



AVANT
GROUP



October 7, 2022

To whom it may concern

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Notice of Issuance of New Shares for Delivery of Shares under the Performance-Based Stock Compensation Plan and Delivery of Restricted Shares

We hereby announce that our Board of Directors has resolved at a meeting on October 7, 2022 to issue new shares as follows (hereinafter referred to as the "New Share Issue").

1. Outline of Issuance

(1) Payment date	October 28, 2022
(2) Class and number of shares to be issued	Common stock of the Company 20,350 shares
(3) Issue price	1,571 per share
(4) Total amount of issue price	31,969,850 yen
(5) Allottees	One director of the Company 4,216 shares Total of 15 Corporate Officers of the Company and Directors of the Company's subsidiaries 16,134 shares
(6) Others	A securities registration statement in accordance with the Financial Instruments and Exchange Act has been filed for this issuance of new shares.

2. Purpose and Reason for Issuance

This issuance of new shares is being made in order to deliver shares of the Company's common stock to the Company's Directors under the performance-based stock compensation plan (I below) and to

deliver shares of the Company's common stock as restricted stock to the Company's Corporate Officers and Directors of the Company's subsidiaries (II below), as follows.

I Delivery of shares to the Company's Directors under the performance-linked stock compensation plan

The Company resolved at the Board of Directors meeting held on August 22, 2018 to introduce a performance share unit system under which shares of the Company's common stock will be issued as a medium- to long-term performance-linked stock-based compensation program (hereinafter referred to as the "Plan") to the Company's directors (excluding outside directors. The same applies hereafter). At the 26th Ordinary General Meeting of Shareholders held on September 27, 2022, the shareholders approved the plan, including the following: the amount of monetary compensation claims that the Company shall deliver to the subject directors as assets contributed in kind under the plan shall be 100 million yen per subject period; the number of shares that the Company shall deliver to the subject directors under the plan shall not exceed 60,000 shares per director per year and 100,000 shares in total for all directors per year; and the details of the plan (details are as described below).

This issuance of new shares is made to deliver shares of the Company's common stock to the Company's directors in accordance with the Plan and in proportion to their performance (stock growth rate) during the subject period from September 2019 to September 2022, and The Company will pay monetary compensation claims of 13 million yen to one director of the Company, which will be contributed in kind, and 4,216 common shares of the Company will be delivered. Details of the plan and the process of calculating the number of shares to be delivered are as follows.

(1) Details of this program

(i) Period covered

The period subject to the medium- to long-term performance-linked remuneration ("Subject Period") The period of the medium- to long-term performance-linked remuneration (the "Subject Period") shall be three years from the month that includes the date of the Company's annual general meeting of shareholders in each year.

(ii) Payment Method

After the end of the subject period, the Company's directors will receive monetary compensation credits to deliver shares of the Company's common stock in proportion to the stock growth rate, which will be contributed in kind.

(iii) Calculation of the number of shares to be delivered and the base number of shares to be delivered

The number of shares to be delivered shall be the number of shares obtained by multiplying the base number of shares to be delivered by the predetermined share delivery ratio. The standard number of shares to be delivered is calculated by dividing the standard amount of the medium- to long-term

performance-linked remuneration by the closing price (if no trade is recorded on the same day, it refers to the closing price of the most recent trading day prior to the trade) of the Company's common stock in ordinary transactions on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors' meeting (hereinafter referred to as the "Board Resolution to Deliver") to determine the issuance of shares for such delivery or disposal of treasury stock, to be held within two months after the end of the subject period. If the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month ending the subject period (September after three years) falls below the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month beginning the subject period (September 2019), no monetary compensation claims will be paid to Directors under this plan and no Company shares will be delivered to them for such subject period.

