

CREATIVE DIALOG 2021

INTEGRATED REPORT



	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Operation Indicators					
Recurring sales (million yen)	3,670	3,955	4,420	5,123	5,852
Recurring sales ratio [%]	34.8	32.7	31.4	32.6	34.3
Value-added productivity [%]	9,458	9,762	9,629	9,784	9,784
Amount of orders received (thousand yen/person)	11,287	12,842	14,171	15,357	15,357
Group Governance Business	6,551	7,732	7,774	8,313	8,313
Digital Transformation Business	3,793	4,221	5,265	5,417	5,417
Outsourcing Business	1,047	1,488	1,807	2,160	2,160
Order backlog (million yen)	3,102	1,488	1,807	2,160	2,160
Group Governance Business	1,962	3,834	3,927	3,595	3,595
Digital Transformation Business	861	2,433	2,173	1,999	1,999
Outsourcing Business	500	929	1,204	1,999	1,999
Notes to Statements of Income					
Consolidated net sales (million yen)	10,533	12,110	14,077	15,691	16,236
Group Governance Business	5,938	7,261	8,534	9,485	9,485
Digital Transformation Business	3,648	4,312	5,169	5,767	5,767
Digital Transformation Business	1,034	3,857	4,312	4,885	4,885
Outsourcing Business	308	1,941	1,199	1,435	1,435
Operating income (million yen)	1,843	1,114	1,966	2,082	2,082
Group Governance Business	363	1,030	1,293	1,278	1,278
Digital Transformation Business	99	324	1,293	2,278	2,278
Outsourcing Business	1,308	213	636	1,616	1,616
Income taxes (million yen)	1,308	213	636	1,616	1,616
Income before income taxes (million yen)	99	324	1,293	2,278	2,278
Income taxes (million yen)	1,308	213	636	1,616	1,616
Income (million yen)	1,034	1,030	1,030	1,030	1,030
Balance Sheet					
Cash and deposits (million yen)	3,945	4,564	5,160	6,335	6,335
Temporary fixed assets (million yen)	207	222	277	468	468
Long-term fixed assets (million yen)	100	172	165	191	191
Long-term fixed assets (million yen)	71	171	164	190	190
Investments and other assets (million yen)	747	921	1,574	1,614	1,614
Investment securities	168	307	397	428	428
Investments, stocks of subsidiaries and affiliates	7325	8,814	10,415	11,780	11,780
Current liabilities (million yen)	3,316	3,871	4,348	4,314	4,314
Long-term liabilities (million yen)	135	150	169	272	272
Total liabilities (million yen)	3,452	4,021	4,517	4,586	4,586
Of which, interest-bearing debt	28	—	—	—	—
Net assets (million yen)	3,873	4,792	5,898	7,194	7,194
Shareholders' equity (million yen)	3,872	4,784	5,889	7,181	7,181
Accumulated other comprehensive income (million yen)	1	8	8	32	32

Be A World-class
Software Company

Develop Killer Software
that Support
Numerous Customers

MATERIALITY
FOR AVANT

Be A Software Company that Helps Increase Corporate Value

Transform
the Business Model to
Software-Based BPO

Contribute to the
Increase in
Corporate Value of
Numerous Customers

Turn Services into
Software

Any Company that is
Expected to Increase its
Corporate Value is
Our Customer

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Scope of This Report: From July 1, 2020 to June 30, 2021 Avant Corporation and Avant Group of companies

Cautionary Statement Regarding Forward-Looking Statements The business forecasts and other information regarding future forecasts and strategies contained in this document are based on judgments made by the Company based on information that was reasonably available at the time this document was prepared and within the scope of normal expectations. However, actual results may differ materially from these forecasts due to the occurrence of extraordinary circumstances or the occurrence of unpredictable results.



CEO MESSAGE

**“Be A Software Company that Helps Increase Corporate Value”
We continue to pursue this materiality through active dialogue
with stakeholders inside and outside the company.**

TETSUJI MORIKAWA

Tough Training Like Boot Camp

It happened at the Board of Directors meeting on January 31, 2022, where the company sought a resolution to announce its financial results for the second quarter. An outside director from the U.S. said, “The decline in stock prices over the past three months indicates a critical situation. I can’t approve the results without analysis and countermeasures. I don’t feel that the chairman (that’s me) has any sense of crisis about the stock price.” That’s how strongly he approached me.

We have often exchanged strong opinions about stock prices, but this time it is as if we are on the verge of bankruptcy. I was able to get through by proposing discussion on countermeasures on other occasion and seek approval of financial statements. It was an experience that made me keenly aware of the fact, while I’m proud that I was doing my best, I still hadn’t learned how to deal with corporate value. There is a difference between understanding something in your head and experiencing it in a field like this, in terms of the impact on your subsequent actions.

“But it’s tough.” While talking to myself, I chuckled as I remembered an episode in an entrepreneur’s “My resume (Nihon Keizai Shimbun)” where he once attended a management training, which was called a boot camp of hell, in search of growth as a manager. This is because the current board of directors is what I wanted for myself as an environment for growth as a manager.

Increasing Right Corporate Value Makes Everyone Happy

Avant Group is celebrating its 25th anniversary this year. The desire to create an ideal company that is useful as a public institution in society, and the desire to be useful to society by

promoting management information systems that are useful for the sound development of companies. I have tackled my job as president with these two thoughts in mind.

From the beginning, our main customers were listed companies with a large number of stakeholders, and we started our business with a system for creating consolidated accounting information, which is disclosure information that top management must be involved in. However, at the time of establishment, I had no idea what kind of management information would be useful for a listed company.

“I think I need to experience it for myself.” With this awareness of the problem, I took my company public and have continued to search for what is the management of a listed company and what kind of information supports that management.

After 15 years of being listed on the stock exchange and four years of being listed on the first section of the Tokyo Stock Exchange, I have finally come to understand with my heart, rather than my head, that such things converge into “corporate value.” (It took me a long time because I had no experience in managing a large company or overseas). The creation of corporate value is not just about stock prices and profits, but about continuing to create an environment that generates profits over the long term, and it is about contributing not only to customers, but also to employees, society, and the environment. The bottom line is that the more thoroughly we focus on improving corporate value, the more valuable our contribution to society will be. (I like the idea of Hirofumi Uzawa, an economist, that pursuing profits by considering the indirect costs of business activities to society and the environment will maximize profits in the long run.)

I remember about 10 years ago, when I was having dinner with a manager who joined from a financial institution to a company listed on first section of the Exchange, I told him that I didn’t

care about the stock price, and he admonished me that for a listed company, raising the stock price is the only way to make everyone happy. At the time, I didn't really understand the connection between stock prices and corporate value (laughs).

However, improving corporate value from a long-term perspective is not an easy task. This is because the stakeholders of the company's activities are expanding to a different level than in the past. It is impossible, at least in the long term, to solemnly develop a business without affecting stakeholders in any way. In order to design the future and take action to shape it, dialogue with relevant stakeholders is indispensable, including reconciliation of various interest.

"Oh, I'm not interactive enough." The episode at the beginning of this article was a test of this ability to interact.

The more we broaden our dialogue partners, the more we need to go beyond the ideological discussion of Japanese management and public institutions, to include measurement and visualization of future profits, social costs, and capital efficiency, and to do so in a variety of creative ways. We believe that this information is important not only for management to understand the business situation and make decisions, but also as a tool to fulfill accountability in order to create the ideal environment for dialogue with diverse stakeholders.

Meanwhile, when I read through our old management policies and other documents, I found that in 1999, in response to the question "What kind of business do you do? In response to the question, "What kind of business do you do? I had forgotten it myself, but it seems that they have been using the term "corporate value" since that time. I couldn't help but laugh at how he said it without knowing what it meant.

Make a Software Company that Helps Increase Corporate Value

Now, the main theme of this integrated report is "What is corporate value?"

I picked the theme because, although there are definitions in terms of finance, I believe it is necessary to understand from various perspectives in order to relate it to actual business activities. How to express the theme in the paper? I tried to combine it with anime-style expressions to express the virtual world of corporate values in a sense.

Up until now, the Company has provided information systems, SI, and outsourcing services related to corporate management, but we ourselves have concentrated on solving individual problems based on the perspectives and experiences of our management team. However, if you look at what management information is ultimately useful for listed companies, it converges on improving corporate value as well as management. The more I engage in dialogue with customers and investors from this perspective, the more I am convinced that improving corporate value is an extremely important management issue and that by helping to solve this issue, we can be more useful to society than ever before.

The reality is, however, that for customers and employees, it is difficult to connect with the image of the company because the services and products they actually provide are not directly related to the improvement of corporate value. Also, in terms of our own capabilities, there is a considerable gap between what we are aiming for and what we have.

Therefore, using the process of creating this integrated report, I tried to unravel corporate value from the different perspectives of customers, academia, and investors. They are all leading experts in their fields whom I personally respect.

I received a lot of living inspiration from this dialogue. Due to the limited space, I have only been able to describe a few of them, but I hope they will help you think about what it means to enhance corporate value as a social good.

In the dialogue with the executive members of the company, the direction of the future business strategy was clarified and verbalized as strategic materiality. This time, we were able to finalize the plan, despite the twists and turns, with the support not only of our internal management team but also of outside experts.

The strategic materiality that emerged from this was "to be a software company that helps improve corporate value." This materiality incorporates two management issues that need to be resolved. One is that we will be able to provide solutions that help our customers increase their corporate value, and the other is that we will be able to promote our business around this theme in the form of know-how and experience in the form of software.

The clarification of the materiality was the first step in planning the next medium-term strategy and starting to link it with organizational activities. The biggest achievement of this integrated report was the identification of strategic materiality.

Current Mid-term Plan: Our Approach and Current Status

The current business activities are in the fourth year of the mid-term plan that started in the fiscal year ended June 2019. The current mid-term plan is the first half of our challenge to become a world-class software company over ten years. For the first ten years of our history, we tried to steer the ship with the theme of the establishment

and development of DIVA CORPORATION, and for the following ten years, we tried to steer the ship with the theme of the development of our business through group management in order to create an environment where we can take on the challenge of becoming a world-class company. At the beginning of the third challenge, the path was not clear at all. However, the first step in business activities is a will. Rather than spending a lot of time making arrangements and drawing up a safe plan, we prioritized making decision to take on challenges and formulated a medium-term plan.

The basic idea of the current mid-term plan is to focus on actions that work on two points: the perspective of how to increase earnings per share and how to increase its sustainability. In my mind, I always have the image of maximizing EPS (Earnings Per Share) x PER (Price Earnings Ratio).

For EPS improvement, we have set a five-year CAGR of 18% or more for operating income, the source of EPS improvement. On the other hand, with regard to improving PER, we are trying to increase the ratio of recurring sales, or in our expression, the recurring sales ratio (RSR) to 70 points. The KPI that links the two is the minimum performance required of a SaaS company in the U.S., which is to be able to achieve a stable performance of 40 points or more in the GPP index, which is the sum of the sales growth rate and the operating profit margin. We also emphasized the importance of improving our organizational strength as an intangible asset, and set an index to achieve the top level without discovery in an employee satisfaction survey using an external research organization. In terms of capital efficiency, we have set a target of maintaining ROE of 20%.

The scale of the business had grown, and I found there is a limit to how much I could think and lead by myself. A series of different issues

were exposed, such as the gap between goals and actual business, and the level of understanding as a management team, and it became necessary to change my own management style and adapt to discontinuous changes by identifying new growth areas and evolving as a management team. To begin with, the current mid-term plan was positioned as a way to increase the pressure for change in order to set up the necessary arrangements to run the next five years, and was based on the premise that a great deal of trial and error would be conducted, but it was all in my head, and the accountability for this was overwhelmingly lacking.

This trial-and-error approach to management, or in other words, agile management, has created a situation that is quite difficult to understand not only for internal members, but also for external directors and investors. What is difficult to understand cannot be realized as an organization. As a result, progress on GPPs and RSRs, which are critical for future value creation, has been very challenging.

Therefore, in this fiscal year, we began early on to formulate the next mid-term plan together with the group management members, and are working to increase dialogue with internal and external stakeholders and improve the transparency of our activities, while clearly indicating the final form of our current initiatives. Identifying strategic materiality, which I mentioned earlier, is one of the actions we can take to achieve this. With this materiality as our pillar, we will continue to engage in dialogue with people inside and outside the company, and based on our reflections on the formulation and implementation of the current medium-term management plan, we will create a higher level of social significance and viability that will lead to increased corporate value.

In Preparation for the Next Medium-Term Management Plan

Our mission is “Spreading Accountability” in English. It contains the hypothesis that corporate value can be improved by sharing accountability. In the context of a listed company, we are still little more than a venture company. However, if we take advantage of our own experience and expand our activities to not only provide information systems to our more than 1,100 blue-chip clients, mainly listed companies, but also to help them create information environments that help improve their corporate value, it will be difficult for us to double or triple the value of our contribution by utilizing our knowledge and business assets. It is not difficult to double or triple our current contribution value.

In addition, the number of customers will double. Not only that, but through the expansion of the value we contribute to our customers, we can also realize the growth of our members, and in other words, increase their value to society. As a result, we believe that our business growth can be realized in a different dimension than before. Moreover, with this theme, we can eventually aim for the global market.

It is a thought that I always hold in my heart. There’s no point in hiding it, so you have to say it first. This is also a step toward Spreading Accountability. Believing in the power of dialogue, we will continue to aim for healthy business growth beyond our own limits.

This preface is becoming a bit long. Please enjoy the full story here and our efforts to improve corporate value.

Now, I will start working on the next mid-term plan.

Tetsuji Morikawa
President and Group CEO



Let's get some rest here.
Typhoons and corona have cancelled the Hasetune for the third year in a row....
I wonder when I'll get my revenge.
I'm not going to put much effort into training if my goal isn't clear.

Oh boy, I've been beaten to a pulp again. The board meeting.
A company that contributes to the creation of corporate value for its customers.
I've been telling all the group members...
You're the one who can't do it!

What's corporate value? Let's try to sort it out again.

...You can't keep thinking by yourself. Let's take this chance to talk to those people I've been interested in. Remote meetings have come in handy. The concept of space is no longer necessary to discuss with people.

First up is President Takahashi of Showa Denko, creating real value in the business world.
The structural reforms he has been preparing so far seem to be in full swing.
Professor Kusunoki of Hitotsubashi Business School, who is discussing the nature of corporate value and corporate value, has written an interesting paper on the subject after he has actually interviewed many companies. Maybe a short session while we're at it.
Mr. Nakagami, President of Misaki Capital, is the representative of investors who can give us tips on how to get back on track. Carefully selected long-term investors share the same viewpoints as company managers. He might be able to give us some hints. Is he still surfing?

——Are you there?



CREATIVE DIALOG

Unraveling “Corporate Value” through Dialog

What is required of Japanese managers in order to increase corporate value?

I think you need to visualize your business and think seriously about how to use your cash from the perspective of investors.

I believe that the very thing that gives rise to this perspective is an "information infrastructure that breaks down corporate value."

#01

CREATIVE DIALOG

Japanese Companies are Yet to Raise Awareness of Corporate Value

Hidehito Takahashi
President & CEO,
Showa Denko K.K.



Tetsuji Morikawa
President and Group CEO,
Avant Corporation

Is the Investment being Made to Increase the Total Value of the Company?

Morikawa: Our company has been developing an information environment that is useful for management. In Japan, the term “corporate value” has been used more and more since the start of corporate governance reform, but I believe that an information service that breaks down corporate value and shows it is something that has never existed before, and I believe that by developing such a service, Avant can become a group that is more useful to the management of our customers. From this point of view, I would like to discuss how to understand corporate value through dialogue today. Mr. Takahashi, how did you come to be aware of corporate value?

Takahashi: To give you a brief overview of my career, I started working at a bank after graduating, and after about four years, I went abroad to study for my MBA, and continued to work overseas for a total of 11 years. As I gained various experiences as a banker, I felt that although Japanese manufacturers were excellent in manufacturing, they were not able to win against Western companies due to poor management and strategy. After returning to Japan, I was approached by GE, which at the time was highly regarded for its Jack Welch management, and I joined the company to train myself until I could eventually return to a Japanese company.

I believe that my awareness of corporate value was heightened through my subsequent experience as a business manager at three foreign manufacturers, including GE. In foreign companies, especially in the U.S., when you reach a certain level of position, a large part of your salary is tied to your company’s stock price, which naturally increases your awareness of the stock price and instills an awareness of corporate value. At least, you will definitely be much more sensitive to corporate value



In order to increase corporate value, it is important to think about use of cash through shareholders’ perspective.

—— Hidehito Takahashi

than you would be in a Japanese company.

In the case of Japanese companies, there are many cases where the management does not seem to place much importance on corporate value, and I often feel that they lack the perspective of increasing the overall value of the company when making investment decisions. Since I joined Showa Denko six years ago as an officer in charge of strategic planning, I have been promoting internal reforms with such awareness of the issues.

Morikawa: In a large company with such a long history as Showa Denko, where did you start your reforms?

Takahashi: There are three major reforms that I have undertaken so far, all of which have become much more visible in the past five to six years. The first is portfolio reform. We have a portfolio of multiple businesses, and six years ago, we were generating good cash, but we had no clear growth business pillars and no promising

investment opportunities. In such cases, cash should be used to return profits to shareholders in terms of corporate value, but at the time, many businesses reinvested the cash they generated within the business unit, regardless of its growth potential. After acquiring a major German company in the graphite electrode business as our first move, we were able to improve the company’s balance sheet with a rapid recovery in business performance in response to market conditions, and we were ready to make a full-scale investment in growth businesses. It was just at this time that the opportunity to acquire Hitachi Chemical arose.

This acquisition in 2020 provided us with a growth driver that enabled us to create an optimal portfolio in which cash generated from our existing businesses could be invested in Hitachi Chemical’s high-growth, highly competitive businesses, including semiconductor materials. I believe that in

order to increase corporate value, the most important thing is what to do with the cash acquired, and a manager who can think about this from a shareholder’s perspective is one who is serious about corporate value.

How Can We Promote Corporate and Business Value within the Company?

Takahashi: The second change that we have been promoting is the visualization and standardization of our business. When I first joined the company, I felt that the format of performance reports from each business unit to the management team was not very standardized, and I felt that it was not easy to understand the situation. It made portfolio management not only difficult, but a bigger problem was that the business unit could only be managed by people who had a good understanding of the business. For this reason, we have visualized and standardized the business process so that any newly appointed manager can understand from day one, just like the foreign companies I have experienced. In this way, people from outside of each division can now manage the company, and we are able to get the best and most capable people to take on the multiple positions of division managers, regardless of which division they are from.

The third is to strengthen marketing. Although we are a comprehensive chemical manufacturer, our main focus has been on upstream business areas, and we were not very conscious of what happens after sales.

Morikawa: Regarding the second point, visualization and standardization of business, are each business unit aware of the value of their business?

Takahashi: It’s still not enough. Furthermore, we have a conglomerate discount, which means that our market capitalization is inferior to the sum of the parts, or the

corporate value calculated by adding the value of each business. I intend to visualize this fact so that the business units can understand it, and show them what exactly a conglomerate is, why discounts have been created, and what should be done about it. I think it should be a topic that we should talk about on a daily basis as a KPI in management.

To eliminate the conglomerate discount, we need to make some efforts in IR, but I believe that what is really important is shareholder-oriented management with an awareness of corporate value and the pursuit of technological synergies. In addition, from a human resources perspective, we have the advantage of being able to give our employees experience in various phases of business because we have a large portfolio of businesses. In order to achieve this, I would like to further improve the system that allows transfers between divisions.

Morikawa: I understand very well. However, I feel that it is quite difficult to share this sense of corporate value and business value with people in the field, but do you think it is worthwhile to spread this sense to all employees?

Takahashi: I think it is very significant. When I talk to new employees, they are very talented, and I believe that making them aware of corporate values from a young age will help them grow into excellent leaders.

Morikawa: I see. Another difficulty is that when we talk about corporate value, we tend to think in terms of stock prices and money. Companies make profits by contributing to their customers and then distribute them to their employees and stakeholders, so there is no doubt that corporate value converges with future cash flow, but it is also true that money is only a means to happiness, so it is not always easy for employees in the field to understand.



Discussions with overseas institutional investors can give you perspectives and insights that you cannot get in Japan.

—— Tetsuji Morikawa

Takahashi: If we think about what a good company is before looking at corporate value, it may be easier for employees to understand. A good company, or a first-class company that can compete in the world, must contribute to society and pursue sustainability. However, I believe that such quality can only be created when the company is profitable. Both social contribution and sustainability cost money, and now companies that do not make money cannot be good companies.

Then there is the perspective of who the company is good for. Specifically, a company that is good for its shareholders may not necessarily be the same as a company that is good for its employees. When I am asked what kind of company I would like to be in the future as president, I would like to be a company that produces human resources for the Japanese manufacturing industry so that other manufacturers will say, "We want people like the people at Showa Denko." I would like to be a company that produces human resources for the Japanese manufacturing industry. I believe that the value of a businessman is the integral value of the training he has gone through, but I feel that in most Japanese companies, it is difficult to increase that integral value because of the long years of training. From now on, I would like to promote the selection of young people so that they can quickly raise their integral value, create role models, and create a path for them to eventually become executives.

Dialogue with Capital Markets Helps to Understand Corporate Value

Morikawa: Actually, I have always enjoyed contributing to our customers, and I thought that is where I should spend my money, so for a while after founding the company, I was not really interested in high

profits. However, when I started to seriously think about competing on a global scale, I became acutely aware of the overwhelming difference in profitability between us and overseas companies, and the resulting difference in corporate value. After realizing that increasing profitability improves the entire corporate cycle, and that it is not enough to just pay taxes but also to contribute responsibly to shareholders as a role of a listed company, and to increase the wealth of society, I started to think that increasing corporate value is definitely a "good" thing. I feel that it is difficult to have this kind of change in mindset when you are in Japan.

Takahashi: One of the main reasons for this is that Japan has a large indirect financial market and the concept of a capital market is weak. Ten years ago, there were probably only a few Japanese managers who were managing their companies from the perspective of shareholders. Recently, however, awareness is slowly changing.

Morikawa: In the U.S., there is a tendency to be too profit-oriented, but in Japan, I think the problem is that there is too little understanding of the dual role of business and finance. I have a feeling that dialogue with institutional investors may be the way to break through. In particular, when discussing with overseas institutional investors, they ask me simple and essential questions, and I often gain perspectives and insights that I cannot get in Japan. Activists can also be seen not as adversaries, but as people who can be very helpful in understanding the differences in perspectives and opinions between us and them. I think it would be effective to increase dialogue with the capital markets to help business managers and executives understand corporate and business value.

Takahashi: I think it's a good move. After the acquisition of Hitachi Chemical, we sold six businesses and raised capital through a public offering in order to restore the soundness of our balance sheet, and at

that time we also talked directly with overseas investors. Their thinking was very straightforward, and I was able to reaffirm what the market is looking for. I really felt that if you don't show these three things to the capital market, the trust of the management team, the Say-do ratio that shows whether you are following through with what you say you are going to do, and the track record of the numbers, then you will not be bought by the really good investors. **Morikawa:** That's not something that can be done overnight.

Takahashi: Yes, it is a 10-year strategy. So I want to pass the baton to the next person who can make this situation a reality in 10 years.

Hidehito Takahashi

Joined Mitsubishi Bank, Ltd. in 1986. In 2002, he was appointed General Manager, Business Development Department, General Electric Company of Japan. In October 2015, after serving as President and CEO of the Silicones Business of Momentive Performance Materials Japan LLC and President of GKN Driveline Japan Co. He joined Showa Denko K.K. He was appointed President and CEO of the company in January 2022.

EPILOGUE

Post-interview notes

There is still a lot of room for systemization in Japanese companies, including our company, and I hope that Avant will continue to promote smarter "management visualization" in a big way. In addition to the visualization of performance progress and corporate value, as I mentioned during the dialogue, it would be very helpful for management to have an innovative system for human resource development and global human resources, for example. In addition, even if we have good tools, we need to improve the IT literacy of the executives in order to use them well, so we would like to see educational support for them. In this sense, a system that is simple to use may be more valuable to managers and executives.

When I talked with Mr. Morikawa, I felt his strong desire for Japanese companies to improve their management sophistication and corporate value, and I hope that the products and services developed by Avant will serve as a good stimulus to increase the sensitivity of managers to corporate value.

To find out what was needed to bring Japanese manufacturing back to the forefront of the global market, Mr. Takahashi switched from a Japanese financial institution to a foreign company to gain experience as a manager. In order to apply the knowledge of global business that he gained there to Showa Denko K.K., he spent many years planning and preparing for business reform, and is steadily implementing it. Japanese companies are good at "Kaizen" (improvement), but there are not so many examples of successful "Reform" that are difficult to implement. However, Mr. Takahashi is using the perspective of investors to not only reform the business but also to create new value. For the Avant Group, the most important challenge at the moment is to evolve in a way that will be useful to Mr. Takahashi's management.

HIDEHITO TAKAHASHI

TETSUJI MORIKAWA



What is the attitude of management to increase corporate value while running a public institution of society?

Even if the motive is self-interest, if you focus on long-term profit, it will lead to the public good. That's what a company is all about.

It's our job to develop an information infrastructure that enables managers to shift their focus from the short-term to the long-term, isn't it?

#02 CREATIVE DIALOG

Enhancement of Corporate Value Depends on the Best Balance between Long-term Perspective and Current Actions

Ken Kusunoki
Professor,
Hitotsubashi Business School



Tetsuji Morikawa
President and Group CEO,
Avant Corporation

The Role of Management is to Shake the Short-term Perspective back to the Long-term

Morikawa: Because my father was a businessman, I was strongly instilled with the awareness that a company is a part of society and a public institution. I would like to manage our company so that we can become a company that can compete in the world, while respecting our “public” status. In recent years, I feel that the concept of “public” in Japanese companies has been weakened by the American management model. You have met a lot of business leaders, Professor Kusunoki, how do you see them in your eyes?

Kusunoki: In my opinion, it is simple if the job has a clear social consensus as “good”, such as police, firefighters, doctors, etc. It is overtly “public” in both its existence and purpose. In the case of corporations, on the other hand, there is no general consensus on which is better for real strategic choices and decisions, let alone compliance. In such a situation, it will be a tough question whether the management can make the happiness of customers, employees, shareholders and other stakeholders the driver of its own decision.

The important thing is to make them happy from a place close to where they can control themselves, on their own ground. In other words, we should first satisfy our customers by providing them with valuable products and services, and in return, we should increase our profits and increase the salaries we pay to our employees and the taxes we pay. I think the basic attitude of running a company should be to make the people who can be directly involved happy. I would like to see such management’s thoughts put into the integrated report, but there are many that just list the SDGs items and give a score like a report card. You can’t feel the will.

Morikawa: You’re right. I also want to make the people around me, my employees, happy first. And to do that, it is essential to make our customers happy. This is the basic form. The difference is that when a company is listed on a stock exchange, shareholders are also added to the company, but perhaps there is no distinction between public and private in a company.

Kusunoki: After thinking about it for a long time, I have come to the conclusion that corporate managers should think only of long-term profits. If you are serious about finding out how to be profitable all the time, everything else will follow. Profit for

shareholders, employment and compensation for employees, job satisfaction, SDGs, sustainability, and social contribution through tax payment all come together. It is very simple, and I believe that management deteriorates from the point of thinking about unnecessary things.

Nowadays, Shibusawa Eiichi is attracting renewed attention. It is sometimes perceived that morality such as the Analects of Confucius is important to deter capitalism from running amok, but this is not the case. What he said in “The Analects and the Arithmetic” is that “the more moral you are, the more money you make.” Even if the driving force is selfishness, if you take the long-term time horizon, all conflicts will be resolved and you can trade on. In other words, it comes down to the way you set the time axis. What may seem like a clear trade-off in the short term will naturally become a trade-on from a long-term perspective. As information and communication technology develops and speeds up, people naturally take a short-term perspective. The essence of management leadership may lie in shaking it back to a long-term perspective.

Morikawa: Depending on how you use information and communication technology, it can be useful for measuring and

checking performance. However, the changes were happening so fast that it became very difficult to stay ahead of the curve, and there was a time when I felt that I had reached the limit of my growth as a manager. The key to breaking through was dialogue with overseas investors. Through dialogues with them, I have come to understand that global software vendors are adopting the concept of leveraged finance, where they raise funds from investors to invest in growth and earn returns, so that they can manage their business with a long-term perspective.

Kusunoki: It is natural for human beings to have a short-term perspective, and I think it is an important role for managers to restore the original long-term perspective. Taking risks is a job that only a manager can do. This can only be done if we take a long-term perspective. For humans, risk aversion is natural. For an organization to take risks, it needs justification. The ability of the manager to obtain this legitimacy will show. Some of the best managers I’ve met take risks that are surprising to others. But for him, he is fine with it because he has a logical certainty that, in the long run, he will always be needed by society and will succeed.

