allows the participants to evaluate the issues and describe their opinions on how to deal with them and conducted a questionnaire for all Directors and Corporate Auditors in May 2021. In May 2021, a questionnaire was sent to all directors and corporate auditors.

### [Summary of Evaluation Results]

Summarizing the responses to the questionnaire, the evaluation of the effectiveness of the Board of Directors by the directors was generally high, and the Board of Directors was evaluated to be operating appropriately. On the other hand, some pointed out that discussions on various issues that were previously recognized as problems have not progressed, and that more time should be spent on discussing broader issues such as management strategies and medium-term management plans, and the Company recognizes that specific measures are needed.

#### (1) Organization of the Board of Directors

As for the organization of the Board of Directors, the Directors pointed out the following issues regarding the separation of execution and supervision.

- Clarification of the positions of the President and Representative Director and the Chairman of the Board, and
- Clarification of the positions of the President and the Chairman, diversity of each director, and expected roles are needed.

### (2) Agenda of the board meetings

It was pointed out that there has been no progress in the discussion of the issues (Succession Plan, appointment of female directors, and institutional design) that were pointed out as requiring continuous discussion in the last year's questionnaire. It was also pointed out that active discussions are needed on medium- and long-term strategies, criteria for the appointment and dismissal of directors, and investor feedback.

### (3) Management of the Board of Directors

The following evaluations and problems were pointed out.

- The Chair explained the main points of discussion and led the Board of Directors meeting.
- There were too many reports and questions, and not enough time for discussion.
- The submission of materials should be accelerated.
- Free discussion should be promoted through off-site meetings.

#### [Future measures]

In light of the above remarks, the Company reported at the Board of Directors meeting held on July 21, 2021, that it will promote the following measures for the fiscal year ending June 30, 2022.

- (1) The Board of Directors meeting will be positioned as a forum for discussions from a long-term perspective, including the design of the organization and management strategies under the current circumstances where outside directors are in the majority, and discussions will be deepened by using off-site meetings that do not require conclusions. In addition, the Board will simplify resolutions that can be simplified and ensure sufficient time for discussion.
- (2) Regularly report on the progress of the medium-term management plan and encourage discussions on management strategies from a medium- to long-term perspective.
- (3) The Articles of Incorporation and Regulations of the Board of Directors will be revised to allow the Board of Directors to determine the Representative Director, President and Chairman.
- (4) The deadline for advance distribution of materials shall be one week prior to the Board of Directors' meeting, and opportunities for questions shall be provided as necessary.
- (5) The annual schedule of Board of Directors meetings shall be clarified.

#### [Supplementary Principle 4-14 (2): Training policy for directors and auditors] (Comply)

In appointing candidates for directors and corporate auditors, we consider whether they have personality, experience, expertise and broad insights and others, but among others we place importance on experience and knowledge about the business of the Group. We provide training such as compliance education by lawyers and others for the candidate to acquire the knowledge necessary for performing their duties. The training policy is disclosed on our website.

<https://www.avantcorp.com/en/ir/governance/policy.html>

#### [Principle 5-1: Constructive dialogue with shareholders] (Comply)

The Company recognizes that active dialogue with shareholders and reflecting the opinions and requests of shareholders in management will contribute to the sustainable enhancement of corporate value of the Company. Therefore, from July 2019, we have established a system for allocating an IR director under the director in charge of finance and established a forum for dialogue with shareholders and investors to gain an understanding of our management strategy and management plan.

## 2. Capital Structure

Percentage of shares held by foreigners

More than 10% but less than 20%

#### [Major Shareholders]

Name of Shareholders	Number of shares held (shares)	Percentage (%)
Tetsuji Morikawa	9,764,000	25.97
AVANT employee stock ownership association	2,290,900	6.09
Tsuyoshi Noshiro	1,868,800	4.97
The Master Trust Bank of Japan, Ltd. (trust account)	1,651,100	4.39
Obic Business Consultants Co., Ltd.	1,600,000	4.26
PCA Corporation	1,556,800	4.14
SSBTC CLIENT OMNIBUS ACCOUNT	1,252,015	3.33



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Custody Bank of Japan, Ltd. (trust account)	1,239,400	3.30
FCP SEXTANT AUTOUR DU MONDE	800,000	2.13
JP MORGAN CHASE BANK 385174	705,600	1.88

Controlling shareholder	None
Parent company	None

### Supplementary notes

Wasatch Advisors Inc. announced in the Report of Possession of Large Volume published for public inspection as of June 4, 2021, that it owns the following shares as of May 31, 2021. However, as we are not able to confirm the actual number of shares owned as of June 30, 2021, it is not included in the above-mentioned major shareholders. The content of the Report of Possession of Large Volume is as follows.

Name or registration	Address	Shares owned (shares)	Percentage held (%)
WASATCH ADVISORS INC	505 Wakara Way, 3rd Floor Salt Lake City, UT 84108 USA	1,191,925	5.08

### 3. Corporate Attributes

Stock Exchange and Section	Tokyo Stock Exchange, First Section
Fiscal year end	June
Sector	Information & Communication
Number of employees at the end of previous fiscal year (consolidated)	More than 1,000
Consolidated revenues in previous fiscal year	More than 10 billion but less than 100 billion yen
Number of consolidated subsidiaries at the end of previous fiscal year	Less than 10

### 4. Guidelines for the protection of minority shareholders when making transactions with controlling shareholders

None

### 5. Other special circumstances that may have a material impact on corporate governance

None

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## II. Overview of corporate governance structure in terms of the organization of management regarding managerial decision-making, execution of duty, oversight and other matters