(iv) Percentage of shares delivered

The share delivery ratio will be calculated based on the level of the Company's stock growth rate, which is calculated by dividing the Company's total shareholder return (Total Shareholder Return) during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period. The specific share delivery ratio and the Company's share growth rate are calculated as follows

Percentage of shares delivered: (%)	(i) If our equity growth rate is less than 100%	: 0 percent
	(ii) If our stock growth rate is between 100% and 112%	: $33\% \times (\text{our stock growth rate} - 100\%) / 12$
	(iii) If our stock growth rate is between 112% and 150%	: $33\% + 67\% \times (\text{our equity growth rate} - 112\%) / 38\%$.
	(iv) If our stock growth rate exceeds 150%	: 100%.

$$\begin{aligned} \text{Our Equity Growth Rate} &= \frac{\text{Our TSR (Total Shareholder Return) during the subject period}}{\text{Growth rate of TOPIX during the period covered}} \\ &= \frac{(B + C) \div A}{E \div D} \end{aligned}$$

- A: Simple average of the closing price of common stock on the Tokyo Stock Exchange in the month the subject period begins (September of the current year)
- B: Simple average of the closing price of common stock on the Tokyo Stock Exchange in the month ending the subject period (September of the third year)
- C: Total amount of dividends per share related to the distribution of retained earnings during the subject period
- D: Simple average of TOPIX for the month in which the period under review started

(September of the current year)

E: Simple average of TOPIX for the month ending the subject period (September of 3 years later)

(v) Adjustment due to reverse stock split, reverse stock split, etc.

If a stock split (including gratis allotment of shares of common stock) or reverse stock split of shares of common stock of the Company is conducted after September 27, 2022, when the proposal for the Plan is approved at the ordinary general meeting of shareholders of the Company, or if any of the following events necessitates adjustment of the calculation items, the relevant items will be adjusted to a reasonable extent.

(vi) When the subject director retires due to death, etc.

If an eligible director retires due to death, or if a certain reorganization, etc. of the Company is approved at a general meeting of shareholders, etc., a cash payment of up to 100 million yen per eligible period will be made in place of the share delivery amount.

(vii) Criteria for granting medium- to long-term performance-linked remuneration to representative directors

In addition, as the Company's medium- to long-term management strategy calls for an annual growth rate of 18% in operating income, the 25th Annual General Meeting of Shareholders held on September 28, 2021 approved the restriction on the granting of stock compensation to the President and Representative Director if the annual growth rate of adjusted net income per share for the three years to the end of the subject period (CAGR) is less than 18%.

(2) Calculation of the number of shares to be delivered in connection with the Plan out of the issuance of new shares

(i) Period covered

The program will cover a three-year period from September 2019 to September 2022.

(ii) Calculation of the number of shares to be delivered

Standard number of shares to be delivered = Standard amount of medium- to long-term performance-linked remuneration / Closing price on the business day prior to the Board of Directors meeting (October 6)

$$= 13 \text{ million yen} / 1,571 \text{ yen} = 8,726 \text{ shares}$$

Number of shares to be delivered = Standard number of shares to be delivered × Percentage of shares to be delivered

$$= 8,726 \text{ shares} \times 48.3\% = 4,216 \text{ shares}$$

(iii) Calculation of share delivery ratio

Total yield of our shareholders during the subject period = $(1,405.00+9+11+13) / 978.47 = 146.9$

Growth rate of TOPIX during the period covered = $1,922.22 / 1,579.13 = 121.7\%$.

Our stock growth rate = our shareholders' total return during the subject period / TOPIX growth rate during the subject period

$$= 147.0\% \div 121.7\% = 120.7$$

The share delivery ratio will be 48.3%, applying (1)(iii) above.

(iv) Medium- to long-term performance-linked compensation for representative directors

The annual growth rate (CAGR) of adjusted net income per share for the three years to the end of the subject period is 13.9%. Therefore, the medium- to long-term performance-linked remuneration under the plan will not be paid to the Representative Director.