Morikawa: I am also highly sensitive to major risks that could destroy the company, but I am relatively comfortable with risk-taking to a lesser extent. On the other hand, I tell myself that “I’ll figure it out” will work out, but “I’ll figure it out” will never work out. If we can keep the vector of becoming a world-class software company and keep the company alive for a long time, I believe that the rest is just a matter of time frame and we will be able to achieve it someday.

Create de Facto Standards that Will Open up New Categories

Kusunoki: What sets the vector is the will of the management, isn’t it? I have the impression that good managers backcast from their own internal will of what they want to achieve and be in the future, rather than what society in general will be like in the future.

Morikawa: I haven’t made any predictions for the future either. To create world-class software, we want to create a “de facto standard. I believe that this activity itself will make the organization more fun and improve performance, and I think that companies will see this and say, “If Avant can do it, why don’t we do it too?”, which will boost the Japanese software industry and economy.

Originally, I wanted to contribute to “opening up management”, so when the consolidated accounting system was introduced in 2000, we quickly expanded sales of packaged software and built a customer base of about 1,000 companies. The next step was to create a business model that combined BPO and system integration. Now, we are in the third chapter of how to create de facto, globally accepted software.

Kusunoki: I see. What is the de facto image you are talking about?

Morikawa: The de facto image for me is Sony’s Walkman. In other words, something that will provide new value to the world and spread throughout the world.

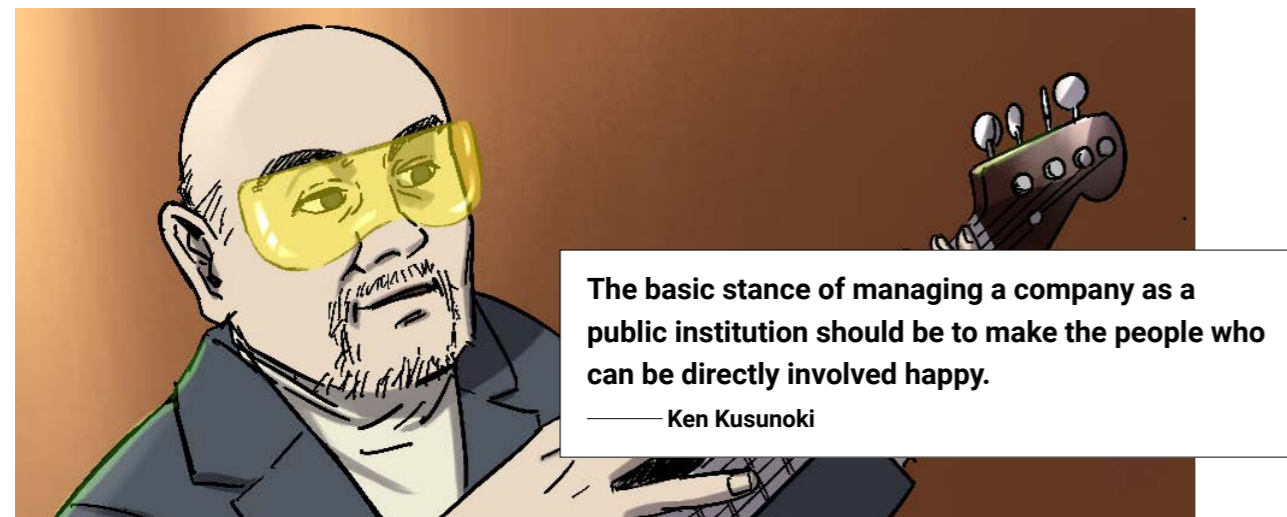
Kusunoki: I know exactly what you mean. It’s something that changes “what’s good.” The essence of the value of the Walkman is that it allows people to enjoy music in a whole new way by having music follow human behavior. It is not an improvement in function or technology, but it has opened up a new category. It is symbolic that the specific product name “Walkman” has become a generic noun referring to such a category of products. It would be interesting to see that happen in the world of management information.

What Kind of Information Environment is Truly Useful for Management?

Morikawa: The information environment for management that we have provided up to now has been centered on creating, reporting and disclosing information in a predetermined format, but I have been thinking that we could provide something that would change the behavior of managers themselves and ultimately improve the performance of the company. Governance has been a particular theme since the company’s inception. Many managers become more selfish and defensive as they get older, so I think it is important to create an environment where people around you can choke you. I myself believe that the ideal situation for a president is to be fired by the board of directors after a violent outburst, and I have been thinking about how to create an environment that can stop such outbursts by top executives, and in particular how to make outside directors, who represent shareholders, function. I used to feel that this discussion was not well received in Japan, but the recent governance reforms have turned the tide, and I believe that we now have an opportunity to make the information environment even more useful for governance and management.

Kusunoki: You mean to give discipline and pressure to the management with daily quantitative information. And that they can influence those parameters by their own management decisions and actions, and feel the changes. The better the manager, the worse information and painful remarks they want to hear. That kind of information system was not likely to exist.

Morikawa: If it becomes complicated and lofty, it will be troublesome, so I think it is best to keep it extremely simple. The reason we are trying to focus our clients on listed companies is because we need to continue to increase the value of the company. The key to this should be to





I want to set Board of Directors in Japan as an environment where it can focus only on important matters.
 —— Tetsuji Morikawa

incorporate a multi-stakeholder perspective, as I have experienced.

Kusunoki: So you can see the view of your company from the investors' point of view there. That is probably the least visible view for many Japanese managers, and I think that is what is causing the problems with investors. I believe that it would be better to bring in activists as outside directors rather than take measures against activists. It is not realistic to have constant dialogue with investors and outside directors, so this kind of system is very interesting.

Morikawa: Thank you very much. We believe that the single most important factor in changing management is the collaboration between the board of directors and the execution. Through my own trial and error in managing the board of directors and serving as an outside director at other companies, I am keenly aware of the difficulty of outside directors in particular functioning to increase corporate value. I think that the boards of directors of many Japanese companies spend too much time talking about the details and fail to fulfill their original function of seriously considering how to improve corporate value. With this new software, we want to change the

environment so that we can focus on the important discussions.

We have been pursuing the theme of an information environment that is useful for management for a long time, and if this really sticks with the management, it will become the keystone of the fan, and all the solutions we have been providing will be connected. The goal is to create a wide range of businesses from this base, and to generate high-quality employment. I admire Sony not only because they make money from the Walkman, but also because I find the organization very interesting, with all the ambitious people around it saying, "I want to do that too."

Originally, I chose the theme of an information environment useful for management because I wanted to create something that I could sell to my father when I was 55, but now that I am 55 myself, I feel that I am finally reaching that age.

Kusunoki: In my opinion, a really good product or service is one that can be sold in a fair and enjoyable way. I'm very much looking forward to it.

Morikawa: Becoming a company that can help improve the corporate value of our customers is our most important task at

the moment, but after listening to your talk, I realized that the improvement of corporate value converges on whether we can continue to generate profits and develop over the long term. Thank you very much for your time today.

Ken Kusunoki

In 1992, he became a full-time lecturer at the Faculty of Commerce, Hitotsubashi University. After working as an assistant professor at the same university and an associate professor at the Graduate School of International Corporate Strategy of the same university, he became a professor at the Hitotsubashi Business School's International Corporate Strategy (ICS) Department in 2010. He is also the author of "Competitive Strategy as a Story: Conditions for Superior Strategy" and "Reverse Time Machine Management Theory: Management Knowledge from Recent History."



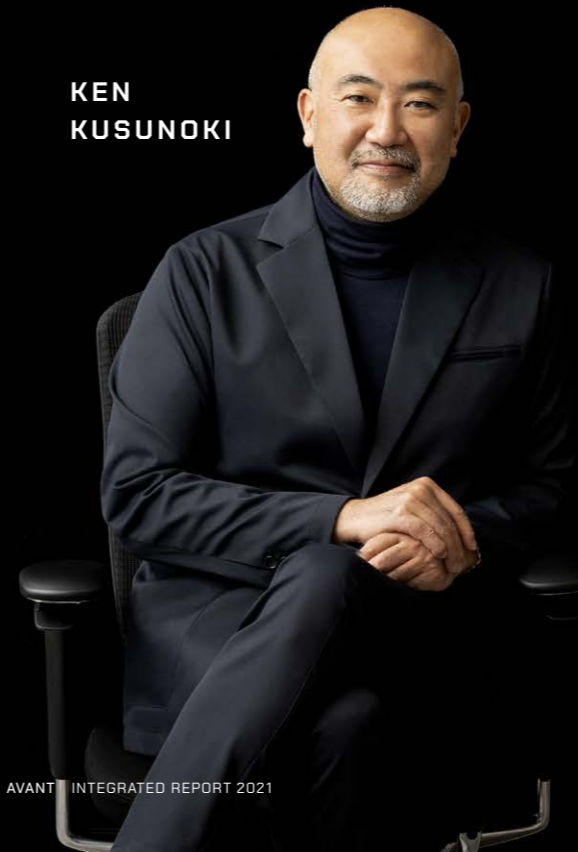
EPILOGUE

Post-interview notes

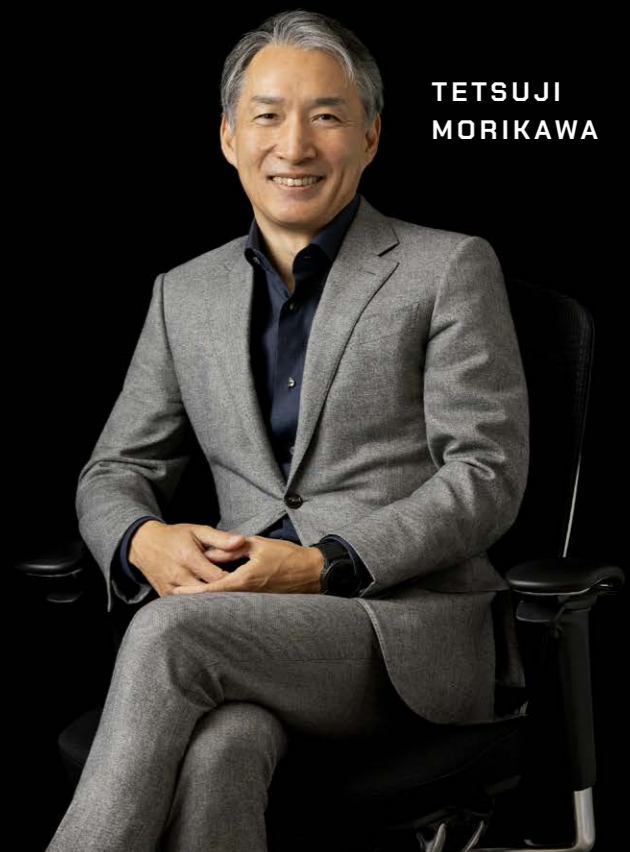
Management is a highly individualized job. There are no highly generalized laws in management like in the natural sciences. It is common for management styles and policies that are successful in one company to adversely affect performance in another company. Nevertheless, there are principles that are common to all good management. In the interview with Mr. Morikawa, I shared my own thoughts on such principles. I got the impression that Mr. Morikawa is a manager who values principles. The theme of building an information environment for management from a governance perspective is a challenging one. I know that there are many challenges ahead of us. That is why it is important to move forward with the business faithfully following the principles. Moreover, Mr. Morikawa's business concept is a service that also asks client companies to question the principles of management and lead them to more robust ones. I hope that this concept will flourish, and that the principles of corporate management will become widely established and the quality of management in Japan will improve.

However, it seems that the principles of management are becoming more difficult to understand, as even CEOs who have been evaluated for ESG management are fired if they fail to increase corporate value. Prof. Kusunoki explained that if we can find out the mechanism to generate profit from a long-term perspective, we will naturally become a public institution as a social good. It was a talk that got to the heart of what business activities are all about. The understanding is that the best management for society can be measured in terms of how much sustainable profit growth is possible. This was in sync with our management philosophy of "Creating a 100-year company", which is based on the premise of pursuing long-term growth. It is not easy to always conduct daily business activities from a long-term perspective, but from my own experience, I am convinced that creative and continuous dialogue with investors and outside directors with a long-term perspective can be quite effective. It deepened my desire to create a business that can encourage such dialogue.

KEN KUSUNOKI



TETSUJI MORIKAWA



Which investors are increasing the value of the companies they invest in the most and achieving high performance over the long term?

They are the kind of investors who focus on the humanity and vision of the management and support the "creation" of the company.

It is important for us to contribute to the "creation" as well as the "improvement" and "reform" of our clients' management.

#03

CREATIVE DIALOG

**Helping to Enhance Corporate Value
= Contributing to Innovation and
Creativity**

Yasunori Nakagami
Representative Director and CEO,
Misaki Capital Inc.



Tetsuji Morikawa
President and Group CEO,
Avant Corporation



The Importance of Internal Motivation and Vision Common to Managers and Investors

Morikawa: There is always a cycle in management, and I myself have run into major obstacles from time to time. At such a time, it was largely due to external factors that helped me grow as a manager, and I received various suggestions from investors. I believe that meeting Mr. Nakagami has opened up a new path for me. I know that you have been interacting with various companies, but what do you think about the impact that dialogue can create?

Nakagami: In Misaki Capital, there is an equation called "Misaki's Axiom", which is "V=(B×P) to the Mth power". The idea is that if you complement the M (Management skills) of a company with excellent B (Business) and P (People), V (Value) will improve exponentially. It is difficult to change a business drastically, and it is also difficult to change all the people in the management team. But we believe that we can complement the M (Management skills) and we are having a dialogue every day.

But the other day, I had a conversation with the president of a major company, and what he said really stuck with me. The president of the company, from the time he was the general manager of the corporate planning department to after he became president, sold off businesses and restructured the company to greatly increase the profit margin, which was highly praised by investors. However, when that was over and he was about to start a new challenge for the next 10 to 20 years, institutional investors were very much against it. They say, "You've become highly profitable through selection and concentration, so don't do anything unnecessary." The president of the company asked me, "Mr. Nakagami, are investors like that?"

Morikawa: I was also confused by what you just said. Is that good enough for investors?

Nakagami: I'm sure you think so. In fact, it made me ask myself the same question intensely. Perhaps our definition of value-added as "complementary to M" that I mentioned earlier is also too focused on helping 'reform' to increase low profitability and capital productivity. In fact, this is only the first or second step of a staircase that management must climb, and the next step, "creation," is more important. But when managers try to get up there, most investors dislike the uncertainty and are very much against it. It is true that we ourselves are working hard on the "reform" phase, analyzing data and preparing documents, but if we ask ourselves whether we are really taking risks together with the management in the "creation" phase, our honest answer is that we are still not doing a good job.

Morikawa: In the IT industry, there are companies that have succeeded by changing their business model despite opposition from investors. I believe that some investors will withdraw their funds in such a

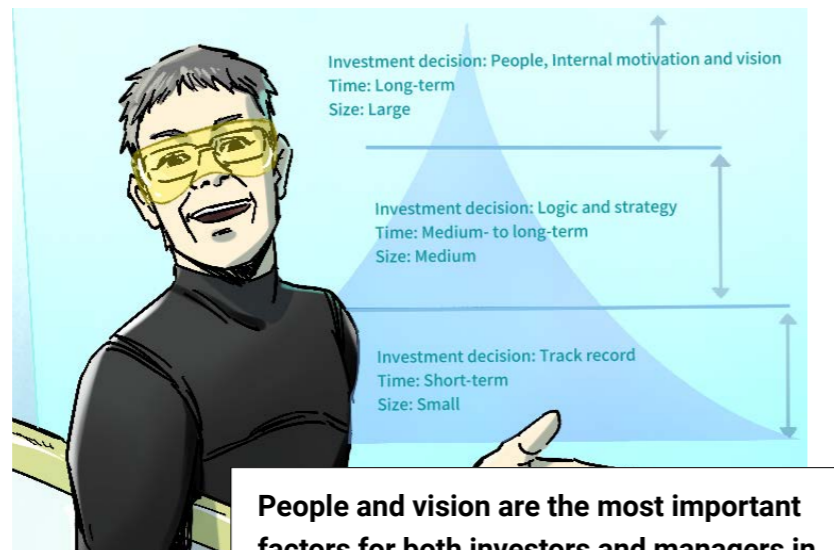
situation, while others will support the company's decision making and invest.

Nakagami: Unfortunately, the majority of investors will not follow the "creation" phase unless they are convinced enough. However, there are a certain number of investors, albeit a very small number, who would rather focus on that.

This is my own theory, but I think that managers and investors are actually quite similar. Managers raise money through direct and indirect financing and invest it in their businesses to generate returns. Investors like us are very similar in that we raise money from asset owners such as pension funds and university endowments and invest it to generate returns. As one of those similarities, I had the experience of traveling around the world to raise funds, and I felt that asset owners can be categorized into three layers.

Morikawa: Oh, I'd love to know more about that.

Nakagami: Let me explain with a diagram. The first and most numerous layer, where the majority of asset owners are located. These asset owners basically rely on the track record of potential funds to invest.



People and vision are the most important factors for both investors and managers in the long run.
 — Yasunori Nakagami

Based on the past performance of the fund, we assume that it will continue to perform well in the future. One characteristic is that while they are more likely to put in funds, they are also more likely to withdraw them as soon as they determine that it is not working. And the investment amount is relatively small.

The next layer of asset owners (the number is drastically reduced) will invest based on their logic or "investment strategy". They focus on whether the fund manager's logic is rational and likely to work properly in the external environment. Asset owners in this layer will not invest easily until they are convinced, but if they are convinced, they will take their time and invest in the medium to long term. The amount is also much larger than the first layer.

The last layer of asset owners, which we rarely see, are very long-term investors with large investments. Their concerns in due diligence are quite different from those of other layers of investors. For example, I was asked, "Why did you abandon your 20-year career in the consulting industry to come to the investment management world?" "After that, why did you have to quit your old fund and start all over again with Misaki Investment? In short, most of the questions are about my own life and the strength of my internal motivation. Such questions make me pretty sluggish. I had several such experiences, and it made me really think about whether I was worthy of being invested in by these people. And what's interesting about this is that the highest performing asset owners ever exist in this layer. I was surprised to see that asset owners who bet on logic rather than past performance, and people rather than logic, performed better in the long run.

Morikawa: This is interesting. One thing I am curious about is that individual investors are also important stakeholders, of course, but do they share the same composition?

Nakagami: Actually, the last layer includes many prominent "foundations," mainly in the U.S., which tend to reflect the will of the individual founders to a large extent. Since these foundations are huge, they naturally hire analysts to analyze past track records and logic, but I felt that the final deciding factor is people and vision, and that is largely left to the personal judgment of the foundation's top management. There are so-called professional individual investors and amateurs out there, and I believe that there are still a certain number of amateur individual investors who are sensitive to people and visions and invest out of sympathy and support, although not in large numbers.

Morikawa: Indeed, I have the impression that many of the shareholders of the company where I serve as an outside director also share our philosophy. Basically, I believe that a company is an organization that generates profit, so the principle argument is to serve society through making money, but people and vision are very important for both companies and investors.

Nakagami: Of course, asset owners who invest in Misaki Capital also look at the track record and logic, but in the end, many of them appreciate the personal aspect of the investment, saying, "I will bet on your passion." Although you are in a different position, you have a very strong internal motivation and passion, so I think you should appeal to that more.

Contribute to both "Reform" and "Creation."

Morikawa: To put today's words in perspective, I think that until now, most of our business has been limited to supporting the "improvement" of our clients' businesses. Therefore, as the Avant Group, first

of all, we are working to support our customers' "reform" by developing an information environment that will help improve their corporate value, and we are aiming to increase profitability and capital efficiency through the provision of software.

In Japan, there are many companies that have not been able to reform themselves in the first place, and I believe that creating an information environment that allows managers and outside directors to properly grasp the corporate value of their companies will be a major contribution. In addition, since many companies are facing challenges in human resources, the value we can provide will be even higher if we can not only provide software, but also take on information creation work as BPO on a continuous basis.

Nakagami: The other day, I had a conversation with Professor Mayer of Oxford University, one of the world's leading advocates of "Purpose", and he said something that left a deep impression on me. "Profit is a derivative of solving social problems," he said, and he got right to the point with a few simple words. There are many companies in the world that make profits while creating social problems, but these companies do not last long. He said that companies are profitable because they work to solve social issues. I thought that was a wonderful thing to say, but then I cheekily said, "Sir, you're missing two!" I said. One is "Serious". Solving social issues does not mean solving problems that are just lying around. If we don't solve the serious social issues of the day, we won't be able to make a profit. And the other is "In a unique way". He said that no matter how serious the issue is, no profit will be generated if we tackle it in the same way as other companies. The teacher praised me greatly, which made me feel good (laughs), but when I compared this to Avant's business, the profitability and capital efficiency of Japanese companies is so low. In other words,

this is a very serious and huge social issue. It is the role of Avant to solve this problem, and if we can solve it "In a unique way", I believe it will bring high returns.

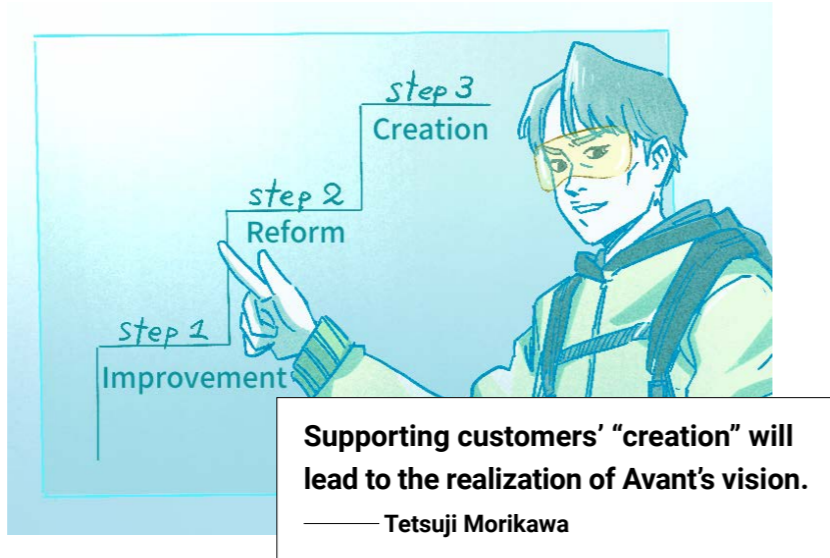
Morikawa: And of course, I would like to help with the "creation" of another level. I feel that this leads to the vision, or the third layer of the diagram.

In all the years I've been involved in management information, I've never been able to find a service that is more useful to companies than streamlining the process of creating information. Amid all this, I became the manager of a listed company, and as I thought about corporate value based on the stock price and engaged in a series of dialogues with investors, I realized firsthand that the future of a company can be created through dialogue. After much deliberation, we concluded that we needed a solution for the Board of Directors.

The top priority for "creation" in our company should be management. In other words, you can't create without the involvement of the Board. I don't believe that management should rely on a bottom-up approach from the field. That's why I believe that increasing the total amount of time board members spend on "creation" by providing software and changing the way they spend their time and the people they interact with will lead to increased corporate value for our customers.

The idea is to contribute to both "reform" and "creation," but the volume of business and the size of the issues faced by companies are overwhelmingly in the "reform" category, so this is where we will make our profits. However, there is no future if we rely on that, so even if the scale is small, we will prepare to contribute to the "creation" of our customers in the future. This is what we are aiming for now.

The reason why I can say this is because this integrated report has been very effective for us. In the process of preparing this integrated report, we formulated a



management materiality of "becoming a software company that helps increase corporate value." This is an extremely simple phrase, but it contains two of our management tasks: "to become a software company" that will help improve our corporate value. The first is our raison d'être for our customers, and the second is that software is the only way to develop a world-class business. I believe that shifting to a software business, even if it takes a long time, is an absolute prerequisite for growth.

Nakagami: A software company that helps people move up the stairs from "reform" to "creation" is likely to solve serious social issues in a unique way. I also think that the "reform" part is important first, and as I deal with the companies I invest in, I feel that management accounting is weak in Japanese companies. They don't "see" them before they talk about changing. That's why we can't reform. Many companies do not have a clear understanding of their product portfolio, what is profitable and how much, and what their business portfolio is by customer and region. I hope that Mr. Morikawa will create wonderful software and help Japanese companies to reform.

Morikawa: In talking with Mr. Nakagami, the context of materiality as "helping to improve corporate value" became very clear to me. Thank you very much for your time today.

Yasunori Nakagami

He joined Arthur Andersen & Co. in 1986. After working as a partner of Corporate Direction, Inc., he established investment advisory company in 2005. In 2013, he established Misaki Capital Inc. and assumed President and CEO. He is also the author of "Management to be Invested Management to be Traded Management" and "Management of Trinity."



EPILOGUE

Post-interview notes

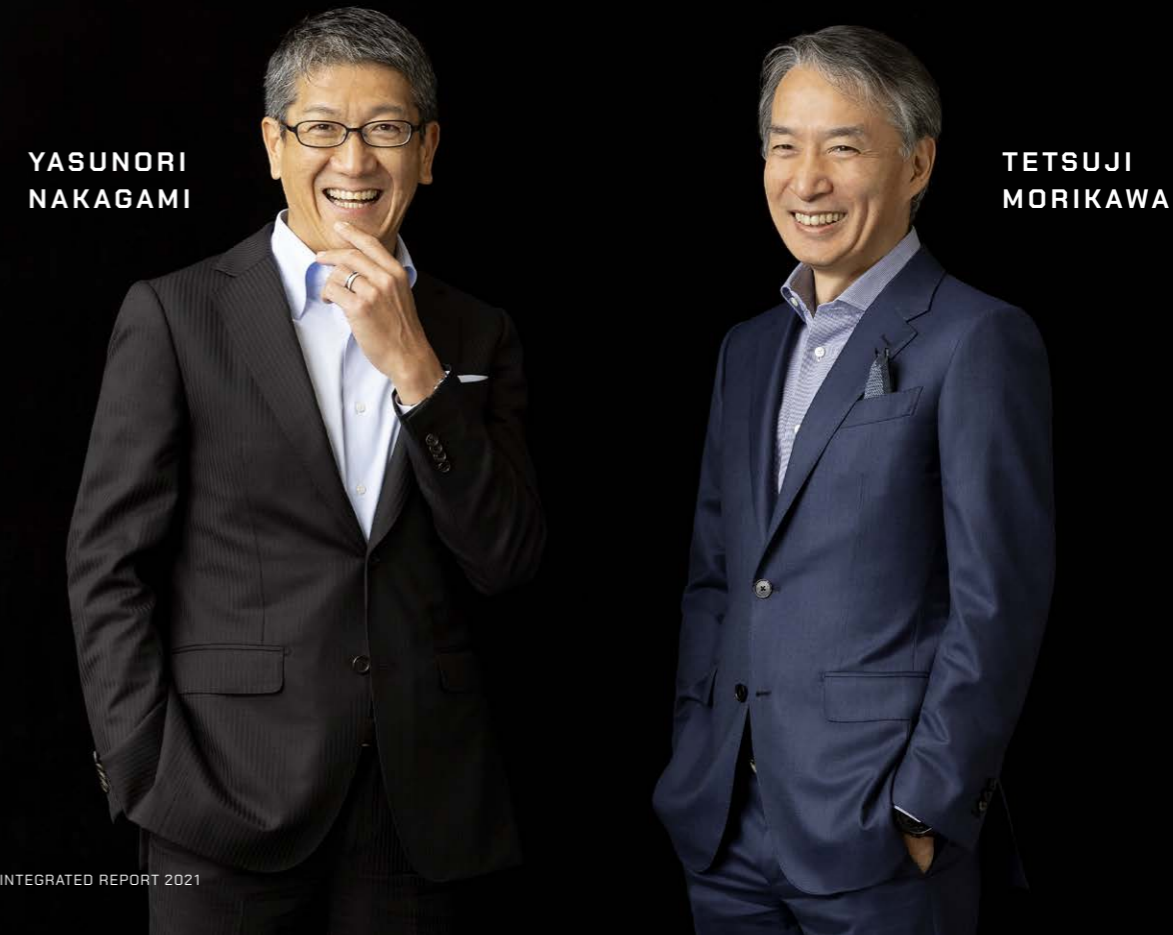
A good dialogue can bring about thoughtfulness that even the participants did not expect. The dialogue with Mr. Morikawa this time was the perfect example of this.

I had been thinking about the different staircases of "reform" and "creation" in management, the three layers of investors, and the fact that sustainable profits can only be achieved by solving serious social issues in a unique way, but I made many new discoveries through this dialogue.

Mr. Morikawa's words made me reflect on my own experience as a business owner. He said that even if a business owner puts "what they want to ask the world" as the principle of action when they start a business, once they achieve a certain level of success, the layer of thinking goes down.

I would be happy if this dialogue could be a hint for Avant's new management and new business, and I would like to have a relationship with Mr. Morikawa in which we always raise each other's layers of thinking. Thank you very much.