### 1. Items concerning institutional structure, organizational operation, etc.

Organization form

Company with Audit and Supervisory Board

[Directors]

Number of directors in the company's Article of Incorporation	Nine
Directors' term in the company's Article of Incorporation	One year
Chairman of the Board of Directors	President
Number of directors	Five
Elected outside directors	Elected
Number of outside directors	Three
Number of outside directors designated as independent directors	Three

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)											
		a	b	c	d	e	f	g	h	i	j	k	
Naohisa Fukutani	Comes from other company												
Georges Ugeux	Comes from other company												
Jon Robertson	Comes from other company												

\*1 selection criterion regarding relationship with the Company

- (a) A business executor of a listed company or its subsidiary
- (b) A business executor or a non-executive director of a parent company of a listed company
- (c) A business executor of a sister company of a listed company
- (d) An individual whose major business client is a listed company or a business executor of said individual
- (e) A major business client of a listed company or a business executor of said business client
- (f) A consultant, accounting specialist, or legal professional who receives a substantial amount of money or assets in addition to the customary compensation from a listed company
- (g) A major shareholder of a listed company (In the case that said major shareholder is a corporation, a business executor thereof)
- (h) A business executor of a business client (that does not fall under any of (d), (e), or (f)) of a listed company [This applies to the individual only.]
- (i) A business executor of a company whose external corporate officers are mutually assigned [This applies to the individual only.]
- (j) A business executor of a company to which a listed company donates products, services, or money [This applies to the individual only.]
- (k) Other

#### Relationship with the Company (2)

Name	Independent director	Supplementary information for eligibility	Reason for appointment
Naohisa Fukutani	○	At GCA Co., Ltd., where he once served as Managing Director, he used information retrieval services such as accounting / audit / tax laws / notifications / committee reports provided by our subsidiary Internet Disclosure. Although there is a history of transactions that have been made, it is an extremely minor transaction and there is no risk of affecting our decision-making.	In addition to his experience at a commercial bank and an investment bank, he has managed an independent M&A advisory firm for many years and has been involved in providing management guidance to a wide variety of companies. He has provided valuable advice on the formulation and execution of management strategies and the strengthening of governance and has been asked to serve as the first independent outside director and the chairman of the Compensation Advisory Committee. He has also been asked to serve as the first independent outside director and chairman of the Compensation Advisory Committee. We believe that he will continue to contribute to the supervision of management and the strengthening of corporate governance, and we therefore request his continued appointment.
George Ugeux	○	The contract between Galileo Global Advisors, Inc. and the Company was	He has long experience in banking, securities and investment banking, and has established



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		terminated in 2017 and there are no transactions between the Company and Galileo Global Advisors, Inc.	his own consulting firm to provide advice to a wide range of clients. His extensive knowledge and expertise in finance and securities markets has provided valuable advice in the verification of investment projects. We would like to request that he continue to be appointed to oversee the formulation and implementation of strategic management aimed at realizing our management philosophy.
Jon Robertson	○	Snowflake Inc., for which Mr. Robertson serves as President for Asia Pacific and Japan, and our wholly owned subsidiary, Zeal CORPORATION, have signed a solution partner agreement. ZEAL CORPORATION conducts business transaction with Snowflake Inc. regarding products provided by Snowflake Inc., but the amount of the business relationship is within the range of the amount specified in the independence standards for outside directors, and there is no risk of influencing the Company's decision-making process.	He has 30 years of experience in leading international organizations in Japan and the Asia Pacific region, and has excellent management, leadership and communication skills. He has an in-depth knowledge of the latest IT technologies, including cloud-native fields, and has demonstrated his leadership ability with enthusiasm in the rapidly changing IT industry. He is expected to contribute to the achievement of the Company's vision BE GLOBAL and the creation of corporate value through cloud computing in the mid-term management plan with the same leadership ability. We expect that he will contribute to the achievement of our vision BE GLOBAL and the creation of corporate value through the shift to cloud computing in our mid-term management plan.

## Voluntary committees

Existence of any committee equivalent to the Nomination Committee or the Compensation Committee		Yes				
Details of compensation committee						
Name of the committee			Compensation Advisory Committee			
Total members (person)	Standing members (person)	Corporate directors (person)	Outside directors (person)	Outside expert (person)	Others (person)	Chairperson
3	3	1	1	0	1	Outside director
Supplementary information						
The Compensation Advisory Committee shall consist of three members: two independent directors and the Representative Director and Group CEO, and the chairperson of the committee shall be selected from the independent outside directors.						

## Audit & Supervisory Board member

Existence of audit & supervisory board	Exists
Number of audit & supervisory board member defined in Article of Incorporation	Three
Number of audit & supervisory board member	Three

### Status of collaboration among audit & supervisory board member, accounting auditors, and internal audit departments

Audit & Supervisory Board members attend financial accounting audit report meetings, receive reports from audit firms, provide opportunities for hearing and discussion and collaborate by mutually confirming the status of internal controls in business and finance. Audit & Supervisory Board members and internal audit staff work together to coordinate business audits and strive for efficient audits and have opportunities for hearings and discussions with each other to confirm the status of management and business execution is appropriate and efficient.