II Delivery of shares as restricted stock to the Company's Corporate Officers and directors of the Company's subsidiaries

At a meeting of the Board of Directors held today, the Company resolved to issue 16,134 shares of common stock of the Company (the "Allotted Shares") to a total of 15 executive officers of the Company and directors of the Company's subsidiaries (the "Grantees") for the purpose of providing incentives to continuously improve the corporate value of the Company group and to further promote value sharing with the Company's shareholders. In addition, from the viewpoint of encouraging medium- to long-term and continuous service, we have decided to place a restriction on the transfer of these allocated shares, and have set the period for such restriction at approximately three years.

The Subject Officers will pay all of the monetary compensation claims paid to them as assets contributed in kind and will subscribe for the shares of common stock to be allotted by the Company through this issuance of new shares. In addition, in connection with the issuance of the new shares, the Company will enter into a Restricted Share Allotment Agreement with the subject officers, which will include, in summary, the following details.

< Restricted Share Allotment Agreement >

(1) Restricted period of transfer

The Subject Officers shall not transfer, create a security interest in, or otherwise dispose of the Allotted Shares during the period from October 28, 2022 (payment date) to September 30, 2025.

(2) Conditions for cancellation of transfer restrictions

On the condition that the Subject Officer has continuously held the position of Corporate Officer or employee of the Company or Director, Corporate Auditor, Corporate Officer or employee of any of the subsidiaries of the Company during the Restriction Period, the Company shall cancel the restriction

on transfer of all of the Allotted Shares held by the Subject Officer on the expiration date of the Restriction Period. However, in the event that the Subject Officer loses his/her position as an executive officer or employee of the Company or as a director, corporate auditor, executive officer or employee of a subsidiary of the Company due to expiration of his/her term of office, expiration of employment period (however, if he/she is rehired after retirement, such reemployment period shall expire), death or other reasons deemed justifiable by the Board of Directors of the Company In the event of the loss of such position, the Company's Board of Directors shall, as of the time immediately following the date of such loss, transfer the number of shares of the Allotted Shares held by the Company as of such time (however, if the calculation results in a fraction less than one share, such fraction shall be rounded down) to a person who is a director, corporate auditor, executive officer or employee of the Company or a director, corporate auditor, executive officer or employee of any of the Company's subsidiaries.

(3) Acquisition by the Company without consideration

The Company shall, at the expiration of the Restriction Period or immediately after the Subject Officer loses his/her position as a Corporate Officer or employee of the Company or as a director, corporate auditor, Corporate Officer or employee of any of the subsidiaries of the Company during the Restriction Period, acquire the Allotted Shares for which the restriction on transfer has not been lifted without consideration.

(4) Stock management

The Allotted Shares shall be managed in a dedicated account for restricted stock opened by the Subject Officer at Daiwa Securities Co. during the Restricted Transfer Period so that the Allotted Shares may not be transferred, pledged or otherwise disposed of during the Restricted Transfer Period.

(5) Treatment in organizational restructuring, etc.

In the event that the Company's general meeting of shareholders approves (in cases where approval by the general meeting of shareholders of the Company is not required for such reorganization, etc., the Board of Directors of the Company may, at its discretion, approve the reorganization, etc. at its general meeting) any matters relating to the Reorganization or other matters relating to the Reorganization, etc., the Company may, by resolution of the Board of Directors, cancel the restrictions on transfer of the Allotted Shares as of the time immediately preceding the business day immediately preceding the effective date of the Reorganization, etc. with respect to the number of Allotted Shares obtained by multiplying the number of Allotted Shares held at that time by 36 (any fraction of a share resulting from the calculation shall be rounded down).

3. Basis for calculation of the amount to be paid in and specifics thereof

This issuance of new shares will be made with the monetary claims provided to the allottees as the assets to be contributed, and the payment price is set at 1,571 yen, which is the closing price

of our common stock on the Tokyo Stock Exchange on October 6, 2022 (the business day before the board resolution date) in order to make the price arbitrary. This is the market share price immediately prior to the date of the Board of Directors' resolution, and in the absence of special circumstances indicating that the most recent share price cannot be relied upon, we believe that this is a reasonable price that appropriately reflects the Company's corporate value and does not constitute a particularly favorable price for the subject director.

Ends