Is dialogue with investors useful for the sustainable growth of a company? This has been a personal concern of mine since we went public. It took me a long time to conclude, but the answer is yes. One of the reasons it took me so long was that I had a hard time meeting investors who would let me think that way. Of course, the cause was me, and my lack of experience and understanding was holding me back. My encounter with Mr. Nakagami was the one that broke the shackles. The dialogue was more like a conversation with a lucid military strategist than with an investor, as it went beyond a mere explanation of the business strategy to questioning the meaning behind it, clarifying the business model, and improving the resolution of the story. Through these dialogue experiences, it has now become one of the important management tasks to seek and utilize encounters with quality investors. We would like to utilize this kind of dialogue for further development of our business.



YASUNORI NAKAGAMI

TETSUJI MORIKAWA

DIALOGS

CxO

CDO: Chief Digital-transformation Officer
 CBO: Chief Business-development Officer
 CHRO: Chief Human Resources Officer

Avant has expanded the CxO position in 2021 in order to make the entire group work together more than ever toward the materiality of “becoming a software company that helps increase corporate value.” In this section, we present a dialogue between the three newly selected CxOs and the Outside Directors and President Morikawa, who have deep insights in their respective fields.

* See pages 82-83 for background and skills of outside directors.

01

Supporting Customers' Corporate Value Enhancement and DX Group-wide

▶ P.32

02

Realizing an Optimal Overall Investment Strategy and Ideal Capital Strategy

▶ P.36

03

Creating an Organization that Fosters Motivation and a Sense of Ownership

▶ P.40

Outside Director × Group CDO

Outside Director × Group CBO

President & Group CEO × Group CHRO

Moving to the Next Stage of Growth by Leveraging the Group's Comprehensive Capabilities

Contributing to the Enhancement of Our Customers' Corporate Value by Bringing Together the Knowledge and Resources of Group Companies

Robertson: What was the background and purpose behind the creation of the Chief Digital-transformation Officer (CDO) position?

Okabe: The Avant Group has grown to achieve the top share in each of its niche markets, with Diva and Zeal specializing in consolidated accounting and BI tools, respectively. In recent years, as Diva has shifted its focus to supporting the strengthening of governance, the construction of a cloud data platform to support data-driven management has become a core business for Zeal, and the construction of management dashboards using Diva's data has been increasing. In response to this, the Group CDO was established to promote the idea that the Group as a whole could make a greater contribution to improving the corporate value of our customers, and I, the head of Zeal, was appointed to this role. At present, we are jointly developing software that will serve as a data platform service for finance by leveraging the respective knowledge of Diva and Zeal, and one of the major roles of the CDO is to lead this effort.

Robertson: A data platform for finance is an interesting concept. What is it exactly?



CxO DIALOG **01**
Supporting Customers' Corporate Value Enhancement and DX Group-wide

Jon Robertson
 Outside Director



Takahiro Okabe
 Group CDO
 President and Representative Director,
 Zeal Corporation

Okabe: Against the backdrop of the recent strengthening of corporate governance, Chief Financial Officers (CFOs) of Japanese companies are increasingly managing not only accounting data and business performance, but also non-financial areas such as human investment and sustainability. The concept of the finance data platform is to prepare this currently scattered data in a single platform, integrate it with finance, and make it available at any time.

Another important role of the Group CDO is to accelerate cross-selling to each other's customers by creating new software that is common to both Diva and Zeal. Currently, the Avant Group has about 1,500 customers, but only about 130 of them can be called cross-selling.

Robertson: Is it really that little? On the flip side, that's how much opportunity is left.

Okabe: Yes, as I mentioned at the beginning, each company was developing its own business, so we did not have a sufficient grasp of the group as a whole. At present, we are trying to establish a system in which an account executive is assigned as an organization of Avant, a holding company, to be responsible for major customers in particular, and to communicate with customers, especially CFOs and Chief Information Officers (CIOs), in detail about once a quarter.

Robertson: It's definitely better to have an executive on a killer account and be able to make a comprehensive proposal. How are you going to secure and allocate human resources within the group in order to achieve the things you just mentioned?

Okabe: At Diva, in order to contribute to strengthening the governance of our clients, we need to have the knowledge and skills in finance to be able to talk with CFOs on equal terms, and we are actively hiring such employees for their careers. However, we believe that the biggest challenge is to raise the level of existing employees, and for this purpose, we established a new Value Consulting Division at Avant in fiscal 2021. A person who has led finance and governance at a consulting firm has been put in charge and is promoting the improvement of employees' finance skills.

At the same time, we have created an ESG task force at Avant to enhance our ability to respond to ESG issues. In addition to myself, who is in charge, the team consists of two or three members from each company who are leading ESG solutions, and we are working to organize the service menu, take the lead in cross-selling, and raise the level of skills throughout the company.

We believe that the reallocation of human resources is an issue that needs to be addressed in the future, and we are beginning to increase the number of transfers within the group, for example, a business leader from Diva has been appointed as a sales manager at Zeal.

Avant is in a Position to Drive DX in Japanese Companies

Robertson: More and more companies in Japan are moving their data platforms to the cloud for digital transformation (DX), how is Avant going to support this?

Okabe: As you mentioned, cloud data platform migration is a major trend, and the major players are consolidating into about four companies. Among them, AWS and Microsoft are leading the way, and Zeal is supporting many customers with its position as the number one partner in the Microsoft data platform field.

Robertson: Microsoft must have a lot of partners, but how did Zeal become the number one partner?

Okabe: At the time when Microsoft started its new cloud data platform, there were few Slers other than perhaps Zeal who specialized in large enterprises and had a proper understanding of the concept. As a result, Zeal has received almost free technical training by Microsoft, and nearly 100 employees have been able to obtain Microsoft Certified Partner status. Zeal was also awarded the "Microsoft Japan Partner of the Year FY21 Analytics Award" by Microsoft, and was the first partner to be recognized as an "Advanced Specialization Analytics Partner," a new partner qualification with stricter criteria starting in 2021.

Robertson: The Japanese Sler market has changed quite a bit in the last 10 years or so. Since the shift to public cloud computing started, small companies have been moving faster than large Slers, so it must be easier for Microsoft to partner with them.

Okabe: That's true. Both AWS and Google have grown by choosing companies that were still small at the time as their partners and making upfront investments in human resource development, and I think Microsoft chose Zeal because of the importance of speed.

Another tailwind was the fact that many companies believe that in-house production of the data platform for their core business is the mainstay of DX. Zeal has always taken the stance of supporting our customers' in-house production, which has attracted the approval of our customers and allowed us to seize many opportunities.

Robertson: How is Diva doing with the move to the cloud?

Okabe: As for DivaSystem LCA, Diva's main product, the system consolidation software, only about 10% of our more than 1,100 customers have migrated to the cloud, so we are in the process of accelerating the switch to SaaS. In addition, "SMD Cloud," which integrates DivaSystem SMD, a solution for management accounting and group business management, and DivaSystem FBX, which collects non-financial data, enables us to propose group business

management solutions in a completely cloud-migrated form. SMD Cloud is also starting to see results in cross-selling through Zeal.

Robertson: I see. I believe that the core of DX is "data". What do you think about the understanding of this area by Japanese companies?

Okabe: I agree with you, but there are still many companies that call it DX, but are actually promoting digitalization that is far from transformational. Another challenge is that for true transformation, DX should be led by the people on the business side, not the department in charge of IT, but in reality this is not the case in many companies. As a solution to this problem, the Innovative Solutions Division, which was launched at Avant in 2021, has started an e-learning service for literacy training that enables people to think about how they can use data to change their business, and it has received a very strong response. We are trying to support our customers' DX by improving their literacy in both business and technology: educating the people who will lead this DX on the business side and educating data scientists.

Robertson: After listening to what you have said so far, I am relieved to feel that Avant understands the needs of its customers better than the major Slers and is moving to read the market quite quickly. If I were to give one piece of advice, it would be to keep a close eye on the trends in the U.S., although I'm sure Zeal has already learned enough since he is already a deep partner with Microsoft. Most American IT trends will come to Japan in a couple of years. In the U.S., on-frames are already 20% and 80% of the world is in the public cloud. In Japan, the situation is still the opposite, but it is better to consider strategies and product development in anticipation of a similar situation in the near future. The majority of Avant's business is in Japan at the moment, but we do have an international culture, including President Morikawa, so it would be great if we could make use of myself and Director Ugeux to create connections overseas. Even in the U.S., data-driven business and data monetization are still in their infancy, but I think DX will have an even

We will support customer's DX with a good understanding of their business plan.

——— Takahiro Okabe

greater impact in the next stage of "data democratization" - when anyone can exchange data securely.

Okabe: Thank you very much. Half of the top 200 companies in Japan by market capitalization use Diva's products, and Zeal is ahead of the curve with many data platforms, so Avant Group is in an advantageous position to communicate with our customers' CFOs, CDOs, and CIOs. The advancement of ESG management and DX are both things that will take four to five years to achieve, so we would like to realize our materiality of "becoming a software company that helps improve corporate value" by understanding our customers' management and business mid-term plans and working with them to create software and services.

Robertson: When it comes to the cloud, especially SaaS, it's even more important to make sure that you're getting value out of it, because you're changing and developing features behind the scenes as the customer is using the service. I feel that Avant values the relationship of trust with its customers and has a very high level of loyalty, so I have high expectations for the company in the future.



It is important to keep an eye on the trends in the U.S. and consider them for strategy and product development.

——— Jon Robertson

Realizing an Optimal Overall Investment Strategy and Ideal Capital Strategy

Naohisa Fukutani
Chief Independent Outside Director



Gen Nagata
Group CBO
President and Representative Director,
Fierte Corporation



Mission of the Newly Established CBO

Fukutani: I think the concept of Chief Business-development Officer (CBO) is not so common, but what did you think when you received the offer?

Nagata: Basically, when I am given a mission, I think, "What kind of issues am I expected to solve in the organization and how?" It was the same this time, with a very simple take on what was expected of us and how we could achieve it.

Fukutani: What do you think your mission will be within the group?

Nagata: The "B" in CBO stands for business development, which means new business development such as M&A. In fact, PMI (post-M&A integration process) has always been my forte. However, it is difficult to explain in a few words because it also integrates the company-wide functions that Fierte has been performing.

Fukutani: I feel that our company has lacked an explicit function to act as a cross-section of the various operating companies. Essentially, if you are looking at M&A, you will need to consider the impact on the entire group, not just a specific operating company.

Investment Strategies to Increase the Value of "Customer Assets"

Nagata: I have always believed that "yield," such as ROI and value-added productivity, is the most important factor in business. From this standpoint, the decision to engage in business development or M&A depends on whether the expected yield is sufficiently high.

However, this is a rather simplistic view. Mergers and acquisitions, etc., are also a means to solve management issues and must be consistent with group strategy and management philosophy. In addition, we are a company that pursues specialization in niche fields, so it is not enough to simply expand our scale. We are now in the process of thoroughly discussing these points internally.

Fukutani: Investment returns, such as IRR (Internal Rate of Return), are one of the most important factors in making decisions regarding M&A. However,

looking at various cases in the past, standalone yields are not necessarily linked to the success or failure of an investment. Turnaround-type M&A is a typical example. So what criteria are used to narrow down the target?

Nagata: Whether or not we can expect enough positive effects and synergies to the group strategy. I believe that the most important asset for our company is our customers. In other words, it is the perspective of "how can we meet the needs of our customers" that will enable us to create such synergies.

Fukutani: With more than 1,100 Diva customers, we already have a substantial customer base. In that case, which direction are you aiming for, to expand services for existing customers or to further increase the scale of customers?

Nagata: Basically, we are focusing on the former.

Fukutani: So the strategy is to create new services that are different from those currently offered by the group companies, and to aim for quantitative expansion?

Nagata: That's right. Rather than new customers,

we are exploring and investigating "new service locations" for our existing customers.

In parallel with these efforts, we are also considering business development to strengthen our resources, while considering the medium- to long-term impact of external factors such as the declining birthrate and aging population.

Fukutani: When you say "new location," do you mean "in a place where you are familiar with?"

Nagata: You are right.

Fukutani: Considering the current situation of the group, I would say that was a wise decision. Because the grass is greener on the other side of the street, some other companies blindly venture into unknown fields, but without adequate preparation, this can lead to a variety of problems.

From Partial Optimization to Group-wide Optimization

Fukutani: There have been many twists and turns in our company's history over the past quarter century. What kind of changes do you think will be necessary now as you shift to a SaaS model for further growth?

Nagata: The heart of any business is the relationship of trust with the customer. Even when aiming for reform, the desire to change must be compatible with the needs of the customer. This is because self-righteous reform that neglects the customer will eventually become difficult to sustain. And our company still has some weaknesses in this aspect. I think that due to the effects of the corona disaster, we are missing out on our true potential for growth. Thoroughly improving this area will be the biggest breakthrough.

In addition, in order for external investments such as M&A to be successful, internal investments must also be well made. If you say, "I'm looking outside because I'm having a hard time with my current situation," and if you say, "I'm fine with my current situation, but I'm looking outside to make it better," the view you see will be different. I would like to further strengthen this part of internal investment.

Fukutani: The kind of M&A that is used as a jumping off point to avoid pain is one that is guaranteed to fail from the start. I think this is a very good point of view.

Could you be more specific about the “weaknesses of our company” that you mentioned a little earlier?

Nagata: Fierte, the company I represent, is committed to customer satisfaction for all of our customers, and our motto is to make no distinction between “customers who will make money for us” and “customers who will not.” The basic premise of this, of course, is to receive an appropriate service fee. Although I am not familiar with the situation on the ground at each of the operating companies, I am somewhat skeptical about whether they are really taking such a thorough stance. As an individual rather than a CBO, I would like to explore various things that I can do to make the group better.

Fukutani: It is true that forcibly obtaining work at a low price will not last long. The essence of sales is to build a relationship with the customer that increases customer satisfaction and also enriches



We should use our investment experience and capital to make high-impact investments, which should also be promoted to the capital markets. — Naohisa Fukutani

the company. Based on his findings, I think another mission of Mr. Nagata will be to link the partial optimization of Fierte, which he has been working on, to the overall optimization of the group.

Creating an Environment to Induce Change

Nagata: The biggest hurdle for companies to reform is the accumulation of tangible and intangible traditions that are accumulated through daily operations. It is important to take inventory of your operations frequently and discard activities that are not necessary for customer or employee satisfaction or for the company’s profits. As a result of postponing such small restructurings, the problems will grow, and eventually we will be forced to make massive cuts in personnel and so on.

But this inventory of what is needed and what is not is not just a judgment based on current trends in the world or the superficial awareness of customers. If you make your services cheaper, your customers will certainly be happy. But on the other hand, even if you have to raise the price a little, there are many times when enhanced services will lead to true customer satisfaction.

Fukutani: There is a saying, “Every day is a new day.” In order to make tomorrow a truly new day, we must not postpone what needs to be done today. I believe that communicating this way of thinking within the organization will eventually have a huge positive ripple effect.

Nagata: I am always conscious of the need to achieve medium- to long-term results. Only those that are sustainable and reproducible can be considered authentic. Even if I were to fall in the future, we must be able to maintain our services in the same condition. I can’t take credit for any of the tricks I’ve created.

Fukutani: People tend not to accept painful remarks from the outside. That is why we need to keep throwing the same message over and over again. It is also necessary to promote the creation of an appropriate system that encourages spontaneous

awareness on the part of each individual. It is not an easy task, but such a two-tiered approach will be important.

Prepare Dialogue with Capital Markets

Nagata: What I would really like to hear your opinion on is the issue of capital policy, that is, the allocation of the cash that our company generates each fiscal year. Should I examine various investment projects and narrow down my choices sufficiently before raising my hand? Or should we continue to invest a certain amount of money based on some criteria, like CVC? Or, should we rather give up on investment and use it to return profits to shareholders? What do you think, Mr. Fukutani?

Fukutani: Given the current situation of our company, I think the first approach is appropriate. While the CVC method of responding to opportunities with a sense of speed is conceivable, there should also be the idea of making high-impact investments over time, and in the case of our company in particular, we have the funds to do so. I think we should show the capital market how we are committed to the further growth of the group and that we are on a solid growth path.

In the past, we have invested in Internet Disclosure and Zeal. Although we are not a company that conducts M&A every year, we have the experience to make large investments when the time is right. I think there is a lack of effort to appeal such things to the capital market.

Nagata: I see. What we lack is an attitude that appeals to people about our past achievements and future plans, rather than the activities themselves.

Fukutani: More precisely, it’s a combination of taking action and sending out information to the outside world. Especially for those outside the company, I think it is important to report on the progress surrounding ongoing projects.

The current state of our balance sheet may appear somewhat unique to those who place more emphasis on ROE. But that’s where I think we should make sure to explain that our management is based on a solid investment strategy and is portfolio-conscious.



An investment with potential synergies is one that increases the value of our most valuable asset, our customers. — Gen Nagata

Nagata: You are absolutely right. Now that I’ve listened to Mr. Fukutani’s story, I feel more prepared.

Fukutani: I think the position of CBO is a great match for your bold and meticulous personality, Mr. Nagata. Merely being bold is only barbaric. In fact, a person who is in charge of M&A needs to be meticulous about every detail. You have to think about it a lot, think it through, and finally make a decision.

I have high expectations for Ms. Nagata. I will spare no effort to continue my cooperation.

Creating an Organization that Fosters Motivation and a Sense of Ownership

Tetsuji Morikawa

President and Group CEO



Eriko Satonaka

Group CHRO, General Manager of Group Human Resources



Make Intrinsic Diversity Work

Morikawa: I believe that creative human resources are the key to increasing corporate value in the future. I believe that by having them create value that cannot be replaced by AI, we can accumulate “invisible assets” that are the source of corporate value enhancement. I used to think that continuous growth of a company was possible using a logical framework. But as we entered a phase of discontinuous growth, I realized that logic alone would not work and that creativity was necessary. In order to convey creative thinking to the entire organization, we also need people who can translate with logical thinking. Recently, I have been thinking that it is important for the human resource strategy of a company organization to design a well-balanced combination of creative people and logical people to function as diversity.

Satonaka: It is true that diversity is essentially the ability of various people, such as creative thinkers and logical thinkers, to show their true potential. On the other hand, if we don't accomplish the advancement of women, which is one aspect of diversity, we probably won't be able to strengthen those essential aspects first.

Morikawa: That may be so.

Satonaka: Diversity is a combination of variety. By combining them, new outputs are created. It is important to recognize and utilize each other. If the promotion of women's activities becomes an end in itself, I think it will be difficult to achieve results that will lead to an increase in corporate value, but I believe that women's activities can be one of the symbolic indicators to measure diversity.

Morikawa: Discovering and formulating indicators that allow us to realize the

results of diversity will be an important theme in our human resource strategy. Otherwise, it will just be a response to the system, and we will be far away from the essential diversity.

Satonaka: In a true sense, I think the major theme for the future is how to create an environment that recognizes mutual diversity and leads to results. It may be difficult to set diversity metrics, but ultimately, it is important that the employees working there feel more fulfilled and that their performance improves. I think it is the role of the company to change the awareness of each individual and create such a workplace so that people can work in a place where they can discuss anything and engage in friendly competition.

A Personnel System that Improves the Motivation of Employee

Morikawa: As a management, I think it is necessary to present goals that will serve as a basis for employees to act autonomously. My image of an ideal company is one in which each individual sets his or her own goals and works autonomously. It is an organization that allows people to work in a way that allows them to come together with a purpose of their own volition for activities that would normally be painful, like a marathon, and to take the initiative in their efforts to go beyond their own limits. As a result of our achievements, we would like to make sure that our earnings are returned to our employees.

Satonaka: Motivation is very important in a marathon race, but people are not always able to motivate themselves in any condition. For example, after being told what is expected of them by their





Creating an Organization that Fosters Motivation and a Sense of Ownership

superiors or colleagues, some people may sublimate this into their own motivation. I believe that it is my role as a Chief Human Resources Officer (CHRO) to create mechanisms and devices to communicate expectations that will trigger motivation.

Morikawa: Indeed, I feel that what is motivating for me may not be so for others. As a manager, it is very important to understand how to balance that objective perspective and understand the way employees think.

Satonaka: Rather than KPIs in a small scope, I feel that a system that is based on a larger objective, "what do we want to achieve?" will be able to convey the direction of the company more clearly and serve as a basis for employees' actions.

We may have a corporate culture in which we believe that employees themselves must be motivated. Based on this premise, supervisors sometimes tell their subordinates, "You are a professional, so you should be able to do this." It is great to see individuals becoming professionals and becoming a professional group. On the other hand, when a subordinate is not producing results well, it could be because the boss's thoughts are not being conveyed

accurately. Even if it is obvious to the boss, it is not understood or understood by the subordinates. I think it's important for supervisors to communicate to their subordinates how to achieve good results and expectations for awareness, and to do so in a way that is easy to understand.

Morikawa: When the company was small, I was able to understand each individual and work to motivate them and communicate the company's expectations to them. The supervisor's evaluation of the subordinate and the subordinate's own self-evaluation also largely matched. In other words, I was able to communicate my expectations well, and it was easy to make corrections for the few people whose evaluations were off. As a result, we were able to communicate smoothly without any conflicts, and we were able to share goals that we could base our organization on. However, as the scale of the company grows, it becomes more difficult to work with managers in between and to communicate expectations well. As the scale of business expands, the personnel evaluation system becomes more hierarchical and multiple criteria are created, and the original purpose of the system is lost, and the evaluation

The ideal company is one where each individual can set his or her own goals and work autonomously.

—— Tetsuji Morikawa

system gradually becomes a skeleton. That is why, as I mentioned earlier, "You are a professional, so you should be able to do this," may be the way to communicate, "If you are in this position, you should be able to do this."

Satonaka: It is not enough for a company to evaluate an employee's position and responsibilities based on whether he or she was able to do the job or not. It is important to show them the next step and then support their growth. To achieve this, it may be necessary to establish a personnel system that evaluates the way of human resource development itself.

Creating an Organization with a Sense of Ownership and Awareness of Profitability

Satonaka: I heard from one of the group companies that they don't see hiring as a job for HR, but rather as something you can do and then get actively involved in hiring. When I asked them why they were able to do this, they replied, "Because we have a common goal, which is to help the company." I realized that there is a pervasive sense of ownership of how one can contribute to the company's objectives, and that the functioning of this awareness makes the organization stronger.

Morikawa: Since the employees share the same sense of ownership based on profitability, the power of the organization is greatly demonstrated. When employees are made aware of profitability, the business model tends to be quite profitable. Based on my past experience, I believe that if we can change the

It is also the role of the CHRO to create systems and mechanisms that motivate people by triggering the expectations of those around them.

—— Eriko Satonaka

mindset of the people at the top in order to establish a sense of profitability, the organization will move forward in a big way. Even when Avant's profits declined due to the Great Financial Crisis, we were able to rebuild by thoroughly focusing on profitability.

Satonaka: If the idea that each of us has to be profitable becomes more widespread, we can feel closer to our goals and each employee can start thinking about what they have to do to achieve them.

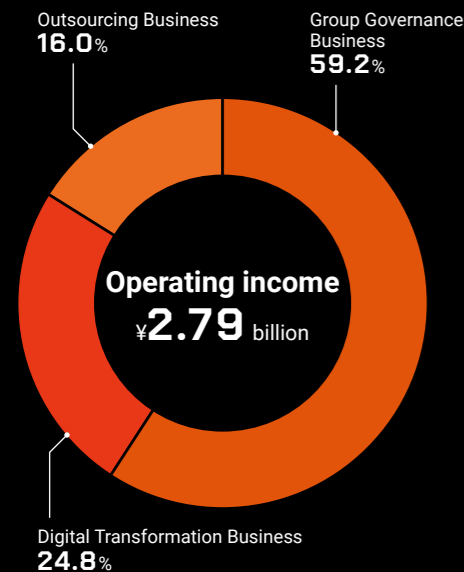
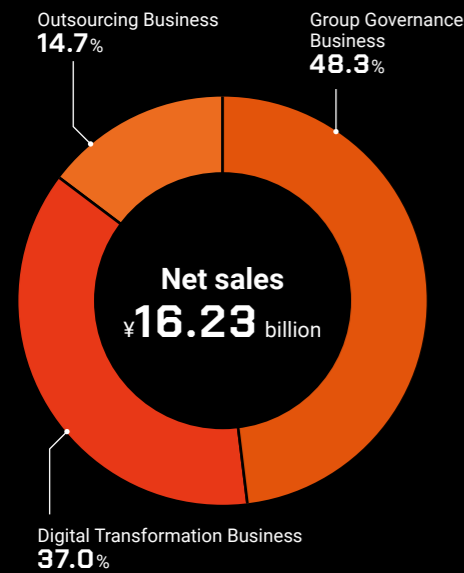
Morikawa: I believe that dividing the organization into smaller units once a certain level of growth has been achieved is an effective way to make profitability more accessible. If the unit of the organization expands as it grows, it will be difficult to share goals because it will be difficult to get blood flowing throughout. This is because 10 organizations with 100 people are better than one organization with 1,000 people, and each organization will work together to achieve profitable growth based on profitability.

However, building an organization with a sense of ownership based on

profitability can have the side effect of making people work individually when they should be working together. In fact, there have been some conflicts in the cooperative relationship between members. I think that if such problems could be solved, the organization would become very active, but something needs to be done. As Ms. Satonaka mentioned earlier, nurturing people and properly evaluating the company's and organization's perspectives may be the way to do this.

Satonaka: I feel that many employees are convinced that "if you ask someone else to do a job for you, you have not fulfilled your responsibility." In order to achieve results based on a sense of profitability, it should really be good to involve someone else. Responsibility at work does not mean that you have to do everything by yourself, but that you have to produce results. I would like to continue working to make people aware of the importance of getting others involved, so that we can achieve even greater results.

AVANT GROUP SNAP SHOT



* Effective from the fiscal year ending June 30, 2022, the segment name has been changed from "Consolidated Accounting Business" to "Group Governance Business" and from "Business Intelligence Business" to "Digital Transformation Business".

Group Governance Business

Diva Corporation

● Established in May 1997 ● 450 employees (June 2021)

The company develops, sells, and provides consulting services for consolidated accounting systems, managerial accounting systems, analysis tools, and BI tools that enable parent companies to collect management information from group companies and turn it into "usable" information for management decisions, such as consolidated financial statements and segment information.

Main Products DivaSystem LCA, DivaSystem SMD, DivaSystem Dx3-Advance, DivaSystem FBX, DIVA Compass, DIVA Empower, etc.

Internet Disclosure, Co., Ltd.

● Established in April 2000 ● 11 employees (June 2021)

The Company provides a variety of search services to audit firms and others through "Kaiji Net," a real-time database of listed companies' EDINET and TNet filings and notices of convocation of general meetings of shareholders.

Main Products Kaiji Net, Kaiji Net plus, Soumnet, eRules, etc.

DIVA®



Digital Transformation Business

Zeal Corporation

● Established in July 2012 ● 372 employees (June 2021)

Through digital transformation, the Company provides solutions for organizing and integrating internal and external data, analyzing it, and making it "visible" in the form of reports and graphs, so that it becomes useful information for management decision-making through consulting and system development.

Main Products ZEUScloud, CO-ODE, ZEAL DX-Learning Room

ZEAL
BI EVANGELISTS

Outsourcing Business

Fierte Corporation

● Established in August 2017 ● 229 employees (June 2021)

The Company provides outsourcing and consulting services for a wide range of accounting operations, including non-consolidated accounts, tax calculations, consolidated accounts, preparation and submission of timely disclosure documents, and cash management solutions.

Main Services Accounting outsourcing, consulting services, cash management solutions, system operation outsourcing, solutions for new IFRS standards

FIERTE

BUSINESS STRATEGY

Making management information "Usable"

CORE VALUE

- The Company entered the market ahead of the introduction of mandatory consolidated financial statements, and have strengthened products as the disclosure system has changed. The company maintains the top market share with over 1,100 installations.
- The Company provides an information infrastructure that contributes to the strategy formulation and decision making of CFOs and CEOs, as well as accounting departments, with our consolidated accounting system, management accounting system, group governance (information collection), business portfolio analysis, and BI tools.
- Capable of a wide range of support, from system development to consulting for implementation customization.
- Capable of providing solutions tailored to customer needs, from on-premise to SaaS.

Making management information "Visible"

CORE VALUE

- 30 years since the founding of our predecessor, the Company specializes in the development of systems in the field of business intelligence with a high degree of expertise.
- Capable of supporting products from a wide range of solution vendors, providing solutions that meet customer needs.
- The Company has been the first to acquire cutting-edge technologies from inside and outside Japan and link them to solutions.
- Unique training program to develop engineers in a short period of time.

Making management information "Entrustable"

CORE VALUE

- The only company that can provide a full range of services from non-consolidated financial statements to tax calculations, consolidated financial statements, and the preparation and submission of timely disclosure documents.
- Advanced confidentiality system for handling customer financial information.
- The scope of our services is gradually expanding to include cash management and revenue recognition solutions and system operation outsourcing.