Elected outside auditors	Elected
Number of outside auditors	Two
Number of outside auditors designated as independent directors	One

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## Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kunio Suzuki	Comes from other company													
Chie Goto	Attorney at law													

\* Selection criteria regarding relationship with the Company

- (a) A business executor of a listed company or its subsidiary
- (b) Non-executive director or accounting advisor of a listed company or its subsidiary
- (c) Business executive or non-executive director of the parent company of a listed company
- (d) Auditor of the parent company of a listed company
- (e) A business executive of a sister company of a listed company
- (f) A person whose listed business is a listed company or a person who executes the business
- (g) Major business partners of listed companies or their business operators
- (h) A consultant, accounting professional, legal professionals who obtains large amounts of money and other assets in addition to executive compensation from listed companies
- (i) Major shareholder of a listed company (if the major shareholder is a corporation, the executive of the corporation)
- (j) Execution person of listed company's business partner (one that does not fall under any of f, g and h)
- (k) Former business executors who have a relationship with outside officers (only the principal)
- (l) The person who executed the business to which the listed company has donated (only the principal)
- (m) other

## Relationship with the Company (2)

Name	Independent director	Supplementary information on eligibility	Reason for appointment
Kunio Suzuki		Representative Director of KS Management Limited Company	He was a board member of IBM Japan, Ltd., has a wealth of experience and insight into IT and information fields and industries, and has a thorough understanding of our management environment and business policy. He has been appointed as an outside auditor, judging that he can appropriately perform the duties of the outside auditors, including useful advice in the process of management decisions and decision-making.
Chie Goto	○	Sakura Kyodo Law Offices	In addition to her work experience in general business companies, she is a qualified lawyer and certified public accountant, and has been involved in various companies as a specialist in legal affairs and financial accounting, including M&A, tax compliance and harassment cases. We expect that he will be able to provide useful advice in the process of management judgment and decision-making as an outside corporate auditor by utilizing his abundant knowledge as a legal and accounting expert.

### [Independent directors]

Number of independent directors	Four
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### Other matters related to independent directors

None

### [Incentives]

Implementation of Measures to Grant Incentives to Directors	Introduction of performance-based compensation system
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AVANT CORPORATION

### Supplementary information related to incentives

The Company has introduced a performance-based compensation system for the purpose of clarifying the responsibilities of directors. Short-term performance-based compensation is based on profits in the consolidated statement of income. Medium- to long-term performance-based stock compensation system was introduced at the 22nd Annual General Meeting of Shareholders held on September 19, 2018. This gives management the incentive to draw out mid- to long-term corporate value creation. It is a mechanism that enables flexible use of stock compensation, not money, and compensation linked to business performance.

Stock option grantee	None
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### Supplementary information related to stock option

None

## [Directors compensation]

Disclosure of individual director compensation	Individual compensation is not disclosed
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### Supplementary information related to director compensation

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' Remuneration

	Fixed amount (postal) fee	Short-term performance-linked compensation	Long-term performance-linked compensation
Directors	50-55%.	15% to 20%.	30%.

#### Amount of Remuneration, etc. for Directors and Corporate Auditors

Classification	Total amount of remuneration, etc.	Total amount of remuneration, etc. by type		Eligible Number of officers
		base pay	performance-based bonus	
Director (excluding outside directors)	148 million yen	84 million yen	64 million yen	2 people
Auditor (excluding outside auditors)	11 million yen	11 million yen	-.	one person
Outside director	36 million yen	36 million yen	-.	three people
Outside Auditor	11 million yen	11 million yen	-.	2 people

(Note) The amounts paid to directors do not include the salaries of employees of directors who also serve as employees.

Existence or Nonexistence of Policies that Determine the Amount or Calculation Method of Compensation	Exists
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### Disclosure of policy for determining compensation or calculation method

The policy and calculation method for determining the Company's compensation for directors and executive officers, and the criteria for the compensation system and the amount of compensation for directors and executive officers were decided at the meeting of the Board of Directors held on January 29, 2021

The Company's compensation for directors is divided into fixed compensation (compensation of the same amount on a regular basis) and performance-linked compensation.

The standard amount of fixed compensation is paid to each position in consideration of the level commensurate with the required ability and responsibility. With respect to the maximum amount, the 5th Annual General Meeting of Shareholders held on September 27, 2001 approved that the annual amount of fixed compensation for directors of the Company shall be 150,000 thousand yen or less (the number of directors immediately after the said General Meeting of Shareholders was

six).

The performance-linked compensation for directors excluding outside directors consists of (1) short-term performance-linked compensation, which is a bonus linked to the business results, etc. for each fiscal year, and (2) medium- to long-term performance-linked compensation, which is a bonus linked to changes in indicators over a three-year period (Note). The medium- to long-term performance-linked bonus is a stock-based compensation in which the Company's common stock is delivered to Directors for the purpose of providing them with incentives to enhance the Company's corporate value over the longer term and to promote greater value sharing between Directors and shareholders. The introduction of performance-linked compensation was approved at the 11th Annual General Meeting of Shareholders held on September 26, 2007, and the maximum amount of performance-linked compensation was approved at the 18th Annual General Meeting of Shareholders held on September 25, 2014, as an annual amount not exceeding 41,250 thousand yen per eligible director (the number of directors immediately after the said General Meeting of Shareholders was four). (The number of directors immediately after the 18th Annual General Meeting of Shareholders was four. In addition, the introduction of medium- to long-term performance-linked compensation as stock-based compensation was approved at the 22nd Annual General Meeting of Shareholders held on September 19, 2018, and the maximum amount of such compensation is 100,000 thousand yen for each applicable period, and the number of shares to be delivered by the Company to each eligible director under this plan is 60,000 shares per director per year. The number of shares to be delivered by the Company to the eligible directors under this plan is 60,000 shares per director per year or less, and the total number of shares to be delivered by all directors per year is 100,000 shares or less (the number of directors immediately after the General Meeting of Shareholders is four (4), including two (2) outside directors).

As outside directors are independent from the execution of business, performance-linked compensation is not applied to them, and the above fixed compensation is paid to them.

Note: Three years from the month in which the date of the Company's annual general meeting of shareholders falls in each year. The initial eligibility period is from September 2018 to September 2021, and thereafter the eligibility period is from September of each year to September of the third year thereafter.

[Purpose of performance-based compensation and performance-based stock compensation, basis of indicators, and specific calculation method]

(1) Short-term performance-based compensation

Short-term performance-linked compensation is linked to the year-on-year increase or decrease in consolidated operating income, which is consistently emphasized in the Company's medium- to long-term management strategy, medium-term management plan and annual business results, and is paid in cash. The amount is calculated by multiplying the base amount, which is determined according to the position, etc., by a short-term incentive coefficient, which is set in the range of 0% to 200% according to the change in consolidated operating income from the previous year. In the past, the coefficient took into account the Company's stock price, but since the rate of increase in the Company's stock price is reflected in medium- to long-term performance-linked compensation, the Board of Directors resolved at a meeting held on September 18, 2020 to use the rate of increase in consolidated operating income as the coefficient from the 24th fiscal year onward. Specifically, it will be calculated according to the following formula.

$$\text{Short-term performance compensation} = \text{Short-term performance base amount} \times \text{Short-term incentive coefficient}$$

**Short-term incentive coefficient**

Rate is calculated under the following formula where (a) represent consolidated operating profit for the current year and (b) represents consolidated operating profit of previous fiscal year

- (i) When (a) is (b) or less: 0
- (ii) If (a) exceeds (b) and is less than (b) × 112%:  $0.5 \times \{1 + ((a) - (b)) \div ((b) \times 112\%)\}$
- (iii) When (a) is 112% or more of (b):  $1 + 0.5 \times ((a) - (b) \times 112\%) \div ((b) \times 6\%)$

※ The short-term incentive coefficient is limited to 2.0.

Consolidated operating income for the current fiscal year, which is a performance indicator, was 2,796 million yen, and the rate of change from consolidated operating income for the previous fiscal year (2,278 million yen) was 123%. As a result of applying this to the formula in (3) above, the short-term incentive coefficient was 1.89 as shown below. Therefore,

189% of the standard amount of short-term performance-based compensation was paid as short-term performance-based compensation.

Short-term incentive coefficient =  $1 + 0.5 * (\text{Consolidated operating income for the current fiscal year: 2,796 million yen} - (\text{Consolidated operating income for the previous fiscal year: 2,278 million yen} * 112\%)) / (\text{Consolidated operating income for the previous fiscal year: 2,278 million yen} * 6\%) = 1.89$

### (2) Medium- to long-term performance-based compensation

This is a performance share unit system under which common shares of the Company are granted as a performance-linked stock compensation plan for the purpose of providing directors with incentives to enhance the corporate value of the Company over the longer term and promoting further value sharing between directors and shareholders. The number of shares determined by the Company's Board of Directors (the base number of shares to be delivered) is multiplied by a share delivery ratio determined in accordance with the Company's stock growth rate, which is a representative indicator of the Company's corporate value. The Company's stock growth rate is calculated by dividing the Company's TSR (Total Shareholder Return) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period.

After the end of the Relevant Period, the Company will pay monetary compensation claims to the Subject Directors, and the Company will deliver the Company's shares by having the Subject Directors contribute all of the monetary compensation claims in kind upon the issuance of shares or disposal of treasury shares by the Company.

**Medium-to long-term compensation (number of shares delivered) = Standard number of shares × stock compensation ratio**

#### Share issuance ratio

- (i) If our equity growth rate (A) is less than 100% : 0
- (ii) When A is between 100% and 112% :  $33\% \times (A-100\%) \div 12\%$
- (iii) When A is 112% to 150% :  $33\% + 67\% \times (A-112\%) \div 38\%$
- (iv) When A exceeds 150% : 100%

#### Our Total Shareholder Return/ total stockholder return (TSR)

#### A Our stock price growth rate

TSR during the period  
Rate of increase in TOPIX

Simple average of the closing prices of our shares for the month of the end of the applicable period (September in 3 years) plus the total amount of dividends per share related to dividends of surplus during the applicable period  
Simple average of the closing prices of our shares in the month of the beginning of the period covered (September)

#### TOPIX Growth Rate

Simple mean of TOPIX at the end of the period (September after 3 years)  
Simple averages of TOPIX for the beginning month (September of the year)

With respect to stock-based compensation for the President and Representative Director, in order to further clarify the President and Representative Director's responsibility for realizing the "BE GLOBAL" medium-term management plan, a restriction on granting stock-based compensation was approved at the 24th Annual General Meeting of Shareholders held on September 23, 2020, based on the "recurring sales ratio (ratio of ongoing sales to total sales)," which is an important quantitative indicator of the medium-term management plan, as follows

### Recurring sales ratio that serves as the basis for granting stock-based compensation at the end of the term

Fiscal Years	Recurring Sales Ratio
June 2019	50% and over
June 2020	60% and over
June 2021	70% and over
June 2022	70% and over
June 2023	70% and over

No medium- to long-term performance-linked compensation was paid in the current consolidated fiscal year because the applicable period had not yet elapsed. The growth rate of the Company's shares is calculated based on the share price at the end of September, and therefore has not been calculated for the fiscal year ended March 31, 2012 because the applicable period had not yet elapsed.

### [The Support System for Outside Directors]

Currently, there are no full-time employees to assist outside officers (directors and corporate auditors), but administrative staff provides administrative support and other duties including communication. For information related to draft materials for board meetings and other necessary matters, prior briefing and guidance shall be conveyed to outside directors from administrative staff, outside auditors from full-time corporate auditors or from administrative staff.