MISSION
Spreading Accountability

Maximize Corporate Value by Leveraging the Group's Comprehensive Capabilities

To date, the Avant Group has maintained high growth while refining each of its areas of expertise: Diva and Internet Disclosure are in charge of making management information "usable," Zeal is in charge of "visualization," and Fierte is in charge of "delegation." Now, we will combine these areas of expertise to develop our business, and aim to realize our mission of "Spreading Accountability" through the entire group.

Evolution of Business Segments



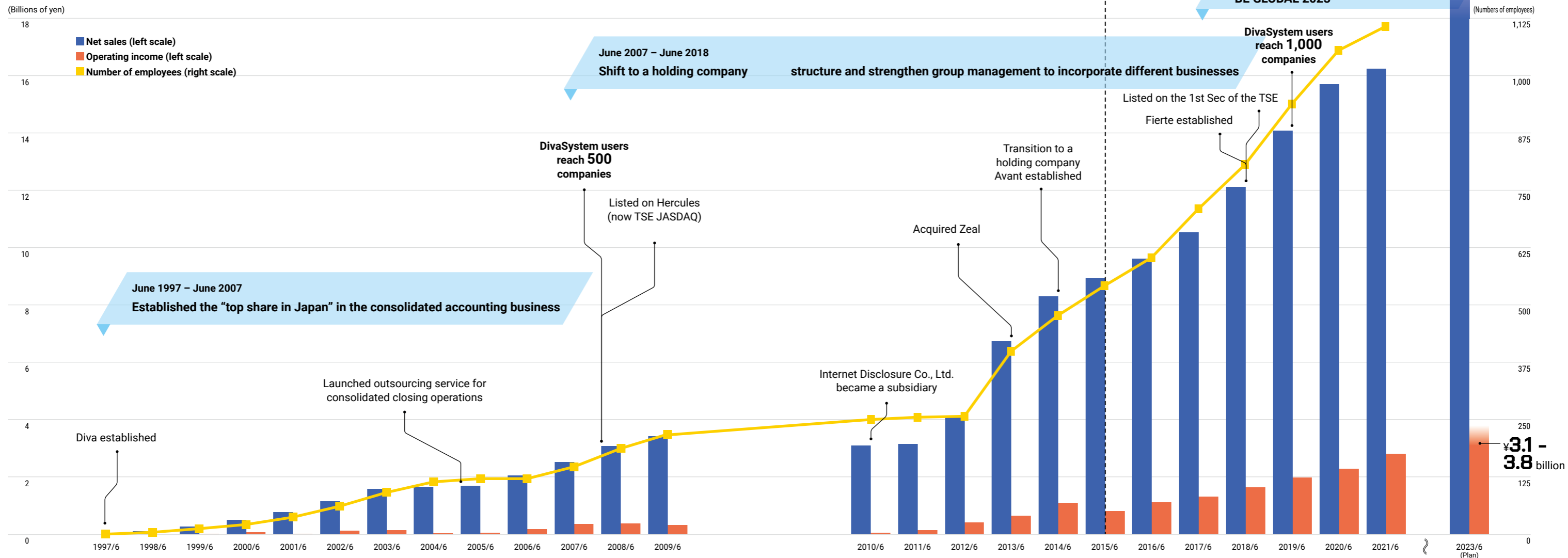
Maximizing Corporate Value through the Creation of Synergy

Improving the corporate value of our customers by making the businesses of the entire Avant Group work together



Evolution of the Disclosure System

- Consolidated Reporting Rule (from the fiscal year ended March 2000)
- Quarterly disclosure (from April 2003)
- Introduction of internal control reporting system (J-SOX) (from April 2008)
- IFRS voluntary application (from the fiscal year ended March 2010)
- Corporate Governance Code (from June 2015)



Group Governance Business



株式会社 インターネットディスクロージャー
Internet Disclosure Co., Ltd.



Hiroki Takemura
Vice President and Representative Director, Diva Corporation

We Will Continue to Shift to the Cloud and Expand the Governance Domain

Growth Momentum

Due to the impact of large projects peaking in the fiscal year ended June 2020, as well as the impact of stagnant economic activity due to the spread of the COVID-19 infection, sales in the fiscal year ended June 2021 declined for the first time since the current segment disclosure was introduced. However, we recognize that the market environment is favorable except for such factors. The need for consolidated accounting systems to improve the efficiency and sophistication of closing operations is growing stronger in order to respond to the market reorganization of the Tokyo Stock Exchange

in April 2022. On the other hand, there continues to be a strong demand for products that contribute to both "offensive" and "defensive" governance, such as management accounting, business portfolio optimization, governance of subsidiaries, and non-financial information management, from companies that are working to enhance corporate value in the midst of deepening corporate governance reform and digital transformation. Consolidated accounting systems are expected to grow by about 6%, while markets supporting governance are expected to grow by about 30%.

Competitiveness in the Area of Governance

DIVA's group business management system, DivaSystem SMD, is characterized by its ability to manage budgets and results on a consolidated basis, as well as its ability to perform multi-axis profit analysis, by leveraging its expertise in consolidated accounting systems. As governance reform progresses, we believe that it will become an important part of the dialogue between listed companies and investors to achieve corporate value enhancement. In addition, we offer products and services in five other areas, including linkage with

non-financial information such as ESG through DivaSystem FBX, scenario-based forecasting simulation with Diva Empower, and business portfolio analysis and business value calculation with Diva Compass. We support CEOs, CFOs, and outside directors in formulating management strategies and integrated reporting to stakeholders. In addition, rather than simply providing solutions as software, Diva has the advantage of being able to provide implementation consulting and maintenance support on its own.

Increase in Recurring Sales Ratio

In the mid-term management plan, our goal is to increase the recurring sales ratio from 40% to 50%, and our basic strategies are cloud shift and cross-selling. As the company's core system migrates to

the cloud, there are signs that the consolidated accounting system will also switch to the cloud in earnest. Diva has released DivaSystem LCA, a cloud service, in July 2020,

Market Environment

As companies are required to ensure sustainability through DX, they need solutions to integrate and analyze a variety of information for management decision-making, execution, and reporting. Management Accounting and IBP market to grow by 30%.



Group management has become inevitable for Japanese companies to improve efficiency, reorganize industries, and expand overseas. The consolidated accounting system market is growing at around 6%, due in part to the need to accelerate the settlement of accounts and strengthen disclosure.

* Integrated Business Planning

and is promoting the SaaS version to new customers as well as gradually migrating existing customers to SaaS. We expect SaaS sales to grow by more than 30% by leveraging our customer base for consolidated accounting systems, which has the largest market share at 43.8%*, and by promoting cloud computing. Generally speaking, the SaaS shift will result in a decrease in sales, but in the

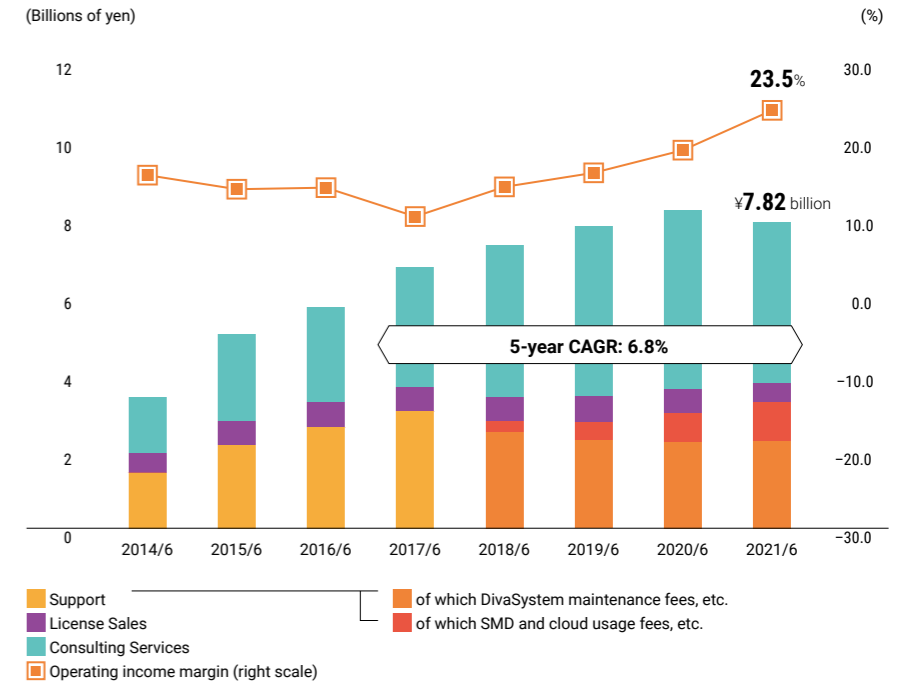
case of Diva, the SaaS shift will include support for the product and the infrastructure surrounding it. We also believe that we can increase the ratio of recurring sales while accelerating sales growth to meet the maintenance needs of mainly large companies.

* Fuji Chimera Research Institute, Inc., "Software Business New Market 2021 Edition" Consolidated Accounting Management Software Market Share (Package) FY2020 Results

Group Governance Business

Making management information "Usable"

Net Sales and Operating Income Margin



Hiroshi Takizawa

President and Representative Director, Internet Disclosure, Inc.

Our search services "Disclosure Net" and "eRules", which contain comprehensive disclosure information of listed companies, are widely used by major audit firms and other certified public accountants, and we believe that we have established them as a stable source of revenue. Currently, sales of the "Typographical Error Checking System," which verifies typographical errors and fluctuations in notation during the preparation of securities reports, is driving sales growth. In May 2021, we moved all our operations to the cloud and shifted to full telecommuting, which is expected to further improve our profitability. In the medium to long term, we aim to expand our business opportunities, and are also looking to expand the scope of XBRL data collection, which is widely used as an international standard language.

Digital Transformation Business



Takahiro Okabe
President and Representative Director,
Zeal Corporation

While Providing Strong Support for Our Customers' Digital Transformation, We Will Accelerate Sales Growth and Improve Profitability.

Market Environment

Total Addressable Market for Zeal
Total: ¥690-720 billion
(20-30% growth)

Growth opportunities
¥220-230 billion

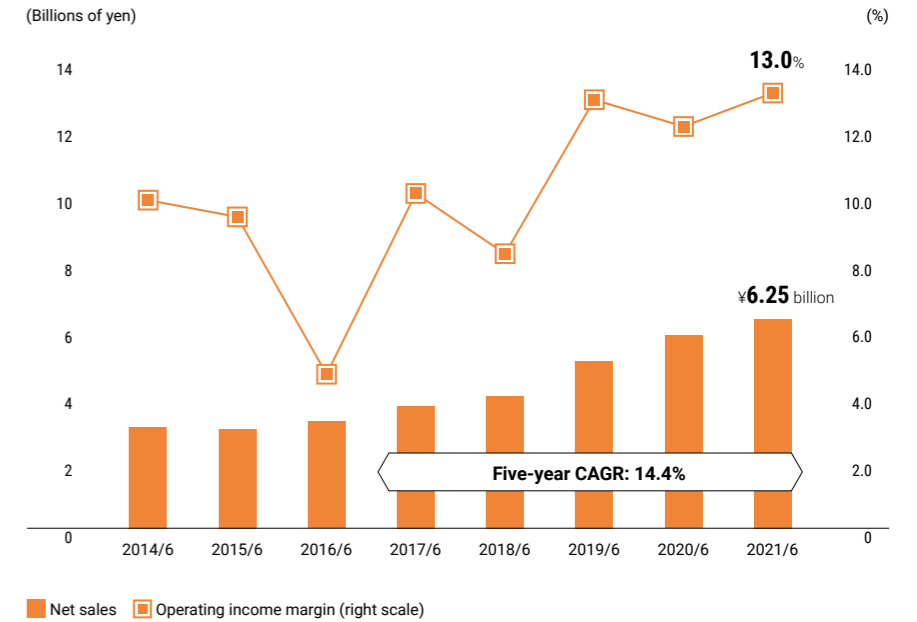
Growth opportunities
¥260-270 billion

Main markets:
¥210-220 billion



- It has been two years since the Ministry of Economy, Trade and Industry (METI) released its "DX Report" to help overcome the "cliff of 2025" and promote digital transformation (DX). Even in the DX Report 2, which was released in light of the changes in the environment over the past few years, only 5% of companies have adopted DX on a full-scale basis, and we issued a proposal for companies and vendors to accelerate DX with a strong sense of urgency.
- Zeal provides comprehensive support for corporate DXing, from building data platforms to training DX human resources.

Net Sales and Operating Income Margin



Why Zeal is Chosen in the Face of Competition from Major Slers

Digital transformation (DX) is not just digitalization, but management reform through digitalization, and two trends are occurring in the process of management reform. As the key data platform for DX, the public cloud has become the mainstream infrastructure, and in the process of establishing Amazon, Microsoft and Google as platform providers, a tectonic shift is occurring in the SI industry. In addition, companies have come to view the digitization of their core business as the root of their competitiveness and are

proactively involved in the system implementation process themselves. While actively learning cloud technologies with the support of software vendors and platformers, and quickly adopting domestic and international technology trends, Zeal has also thoroughly examined the needs of the customer and tried to make a highly persuasive proposal that says, "This is the architecture that should be used to realize the customer's objectives. As a result, I feel that we have become the choice of many customers.

Measures to Accelerate Growth

DX is still only being adopted by a few advanced companies. It is expected to permeate into many companies in the future, but we believe that it will be difficult for them to tackle the digitization of their core businesses on their own as advanced companies do. For the digitization of core businesses, a general-purpose data platform is required, and ZEUSCloud is a product that packages everything from data import to analysis and display for such customers.

More and more customers are setting up their own engineering teams, and for these customers, we have commercialized the training system that we have been working on at Zeal to train engineers in a short period of time as an e-learning system. We are also planting other seeds for future growth, and we believe we can achieve growth over the medium to long term.

Measures to Secure Human Resources

In parallel with hiring new graduates, Zeal actively hires mid-career workers, including those with no experience, and by using the training system I mentioned earlier to send them out into the field as immediately effective workers in a short period of time, we have solved the chronic shortage of engineers and supported rapid growth. However, with DX in full swing, operating companies are also moving to bring their own engineering teams in-house, and

securing human resources is becoming less and less easy. Therefore, for the fiscal year ending June 30, 2022, we have decided to increase the number of new graduates hired from a long-term perspective. The hiring of new graduates is progressing relatively smoothly, partly because we are gaining recognition as a company at the forefront of DX.

Continued Improvement in Profitability

In addition to the increase in the ratio of prime projects and the adoption of quasi-delegated contracts in recent years, the profit margin has continued to improve, partly because the contract terms for data platform projects, which have been increasing in weight, are more favorable than those for BI projects. We recognize

that there is room for further improvement in profit margins, and we will continue to work on the specifics. From the fiscal year ending June 30, 2022, the profit margin for software installation projects is expected to improve due to a change in the revenue recognition standard for accounting purposes.

Building a Data Analysis Infrastructure with Microsoft Azure for the JGC Group

< Zeals technical expertise and support enables everything from construction to in-house production in a short period of time >

Customer Issues and Requirements

As society and industry undergo dramatic changes due to digital transformation (DX), JGC Holdings Corporation has formulated and is working on the "IT Grand Plan 2030", which provides a roadmap for the future and its realization using digital technology. One of the pillars of this plan is the Project Digital Twin, which literally recreates the project in digital form. If the progress rate of the construction period is 30%, then the progress rate is 30% among digital. The main feature of this system is that it allows us to understand the current situation and predict the future, such as

how much time and cost it will take to reach 100% completion of the construction period. Against this backdrop, the JGC Group has started a project to build a data analysis infrastructure that will collect and utilize data from group companies to realize data-driven management in 2019, with the aim of promoting DX and making decisions based on data, including the Project Digital Twin.

The theme of the project to build a data analysis infrastructure was to create an environment where users can freely utilize data using BI tools, while ensuring security such as access rights.

Why Zeal was Chosen?

When the JGC Group formulated its cloud-first strategy in 2016, we compared and reviewed multiple cloud services within the company and selected Microsoft Azure (Azure) as the platform, so we had an environment in place to build a data analysis infrastructure using Azure. The environment for building a data analysis platform using Azure was in place.

When the person in charge of DX promotion attended a seminar on Azure-based data analysis infrastructure co-hosted by

Microsoft Japan and Zeal in September 2019, he was convinced that the concept he had envisioned was a best practice and selected Gilles as his construction partner. The reason for this was that "Zeal's name had often come up in our discussions with Microsoft Japan. We also knew that Zeal was strong in the DWH and BI fields, and when we attended the seminar, we recognized Zeal's technical capabilities and knowledge.

POINT 01

In response to the request for a short construction period among the project members while supplementing their skills, Zeal, with its high level of technology and knowledge of Microsoft Azure, DWH, and BI, was evaluated to be able to support the project members well.

POINT 02

Since they have extensive experience in DWH implementation, we are confident that they will be able to provide solutions to the issues that arise during the construction process based on their know-how cultivated through practice.

POINT 03

After building the data analysis platform, the client wanted to bring the operation in-house, so the company was highly evaluated not only for its technical capabilities, but also for its support for the user side, such as providing polite and easy-to-understand answers to questions.

Implementation Process and Results

The project to build a data analysis infrastructure will be a month-long trial verification starting in February 2020. In order to confirm the appropriateness of the customer's policy of in-house production, Zeal built an environment that combined the services on Azure to be used this time, and asked the customer to confirm whether the users could easily develop and operate the system.

After the trial verification, it was determined that in-house production was possible, and the main construction began. Although it had to be temporarily suspended due to internal responses to the spread of the new coronavirus infection, construction resumed in July 2020. The customer commented, "While the project members had little experience with Azure, DWH, BI, etc., we were very grateful for Zeal's advanced technical capabilities and detailed support, not only in terms of construction support but also in terms of skill transfer for in-house production.

In November 2020, the JGC Corporation Group pre-released a data analysis platform that paves the way for data-driven management. In the past, when user departments conducted data analysis, they had to ask the IT department to provide the data, which could be time-consuming, but now, under a secure environment, users themselves can use and visualize the data

whenever they need to. "I wanted something like this," said one happy customer.



JGC Holdings representatives (two on the left) who gave their evaluations and Zeal representatives (two on the right)

More Contributions to Customers

In addition to accumulating data to understand the current situation, it is also important for the JGC Group to conduct advanced analysis and simulations using AI and other technologies to predict the future.

JGC Group is contributing to the realization of a sustainable society by bringing together its advanced technologies and

knowledge. Zeal will continue to contribute to the enhancement of services that reflect the needs of the JGC Group in various aspects, such as the creation of an appropriate environment for business strategies and the provision of tools, through technical support for data utilization.

Outsourcing Business

FIERTE



Gen Nagata
President and Representative Director,
Fierite Corporation

We Will Continue to Achieve High Growth while Maintaining a High Level of Customer Satisfaction and Improving Profitability.

System to Maintain High Growth

I am very aware of the needs of many customers who are trying to overcome the shortage of human resources in Japan due to the country's declining birthrate and aging population by reforming their work styles and using DX. However, with the deepening of corporate governance reforms, how to utilize financial information both internally and externally to enhance corporate value is becoming more important, and is becoming a target for investment of resources. In this environment, FIERTE has been able to continue to expand its customer base by having the right people to handle BPO for DivaSystem and various other consolidated accounting

systems, ERP, and standalone accounting systems used in the market. We are proud of our average sales growth rate of 25.7% over the last five years. In addition, we are diversifying our services to include cash management solutions, revenue recognition, and consulting for listing preparation and corporate valuation. As a measure to secure human resources, which has become increasingly difficult in recent years, we have created a system to return the fruits of high growth and high profits to our employees, and we believe that we can continue to maintain a system that supports sales growth of 20-25% over the medium to long term.

Factors behind High Profit Margins

FIERTE does not simply help customers improve operational efficiency and reduce labor costs, but also helps them create value that increases productivity while avoiding the risk of dependency. Our clients are well aware that DivaSystem and other consolidated accounting systems are different from general-purpose software and require a high level of knowledge and experience on the part of BPO contractors. Increasing business with customers, mainly large,

industry-leading companies that share these values, is one of the factors that have enabled us to maintain a high segment operating profit margin of 21.1%. Although accounting and finance operations are prone to temporary human resource shortages due to the need to constantly respond to systemic and organizational changes, we are constantly and carefully streamlining our organization and operations with an eye on future developments.

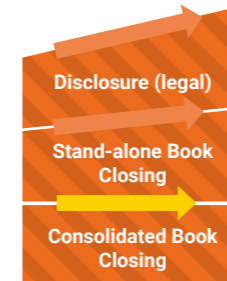
Outsourcing Business

Delegation of Management Information

Market Environment

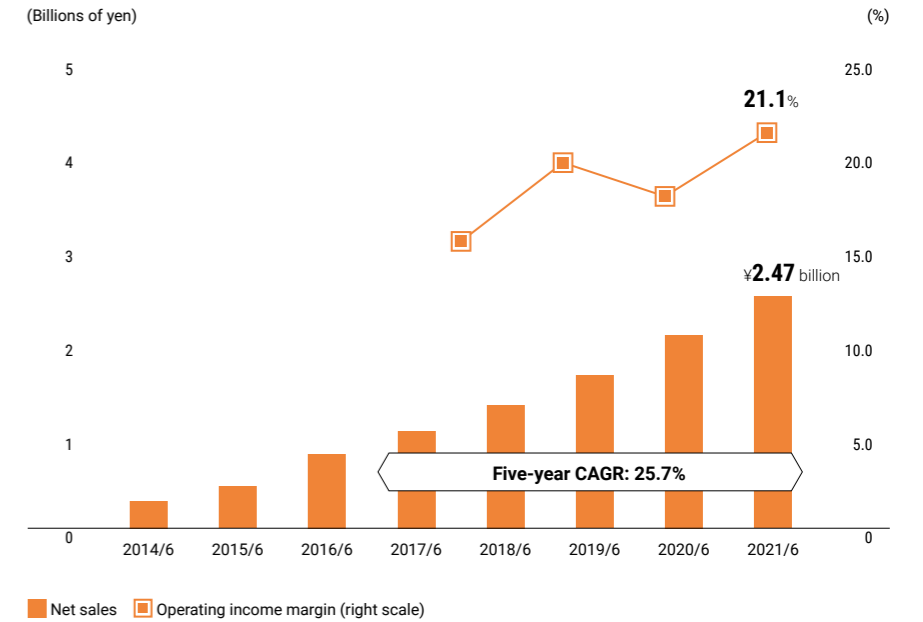
Total Addressable Market for FIERTE
Total: ¥68.5 billion
(25-30% growth)

Growth opportunities
¥17.5 billion
Growth opportunities
¥15 billion
Main markets
¥36 billion



- There is no other company that provides a wide range of outsourcing services from settlement of accounts to disclosure, and its strength lies in the know-how it has accumulated through the development, implementation and maintenance of consolidated accounting systems.
- Market growth of 20-25%, supported by needs for DX reform, handling of humanization, work style reform, and enhanced governance

Net Sales and Operating Income Margin



In addition, BPO for closing operations tends to concentrate operations during the client's fiscal year, but we are developing systems

to reduce the workload during peak periods, and we expect room for improvement in profitability over the medium term.

The Risk of Competitors Entering the Market

FIERTE is the only company in the industry to offer BPO services that cover everything from non-consolidated and consolidated financial statements to the preparation of disclosure documents (financial summaries, securities reports, etc.), but the number of clients we serve is still only about 160, and a significant number of companies are still doing their own work. While FIERTE's sales for the fiscal year ended June 30, 2021 are expected to be approximately 2.5 billion yen, the BPO market for financial closing operations is expected to be approximately 36 billion yen for consolidated accounts alone, and we do not believe that the situation is such that there is any concern

about competitors entering the market. Furthermore, FIERTE is an independent company from DIVA, the developer of DivaSystem, and we are proud to say that we are not inferior in terms of accounting system and system operation know-how. We monitor the quality of our services through customer satisfaction surveys, and although it has been more than 15 years since we started our accounting outsourcing business, we have only had a few clients cancel their accounts. Therefore, we recognize that the barriers to entry for competitors are very high.

Medium-term Management Plan / MD&A

BE GLOBAL 2023

(Fiscal year ended June 30, 2019 - Fiscal year ending June 30, 2023)

The Avant Group needs to grow both in terms of business expansion and improvement of capital efficiency in order to establish its position as a company that can compete in the global market while pursuing growth opportunities in Japan. The medium-term management plan "BE GLOBAL 2023," announced in September 2018, aims to "maximize corporate value" throughout the five-year period from the fiscal year ended June 2019 to the fiscal year ending June 2023.

What we aim to achieve through our medium-term management plan "BE GLOBAL 2023"



Medium-Term Management Plan “BE GLOBAL 2023”

In order for Japanese companies to grow beyond the declining birthrate, aging population, and the COVID disaster, business practices that aim to improve operational efficiency through IT investments are becoming a limitation. We need to make decisive business decisions that include realizing diverse work styles and creating new business models. At the same time, in order to continue sustainable development while addressing issues such as global warming and economic disparity, corporate managers must maintain close communication not only with shareholders, but also with customers, employees, local communities, and other stakeholders, and consider the balance between economy, society, and the environment. Therefore, managers are required to be more capable of organizing and analyzing information than ever before, and there is an urgent need to strengthen compliance and risk management systems and improve management transparency.

These changes in the business environment have made the role of the Avant Group’s business, which contributes to the resolution of issues faced by client companies through the “visualization,” “usability,” and “entrustment” of management information, even more important. While pursuing growth opportunities in Japan, the Avant Group needs to grow in terms of both business expansion and improvement of capital efficiency in order to establish a position as a company that can compete in the global market, which is the goal of the mid- to long-term management strategy, and to maximize the corporate value of the Group. Under the medium-term management plan “BE GLOBAL 2023” announced in September 2018, we aim to “maximize corporate value” throughout the five years from the fiscal year ended June 2019 to the fiscal year ending June 2023.

The Three Axes of “BE GLOBAL 2023”

In order to maximize corporate value, we will strive to achieve this through three axes.

Business Results Pursuit of Sales Growth and High Profitability

We will seize market opportunities to expand the number of customers by cultivating new customers in each business, develop and sell new products, and pursue further sales growth by proposing and selling products with the combined strength of the Avant Group, transcending the boundaries of individual operating companies, if necessary, to solve the problems of our client companies. At the same time, we will continue to improve the quality and productivity of our products and increase efficiency in order to achieve higher profitability.

In addition, for the medium- to long-term growth of the Group, it is extremely important to strengthen the system for product development that accurately reflects the needs of customer companies and changes in the surrounding environment. Therefore, we will continue to invest in development that is necessary from a medium- to long-term perspective, rather than just focusing on improving short-term profitability.

Investment Results Growth through M&As

The Plan focuses on maximizing the value of existing businesses, and in addition to growth through value creation in existing businesses, we aim to conduct M&A with companies that match the Group’s growth areas in order to further accelerate that growth.

We see this M&A as a means to not only achieve our sales scale targets, but also to facilitate a shift in our business model.

In the event that an M&A opportunity arises, we will carefully determine whether or not it will contribute to the improvement of

the corporate value of our group, and actively promote it while taking care not to make the M&A an objective.

Market Value Transform the Business Model

The Avant Group is focusing on the acquisition of stable and continuous revenue in order to further increase its corporate value, and has set the goal of increasing the recurring sales ratio (the ratio of maintenance fees and other continuous sales to total sales) in its medium-term management plan.

The recurring sales ratio is mainly due to maintenance services after the introduction of package software in the Group Governance business, and services to outsource operations such as consolidated settlement of accounts and consolidated tax payment in the Outsourcing Business. For other work, we mainly use contracts that bill customers based on “man-hours x unit price,” a business model that requires an increase in personnel to expand the scale of sales. By shifting this to value-added contracts based on the added value we provide to our customers, we believe we can increase profitability and efficiency while expanding the scale of our sales.

In the future, in addition to the sales of conventional products, we will develop and sell cloud products for which customers pay a fee for a certain period of time. In the Outsourcing Business, we will develop to expand the scale of sales as the ratio of recurring sales is already high. We recognize that it will be difficult to achieve this goal, including the development of new products and services, but we will take on the challenge as a team.

KPIs in “BE GLOBAL 2023”

Under BE GLOBAL 2023 medium-term management plan, in order to transform our business model, in addition to indicators such as net sales, operating income, ROE, and dividends, we have established our own indicators of recurring sales ratio (RSR), sales growth rate + operating margin (GPP).

Net sales

18.0–22.0 billion yen

We aim to achieve sales of 18.0-22.0 billion yen in the fiscal year ending June 30, 2023. This is the amount of sales if sales growth is achieved at an average growth rate of around 10% from the previous year’s sales.

Recurring sales ratio

70%

Recurring sales refer to sales that occur continuously each fiscal year, such as software maintenance fees, and we have set a goal of increasing the “recurring sales ratio,” which is the ratio of recurring sales to total sales, to 70%.