## 2. Items concerning functions such as execution of duties, audit and supervision, designation, and compensation (Overview of the current state of Corporate Governance Structure)

### (1) Board of Directors

The Company's Board of Directors currently consists of five directors (including two outside directors) and three Audit and Supervisory Board members (including two outside auditors). Principally, a regular board meeting is held on the second business day of the third Monday of each month. When there is a proposal to be discussed, extraordinary meeting will be held to make important management decisions.

### (2) Execution Structure

We have a system in which representative directors, directors in charge of finance, and executive officers appointed by the Board of Directors share responsibility for business execution. The representative directors and directors in charge of business management of each Group company, as the Company's executive officers, report on the status of business execution at the Senior Management Meeting chaired by the Group CEO, and the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO and Group CISO report on the execution of Group-wide strategies. The Senior Management Committee discusses important issues with the aim of achieving sustainable growth and enhancing corporate value through Group management, and important matters are referred to the Board of Directors through the Group CEO and Group CFO.

### (3) Corporate auditors and Audit & Supervisory Board

The Company adopts the Audit & Supervisory Board system, and the Board consists of one full-time corporate auditor and two outside auditors. Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, listen to reports on the status of business operations from directors, view important approval documents, etc., investigate the status of operations and assets in each department, and in accordance with the results of accounting audits, audit reports are prepared after considering business reports, financial statements and supplementary schedules.

In addition, the Company has signed an audit agreement with Deloitte Touche Tohmatsu LLC, and is striving to enhance information disclosure by ensuring the accuracy of financial figures and establishing an appropriate financial reporting system.

### (4) Policy on determining compensation for directors and corporate auditors

The compensation system for Directors and Audit & Supervisory Board Members is explained in detail in [Directors' compensation] (Disclosure of the Policy for Determining the Amount of Compensation and its Calculation Method).

## 3. Reasons for choosing the current corporate governance system

The Company was established as a holding company with business support functions to support the growth of group operating companies on October 1, 2013 and aims to develop the group through consolidated management. Directors who are familiar with the business and organization of the group operating companies make decision making and business execution quickly, and the Company is responsible for governance and control functions for each company, and clarifies the functions, authorities and responsibilities of each group company. We are aiming for an organizational structure.

For this reason, outside directors are appointed, and the Company's Board of Directors specializes in management functions, and objectively determines the Group's governance and control status from a fair and neutral standpoint to ensure transparency in decision making and the process. We will establish a system that can secure the system and strengthen the supervisory function of the Board of Directors.

In addition to the audits by the full-time corporate auditors, we believe that the objectivity and neutrality of the management monitoring system are functioning sufficiently through the audits by two outside auditors.



**III. Implementation status of measures for shareholders and other interested parties**

**1. Efforts to revitalize shareholders' meetings and facilitate the exercise of voting rights**

	Supplementary information
Early dispatch of notice of convocation for shareholders	As a general rule, we try to dispatch three weeks before the date of the event.
Establishing a general meeting of shareholders that avoids concentration days	After confirming the concentration date of the General Meeting of Shareholders with the trust bank, we set the date to avoid the concentration date.
Exercise of voting rights by electric means	Shareholders can exercise voting rights by electric means.
Participation in the electronic voting platform and other efforts to improve the environment for institutional investors to exercise their voting rights	We have joined the voting platform from the 25th Annual General Meeting of Shareholders held in September 2021.
Provision of convocation notice (summary) in English	Convocation notice in English is provided on the company and Tokyo Stock Exchange website.
Others	We continue to use PowerPoint to provide easy-to-understand explanations of matters to be explained at the General Meeting of Shareholders, and to devise ways to manage the proceedings, etc. We have also started to distribute live and archived videos of the General Meeting of Shareholders since the 24th Ordinary General Meeting of Shareholders held in September 2020. The convocation notice, shareholder newsletters, notices of resolutions, and extraordinary reports on voting results are posted in Japanese and English on our website.

**2. IR Activities**

	Supplementary information	Explanation by the representative
Disclosure Policy	Disclosure policy is posted on our website <a href="https://www.avantcorp.com/en/ir/policy/disclosure.html">https://www.avantcorp.com/en/ir/policy/disclosure.html</a>	
Regular communication to individual investors	Although the schedule is irregular, briefings for individual investors are held several times a year.	No
Regular briefings for analysts and institutional investors	Financial results briefings are held in the second quarter and fourth quarter after the announcement of the financial results.	Yes
Regular briefings for overseas investors	In the fiscal year ended June 2017, we held a briefing session for foreign investors for the first time. Although information dissemination to overseas investors will be continually strengthened, there are no plans to hold briefing sessions at this time.	No
IR materials posted on HP	In addition to timely disclosure materials, financial results briefings and financial reports, etc. are posted on a quarterly basis, as well as a video presentation of the results briefing session.	
IR officer	Since July 2019, we have placed a director in charge of IR who report directly to the Chief Financial Officer.	
Others	—	

**3. Efforts to respect for the position of stakeholders**

	Supplementary information
Stipulates respect for the status of stakeholders through internal regulations	We have established “Rules on Insider Information Management” for the purpose of alerting the handling of information and preventing information leakage and insider trading. In addition, the “AVANT Code of Conduct” has been established, a basic policy for compliance has been established, and compliance and risk management have been thoroughly implemented in accordance with the “Avant Group Rules on Compliance and Risk Management”. In order to realize our Group philosophy of "Creating a 100-year Company," we believe it is important that each and every employee be aware of the relationship with society and the environment

	and act accordingly. Accordingly, we established the “Avant Group Human Rights Policy” and the “Avant Group Environmental Policy”, which were approved by the Board of Directors on July 22, 2020.
Implementation of environmental conservation activities, CSR activities, etc.	With reference to the amount of electricity used in the fiscal year ending June 30, 2020 (approximately 1,500 MWh), the Group will purchase Green Power Certificates issued by Japan Natural Energy Company Limited for all electricity used in its offices from July 1, 2021, in order to reduce carbon dioxide emissions by approximately 660 tons per year and prevent global warming. We are committed to the efficient use of electricity and the spread of power generation using natural energy to prevent global warming. Since the fiscal year ended June 2017, as part of the mecenat activities, we have been participating in the “MOMAT Support Circle”, a corporate program of the National Museum of Modern Art, Tokyo and supporting the activities of this museum. On August 25, 2020, the Avant Group signed the United Nations Global Compact, which is highly compatible with the Group's philosophy. We have also joined Global Compact Network Japan, a local network in Japan. The Avant Group supports the 10 principles of the United Nations Global Compact, which consist of the 4 fields of human rights, labor, the environment, and anti-corruption, and is actively working to resolve social issues in order to realize a sustainable society.
Establishing policies for providing information to stakeholders	System of timely disclosure has been prepared and published on our website. <a href="https://www.avantcorp.com/en/ir/governance/disclosure.html">https://www.avantcorp.com/en/ir/governance/disclosure.html</a>
Others	Based on the “AVANT Code of Conduct”, envisioning a highly transparent organization, the Company is constantly working to create new value through customer orientation, and enjoying its own growth. In doing so, the Company respects all stakeholders involved in the Group's business.

## IV. Matters concerning internal control systems, etc.

### 1. Basic concept and status of internal control system

In order to fulfill the responsibility of the company organization and activities as a public institution, and for the purpose of business growth and for the continuous and efficient operation of the company organization, the Company shall make the general meeting of shareholders the highest organization of the company, We have built an internal control system.

- Establish the Board of Directors and select a representative director for appropriate decision making and quick execution of business.
- Established the Audit and Supervisory Board for the Corporate auditor to improve soundness of the management and strengthen monitoring and supervisory functions.  
(Full-time Audit & Supervisory Board Member's business audit function, Outside Audit & Supervisory Board member's director monitoring, decision supervision function)
- Establish an accounting auditor to ensure the appropriateness of financial reporting and internal control through accounting audits and improve disclosure and information provision functions.
- Installation of Compliance & Risk Management Committee chaired by the President and the Information Security to promote compliance of laws and regulations and response to important risks.

In addition, the Board of Directors has resolved the basic policy regarding internal control system maintenance as follows.

### 1. Compliance system for Directors

#### 1) System to ensure that the execution of duties by directors conforms to laws and the Articles of Incorporation

- Directors shall comply with the "AVANT Code of Conduct", practice "AVANT Value", and execute business appropriately in accordance with laws and regulations, the Articles of Incorporation, the rules of the Board of Directors, and other internal rules.
- Directors shall make decisions based on comprehensive considerations at the Board of Directors and various cross-organizational meetings when executing business.
- Personnel responsible for compliance and risk management (CRM) of each Group company nominated by the chairman shall deliberate and review important issues and response regarding corporate ethics, compliance and risk management, and promptly report to the Board of Directors.
- The Company will establish and operate a reporting system with legal advisors and corporate auditors as a contact point for legal violations and other legally suspicious acts.
- Corporate auditors shall audit the execution of duties by directors by attending meetings of the Board of Directors

and other important meetings and investigating the status of business execution under the audit policy established by the Board of Corporate Auditor.

### 2) System to ensure that directors perform their duties efficiently

- The Board of Directors of the Company shall hold a regular Board of Directors meeting basically once a month, and shall hold an ad hoc meeting whenever necessary to make decisions and quickly execute business operations and supervise directors' important management decision and status of execution.
- Various conference bodies and committees, where directors or committee members are responsible, deliberate and decide on business execution within the scope of their authority.
- We shall promote the decentralization of management through organization based on management policies and business plans.
- In order to clarify management responsibilities and respond to changes in the management environment, the term of office for directors is set at one year.

### 3) System for storage and management of information related to the execution of duties by directors

Information regarding the execution of duties by directors shall be appropriately stored and managed by the department in charge based on laws and regulations, the Board of Directors regulations, document management regulations, and other related regulations.

## 2. System to ensure the appropriateness of company operations

### 1) Rules and other systems for managing risk of loss

- With regard to thorough progress management of business results and expense management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.
- We shall manage risks related to compliance, information assets, and other business matters by developing and disseminating necessary regulations and manuals.
- In addition, to ensure thorough compliance, the CRM Committee will strengthen management and response. Also, for intellectual properties management, the Information Security Committee will reinforce management and response.
- The Company shall consult, receive advice and guidance from third parties with specialized knowledge such as lawyers, Accounting auditors, tax accountants, etc., as necessary for business execution.

### 2) System to ensure that the execution of duties by employees complies with laws and the Articles of Incorporation

- Employees shall comply with the "AVANT Code of Conduct", practice "AVANT Value", and conduct business in accordance with laws and regulations, the Articles of Incorporation and internal rules.
- In order to raise compliance awareness among employees and promote socially responsible behavior, the Company will prepare internal rules and conduct internal audits under the direction of the president.
- Employees will report to or consult with the whistleblower hotline when they learn that somebodies are violating laws, the Articles of Incorporation, internal rules, or conduct that violates social conventions.
- Directors shall respond promptly or make improvements at the CRM Committee in response to requests from the corporate auditors regarding the employee's compliance system and internal reporting system and requests for improvement.