Operating income

3.1–3.8 billion yen

The average growth rate of 18%, which is set as a target in the medium- to long-term management strategy, is also the target in the medium-term management plan.

Sales growth rate + operating income ratio (GPP)

40 pts or more

GPP is an indicator set to achieve sales growth with profit growth in order to expand corporate value, rather than pursuing scale expansion at the expense of profits. As the global SaaS companies have a combined value of 40% or higher, Avant Group have set a goal of achieving a combined value of 40% or higher in order to be as healthy as these companies. To achieve this, we will promote the transformation of our business model.

ROE

20% or more

In order to achieve the goals of this medium-term management plan, we recognize that we need not only to grow our three existing businesses, but also to invest in internal and external growth. As a guideline for the implementation of investment activities, we have set the goal of maintaining ROE at 20% or higher over the medium to long term.

Dividend

15 yen or more

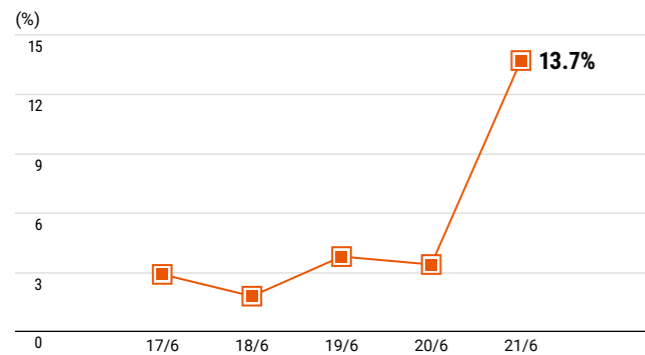
The Company regards dividends as an important part of its shareholder return policy and pays attention to indicators such as the ratio of dividends to net assets, aiming to maintain and improve the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year. We aim to achieve business results and financial conditions that will enable us to pay a dividend of 15 yen per share for the fiscal year ending June 30, 2023.

Overview of Business Performance and Progress of Medium-Term Management Plan

Business Environment for the Fiscal Year Ended June 30, 2021

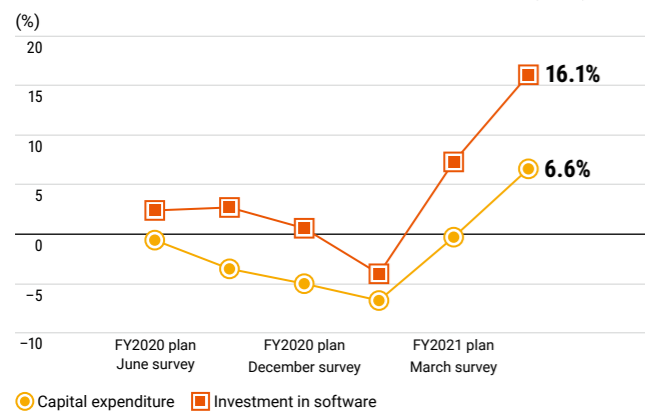
In the fiscal year ended June 30, 2021, the Japanese economy posted negative growth in the April-June period of 2020 compared to the same period of the previous year due to the impact of the new coronavirus infection. As the second and third waves of coronavirus infections continued to spread, the economy gradually improved, supported by public spending and efforts by the public to control infectious diseases, and in the April-June 2021 period, private consumption expenditure and capital investment also improved and turned positive. Under these circumstances, IT investment by domestic companies was driven by management reform through DX and support for remote work, and sales in the information service industry in the Current Survey of Selected Service Industries released by the Ministry of Economy, Trade and Industry showed double-digit growth of 13.7% year on year in the 12 months through June. The Bank of Japan's Tankan Survey of

Change in Sales in the Information Services Industry (% change YoY)



Source: Ministry of Economy, Trade and Industry, "Current Survey of Selected Service Industries" compiled by the Company.

Bank of Japan Tankan Capital Expenditure Plan (YoY)



Enterprises also indicated a positive attitude toward capital investment, especially software investment plans for fiscal 2021. The penetration of corporate governance (Group Governance Business), the proposal to implement Society 5.0 through DX promoted by Nippon Keidanren (Japan Business Federation) (Digital Transformation Business), and the acceleration of "work style reforms" including remote work (Outsourcing Business) are all expected to bring a tailwind to our business segments. The accelerating pace of work style reforms, including remote work (Outsourcing Business), is expected to provide a tailwind to our business segments.

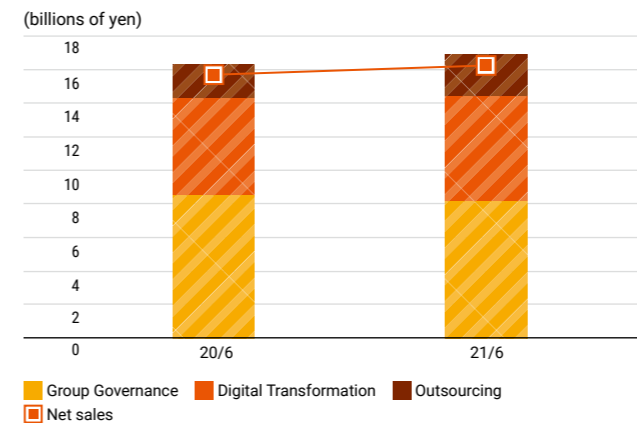
Business Overview

Toward the end of the previous fiscal year, some domestic companies began to postpone or reduce their IT investments due to the spread of the new coronavirus infection, which began to affect our group's orders. The business environment surrounding our group was also initially within the scope of this outlook, but on the other hand, various changes in society have aroused the need for "data-based management and decision making" and the needs for our group's products and services are on a recovery track, transforming into more sophisticated ones.

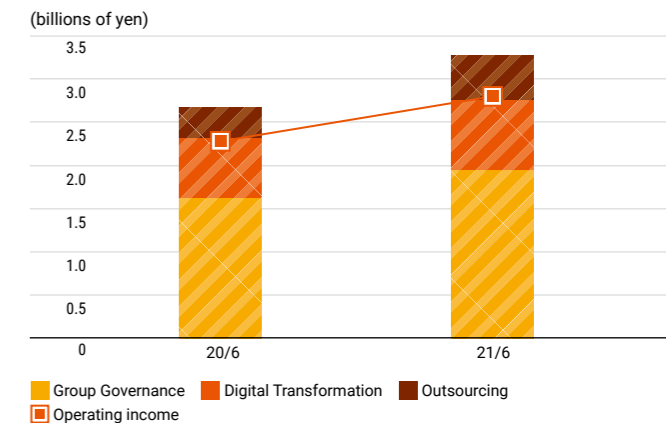
Under these circumstances, the Group's governance business saw a decrease in revenue due in part to the impact of the convergence of large-scale projects that had been the mainstay of the Group's governance business until the previous fiscal year, but the Digital Transformation Business achieved an increase in revenue, and the Outsourcing Business achieved business growth of more than 20% over the previous fiscal year. As a result, net sales increased by 3.5% year on year to 16,236 million yen, surpassing the previous year. In addition to the growth of the Outsourcing Business, which has consistently maintained a recurring sales ratio of around 90%, the Group Governance Business and the Digital Transformation Business also saw an increase in cloud sales. In addition to the growth of the outsourcing business, which has always maintained a recurring sales ratio of around 90%, the Group Governance business and the Digital Transformation Business also saw an increase in cloud sales, resulting in an increase in the ratio of recurring sales to total sales of 36.0%, up 3.4 percentage points from the previous fiscal year. The total sales also increased by 14.2% compared to the previous fiscal year.

Operating income was 2,796 million yen (up 22.7% from the previous year), ordinary income was 2,808 million yen (up 23.1%), and net income attributable to the parent company was 1,888 million yen (up 22.8%). As a result, operating income increased to 2,796 million yen (up 22.7% YoY), ordinary income increased to 2,808 million yen (up 23.1% YoY), and net income attributable to shareholders of the parent company increased to 1,888 million yen (up 22.8% YoY).

Net Sales



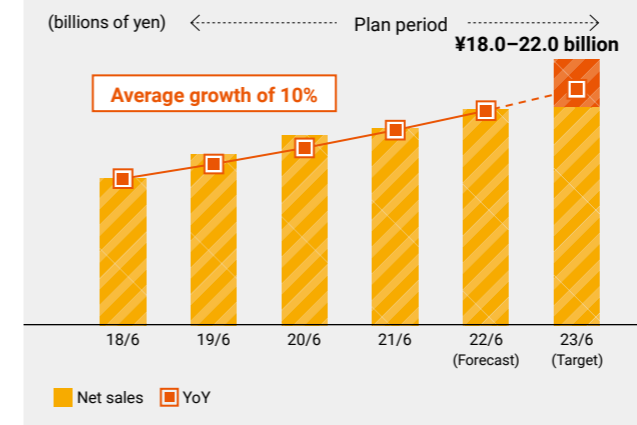
Operating Income



Progress on KPIs

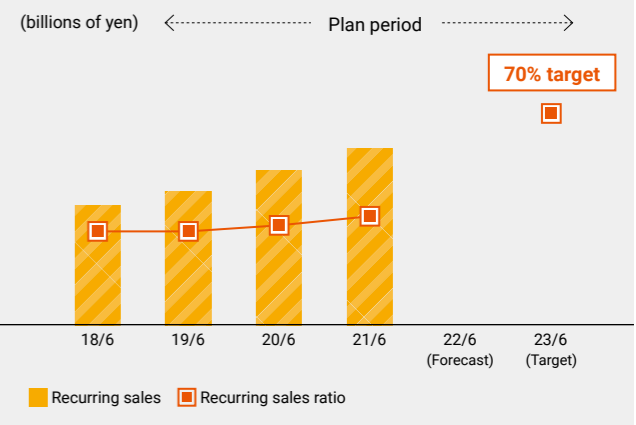
Net sales

For the fiscal year ended June 30, 2021, sales in the Group Governance Business decreased due in part to the impact of the convergence of large-scale projects that had been the mainstay of the business until the previous fiscal year, but sales in the Digital Transformation Business increased, and the Outsourcing Business achieved business growth of more than 20% over the previous fiscal year. As a result, consolidated net sales totaled 16,236 million yen. The Company has realized a 3.5% increase compared to the previous fiscal year and recognizes that it is making steady progress toward the goals of its medium-term management plan.



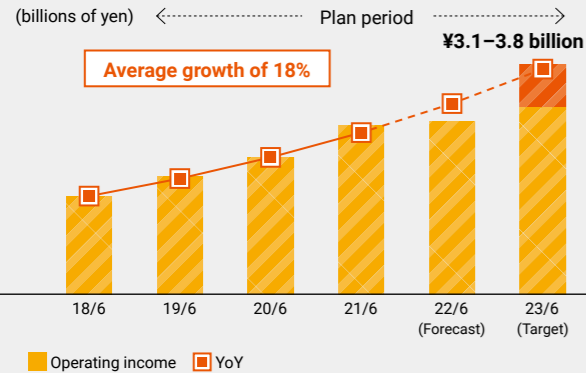
Recurring sales ratio

The recurring sales ratio for the fiscal year ended June 30, 2021 was 36.0%, an increase of 3.4 percentage points compared to the previous fiscal year. While some results are beginning to emerge, such as the growth of the Outsourcing Business and the increase in cloud sales in the Group Governance Business, the total amount of sales increased by 14.2% from the previous fiscal year due to the impact of strong non-recurring sales, mainly in the Digital Transformation Business. We do not recognize that it has become completely difficult to achieve our targets. We will continue to work toward the transformation of our business model.



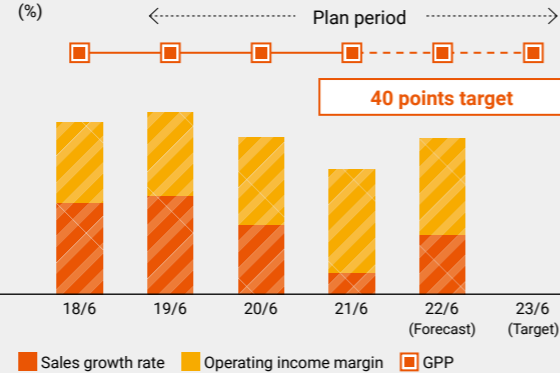
Operating income

In the fiscal year ended June 30, 2021, operating income was 2,796 million yen, thanks to the improvement of project profitability by increasing the ratio of in-house production, etc., the effect of unnecessary cost reduction that has been promoted since the spread of the new coronavirus infection, and the control of some expenses such as transportation and utilities costs due to changes in work styles. This represents an increase of 22.7% over the previous fiscal year, and as with net sales, we recognize that we are making steady progress toward our medium-term management plan targets.



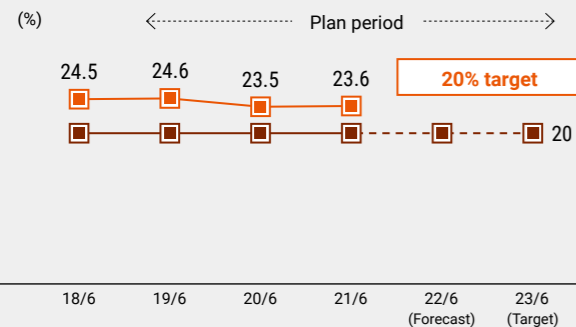
Sales growth rate + Operating income margin (GPP)

In the fiscal year ended June 30, 2021, the sales growth rate increased only slightly to 3.5% due to a slowdown in IT investment by client companies caused by the spread of the new coronavirus infection and a reactionary decline from previous fiscal year's large-scale projects. As a result, the GPP was 20.7 points. This is a 5.3 point drop from the previous fiscal year, and there has been no improvement in the situation where there is a deviation from the target. We recognize that we need to work on further accelerating sales growth or improving profitability.



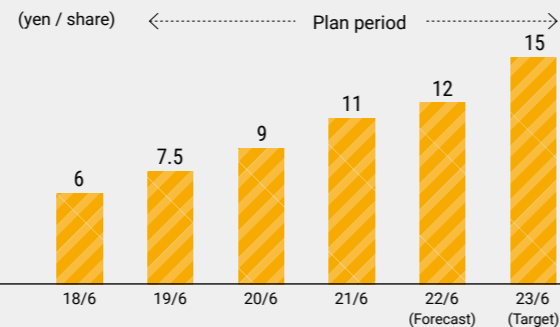
ROE

ROE for the fiscal year ended June 30, 2021 was 23.6%, exceeding the target and maintaining the level above the 20% target of the medium-term management plan, up 0.1 percentage point from the previous fiscal year. Amidst the growing uncertainty in the business environment due to the Corona disaster, we recognize that we are making steady progress as a result of our efforts to curb unnecessary and unnecessary expenses.



Dividends

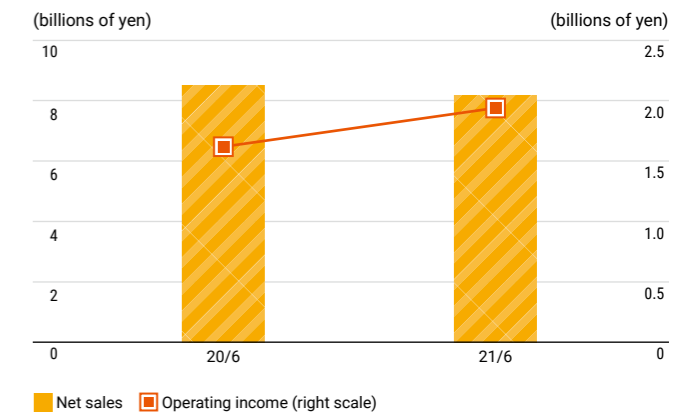
For the fiscal year ended June 30, 2021, we have increased the dividend by 2 yen per share to 11 yen per share based on our basic policy of continuous stable dividends. The ratio of dividends to shareholders' equity is approximately 5.2%, which is well above the average for companies listed on the Tokyo Stock Exchange. Although the target cannot be achieved without a slightly larger increase in dividends during the period of this medium-term management plan, we recognize that we are not in a situation where we need to revise the target downward at this time.



Results by Segments

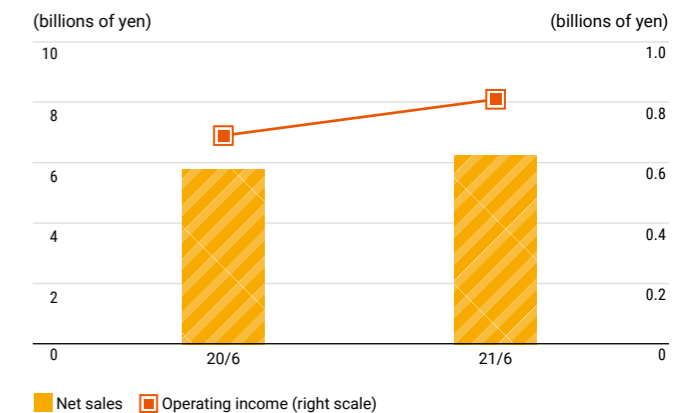
Group Governance Business

The Group Governance Business was affected by the slowdown in IT investment by customers due to the spread of the new coronavirus infection and the stagnation of economic activities due to the declaration of a state of emergency, especially in the first half of the current fiscal year, as well as the reaction to the convergence of large-scale projects, resulting in a year-on-year decrease of 3.8% to 8,160 million yen. As a result, net sales decreased by 3.8% year on year to 8,160 million yen. On the other hand, operating income increased to 1,935 million yen (up 19.7% YoY) and the operating income margin improved by 4.7 percentage points from the previous fiscal year as a result of efforts to improve project profitability by increasing the ratio of in-house production and other measures, as well as promoting unnecessary cost reductions. In addition, the ratio of recurring sales increased markedly from the previous fiscal year due to an increase in cloud sales and maintenance support options.



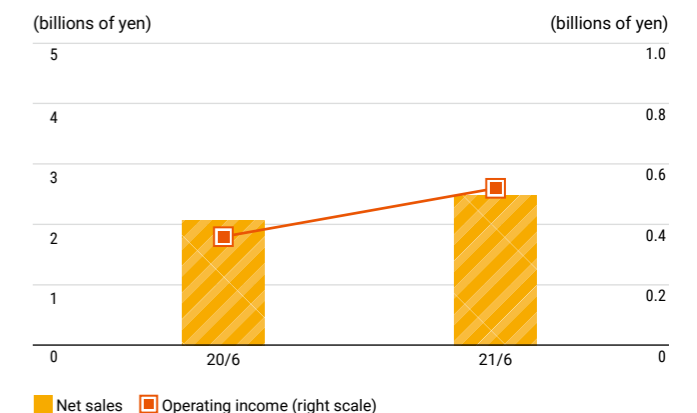
Digital Transformation Business

As for the Digital Transformation Business, we believe that the needs for this business will increase over the medium term, as this business can particularly contribute to the promotion of DX in the management of domestic companies. This trend has already been seen in the current fiscal year, with net sales of 6,250 million yen (up 8.4% YoY), exceeding the previous fiscal year. Operating income also increased to 811 million yen (up 17.2% YoY), despite the burden of fixed costs such as office related expenses opened in the previous fiscal year, due to the impact of the increase in sales and the decrease in transportation costs caused by the change in work style due to the Corona disaster.



Outsourcing Business

In the Outsourcing Business, the market situation is not necessarily optimistic, as uncertainty due to the impact of the new coronavirus infection has made people more cautious than before in making final decisions. As a result, we achieved double-digit growth in both sales and profit, with net sales of 2,479 million yen (up 20.2% YoY) and operating income of 523 million yen (up 43.7% YoY).



Financial Condition

Total assets at the end of the current fiscal year were 13,956 million yen (up 2,176 million yen from the end of the previous fiscal year). This was mainly due to an increase of 1,542 million yen in current assets, including an increase of 903 million yen in cash and deposits, an increase of 242 million yen in notes and accounts receivable-trade, and an increase of 489 million yen in short-term investment securities, as well as an increase of 416 million yen in intangible fixed assets due to the development of IT infrastructure environment, an increase of 267 million yen in stocks of subsidiaries and affiliates due to investments in equity-method affiliates through the conclusion of capital and business alliance agreements and the acquisition of stocks, and a decrease of 60 million yen in lease deposits due to the closure of offices. In addition, there was an increase of 633 million yen in noncurrent assets, mainly due to an increase of 267 million yen in stocks of subsidiaries and affiliates resulting from investments in equity method affiliates through the conclusion of capital and business alliance agreements and the acquisition of stocks, and a decrease of 60 million yen in security deposits resulting from the closure of offices.

Total liabilities, on the other hand, amounted to 5,169 million yen (up 583 million yen from the end of the previous fiscal year). This was mainly due to an increase of 64 million yen in accounts payable-other and accrued expenses, an increase of 282 million yen in income taxes payable, an increase of 203 million yen in unearned revenue, and an increase of 57 million yen in provision for bonuses.

Total net assets amounted to 8,787 million yen (up 1,592 million yen from the end of the previous fiscal year) due to the recording of 1,888 million yen in net income attributable to shareholders of the parent company and the payment of 338 million yen in dividends from retained earnings. As a result, the equity ratio improved by 1.9 percentage points from the previous fiscal year to 63.0% (61.1% at the end of the previous fiscal year), and we believe that we have maintained a highly stable financial balance with little interest-bearing debt.

The basic policy of the Group is to maintain and pursue an optimal capital structure that ensures financial soundness and

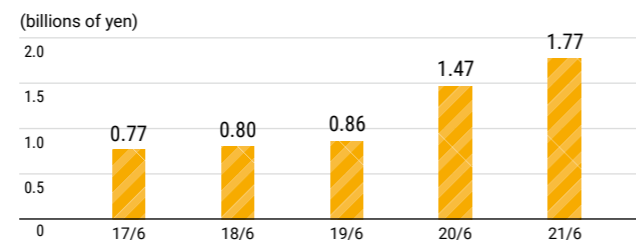
flexibility, while improving capital efficiency, in order to achieve sustainable growth in corporate value and, through this, increase shareholder returns.

The Group's main capital requirements are for office and IT-related capital investment and ordinary working capital, which it raises through its own funds and borrowings from banks as appropriate.

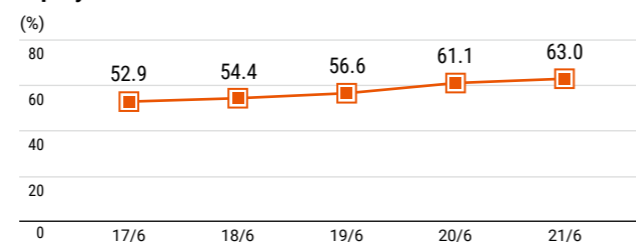
As of the end of the current fiscal year, we have no outstanding loans. We have cash and deposits of 7,238 million yen, and we believe that we have the necessary funds.

Regarding the liquidity of funds, the Company strives to make effective use of surplus funds in each group company through inter-group fund management contracts, and also prepares for sudden fund demands and unforeseen circumstances by concluding commitment line contracts with financial institutions.

Free Cash Flow



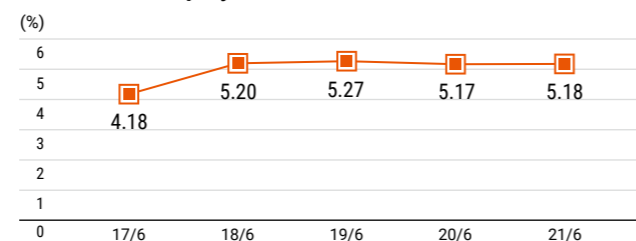
Equity Ratios



Shareholder Return Policy

We regard dividends as an important part of our shareholder return policy. By focusing on indices such as the ratio of dividends to net assets, we aim to maintain or increase the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year. The ratio of dividends to net assets is higher than the average of all companies listed on the Tokyo Stock Exchange, and over the long term we aim to achieve 8%, which is the average of companies in the top 10% in terms of the ratio of dividends to net assets.

Dividends on Equity



Ensure the Entire Group Generates Returns That Exceed the Cost of Capital.

In the fiscal year ended June 30, 2021, while the impact of the spread of the new coronavirus infection was unpredictable, the Group curbed the incurrance of unnecessary and unnecessary expenses. On the other hand, the Outsourcing Business achieved full-year growth of more than 20%, and the Digital Transformation Business saw a rapid recovery in demand from the second half of the year. On the other hand, in the fiscal year ending June 30, 2022, although we aim to increase profit year-on-year, profitability is expected to decline due to an increase in hiring costs, personnel costs, and outsourcing costs as a result of reinforcing the system to respond to a recovery in demand and actively hiring human resources who will be responsible for the development and sales of products and solutions that will drive future growth.

In terms of financial condition, fixed assets increased by over 600 million yen from the end of previous fiscal year due to the capitalization of software development costs and investment in Metaprxix in the U.K. However, the equity ratio as of the end of June 2021 reached 63.0% due to the intentional increase in the balance of cash and deposits in preparation for unforeseen circumstances caused by the Corona disaster. As a result, the equity ratio as of the end of June 2021 reached 63.0%. Going forward, the Group will continue to use surplus funds, excluding the working capital required for the entire Group, to strengthen its ability to develop and sell new software products and

related solutions that will contribute to the enhancement of corporate value for customers and serve as a source of future growth for the Group, while remaining conscious of the cost of capital and economic capital (the amount of equity capital commensurate with the risk of assets held). At the same time, we will actively use this capital to strengthen our ability to develop and sell new software products and related solutions that will contribute to the corporate value of our customers and be a source of future growth for the Group, and to invest (including M&A) in companies in Japan and overseas that have products and solutions that are expected to generate synergies with Group companies.

With regard to shareholder returns, we place the highest priority on steadily increasing cash dividends over the medium to long term, and we expect to pay a dividend of 12 yen per share for the fiscal year ending June 30, 2022 (an increase of 9.0% from the previous fiscal year).

Naoyoshi Kasuga

Director,
Group CFO



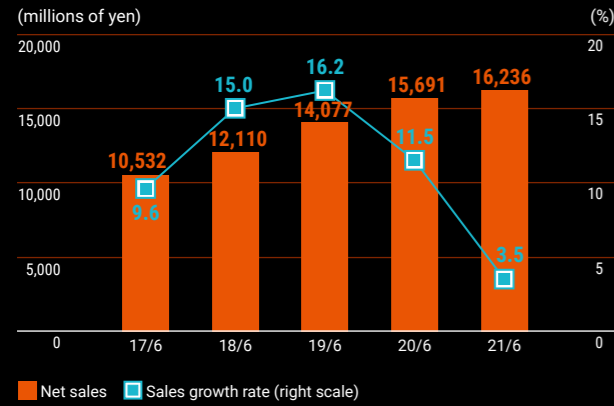
Forecast for the fiscal year ending June 30, 2022

	FY June 2021 Actual	FY June 2022 Forecast	YoY
Net sales (millions of yen)	16,236	17,820	-
Operating income (millions of yen)	2,796	2,860	-
Operating margins (%)	17.2	16.0	-
Profit attributable to owners of parent (millions of yen)	1,888	1,905	-
Dividends (yen)	11.0	12.0	+1.0

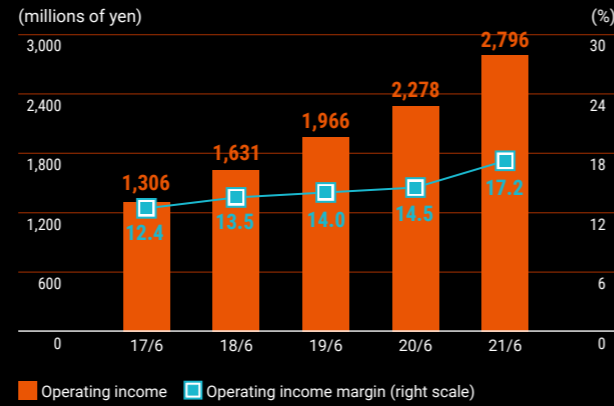
* The Company has adopted the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)" and others from the beginning of the fiscal year ending June 30, 2022, and thus the year-on-year comparisons of net sales, operating income, operating margins, and profit attributable to owners of parent are not presented.