### 3) System to ensure the appropriateness of business in the corporate group consisting of the Company and its subsidiaries

- Our subsidiaries will comply with our management policy and "AVANT Code of Conduct", share the practice of "AVANT Value", and contribute to the improvement of the corporate value of the Group.
- While respecting the independence of subsidiaries, the Company will support the development and improvement of internal control systems and promote in cooperation with subsidiaries.
- The Company's subsidiaries enter into management guidance and management contracts with the Holding Company Avant, and the Company receives reports on important matters related to the execution of duties by directors. Although the board of directors of each operating company decides important matters, the following three areas need approval from Avant: (i) investment including office contracts, (ii) human resources, and (iii) financing including capital management policy
- The Company's subsidiary shall hold a regular Board of Directors meeting basically once a month, and holds an ad hoc Board of Directors meetings as needed to make decisions and quickly execute business operations. The office of Group General Affairs of the Company confirms the status of meetings.
- As part of building a compliance system for the entire Group, employees of our subsidiaries report to or consult with the whistleblowing system when they learn that laws, the Articles of Incorporation, other internal rules and other social conventions are violated.

- The CRM Committee will provide support for legal violations and other compliance issues at subsidiaries.
- With regard to the progress of the performance of our subsidiaries and thorough cost management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.
- The appropriateness of the operations of the Company's subsidiaries will be observed as necessary by conducting regular internal audits by the Internal Audit Group under Office of Group Risk Management and reporting the results to the Company's directors and the Audit and Supervisory Board.

#### **4) System for ensuring appropriate financial reporting**

Under the direction of the Board of Directors, the Company will establish a system for ensuring appropriate legal & financial reporting as well as operating system. Periodically the Company needs to conduct self-assessment and independent assessment of internal control over financial reporting. At the same time, it is audited by an Accounting Auditor.

#### **5) Basic approach to eliminate anti-social forces**

In the AVANT Code of Conduct, we declare the exclusion of anti-social forces and the prohibition of anti-social acts that threaten the safety and order of society and the sound activities of companies. The basic idea is neither to have a relationship nor to respond to unjust and illegal requests.

In addition, we appoint the Prevention Officer for unfair requests, we endeavor to collect information from the beginning and check the business partners.

In the event of an incident, we are in close contact with relevant government agencies and attorneys and other specialists to deal with the issue promptly.

### **3. The audit system by Audit and Supervisory Board members**

#### **1) Matters related to the employee when the auditor requests that the employee be assisted, and the independence of the employee from the director**

- Although the Company does not have employees to assist the duties of auditors, the Board of Directors can negotiate based on requests from corporate auditors and appoint and assign such employees.
- During the period to be appointed by the corporate auditor, the command and order of the employee appointed as an assistant to the duties of the corporate auditor shall be transferred to the auditor in order to ensure independence from the Directors. In addition, the evaluation of the employee is conducted after hearing the opinions of the auditors.

#### **2) System for directors and employees to report to auditors and other systems for reporting to corporate auditors**

- Auditors attend meetings of the Board of Directors, attend high level meetings, receive reports on the status of operations, and are able to attend any other meetings and committees or view minutes as necessary.
- Auditors can request directors and employees to report business and operations to corporate auditors regularly or at any time.

#### **3) System to ensure that those who report to the corporate auditors are not subject to unfavorable treatment because of the report**

- According to the compliance and risk management regulations stipulated in the Company's compliance hotline handling guidelines, we have stipulated and enforced that we will not be subject to adverse treatment.

#### **4) Matters related to the policies relating to the processing of expenses or obligations arising from the execution of duties by the corporate auditors**

- When an auditor makes a request for prepayment or reimbursement of expenses incurred for the performance of his / her duties, the expenses or obligations will be processed promptly unless it is deemed unnecessary for the performance of the duties of the corporate auditors.

#### **5) Other systems to ensure that audits by corporate auditors are conducted effectively**

- Auditors are able to hold meetings for communication and exchange of opinions with the President and Representative Director.
- The Company ensures to exchange opinions and information with accounting auditors and corporate auditors, and to request investigations and reports as necessary, while cooperating with them.

### **Operational status of the system to ensure the appropriateness of business**

The Company has been continuously investigating the maintenance and operation status of the internal control system since the establishment of the system to ensure the appropriateness of the above operations and has reported the details of the investigation to the Board of Directors.

We have taken corrective actions for problems found as a result of the investigation and are working to build and operate a more appropriate internal control system.

### **2. Basic approach to eliminate anti-social forces and their development status**

The Company strive to improve systems to exclude itself from anti-social forces with the basic policy on internal control systems as follows.

(1) The “[AVANT Code of Conduct](#)” declares the exclusion of anti-social forces and the prohibition of anti-social acts. In addition, every year the executives and employees of the Company shall sign pledges regarding the “Code of Conduct / Management of Confidential Information” and conduct confirmations regarding compliance, including the elimination of anti-social forces.

(2) The General affairs office of the Group is assigned as the department responsible for preventing unfair demands, and it cooperate with the police in charge is in place to eliminate anti-social forces. In addition, the Company endeavor to increase awareness and improve response to the elimination of antisocial forces, such as examination of the antisocial forces at the time of signing the basic contract with our business partners.