FINANCIAL HIGHLIGHT

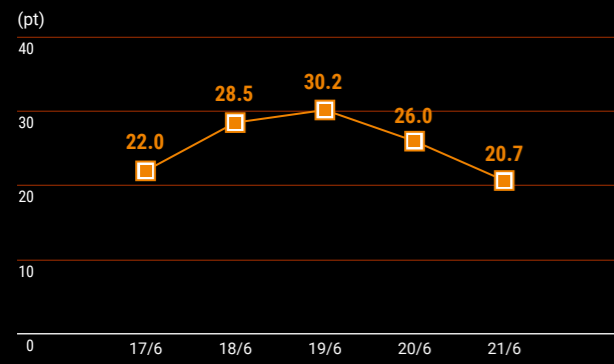
Net Sales / Sales Growth Rate



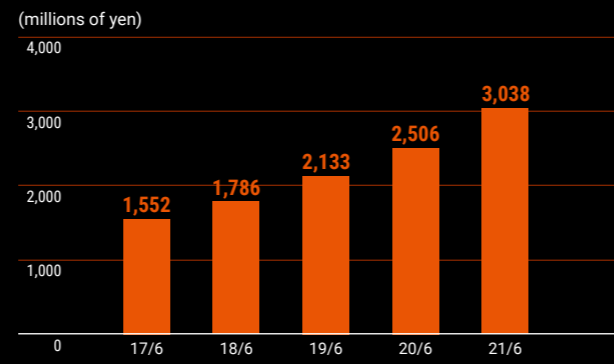
Operating Income / Operating Income Margin



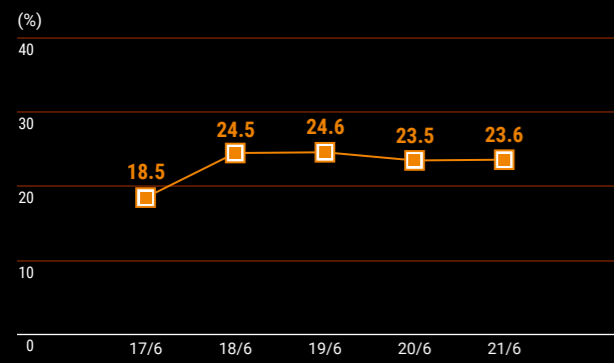
GPP



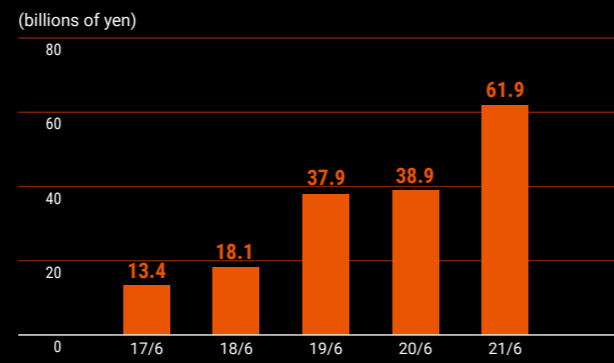
EBITDA



ROE

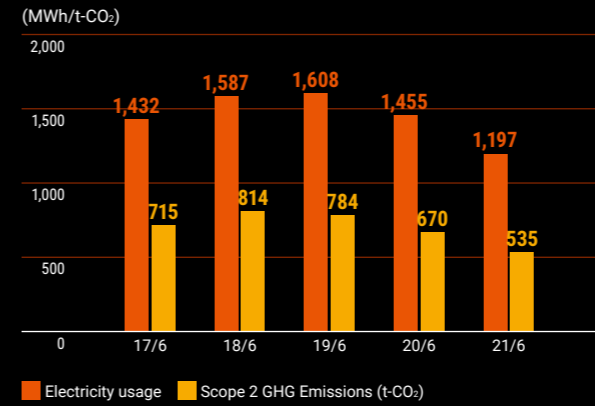


Market Capitalization

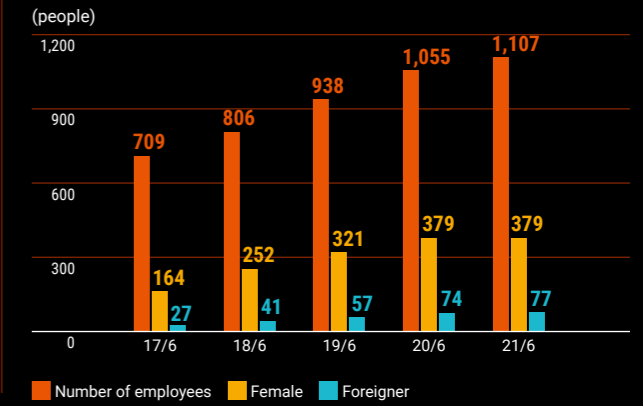


NON-FINANCIAL HIGHLIGHT

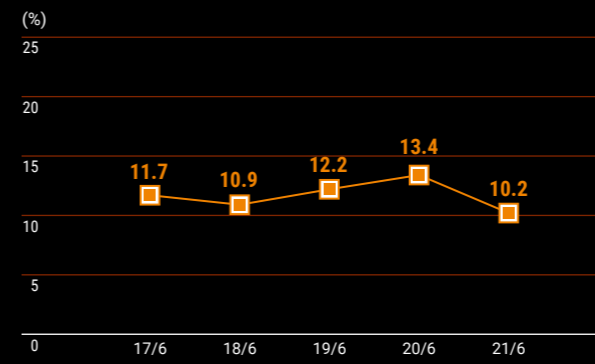
Electricity Usage / Scope 2 GHG Emissions (t-CO₂)



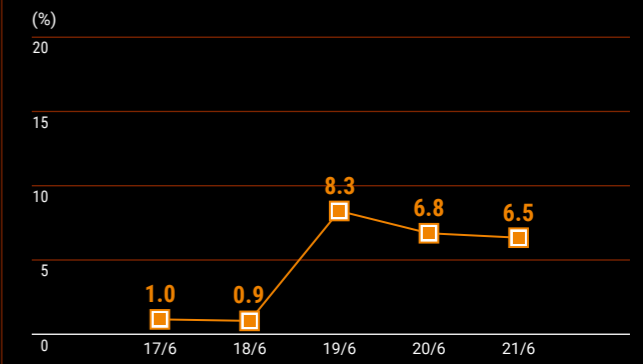
Number of Employees



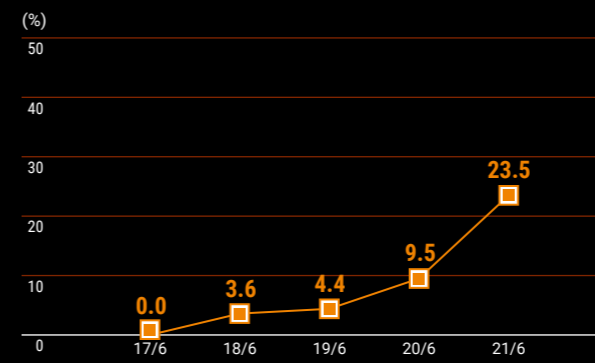
Employee Turnover Rates



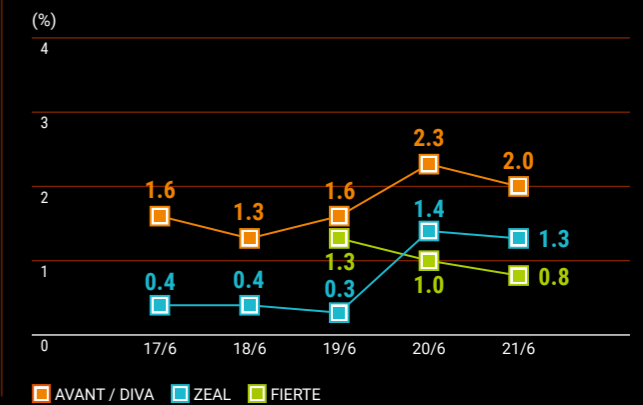
Ratio of Female Managers



Rate of Male Employees Taking Maternity Leave



Employment Rate of Persons with Disabilities



* Since the employees of the operating subsidiary DIVA are composed of seconded employees from the holding company Avant, the employment rate of persons with disabilities disclosed by Avant is calculated based on the total number of employees of Avant and DIVA.

Enhance the Corporate Value of Avant Group by Clarifying Shared Values

As the business environment surrounding the Avant Group undergoes major changes, the corporate philosophy and vision that form the basis of our business activities are becoming even more important. The Group's corporate philosophy since its inception has been expressed as "Creating a 100-year company," and the Group as a whole shares the values essential to the realization of this philosophy: "Customer oriented," "Profitability oriented," and "Talent oriented." To this end, we asked the young Group members who will be responsible for the future of the Group to talk about what they keep in mind on a daily basis when embodying the Three Orientations and what they hope to achieve in the future.

1 Customer Oriented

Strengthening Inter-group Cooperation is the Key to the Provision of Value to Customers



Imagama

I would like to use this as an opportunity for everyone to think again about the three orientations that the Avant Group has set forth. First of all, I would like to know what you think about "customer oriented" and how you see it.



Yagihara

This is my first year as a new graduate, and what I have come to see as I work on the job at hand is that it is important to take care of the customer in front of you. When implementing a new system or switching to a new system, the customer incurs a large amount of cost and at the same time has a great deal of anxiety. I am learning more and more every day, hoping to become a person who can quickly resolve the concerns and anxieties of customers, but what I am most conscious of is communication with customers. I would like to realize customer orientation by visiting customers, properly understanding their issues and needs, and making the most appropriate proposals.

Since today is a great opportunity, I would like to hear your stories about what you are doing to communicate with customers and examples of successful communication.



Hibi

I'm in charge of sales, and in terms of communication, I often feel the importance of small talk. I think that when you communicate with customers, even outside of work, you often get the chance to learn a lot about them and become much closer to them.



Akiguchi

I am also realizing the importance of chatty communication. This is a common practice in the IT industry, and you may have experienced it before, but I think there are many cases where customers themselves are not familiar with their own systems, and the purpose of implementing a system is unclear. In this industry, it is important to actively communicate with customers, including chatting with them, in order to find out what they really need, and I believe that this attitude will lead to "customer oriented."



Aihoshi

I feel the same way as you do about the importance of actual dialogue with customers. In fact, proactive communication has led to new jobs.

As an initial request, the focus was only on reducing man-hours for the work, but as we exchanged information with the person in charge, we were able to find the real bottleneck that was hindering the progress of the work. In the end, we were able to achieve a reduction in man-hours for the actual work at Fierte, and we were able to receive more work than we had originally requested.

The fact that we were able to receive the order in a way that added to the original project was very important for the company's performance, and we felt firsthand that the customer had placed the order with us with high expectations for us to make improvements.



Kang

The services and solutions provided by Zeal must be based on the customer's requirements, and the proposal must meet or exceed the expectations of the customer based on the overall picture of the project.

WHAT ARE OUR VALUES?



However, in a project to implement a packaged product, the key point is how much customization and add-on functions you can add. You can't include every possible solution in it, but you can often get by with ingenuity. In such cases, we have to make a judgment based on not only the feasibility of the proposal, but also the impact on the project delivery date and cost, the customer's future operation method, the redundancy of functions, the burden of updating work, and maintainability. I try to make proposals that strike a good balance with the effectiveness of the system.



Nakasugi

When considering individual responses, sometimes it is necessary to involve other departments to check the man-hours and consider the measures to be taken. However, to be honest, I can't say that cross-departmental collaboration is strong at Diva, so it would be nice if there was a system that would allow us to collaborate more easily.



Yagihara

Even as a new graduate, I felt this kind of difficulty in collaboration quite a bit, so I thought this would be a very big issue for the group. By expanding cooperation among group companies, the group as a whole should be able to further strengthen its "customer oriented."



Hibi

My superiors often tell me that it is important to collaborate not only across departments but also across the company. If we can strengthen the ties among the entire group, we will be able to help each other with projects that are difficult for us to handle on our own, and we will be able to make more proposals that take advantage of the strengths of each company in the Avant Group. For example, if a customer using Diva's accounting system is having trouble with outsourcing,

Dagyeom Kang

- ① ZEAL
- ② 2nd year (career change)
- ③ Because I thought it would be an environment in which I could grow to become a highly specialized engineer and data professional.
- ④ Acquire skills related to various products and their implementation, and become a person who is needed by the organization. And personally, I'd like to see simultaneous interpretation between Japan and Korea.



we can introduce FierTE's services as a solution. As the issues and needs of our customers are becoming more diverse, I believe that strengthening cross-referral of our services is also a business opportunity.



Imagama

Internal and external communication is essential for customer orientation, isn't it? I think the company sees collaboration among departments and companies as an issue, so we should also work on what we can do.

Next, what do you think about the second theme, "Profitability Oriented"?

WHAT ARE OUR VALUES?

2 Profitability Oriented

It is Essential to Deliver High Added Value and Foster the Avant Brand



Nakasugi

I like to do financial analysis, so I checked Avant's profitability again in considering its profitability orientation.

First of all, ROE is a typical indicator to measure capital efficiency, and while Japanese companies try to aim for 8% on average, the Avant Group has more than doubled its ROE to over 20%. It also generates stable profits over the long term. This is a sign that we are able to provide high value-added services. At Diva, new services are being developed every day, but if our customers perceive the value of our services, we can reflect that value in the price of our services.

However, no matter how great the service is, it is meaningless if it is not conveyed to the customer. Therefore, I think it is necessary for all departments, from development to sales, to work together to share the functions and benefits of the service and then appeal to the customer. In order to build an advantage that no other company can imitate, rather than merely expanding sales channels and recognition, it is necessary to strengthen the entire project system from such a perspective.



Hibi

High profitability may give the impression that only the company itself is making money, but I think what is important is how the customer perceives the value. My supervisor taught me the importance of branding, using Vuitton and Hermes as examples. Although these high brands have a high price tag, both parties are happy because the buyer is satisfied with their value and the seller with their price. The industry is different, and the products we handle are completely different, but I want to aim for something similar to this idea.

As Mr. Aihoshi mentioned, I think our goal is to help our customers improve their operational efficiency and focus on more important tasks by introducing our services. For the past year, I have been throwing all my energy into sales activities to propose value-added products, and although there are still many difficult parts, I feel that I am gradually getting a grip on them. I would like to continue to improve my skills and make achievements.



Akiguchi

When I heard the word "branding," I thought it was important to give people a sense of security. For example, when customers choose a system provider, they feel more secure if the company has a long history or has a large track record of implementation. We can



Taisuke Nakasugi

- ① DIVA
- ② 2nd year (career change)
- ③ Because I was shocked by the KPI (GPP 40%) of Avant's medium-term plan.
- ④ Promoting a balance between finance and sustainability. Research on theories using the company's DB, statistics, etc.

strengthen the Avant brand of security and trust by building on our history and track record, and I think the best way to do that is to use that as an advantage to get paid well. This is the very essence of "profitability oriented," and I believe it will also lead to "customer oriented."



Aihoshi

Listening to what you just said, I think we need to seriously consider how to protect our brand. I believe that we are now able to effectively return our accumulated brand value to "customer orientation" and "profitability oriented", but due to the characteristics of the IT industry, there is a high degree of mobility of human resources at FierTE. If we do not pass on our cultivated know-how and knowledge to new employees, it will be difficult to maintain our brand. It is precisely because of this situation that I would like the entire group to put more effort into accumulating know-how and developing human resources. As FierTE is sometimes stationed at the client's company, I think it would be more reassuring if there were on-the-job training as a prelude to the assignment. Depending on the time of the year, I may be involved in handling financial statements immediately after being assigned, so I believe that if I have more time to get my feet wet before being stationed, I will be able to help our clients right away, even during the busy season.

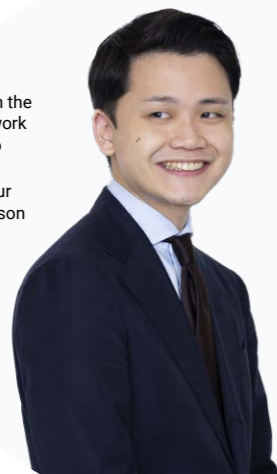


Akiguchi

At Zeal, we are trying to overcome the challenges of human resource development as pointed out by Mr. Aihoshi. Specifically, we have created a system for new employees to receive training through internal practice, so that they can receive simulated experience and then be involved in external projects. We have just started, so there are many issues to be addressed, but I believe that if we can eventually create a training system that matches the level and experience of each participant, we will be able to increase the effectiveness of the program.

Kento Hibi

- ① FIERTE
- ② First year (career change)
- ③ Because I am interested in the accounting industry and work that directly contributes to customers.
- ④ Increasing the value of your intervention as a salesperson



Haruka Aihoshi

- ① FIERTE
- ② 2nd year (career change)
- ③ I thought I would be able to acquire a wide range of knowledge and experience because I am responsible for outsourcing for various companies.
- ④ Since I joined the company with no experience, I will focus on improving the efficiency of our business as well as acquiring knowledge of accounting.





Nakasugi

In my mind, the perspective of brand power was missing, but after listening to your talk, I realized that efforts to maintain and improve the brand will create high value-added services and ultimately achieve high profits. This leads not only to a "profitability oriented" but also to a "customer oriented," so I would like to keep this realization in mind.



Imagama

While there were many issues raised, I felt very positive because each company is making gradual progress in their efforts to improve. As Mr. Nakasugi summarized at the end, I believe that "customer oriented" and "profitability oriented" are gradually becoming connected among everyone. Now, let's move on to the last one, "talent oriented."

Misato Akiguchi

- ① ZEAL
- ② 2nd year (career change)
- ③ Because I wanted to work with customers from a variety of industries
- ④ Building good relationships with various people within the company and the Avant group to carry out work.



even though they are in the same IT industry, and there were many things I could learn from them in dealing with corporate customers. In addition, I try to increase my interest in current affairs by exposing myself to academic fields such as psychology and natural science, and by listening to environmental activists.

As you can see, even in areas that seemingly have nothing directly to do with our work, we believe that there are many discoveries that can be made by listening to stories and reading articles that can strengthen our ability to think abstractly and can be used for team building.



Nakasugi

As a company, we are striving to be a "talent oriented" and I feel this strongly in my actual work. My area of expertise is accounting, but my boss is well aware of my characteristics and gives me a position in the project where I can fully demonstrate my abilities. This kind of assignment makes me very happy, and I feel motivated when I am entrusted with something I am good at. However, the reality is that we are not always assigned to these projects.

In order to create a culture where everyone can become more proficient in a single skill and demonstrate their abilities to the fullest, I thought it would be good if there were more cross-organizational communication and a system that would allow people to get involved in projects in other departments that match their aptitudes.



Hibi

Listening to you, I realized that there is a cycle in which the "talent oriented" becomes the starting point for improving other orientations. In terms of "customer oriented," it is essential to improve one's knowledge in order to solve customers' problems, so acquiring such knowledge is a stepping stone to "talent oriented." I believe that "profitability oriented" means realizing high added value through creativity and ingenuity,

which will lead to the achievement of a single-artist orientation.



Nakasugi

"Talent oriented" leads to other orientations, doesn't it? I also believe that in order to achieve high profits and make proposals that stick with customers, it is important to bring together members who excel in one skill and create a complementary relationship. This is a great way to differentiate yourself from the competition, build a fan base for Avant, achieve higher profits, and gain more trust.



Akiguchi

In order to deepen the "talent oriented," I thought it was also important to create an atmosphere within the organization where people can cover each other's strengths and weaknesses. Of course, we should overcome what we are not good at and understand the basics, but more importantly, we can provide more value to our customers if we actively develop what we are good at, and as you are aware, this leads to "customer orientation" and "profitability oriented."



Yagihara

I think it is important to have a system where the entire organization supports each other in order to increase the "talent oriented." You can go forward with a sense of contribution, of being useful to someone else, but if you want to continue this over the medium to long term, it is better to have the security of support from those around you.



Kang

At Zeal, there is a mentor/mentee system not only within the team but also across departments, and 1-on-1 communication is very active. I am currently on the receiving end as a mentor, but it is a meaningful time for me to reflect on myself while talking with my mentee. I believe that it is very important for both the person receiving and giving advice to communicate with members inside and outside the team, and to create an environment where advice can be given. I

Ayaka Imagama

- ① AVANT
- ② 2nd year (career change)
- ③ Because the company's performance is rising steadily and it has different businesses under its group umbrella, I am interested in the company.
- ④ Act as a hub between the company and its stakeholders. In private, I go fasting.



hope that 1-on-1 communication will take root as the culture of the entire group in order to enhance the support system in remote work.



Nakasugi

To be honest, there are times when you feel like you can't find what you want to do at work, but when your boss sees that and gives you advice, or sometimes assigns you to a project that suits your strengths that you didn't realize you had, you feel much better. I feel much better when my supervisor sees how I am doing and gives me advice. This will give you the confidence to go where you have never gone before. I believe that this is what makes 1on1 so good, and by improving its quality, it can become a driving force for the entire group to grow further.



Imagama

I feel that the "talent oriented" questions the individual's desire to know what he or she wants to do or be. The discussion of "talent oriented" made me realize once again that each orientation is linked to the other.

I was able to see how Avant as a whole could improve its three-orientation approach, and I thought it would be good if we could deepen exchanges across departments and companies through these roundtable discussions.

Thank you all for your time today.

WHAT ARE OUR VALUES?

3 Talent Oriented

Foundation for "Customer Oriented" and "Profitability Oriented"



Aihoshi

I think being good at a particular thing is "talent oriented." It is true that I personally have a strong feeling that I am working in a multi-talented environment, partly due to the fact that in my current project, work and knowledge is rotated to prevent it from becoming fixed. However, on a team basis, I think we are more likely to have a "one talent oriented" mindset. In other words, although the members have a multi-talent orientation, I believe that if we all come together and aim for a "talent oriented" as a team, we will be able to achieve greater results and accumulate know-how more efficiently.



Kang

For me, "talent oriented" means that as one of the members of an organization, I should enhance my IT skills as well as my overall capabilities. Because of my personality, if I focus too much on one thing, my vision inevitably narrows. So I try to keep a broad perspective by studying a wide and shallow range of fields that are not directly related to my work. Recently, I had an opportunity to listen to an IT company that develops B to C business. I found out that different target customers have completely different approaches

SUSTAINABILITY

Sustainability Management and ESG Risks

The Group's management philosophy, "Creating a 100-year company," refers to the sustainable development of a company as an organization that exists for the benefit of society, viewing it as a public institution. The Group's mission is to contribute to society by providing value to customers in the form of management information that can be used to create the future, but in the process of realizing this mission, we will be involved with various stakeholders. Therefore, each and every member of the Group must act with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness, or else sustainable development will not be achieved. The Avant Group signed the United Nations Global Compact on August 25, 2020, and we will take this opportunity to consider and implement what we can do as a group while conducting risk assessments to achieve sustainability.

Correlation between ESG risks and Avant Group-specific risks

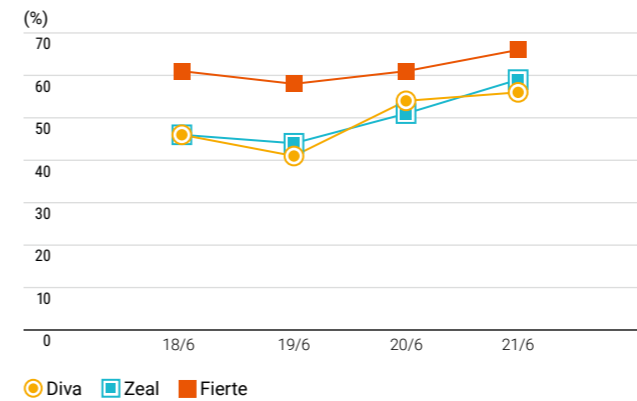
	Theme	Risk	Actions	Opportunities
Environment	Biodiversity Conservation	Little direct relationship with the Group's business activities		<ul style="list-style-type: none"> General Data Visualization Brand building through publication of owned media, etc. Sales of templates for collecting and visualizing non-financial information, etc.
	Water Security			
	Waste and Recycling	A large number of PCs are disposed of every year, and recycling is necessary.	<ul style="list-style-type: none"> Use of recyclers before ensuring data security 	
	Climate Change	Although there is little direct relationship with business activities, the fact no effort is being made to reduce carbon dioxide emissions may be seen as a problem	<ul style="list-style-type: none"> We have declared our commitment to reducing carbon dioxide emissions and have implemented the following measures: <ul style="list-style-type: none"> Implemented carbon offsetting for all electricity used through the purchase of certified green electricity from July 2009, and Established a system for the CRM Committee to evaluate climate change risks, consider countermeasures, and report to the Board of Directors. 	
Social	Human Rights and Local Communities	If actions that do not respect human rights (e.g., discrimination) become the norm, or if a serious accident occurs as a result of such actions, the brand may be severely damaged.	<ul style="list-style-type: none"> Consider taking action based on the basic policy of respecting human rights as stated in the Avant Human Rights Policy Conducting human rights assessments Create a harassment prevention manual Regularly hold philosophy and diversity education session 	If the company is at the level of an international blue-chip company, its appeal could lead to increased brand value.
	Labor Standards	Regular violations of labor laws and regulations, or serious accidents resulting from such violations, may result in significant brand damage.	<ul style="list-style-type: none"> Ensure compliance with labor laws Improving the effectiveness of hotlines Scrutinize the results of GPTW survey and develop an annual action plan 	
	Responsibility to Customers	In the event of a major problem in the quality of products or services, or a serious accident in the process of providing services, the brand may be severely damaged. In addition, if the company does not continue to maintain its mission of contributing to society and sincerely meeting the needs of its customers, its long-term sustainability may be hindered.	<ul style="list-style-type: none"> Strengthen quality control and implement the Quality Declaration Conducting customer satisfaction surveys by Avant Regularly hold philosophy training 	There is a possibility of increasing the brand value of the social contributions listed in the mission by promoting the results of those contributions as well
	Health and Safety	Same as labor standards	Same as labor standards	Same as labor standards
Governance	Risk Management	Sustainability may be jeopardized by the occurrence of major risks that are not recognized or understood, or for which measures (reduction or transfer) are insufficient.	<ul style="list-style-type: none"> Strengthen disclosure of the Avant Group's risk management system Improve the effectiveness of CRM committees 	Consider products and services that contribute to improving customer governance
	Corporate Governance	There is a possibility that proper corporate governance will not be implemented and the maximization of shareholders' interests will not be pursued.	<ul style="list-style-type: none"> Strengthen the disclosure of the Avant Group's governance System Organizational review, including transition to a company with committees 	
	Compliance	There is a possibility that the brand will be severely damaged if it is revealed that a serious violation of law has occurred. Insider trading is particularly risky due to the nature of the business	<ul style="list-style-type: none"> Strengthening the compliance system based on the Avant Group Code of Conduct Implementation and reinforcement of insider training and other legal training Improving the effectiveness of hotlines 	

Human Resources

Improvement of GPTW

The Avant Group's philosophy is "Creating a 100-year company" (see page 96). The subtitle of this philosophy is "A company where everyone burns to create value." This means that people with sincerity and enthusiasm will make proposals that contribute to society through creative conversations with various stakeholders, and their accumulated efforts will be evaluated appropriately. The aim is to create a positive spiral within the group. To this end, each Group company has set a GPTW score of 70% as an important KPI, with the participation of all members, and a system has been established in which some members of the management team and managers are responsible for progress. The following is an introduction to the efforts of each Group company to improve the GPTW score.

GPTW score of each group company



What is GPTW?

Great Place to Work® (GPTW) is a professional organization that has been quantifying and analyzing job satisfaction through surveys for over 30 years. GPTW defines a worthwhile company as one where there is trust between management and employees, where each individual's abilities are maximized, where there are excellent values and leadership, and where financial growth can be achieved through innovation. The GPTW questionnaire consists of questions that divide this "trust" into five elements: <trust>, <respect>, <fairness>, <pride>, and <solidarity>, enabling analysis and countermeasures to be taken by scoring job satisfaction. Each company in the Avant Group uses the GPTW score to identify issues and aims to improve job satisfaction through solutions and improvements.

DIVA®

Diva believes that the key to improving job satisfaction is to increase members' opportunities for growth and trust in their superiors, based on the results of past analysis, and has been implementing measures such as curbing long working hours and leadership training. In the fiscal year ended June 30, 2021, we introduced an internal survey other than GPTW on a quarterly basis. The supervisors of departments with low job satisfaction scores and human resources worked together to provide individualized support such as assistance in setting personal goals, 360 assessments, and participation in external training, while providing 1-on-1 training for the entire company to deepen the relationship of trust with supervisors and create an environment where members can experience growth. In the fiscal year ending June 30, 2022, we are introducing an internal recruiting system so that members who are seeking growth opportunities beyond the role of their organization can choose to take advantage of those opportunities. I hope that more members will be able to choose their own experience opportunities and gain an environment that allows them to be enthusiastic about contributing to customers, which will lead to greater job satisfaction in the workplace as a whole. In the future, we will aim for organizational growth accompanied by a sense of growth for the members who have chosen us by creating an environment for growth that does not require long working hours and an environment that allows appropriate preparation for new experience opportunities.

Tomoyuki Tanaka, Head, Business Administration Unit, Organization Development Department, Diva Corporation

ZEAL BI EVANGELISTS

Since 2020, Zeal Corporation has held a two-day meeting at the beginning of each year for department heads and above to discuss how to improve the job satisfaction of company members. As for the GPTW score, "pride" and "sense of solidarity" were characterized as being somewhat low, and this was also discussed at that meeting as a company-wide issue, as well as problems and countermeasures for each department, and the entire company has been working to improve these issues. As a result, we have introduced a free agent system and an in-house recruitment system for projects. We hope that by giving them opportunities to use the knowledge they have built up beyond the confines of their assigned department, they will contribute to a greater sense of solidarity and a greater sense of job satisfaction. In addition, the "Working Group for Enhancing Work Satisfaction," which is composed of employees who proactively participate in the project, has made various proposals, which have resulted in the expansion of child-care leave and shorter working hours, and the introduction of an in-house SNS. For the fiscal year ending June 30, 2022, we have doubled our training budget and strengthened our support for the acquisition of public qualifications and vendor certification qualifications, and we are now subsidizing examination fees and providing qualification allowances for more than 200 qualifications. We will actively evaluate self-improvement and aim to raise the skill level of our members while making them feel motivated to work.

Matsuri Hasegawa, Division Head, Human Resources Department, Zeal Corporation



Fierte has adopted the GPTW as an element of the evaluation system from middle management, and is working to improve job satisfaction throughout the organization. In the fiscal year ended June 30, 2021, in addition to the annual GPTW, we conducted a quarterly questionnaire with actual names and interviewed members with low job satisfaction scores based on the results. Many of the problems that came up were related to the lack of communication between superiors and subordinates, and as a countermeasure, depending on the content, we are working to increase the total amount of communication by creating opportunities for dialogue in collaboration with related parties. In addition, in order to increase the density of communication, we will continue to devise ways to support the creation of communities both horizontally and vertically by holding roundtable discussions by rank and background.

Ayumi Shimamura, Office of the President, Fierte Corporation

Human Rights As a public entity of society, the Avant Group recognizes that all business activities of the officers and employees of Avant and its group companies affect human rights, and each and every one of us supports and respects the International Bill of Human Rights, the International Labor Organization's ILO Declaration on Fundamental Principles and Rights at Work, and other international principles and conventions on human rights. We will support and respect international principles and conventions on human rights, such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We have also signed the United Nations Global Compact, which outlines universal principles on human rights, labor, the environment, and anti-corruption, and we support and respect its ten principles. Based on these ideas, we established the Human Rights Policy at the Board of Directors meeting held on July 22, 2020.

Human Rights Policy

1. Basic Policy on Respect for Human Rights

All human beings are born free and equal in dignity and rights. We must not be complicit, directly or indirectly, in the violation of human rights. We prohibit discrimination on the basis of race, color, gender, sexual orientation, language, religion, creed, political or other opinion, national or social origin, property, family origin, or other status, or any similar grounds. We prohibit forced labor and child labor, and respect labor rights such as freedom of association and the right to collective bargaining. We recognize that everyone has the right to fair and good working conditions, ensure safe and healthy working conditions, and guarantee fair and equitable remuneration for labor.

2. Efforts to Realize Respect for Human Rights

In order to respect human rights and realize a sustainable society, we will work to raise awareness of human rights through the Group intranet and training programs. Through discussions and conversations with all stakeholders involved in the Avant Group's business activities, we will understand human rights issues and their impact, and discuss how to respond to them. The Avant Group's initiatives regarding respect for human rights and the progress of these initiatives will be disclosed to stakeholders in an appropriate and timely manner.

Environment On July 22, 2020, the Board of Directors of the Avant Group established the "Avant Group Basic Environmental Policy", in which the Group is committed to "mutual understanding with stakeholders and proactive information disclosure with the aim of realizing a sustainable society". In light of this background and the need to further strengthen corporate efforts to resolve issues related to climate change, Avant has expressed its support for the TCFD recommendations and will continue to strengthen its corporate activities to address climate change and actively promote information disclosure in line with the recommended disclosure items set forth in the TCFD recommendations. Avant has expressed its support for the TCFD recommendations. We will work to maintain and preserve the global environment and promote activities aimed at realizing a sustainable society.

Avant Group Environmental Policy

Compliance with environmental laws and regulations	We will comply with environmental laws and regulations as well as agreements with stakeholders and take appropriate actions.
Familiarizes with the environmental policies	We will conduct education and awareness-raising activities to foster each and every employee's awareness of the environment and to enable them to carry out their own environmental conservation activities.
Environmental Conservation	We will work closely with government agencies, local communities, and related organizations to actively support individual Group employees' efforts to address climate change, promote resource circulation, and conserve biodiversity.
Communication with Stakeholders	Aiming for the realization of a sustainable society, we will strive for mutual understanding with stakeholders and proactive information disclosure.

Disclosure based on TCFD

Governance	Led by Representative Director Morikawa, the Corporate Communications Office and CRM Committee of the Avant Group will gather information on climate change, its impact and measures to respond to it. The opportunities and risks associated with climate change will be discussed in the CRM Committee's regular reports to the Board of Directors and in the Group Management Meeting, and future policies will be formulated.
Strategy	<p>Transition Risk Response The Avant Group's electricity and gas purchase cost for the fiscal year ended June 30, 2021 was approximately 20 million yen, which is equivalent to 0.13% of net sales, but this was the actual cost amid Corona disaster, and if business activities were to normalize, we believe that 0.2% would be an appropriate level. If we are forced to purchase alternative energy sources due to stricter regulations on greenhouse gas emissions, unit price increases in electricity and gas prices may have a minor impact on our business performance. We will use carbon offsets and other means to achieve a 50% reduction in greenhouse gas emissions (Scope 1-3) compared to the fiscal year ended June 30, 2017, but for the fiscal year ending June 30, 2022, we will allocate 0.03% of net sales for offsets, and we plan to continue to accumulate offsets at a level lower than this. We will continue to increase our offset quota at a level below this level. Offset credits are limited, and if a large number of companies adopt the same method, it may not be possible to secure offset credits at the expected unit price and quantity.</p> <p>Physical Risk Response According to the Ministry of the Environment's "Assessment of the Impacts of Climate Change on Catastrophic Disasters (Interim Report)" based on the IPCC's Fifth Report, typhoons are likely to approach Japan with greater intensity than at present, and bring more rainfall to the Kanto and Tohoku regions, mainly because rising sea surface temperatures will make it easier for the ocean to supply water vapor to typhoons, and rising temperatures will increase the amount of water vapor that the atmosphere can store. Typhoons are likely to approach Japan with greater strength than at present, bringing more rainfall to the Kanto and Tohoku regions. Although scenarios for 2% and 4% increases in rainfall and tide levels due to global warming have been developed, typhoons such as Typhoon No. 15 in 2019, which were larger than these scenarios and the assumed once-in-50-year risk, passed through the Kanto region and damaged the power transmission system. However, typhoons of a scale that exceeds these scenarios and the assumed once-in-50-year risk, such as Typhoon No. 15 in 2019, have already passed through the Kanto region and damaged the power transmission system. Rather than taking measures based on such a scenario, the Avant Group will adopt a response that assumes the occurrence of the largest possible disaster.</p> <p>The greatest risks to the Avant Group are (1) the difficulty of maintaining a safe living and working environment for its employees due to a catastrophic disaster, and (2) the loss of continuity in the provision of services to its customers. In particular, the services provided by the Avant Group widely contribute to the formation of information that is important to the survival of a company, such as the preparation of customers' financial information and the generation and disclosure of information that contributes to management decisions, and the continuity of the Avant Group's services is an extremely important issue. Regarding the response to such risks, the CRM Committee shall consider an appropriate BCP and report the progress to the Board of Directors.</p> <p>Response to opportunity On the other hand, as a response to climate change, it is possible for customers to visualize the economic activities that lead to the generation of greenhouse gases within their organizations, take countermeasures, and provide an environment to deepen communication with stakeholders as part of the solution that meets the "popularization of management information" promoted by the Company. It is also an opportunity for the Avant Group to grow further. These opportunities will be discussed and promoted by each group representative and the Group CEO at the Group Management Committee.</p>

Risk Management	<p>Risk Management System The Corporate Communications Office of the Avant Group and the CRM Committee will gather information and discuss the response. Important information shall be reported to the Board of Directors through the CRM Committee and discussed as appropriate.</p> <p>Formulate a BCP that assumes the greatest risk As risks associated with the intensification of natural disasters such as short-term torrential rains and super typhoons due to the risk of climate change, the Company will formulate a BCP to ensure the safety of employees before and after the occurrence of three possible disasters: the Tokyo Arakawa River Massive Flood, the Tokyo Bay Massive Storm Surge, and the Osaka Bay Massive Storm Surge. The CRM Committee will formulate a BCP to ensure the safety of employees before and after the occurrence of such disasters, to support their daily lives and labor during the recovery period, and to ensure the continuity of services for customers, and report the results to the Board of Directors.</p>
Quantitative measurements and targets	<p>The Avant Group's direct greenhouse gas emissions from fuel use, etc. (Scope 1) were zero, and indirect greenhouse gas emissions from the use of electricity, steam and heat (Scope 2) were 535 t-CO₂ in the fiscal year ended June 30, 2021. On the other hand, indirect emissions (Scope 3) from the procurement of raw materials, employee business trips, and consigned waste disposal were estimated to be 7,000 tons of CO₂. We plan to complete the calculation of emissions by the end of the fiscal year ending June 30, 2022. However, in the mid- to long-term, it is inevitable that emissions will increase in line with business expansion, and we aim to reduce total greenhouse gas emissions (Scope 1-3) by 50% from the fiscal year ended June 30, 2017 (approximately 5,000 t-CO₂) by the fiscal year ending June 30, 2030 through carbon offsetting, in addition to reducing excessive consumption of electricity by encouraging appropriate working hours and telecommuting. Since July 1, 2021, we have been purchasing green power certificates that correspond to our Scope 2 emissions to achieve carbon offsetting. For Scope 3, we aim to reduce emissions by offsetting through a combination of various means.</p>

Greenhouse Gas Emissions Calculation (t-CO₂)

	FY17	FY18	FY19	FY20	FY21
Scope 1	0	0	0	0	0
Scope 2	715	814	784	670	535
Total	715	814	784	670	535

Initiatives on Carbon Offsetting

Avant Corporation purchases "Green Power Certificates" issued by Japan Natural Energy Company Limited (Head Office: Shinagawa-ku, Tokyo, President: Keiki Kato) for all electricity used in the company-wide offices of the five Avant Group companies and switch to green power.

The Green Power Certification System is a system for trading the environmental added value of electricity generated from renewable energy sources (green power) in the form of "Green Power Certificates," which are issued by certificate issuers and certified by the Japan Quality Assurance Organization. By purchasing a Green Power Certificate, a company can assume that the amount of electricity (kWh) listed on the certificate was generated by renewable energy sources, even if the company does not have its own power generation facilities. The Green Power Certificate is attracting attention as a mechanism to curb carbon dioxide emissions, which cause global warming, because it can be regarded as a contribution to the spread of renewable energy equivalent to the amount of electricity listed on the certificate.



With the conclusion of this contract, the Avant Group expects to reduce carbon dioxide emissions by approximately 660 ton-CO₂ per year (equivalent to the annual emissions of approximately 242 households*) by switching all of the annual electricity used by the offices of the five group companies (1.5 million kWh, actual results for the fiscal year ended June 30, 2020) to green electricity. The Avant Group is committed to the efficient use of electricity and the spread of power generation using natural energy to prevent global warming.

* Calculated from household sector CO₂ emissions in FY2019

Avant Group and Society

The National Museum of Modern Art, Tokyo

The National Museum of Modern Art, Tokyo is the first national art museum in Japan, boasting more than 13,000 collections of modern Japanese art at its core. It is the only museum in Japan that can see the history of Japanese art from the Meiji period to the present day. Avant Corporation supports the activities of the National Museum of Modern Art, Tokyo, as a gold partner, by viewing national collections and holding various events and programs, aiming to enrich the lives and lives of the people who have visited the museum or come into contact with art.



Fuji Mountain Race

The race has a long history since 1948, and it boasts Japan's highest elevation of about 3 thousand meters between heights and lows. The race is regarded as a top of a trail runs in Japan and is often referred to as "Grand Slam" after finishing the goal together with a sub-three for a full marathon and a sub-10 for a 100-kilometer ultra marathon. It attracts many challengers trying to reaching beyond their limits." Avant Corporation aims to be a company where all employees burn to achieve creation of a 100-year company. Many runners participate in the event, so we are supporting the event as a formal sponsor.



NIPPON IT Charity Ekiden

While the IT industry is recognized as a vibrant and vibrant industry, it is also the fact that its special business format has created unemployed people who are socially disadvantaged. "NIPPON IT Charity Ekiden" was designed in 2010 to support even one of these unemployed people back to society. The revenues from this event are donated to the non-profit organization, Future Dream Achievement, which provides employment support for people with "depression" and "social withdrawal." It will also be used to support the reconstruction of regions affected by the Great East Japan Earthquake, the Kumamoto Earthquake, and the Tottori Chubu Earthquake. Avant Corporation supports this initiative as a gold sponsor.



CORPORATE GOVERNANCE



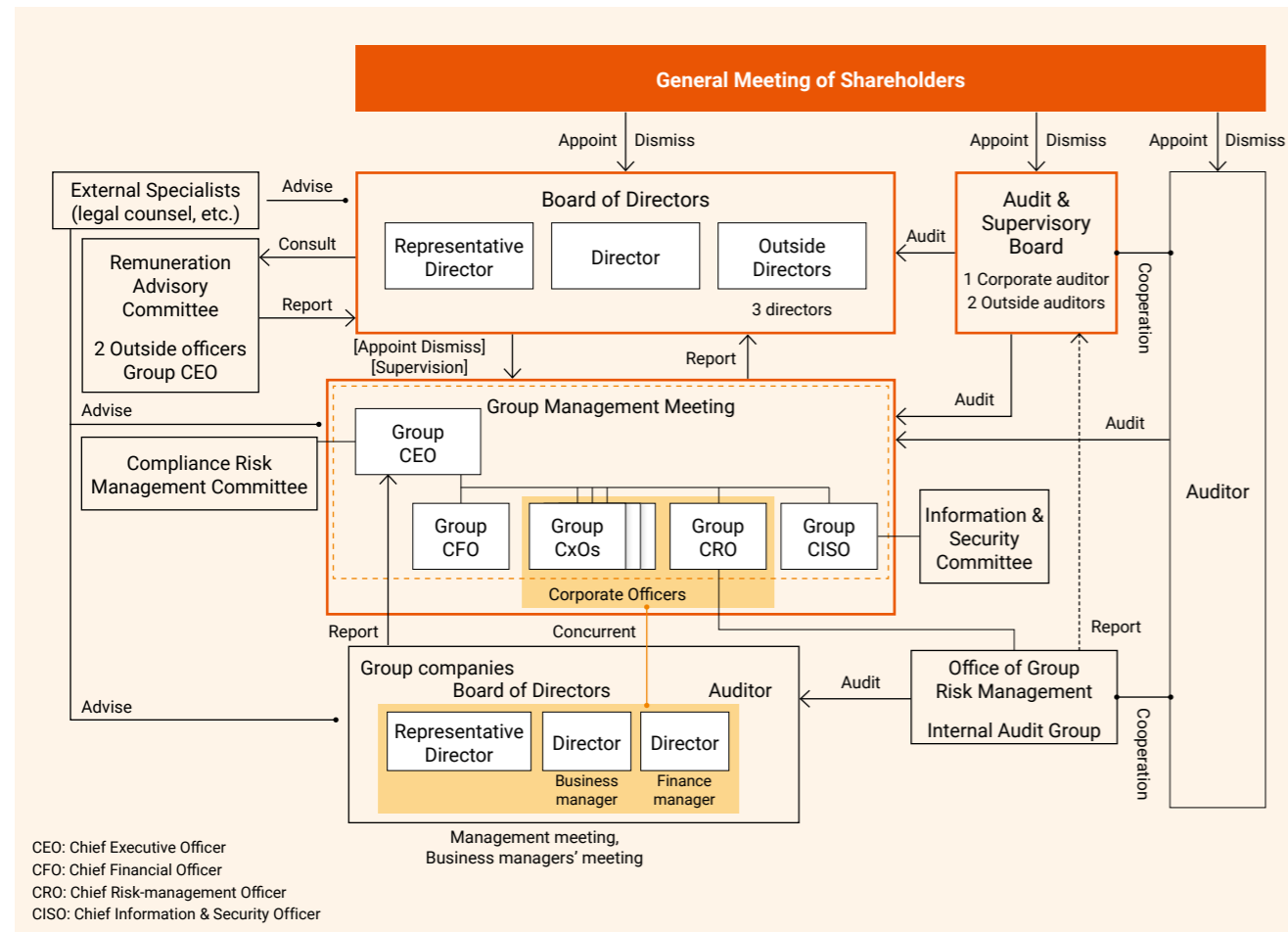
Corporate Governance at Avant

We believe that the root of our management philosophy, which is based on Japanese culture, is to regard the company as a “public institution” of society. Even in a globalized society, we respect this view of management as a cultural asset and aim to develop as an organization that exists for the benefit of society.

We have described our corporate activities based on this Japanese view of management as “creating a 100-year company” and have positioned it as our corporate philosophy since our founding. It is not just about sustaining a company or brand. A 100-year company is the result of passing on our management philosophy as a public institution from one generation to the next, and burning all members to freely and creatively provide value to society. To achieve this, we practice group management that fosters organizational independence and synergy as a group.

For group management that contributes to the growth of both people and the organization, we place great importance on the advanced study of corporate governance. By engaging in dialogue with various stakeholders and continuing to learn, we aim to develop our business with an open perspective so that we can provide value to society without being biased toward any particular stakeholder.

Governance Structure of the Avant Group



Governance Structure

As of October 1, 2013, Avant Corporation was established as a holding company with business support functions to support the growth of the Group’s operating companies, and aims to develop the Group through consolidated management. We aim to create an organizational structure that clarifies the functions, authority, and responsibilities of each group company, with directors who are familiar with the business and organization of the group companies making decisions and executing operations quickly, and the Company assuming the governance and control functions for each company. To this end, we have appointed outside directors and our Board of Directors will specialize in management functions, and we will also build a system that allows us to objectively judge the status of governance and control of the Group from a fair and neutral standpoint, ensure transparency in decision-making and its processes, and strengthen the supervisory function of the Board of Directors.

Corporate Officer System

The Company’s business execution system is based on a system in which representative directors appointed by the Board of Directors, directors in charge of finance, and corporate officers share responsibility for business execution. The representative directors and directors in charge of business management of each Group company, as the Company’s corporate officers, report the status of business execution at the Group Management Committee chaired by the Group CEO, and the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO and Group CISO are responsible for the execution of Group-wide strategies. In addition, the Group CFO, Group CDO, Group CBO, Group CRO, Group CHRO, and Group CISO report on the execution of Group-wide strategies in their respective areas of responsibility. The Group 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.

Board of Directors

The Board of Directors and the Audit & Supervisory Board elects directors from among candidates who have diverse and specialized knowledge in the areas of management, legal affairs and compliance, finance and accounting, M&A and finance, IT business, global business, governance, human resources and organization, as well as experience and expertise as managers, with due consideration to diversity, for the purpose of enhancing corporate value. The Board of Directors and the Audit & Supervisory Board of the Company consist of five directors (including three outside and independent directors and two foreign nationals) and three corporate auditors (including two outside and one independent directors and one woman).

Activities of the Board of Directors (17 meetings)

Matters to be approved	Matters to be reported
<ul style="list-style-type: none"> Avant Group key personnel and organization, Investments in Metapraxis, Outside directors of equity-method affiliates, Establishment of new business units, Establishment of the remuneration advisory committee, Revision of the corporate governance policy, and Remuneration system for directors and corporate officers, and amount of remuneration 	<ul style="list-style-type: none"> Report on issues to be discussed for the establishment of the Nomination and Remuneration Committee, Group governance and adaptation to the three lines of defense, Report on the results of the consultation on the executive remuneration system and remuneration amount, M&A Strategy Report, IR Strategy • Report on IR Activities, Report on Strategic Investment Projects, The Company’s response to the revision of the Corporate Governance Code, and Progress of the Medium-Term Management Plan in each business unit and budget report for FY2022, and Report on the progress and challenges of the medium-term management plan









Corporate Auditors

The Company has adopted an Audit & Supervisory Board system, and the Audit & Supervisory Board consists of three members: one full-time corporate auditor and two outside corporate auditors. The corporate auditors attend meetings of the Board of Directors and other important meetings, hear reports from directors on the status of business operations, inspect important approval documents, etc., and investigate the status of operations and assets of each department. At the end of the fiscal year, we receive the results of the accounting audit, review the business report, financial statements and supplementary schedules, and then prepare the audit report.

Composition of Directors and Corporate Auditors (As of September 30, 2021)

Characteristics of the Board	Independent outside directors in the majority	Two foreigners	One female officer
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* 1 The establishment of the Remuneration Advisory Committee was resolved at the Board of Directors meeting held on March 17, 2021. Corporate Auditor Kobayashi, who retired due to expiration of his term of office, attended three of the three meetings; Corporate Auditor Goto will succeed him from September 2021.
 * 2 Appointed as a director at the 24th Ordinary General Meeting of Shareholders to be held on September 23, 2020.
 * 3 Number of shares actually held including 320,000 shares held by K.S. Management K.K., which is owned by him and his relatives.

Name	Reasons for Election	Attendance at meetings of the Board of Directors and Audit and committees	Specialties possessed by directors and auditors							
 <p>Tetsuji Morikawa President and Group CEO Shares held: 9,764,000 shares</p>	<p>Since the establishment of our company in May 1997, he has led the management of our group for 24 years as the representative director. Through the sale of our self-developed consolidated accounting package software, he has established the company as an infrastructure for providing a variety of management information, particularly financial information, and has demonstrated leadership in the diversification of our business through M&A and the transition to a holding company structure. Currently, he is leading the measures to expand the recurring business, which is the key to sustainable growth. He has been appointed for the further development of our group.</p>	<p>Board of Directors 17 / 17 Remuneration Advisory Committee*1 3 / 3</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Naoyoshi Kasuga Director and Group CFO Shares held: 6,600 shares</p>	<p>He joined the Company in October 2010 after working at a commercial bank and the New York Stock Exchange, and has been in charge of the Company's financial affairs since September 2011 as Director in charge of finance and currently as Group CFO, drawing on his extensive experience and management knowledge. He has been appointed to this post because of his excellent character and insight.</p>	<p>Board of Directors 17 / 17</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Naohisa Fukutani Outside director Independent Shares held: 53,100 shares</p>	<p>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 also been asked to be the first independent outside director and the chairman of the Remuneration Advisory Committee. He has also been asked to serve as the first independent outside director and the chairman of the Remuneration Advisory Committee. He has been selected for this position based on the judgment that he will continue to contribute to the supervision of management and the strengthening of corporate governance.</p>	<p>Board of Directors 17 / 17 Remuneration Advisory Committee*1 3 / 3</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Georges Ugeux Outside director Independent Diversity Shares held: 2,000 shares</p>	<p>He has long experience in banking, securities, and investment banking, and has started his own consulting firm to advise a wide range of clients. With his extensive knowledge and expertise in finance and securities markets, he has provided invaluable advice in the verification of investment projects. We hope that he will continue to oversee the formulation and implementation of strategic management aimed at realizing our management philosophy.</p>	<p>Board of Directors 16 / 17</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Jon Robertson Outside director Independent Diversity Shares held: 0 shares</p>	<p>He has 30 years of experience leading international organizations in Japan and the Asia Pacific region, and has excellent management, leadership, and communication skills. He has a deep knowledge of the latest IT technologies, including cloud-native fields, and has demonstrated his leadership ability with enthusiasm in the rapidly changing IT industry. We expect him to contribute to the achievement of our vision "BE GLOBAL" and the creation of corporate value through cloud computing in our mid-term management plan.</p>	<p>Board of Directors 13 / 13*2</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Tsuyoshi Noshiro Corporate auditor Shares held: 1,868,800 shares</p>	<p>After gaining experience as a certified public accountant at an auditing firm and a securities venture capital firm, he joined the Company in February 1998. Since then, after serving as General Manager of the Administration Department, he has served as Director and Treasurer of the Company since 2001, and as a full-time Corporate Auditor since September 2011. At meetings of the Board of Directors and Board of Corporate Auditors, based on his deep understanding of the Company's business, he presents information and expresses his opinions as a non-executive full-time officer, focusing on legal, accounting, governance, human resources and other perspectives.</p>	<p>Board of Directors 17 / 17 Audit and Supervisory Board 14 / 14</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Kunio Suzuki Outside corporate auditor Shares held: 588,000 shares*3</p>	<p>He was elected as an outside corporate auditor based on the judgment that he will be able to appropriately perform the duties of an outside corporate auditor, including providing useful advice in the process of management judgment and decision-making, based on a thorough understanding of the management environment and business policies of the Company.</p>	<p>Board of Directors 17 / 17 Audit and Supervisory Board 14 / 14</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization
 <p>Chie Goto Outside corporate auditor Independent Diversity Shares held: 0 shares</p>	<p>In addition to his work experience in general business companies, she is also a qualified lawyer and certified public accountant, and has been involved in various companies as a legal and financial accounting expert, including M&A, tax compliance, and harassment cases. As an outside corporate auditor, she is expected to provide useful advice in the process of management judgment and decision-making by utilizing his extensive knowledge as a professional in law and accounting.</p>	<p>Appointed as Auditor following approval at the 25th Ordinary General Meeting of Shareholders on September 28, 2021</p>	Management	Legal and compliance	Finance and accounting	M&A and finance	IT Business	Global	Governance	Personnel and organization

Analysis and Evaluation of the Effectiveness of the Board of Directors 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

In order to enhance the independence and objectivity of analysis and evaluation, evaluations by a third-party organization were conducted for the fiscal years ended June 30, 2018 and June 30, 2019. However, the Board of Directors pointed out that it was difficult to clarify issues due to the focus on quantitative evaluations, and therefore, from the fiscal year ended June 30, 2020 onward, we have decided to conduct interviews with directors and corporate auditors by a third-party organization as appropriate, with a focus on our own questionnaire surveys.

For the fiscal year ended June 30, 2020, we will use a questionnaire that asks for a wide range of free comments, and for the fiscal year ended June 30, 2021, in order to more clearly understand the issues, we have created a questionnaire form that allows the participants to evaluate the issues and state their opinions on how to deal with them, and conducted a questionnaire for all directors and auditors in May 2021.

Summary of Evaluation Results

In summary, the evaluation of the effectiveness of the Board of Directors was generally high, and the Board of Directors was evaluated to be operating appropriately. On the other hand, it was pointed out that discussions on various issues previously recognized as problems have not progressed, and that more time should be spent on discussing a wide range of issues such as management strategies and medium-term management plans.

(1) Organization of the Board of Directors

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

- Clarification of the positions of the President and the Chairman,
- Clarification of the positions of the president and chairman, diversity of directors, and the expected roles of each director are necessary, and
- Clarification of the expected roles is necessary

(2) Agenda of the Board of Directors Meeting

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 in questionnaire for the fiscal year ended June 2020 as requiring continued discussion. 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 points of discussion and led the board meeting, which was commendable,
- The chair explained the main points of the discussion and led the board meeting, which was commendable, but there were too many reports and questions and not enough time for discussion,
- The submission of materials should be accelerated, and
- Free discussion should be promoted through off-site meetings, etc.

Future Actions

Based on the above remarks, it was reported at the Board of Directors meeting held on July 21, 2021 that the following measures will be promoted for the fiscal year ending June 30, 2022.

- (1) The Board of Directors shall 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 in which outside directors are in the majority, and discussions shall be deepened through the use of off-sites and other means that do not require a conclusion. The Board of Directors will also simplify matters to be resolved when possible and ensure sufficient time for discussion,
- (2) Regularly report on the progress of the medium-term management plan and encourage discussion of 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 an opportunity for questions shall be provided as necessary, and
- (5) Clarify the annual schedule of Board of Directors meetings.

Executive Remuneration System

Process for Determining Remuneration System and Amount of Remuneration

The Company's policy and calculation method for determining remuneration for directors and executive officers, as well as the criteria for the remuneration system and amount of remuneration for directors and executive officers, were determined by the Board of Directors at its meeting held on January 29, 2021.

Furthermore, at the Board of Directors' meeting held on March 17, 2021, it was resolved to establish the Remuneration Advisory Committee as a voluntary advisory body in order to strengthen the independence, objectivity and accountability of the decision-making process. The Remuneration Advisory Committee will consist of three members: two independent directors and the Representative Director and 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 or the industry as a whole.

Activities of the Remuneration Advisory Committee (3 times in total)

- Explanation of the current status and issues of the executive remuneration system,
- Examining the appropriateness of KPIs for performance-linked remuneration,
- Prepare a report on the remuneration system and remuneration amount for executive officers,
- Preparation of a report on the remuneration system and amount of remuneration for directors, and
- Remuneration level for outside directors

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

For fixed remuneration, a standard amount is paid to each position in consideration of the level of ability and responsibility required. The performance-linked remuneration for directors excluding outside directors consists of (1) short-term performance-linked remuneration, which is a bonus linked to the business results for each fiscal year, and (2) medium- to long-term performance-linked remuneration, which is a bonus linked to changes in indicators over a three-year period. The medium- to long-term performance-linked bonus is a stock-based remuneration 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 long term and to promote further value sharing between directors and shareholders.

The ratio of fixed remuneration and performance-linked remuneration for Directors is as follows, with the achievement of performance targets as a guide (based on a short-term performance incentive coefficient of 100%).