### V. Other

#### 1. Existence of takeover defense measures

Introduction of Takeover Defense Measures	None
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Supplementary information related to takeover defense measures

None

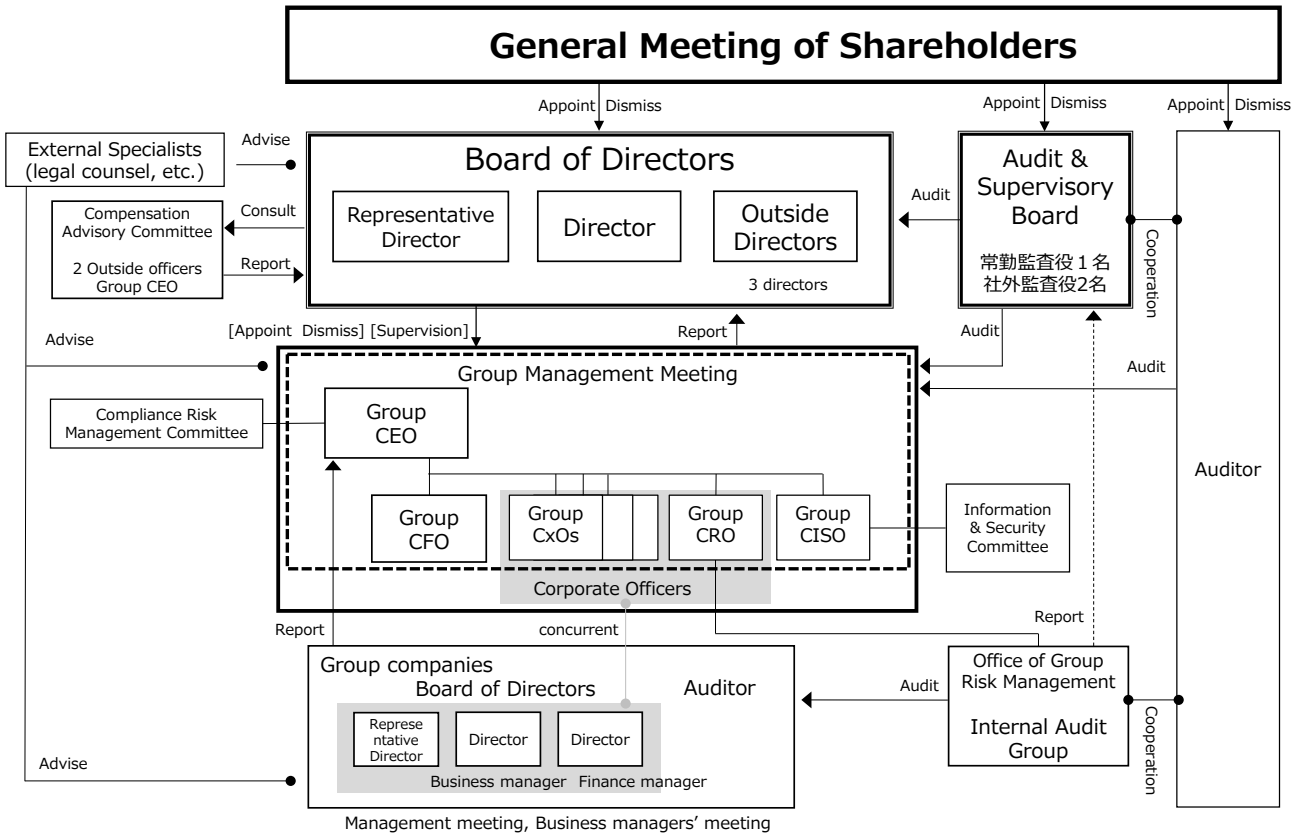
#### 2. Other matters concerning corporate governance system

The status of the internal system for timely disclosure of Company information is as follows.

- (1) **Basic policy for timely disclosure of company information**  
 Timely disclosure of company information is the only way, in fulfilling our social responsibilities, for the stakeholders to broadly understand our company and is an important part of coordinating with our stakeholders and shaping corporate governance.  
 Accordingly, we shall provide the information in a timely, appropriate and fair manner.
- (2) **Status of internal structure related to timely disclosure**  
 Important information related to the Company's operations, etc. are managed by the officer responsible for handling information, and the timely disclosure work is performed by the Group Management Office, which is making efforts to strengthen and improve the timely disclosure system.  
 In addition, since we handle financial results information of our customers, the Company encourage everyone to thoroughly understand laws and regulations related to the Securities and Exchange Law, rules of the stock exchange and internal "Rule on Management of Insider Information," and conduct training as a curriculum for internal education. In view of the social situation regarding information management and its possible impact, the Information Security Committee has been established, and security policies and related document rules are currently being formulated to strengthen the company-wide information management system.
- (3) **Flow of timely disclosure**  
 Existence of important information related to business operations are shared by each meeting body and report, and the person in charge of handling information shall proceed with the timely disclosure under the prescribed disclosure procedures.  
 Information regarding urgent incidents, important business decision and financial results is routed to officer in charge of information management. The officer shall examine and confirm the contents of the information and determine whether information is subject to timely disclosure. After the prescribed disclosure procedure, the release will be disclosed and posted on our website.
- (4) **Status of timely disclosure system monitoring**
  - a) **Audit and Supervisory Board member**  
 Members of Audit and Supervisory Board shall attend board meetings and other important meetings, audits reports on important occurrences related to company information, the status of decisions. They monitor the operational status of internal systems related to comprehensive and timely disclosure of information including confirmation of financial results and financial status.
  - b) **Board of Directors for timely disclosure**  
 For information that require timely disclosure such as financial results, the Board of Directors and Audit & Supervisory Board Members of the Company, including certified public accountants, confirm the appropriateness of the preparation of timely disclosure documents and securities reports at board meeting.



[Overview of Corporate Governance]



CEO : Chief Executive Officer  
CFO : Chief Financial Officer

CRO : Chief Risk-management Officer  
CISO : Chief Information & Security Officer

Overview of system of timely disclosure