Composition of Remuneration for Directors

Directors	50-55% Fixed remuneration	15-20% Short-term performance-linked	30% Medium-to long-term performance-linked
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1. Short-term Performance-linked Remuneration

Short-term performance-linked remuneration is a remuneration system that 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 performance, and is paid in cash. The amount is calculated by multiplying the base amount, which is determined according to the position, etc., by the 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 the medium- to long-term performance-linked remuneration, it was resolved at the Board of Directors meeting held on September 18, 2020 to use the rate of increase in consolidated operating income as the coefficient from the fiscal year ended June 30, 2021. Specifically, the coefficient will be calculated according to the following formula.

$$\text{Short-term performance-linked remuneration} = \text{Standard amount of short-term performance remuneration} \times \text{Short-term incentive coefficient}$$

Short-term incentive coefficient

If consolidated operating income for the current fiscal year is (a) and consolidated operating income for the previous fiscal year is (b), the coefficient shall be the value calculated by the following formula
 (1) If (a) is less than or equal to (b): 0
 (2) If (a) is greater than (b) but less than (b) × 112%: $0.5 \times \{1 + ((a) - (b)) / ((b) \times 112\%)\}$.
 (3) If (a) is greater than or equal to 112% of (b): $1 + 0.5 \times ((a) - (b) \times 112\%) / ((b) \times 6\%)$

*The maximum short-term incentive coefficient is 2.0.

Operating income for the fiscal year ended June 30, 2021, which is the performance indicator, was 2,796 million yen, and the rate of change from the previous fiscal year's operating income (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 remuneration (26 million yen) was paid as short-term performance-based remuneration.

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

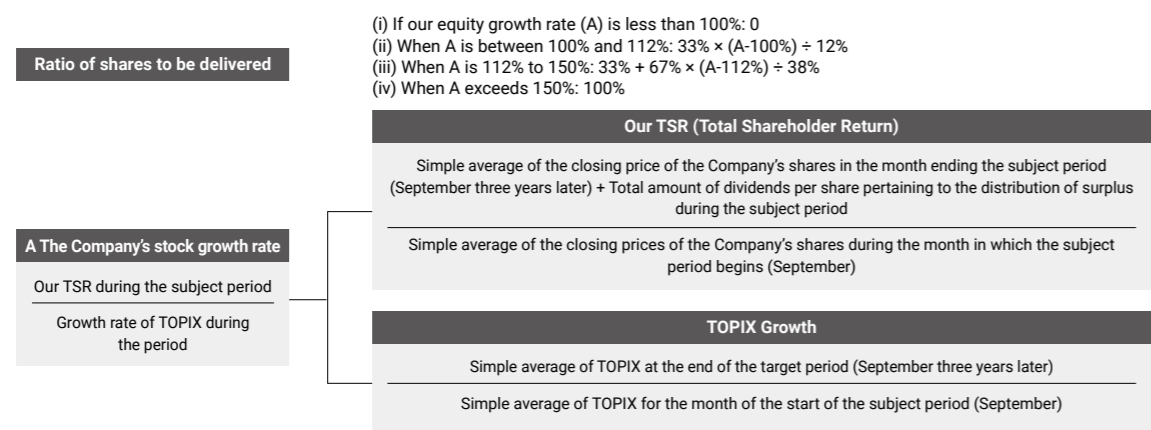
2. Medium- to Long-term Performance Linked Remuneration

The medium- to long-term performance-linked remuneration is a performance share unit system under which the Company's common stock is granted as a performance-linked stock remuneration system for the purpose of providing directors with incentives to enhance the Company's corporate value over the longer term and to promote further value sharing between directors and shareholders. The number of shares determined by the Board of Directors (the base number of shares to be delivered) is multiplied by the 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 will be 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 subject period, monetary remuneration claims will be paid to the Subject Directors, and the Company's shares will be delivered to them by having them contribute all of the monetary remuneration claims in kind upon the issuance of shares or disposal of treasury shares by the Company.

$$\text{Medium- to long-term performance-linked remuneration (number of shares to be delivered)} = \text{Number of standard shares to be delivered} \times \text{Ratio of shares to be delivered}$$



With regard to the stock-based remuneration for the President and Representative Director, in order to further clarify the responsibility of the President and Representative Director in realizing the medium-term management plan "BE GLOBAL 2023," it was approved at the 24th Ordinary General Meeting of Shareholders held on September 23, 2020 to set a restriction on granting stock-based remuneration based on the "recurring sales ratio (ratio of recurring sales to total sales)," which is an important quantitative indicator of the medium-term management plan, as follows.

Recurring sales ratio as a basis for granting stock-based remuneration at the end of the subject period

Fiscal year	June 2019	June 2020	June 2021	June 2022	June 2023
Recurring sales ratio	50 % or more	60 % or more	70 % or more	70 % or more	70 % or more

The Company's stock growth rate, which is the basis for medium- to long-term performance-linked remuneration for the fiscal year ended June 30, 2021, exceeded the TOPIX growth rate as shown below, and the Board of Directors resolved at a meeting on October 15, 2021 to issue shares to directors. The Company paid 13 million yen in monetary remuneration claims to one of its directors and had him or her contribute in-kind to deliver 8,705 shares of the Company's common stock. Since the recurring sales ratio for the fiscal year ended June 30, 2021, which is the subject period, is 36.0% (recurring sales: 5852 million yen) and does not meet the criteria for grant, no medium- to long-term performance-linked remuneration will be paid to the Representative Director.

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 14, 2021)

(13 million yen ÷ 1,575 yen = 8,705 shares)

Number of shares to be delivered = Base number of shares to be delivered × Ratio of shares to be delivered

Number of shares to be delivered = Number of standard shares to be delivered × Percentage of shares to be delivered = 8,705 shares × 100% = 8,705 shares

Calculation of share delivery ratio

Total shareholder return during the subject period = $(1,553.3 + 7.5 + 9 + 11) / 774.42 = 204.1\%$

Growth rate of TOPIX during the subject period = $2,063.04 \div 1746.41 = 118.1$

Growth rate of our company's stock = Total return of our company's shareholders during the period under review /

Growth rate of TOPIX during the period under review

Growth rate of TOPIX during the subject period = $204.1\% / 118.1\% = 172.8$

The share delivery ratio will be 100% by applying (4) above.

Amount of Remuneration for Directors and Corporate Auditors (Fiscal Year Ended June 30, 2021)

Class of Officers	Total remuneration, etc. (millions of yen)	Total amount of remuneration by type (millions of yen)			Eligible Number of officers (Persons)
		Fixed remuneration	Performance-based remuneration	Of which non-monetary remuneration, etc.	
Directors (Excluding Outside Directors)	148	84	64	13	2
Auditors (Excluding Outside Auditors)	11	11	-	-	1
Outside Directors	36	36	-	-	3
Outside Auditors	11	11	-	-	2

* The total amount of remuneration for each director is not shown because there is no one whose total amount of remuneration on a consolidated basis is 100 million yen or more.

Impressions of the Company's Governance and President Morikawa

I was impressed from the beginning with the governance of the company, as the appointment of outside auditors was decided by the Board of Auditors exercising its independent personnel authority, so to speak, without being influenced by the management, including President Morikawa. I have the impression that President Morikawa is a fearless young man who continues to take on the challenge of the steep snowy mountains as shown on our corporate website. It is said that managers need to have a clear management philosophy backed by their view of life and the world. This will serve as a basis for management decisions, and also as a basis for employees to make a wide variety of decisions in the course of their work. In this respect, our management philosophy, "Creating a 100-year company," was created by President Morikawa when the company was founded in 1997, and I believe it is still in his mind 365 days a year. President Morikawa has also said that management is about creation and that an environment where there are outside directors with different opinions and talents is extremely useful, and I feel that he actually has an ear for listening to the opinions and advice of third parties.

Role Played on the Board of Directors and Remuneration Advisory Committee

In the first instance, outside corporate auditors who are lawyers are expected to attend meetings of the Board of Directors where decisions on business execution are made, and to use their legal knowledge and experience in legal services to speak from a neutral standpoint, influence the company's business policies, and prevent and respond to violations of laws and regulations and the Articles of Incorporation. However, it is also true that because they are outside the company, they are not familiar with the company's business structure, business contents, market and industry characteristics, and internal affairs until not long after their appointment. For this reason, when attending meetings of the Board of Directors after being elected, we focus on the legality of each agenda item, consistency with the Articles of Incorporation, internal regulations, and corporate policies, and the rationality of decision-making procedures, and point out any inadequacies from a legal perspective, including in the reports of the Risk Management Committee.

As an example of how we have fulfilled our supervisory function, as an independent third party with no preconceived notions, we have conducted investigative reports on the Group's controls and reported the results to the Board of Directors, which we believe has helped to support a rational process of management decision-making. In addition, as a member of the Remuneration Advisory Committee, I pointed out the problems in terms of logical examination, consistency and clarity of the Avant Group's executive remuneration regulations and the content of disclosure related to executive remuneration. In the future, I hope to make proactive proposals, such as including the perspective of sustainability as a factor in determining executive remuneration.

Perceptions of Challenges to Our Board of Directors

This is because there are no female directors. As President Morikawa himself stated in the Integrated Report 2020, "Diversity is very effective in raising the quality of dialogue," I think the time has come to make concrete efforts to appoint female directors from the perspective of stimulating discussions at the Board of Directors meetings.

With regard to agenda items, etc., we recognize that the CEO Succession Plan, institutional design, etc. should be addressed as early and continuously as they are important agenda items that relate to the

fundamentals of the company and require a long period of time for deliberation, decision, implementation, and evaluation. In addition, I think it would be useful for both directors and auditors to be aware of the SDGs and ESG perspectives in the future. In terms of management, I sometimes feel that there is not enough time to fully discuss important agenda items. To improve the quality and efficiency of deliberations, we need to devise meeting materials that are easy to understand the main points of the agenda and distribute them in advance as soon as possible.

Contribution to the Realization of the Mission and the Promotion of the Medium-term Management Plan

Corporate auditors are responsible for auditing the execution of duties by directors as an independent body entrusted by shareholders, and in particular, outside corporate auditors are expected to express their opinions objectively and frankly from a neutral standpoint. In addition, outside corporate auditors designated as independent directors are particularly expected to act for fair and equitable management decision-making based on the interests of general shareholders and, in turn, the interests of the Company, and we will work on the duties of independent outside corporate auditors based on this role.

In addition, I would like to make some comments from an outside perspective, without any past ties, based on a deeper understanding of the company's business, and with an awareness of the following issues: whether there is sufficient information and materials for the management team to consider when making decisions, and whether sufficient discussions have been held based on the existence of other options, risks, advantages and disadvantages. I would like to make these points from an outside perspective without past ties. In this way, we hope to contribute to the enhancement of corporate value by supporting a rational and speedy decision-making process at the Board of Directors. In addition, the current medium-term management plan "BE GLOBAL 2023" states that we will actively promote M&A as a means of accelerating growth and promoting business model transformation, and we believe that this will be one of the key issues for auditing in the future. Although the corporate auditors are an independent body, we will try to conduct efficient and effective audits by sharing information and working closely with the full-time corporate auditor Noshiro, corporate auditor Suzuki, the internal audit division, and the accounting auditor.



CHIE
GOTO

Chie Goto

Outside Corporate Auditor
(Independent Director)

PROFILE

She joined Socie World in 1984, and after joining Yamada & Partners in 1994, he joined Sakura Kyodo Law Office in 2006. She has been a partner at the same law firm since January 2011. She is a certified public accountant and an attorney-at-law, and in recent years has been involved in corporate and tax matters that require both legal and tax accounting skills. Appointed as Corporate Auditor of the Company in September 2021.

I will contribute to the enhancement of corporate value by pointing out issues from a perspective free from ties and by performing our auditing duties utilizing our knowledge of legal affairs and tax accounting.

Leadership

(As of October 1, 2021)

Directors



Tetsuji Morikawa

President and Group CEO
 [Status of concurrent positions]
 President and Representative Director,
 Diva Corporation
 CEO, Diva Corporation of America
 Outside Director, Kayac, Inc.



Naoyoshi Kasuga

Director and Group CFO
 [Status of concurrent positions]
 Outside director, Metapraxis Limited



Naohisa Fukutani

Director
Chief outside director Independent
 [Status of concurrent positions]
 Senior Advisor, PwC Advisory LLC



Georges Ugeux

Director
Outside director Independent Diversity
 [Status of concurrent positions]
 Chairman and CEO, Galileo Global Advisors, Inc.



Jon Robertson

Director
Outside director Independent Diversity
 [Status of concurrent positions]
 President, Asia Pacific & Japan, Snowflake Inc.

Auditors



Tsuyoshi Noshiro

Corporate auditor
 [Status of concurrent positions]
 None



Kunio Suzuki

Outside auditor
 [Status of concurrent positions]
 Representative Director, K.S. Management KK.



Chie Goto

Outside auditor Independent Diversity
 [Status of concurrent positions]
 Partner, Sakura Kyodo Law Office

Corporate Officers



Takahiro Okabe

Group CDO,
 President and Representative
 Director, Zeal Corporation,
 Director, Diva Corporation
 (part-time)



Hiroshi Takizawa

President, Internet Disclosure



Hiroki Takemura

Group CRO,
 Vice President and Representative
 Director, Diva Corporation,
 Director, Fierte Corporation
 (part-time)



Gen Nagata

Group CBO,
 President and Representative
 Director, Fierte Corporation,
 Director, Diva Corporation



Teppei Terashima

Director, Diva Corporation,
 Director, Zeal Corporation (part-time)



Hiroshi Iwasa

Director, Diva Corporation,
 Director, Zeal Corporation (part-time)



Yoshiyuki Numata

Director, Zeal Corporation,
 Director, Fierte Corporation (part-time)



Hiroyuki Morita

Director, Zeal Corporation
 General Manager of Business
 Administration



Tetsuya Kawamura

Director, Fierte Corporation
 General Manager, CFO Office
 Business Unit



Shuichi Fukayama

Director, Fierte Corporation
 General Manager, Product
 Development Dept. and
 Administration Dept.



Yoko Hosokawa

Director, Fierte Corporation
 General Manager, Shared Services
 Division



Tatsuhiro Nakayama

Group CISO,
 Auditor, Diva Corporation,
 Director, Internet Disclosure (part-time)



Eriko Satonaka

Group CHRO,
 General Manager of Human
 Resources

Senior Advisor



Chieko Matsuda

Doctor (Business Administration)
 Professor, Department of Business
 Administration, Graduate School of
 Business Administration, Tokyo
 Metropolitan University
 Professor, Faculty of Economics
 and Business Administration, Tokyo
 Metropolitan University

CDO: Chief Digital-transformation Officer
 CBO: Chief Business-development Officer
 CHRO: Chief Human Resources Officer

FINANCIAL DATA

	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Operation Indicators:					
Recurring sales (millions of yen)	3,670	3,955	4,420	5,123	5,852
Recurring sales ratio (%)	34.8	32.7	31.4	32.6	36.0
Value-added productivity (thousand yen/person)	9,458	9,762	9,629	9,784	10,332
Amount of orders received (millions of yen)	11,287	12,842	14,171	15,357	17,401
Group Governance Business	6,551	7,732	7,774	8,313	8,510
Digital Transformation Business	3,793	4,221	5,265	5,417	6,639
Outsourcing Business	1,047	1,488	1,807	2,160	2,987
Order backlog (millions of yen)	3,102	3,834	3,927	3,595	4,761
Group Governance Business	1,962	2,433	2,173	1,999	2,349
Digital Transformation Business	661	929	1,204	854	1,244
Outsourcing Business	500	675	852	950	1,457
Notes to Statements of Income:					
Consolidated net sales (millions of yen)	10,532	12,110	14,077	15,691	16,236
Group Governance Business	5,938	7,261	8,034	8,485	8,160
Digital Transformation Business	3,648	3,953	4,990	5,767	6,250
Outsourcing Business	1,034	1,313	1,629	2,062	2,479
Operating income (millions of yen)	1,306	1,631	1,966	2,278	2,796
Group Governance Business	643	1,030	1,293	1,616	1,935
Digital Transformation Business	363	324	636	692	811
Outsourcing Business	99	213	318	364	523
Ordinary income (millions of yen)	1,308	1,632	1,972	2,282	2,808
Income before income taxes (millions of yen)	1,032	1,652	2,003	2,282	2,808
Income taxes (millions of yen)	369	590	686	744	919
Profit attributable to owners of parent (millions of yen)	663	1,062	1,317	1,537	1,888
Balance Sheet:					
Cash and deposits (millions of yen)	3,945	4,564	5,160	6,335	7,238
Tangible fixed assets (millions of yen)	207	222	277	469	407
Intangible fixed assets (millions of yen)	100	172	165	191	608
Software	71	171	164	190	607
Investments and other assets (millions of yen)	747	921	1,574	1,614	1,893
Investment securities	168	307	397	428	491
of which, stocks of subsidiaries and affiliates	—	—	—	—	267
Total assets (millions of yen)	7,325	8,814	10,415	11,780	13,956
Current liabilities (millions of yen)	3,316	3,871	4,348	4,314	4,943
Long-term liabilities (millions of yen)	135	150	169	272	226
Total liabilities (millions of yen)	3,452	4,021	4,517	4,586	5,169
of which, interest-bearing debt	28	—	—	—	—
Net assets (millions of yen)	3,873	4,792	5,898	7,194	8,787
Shareholders' equity (millions of yen)	3,872	4,784	5,889	7,161	8,728
Accumulated other comprehensive income (millions of yen)	1	8	8	32	58

	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Consolidated Cash Flow:					
Operating cash flow (millions of yen)	1,070	1,159	1,320	1,890	2,561
Depreciation and amortization	133	126	167	227	254
Investment cash flow (millions of yen)	-297	-353	-455	-420	-789
Acquisition of tangible fixed assets	-99	-52	-127	-236	-114
Acquisition of intangible fixed assets	-45	-146	-54	-121	-429
Free cash flow (millions of yen)	772	805	864	1,470	1,771
Financial cash flow (millions of yen)	-232	-184	-232	-294	-359
Repayment of long-term debt	-122	-28	—	—	—
Payment of dividends	-103	-150	-225	-281	-338
Profitability and Capital Efficiency:					
EBITDA (millions of yen)	1,552	1,786	2,133	2,506	3,038
Effective tax rate (%)	30.9	30.9	30.6	30.6	30.6
NOPAT (millions of yen)	902	1,127	1,364	1,581	1,940
ROIC (%)	24.5	25.9	25.5	24.2	24.3
ROE (%)	18.5	24.5	24.6	23.5	23.6
Net sales growth (%)	9.6	15.0	16.2	11.5	3.5
Operating income margins (%)	12.4	13.5	14.0	14.5	17.2
GPP (revenue growth rate + operating income ratio) (points)	22.0	28.5	30.2	26.0	20.7
Total asset turnover (times)	1.50	1.50	1.46	1.41	1.26
Research and development expenses (millions of yen)	345	151	215	409	445
Capital adequacy ratio (%)	52.9	54.4	56.6	61.1	63.0
Cash conversion ratio (%)	68.9	64.9	61.9	75.4	84.3
Share Information and Shareholder Returns:					
Number of shares issued (shares)	37,552,000	37,552,000	37,570,188	37,586,982	37,603,203
Average number of shares during the period (shares)	37,549,488	37,549,332	37,561,940	37,582,026	37,598,448
BPS (yen/share)	103.15	127.63	157.00	191.42	233.70
EPS (yen/share)	17.67	28.28	35.06	40.92	50.24
DPS (yen/share)	4.0	6.0	7.5	9.0	11.0
DOE (%)	4.2	5.2	5.3	5.2	5.2
Dividend payout ratio (%)	22.6	21.2	21.4	22.0	21.9
TSR (%)					
3 years	195.5	271.4	748.5	295.8	347.6
5 years	694.3	501.4	549.6	584.4	1,228.8

NON-FINANCIAL DATA

	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Environmental					
GHG emissions (t-CO ₂)					
of which Scope 2	1,503	1,185	1,152	1,418	1,626
Electricity consumption (thousand kWh)	1,432	1,587	1,608	1,455	1,197
Percentage of renewable energy (%)	0	0	0	0	0
Social					
Number of employees (persons)	709	806	938	1,055	1,107
AVANT	56	33	37	36	45
DIVA	417	374	424	454	450
ZEAL	223	270	311	351	372
FIERTE	—	116	154	203	229
ID	12	13	12	11	11
Number of female employees (persons)	164	252	321	379	379
Ratio of female managers (%)	1.0	0.9	8.3	6.8	6.5
Number of non-Japanese employees (persons)	27	41	57	74	77
Employment rate of persons with disabilities (%)					
AVANT/DIVA	1.6	1.3	1.6	2.3	2.0
ZEAL	0.4	0.4	0.3	1.4	1.3
FIERTE	—	—	1.3	1.0	0.8
Rate of male employees taking maternity leave (%)	0.0	3.6	4.4	9.5	23.5
Number of hires (persons)	—	148	226	241	197
Number of new graduates	—	—	48	56	30
Number of mid-career hires	—	—	178	185	167
Number of resignations (persons)	—	58	90	145	109
Employee turnover (%)	11.7	10.9	12.2	13.4	10.2
Average years of service (years)	—	4.8	4.6	4.1	4.6
Recruitment expenses (millions of yen)	209	220	268	263	326
Recruitment cost (thousand yen/number of hires)	—	1,491	1,189	1,091	1,656
Personnel expenses (millions of yen)	4,864	5,660	6,419	7,162	7,748
Training expenses (millions of yen)	21	29	39	39	46
Training cost (yen/number of employees)	39,460	39,553	42,445	37,449	42,234
Average salary (yen)	—	5,587,042	5,451,533	5,397,341	5,772,288
Salary increase rate (%)	—	5.20	5.60	1.04	3.60
Average age (years)	34.3	34.5	34.2	34.0	34.5
Average annual overtime hours worked (hours)	—	20.3	19.2	16.7	16.2
GPTW score (points)*					
DIVA	—	46	41	54	56
ZEAL	—	46	44	51	59
FIERTE	—	61	58	61	66

	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020	Year ended June 30, 2021
Governance					
Number of shareholders (persons)	992	3,169	2,176	2,536	3,674
Shareholder Composition (%)					
Individual	77.8	70.1	64.1	61.3	60.5
of which directors	42.2	31.9	31.8	31.8	31.8
of which Employee Stock Ownership Plan	10.4	10.1	9.2	8.5	6.1
Government	0.0	0.0	0.0	0.0	0.0
Financial institutions	3.7	4.8	10.1	12.1	12.7
Domestic corporations	11.8	11.7	11.5	10.5	10.1
Foreigner	5.9	12.2	12.6	14.2	14.8
Securities company	0.8	1.2	1.6	1.8	1.9
Treasury stock	0.0	0.0	0.0	0.0	0.0
Number of meetings of the Board of Directors (times)	—	19	17	16	17
Total board meeting time (minutes)	—	1,920	1,956	1,107	1,413
Average Board meeting time (minutes)	—	101	115	65	83
Number of meetings of the Remuneration Advisory Committee (times)	—	—	—	—	3

* Great Place to Work® (GPTW) is a specialized organization that has been quantifying (scoring) job satisfaction through surveys on job satisfaction for over 30 years, and analyzing the results. The Avant Group aims to improve job satisfaction by having everyone at each company participate in surveys, using the GPTW score to identify issues, and then solving and improving them.

Indicators in SASB standards (Software / IT services)

Data security					
Number of personal information leaks	0	0	0	0	0
Percentage of information that contains personally identifiable information (%)	0	0	0	0	0
Number of customers affected	0	0	0	0	0
Description of efforts to identify and address data security risks, including the use of third-party cybersecurity standards:					
Avant Group has acquired ISMS certification (ISO/IEC27001:2013), an international standard. The Information Security Committee, led by management and the Chief Information Security Officer (CISO), operates the ISMS under its management system and strives to improve information security. We respond to cyber-attacks and incidents in accordance with our internal regulations, and the Information Security Committee takes measures according to the degree of impact on the Group's business. We also conduct quarterly information security training to raise the security awareness of all employees, temporary workers, and outsourced workers.					

Corporate Philosophy

Based on the corporate philosophy of “creating a company that will last 100 years,” all member of the Avant Group is striving to realize its founding mission of “spreading accountability.” Our goal is to “BE GLOBAL.” We will evolve into a world-class software company and contribute to the development of society and the economy.



While pursuing growth opportunities in Japan, the Group aims to establish itself as a world-class software company, using world-class SaaS companies as benchmarks.

Our group’s corporate mission is to build a management information system that enables many companies to create sustainable corporate value for the future by realizing the “spreading accountability” and, by extension, to spread “best management” widely throughout society.

The Group’s corporate philosophy is to be a company that lasts 100 years as a result of all its members being passionate about providing value to society in a free and creative manner, passing on its transparency and management philosophy as a public institution from generation to generation. Values that support our corporate philosophy

The following values are important to the employees of our group.

- OPEN:** Based on an open spirit.
- VALUE:** Foster a passion for value creation.
- STRETCH:** Challenge to be the best.

MISSION

Spreading Accountability

Transforming management information into a map of the future

Since its establishment, the Avant Group has been supporting decision-making in corporate management by visualizing management information through the use of IT under the mission of “Spreading Accountability. In the decision-making process, it is important to create an environment where not only management but also many employees can access management information, so that open discussions and transparent decision-making can take place. This is what is meant by “Spreading”.

On the other hand, the business environment surrounding corporations has changed dramatically over the past few years. These include governance reforms aimed at increasing corporate value, the promotion of digital transformation (DX), and the rise of ESG investment, which seeks sustainable growth for companies. In this environment, “Accountability (management information)” in a company not only plays an important role in decision-making, but also has a significant bearing on the creation of corporate value and the realization of sustainable growth.

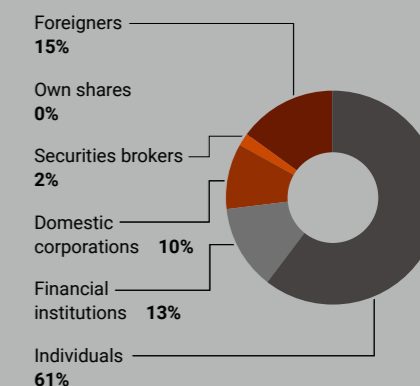
In light of these social conditions, the Avant Group is further evolving its mission of “Spreading Accountability.” The purpose of “spreading accountability” in the coming age is to spread “best management” widely in society. The “best management” is nothing other than creating corporate value over the long term through sustainable management. Our group aims to make great strides toward the second stage of “spreading accountability” by providing advanced information systems and solutions that enable the effective use of management information as information that will create future corporate value.

Stock Information

Major Shareholders (as of June 30, 2021)

Name of Shareholders	Number of shares held	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.	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 (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	1,252,015	3.33
Custody Bank of Japan, Ltd. (trust account)	1,239,400	3.30
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: Hong Kong Shanghai Bank Tokyo Branch)	800,000	2.13
JP MORGAN CHASE BANK 385174 (Mizuho Bank, Ltd.)	705,600	1.88

Shareholder Distribution by Type (As of June 30, 2021)



About Us

Company name: Avant Corporation
 Founded: May 26, 1997
 Location: Shinagawa Intercity B Tower 13F, 2-15-2 Konan, Minato-ku, Tokyo

Number of employees (consolidated): 1,107 (as of June 30, 2021)
 Capital stock: 311,568,424 yen (as of June 30, 2021)
 Total number of shares issued and outstanding: 37,603,203 shares (as of June 30, 2021)
 Share unit: 100 shares

Number of shareholders: 3,674 (as of June 30, 2021)
 Stock exchange listing: First Section, Tokyo Stock Exchange
 Stock code: 3836
 Closing date: June 30
 Ordinary general meeting of shareholders: Within three months from the day following the last day of the fiscal year

Shareholder registry administrator: Sumitomo Mitsui Trust Bank, Limited
 Accounting Auditor: Deloitte Touche Tohmatsu LLC

	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2019	Year ended June 30, 2020
Consolidated Cash Flow				
Operating cash flow (million yen)	1,070	1,159	1,320	1,320
Depreciation and amortization	133	126	167	167
Investment cash flow (million yen)	-297	-353	-455	-455
Acquisition of tangible fixed assets	-99	-52	-127	-127
Acquisition of intangible fixed assets	-198	-301	-328	-328
Free cash flow (million yen)	772	805	864	864
Financial cash flow (million yen)	-232	-184	-232	-232
Repayment of long-term debt	-103	-150	-225	-225
Payment of dividends	-129	-134	-134	-134
Profitability and capital efficiency				
EBITDA (million yen)	1,552	1,786	2,133	2,133
effective tax rate (%)	30.9	30.9	30.6	30.6
-NOPAT (million yen)	902	1,127	1,364	1,364
ROIC (%)	24.5	25.9	25.5	25.5
ROE (%)	18.5	24.5	24.6	24.6
growth rate (%)	9.6	19.0	14.0	14.0
Operating income ratio (%)	12.4	13.5	14.0	14.0
GPP (revenue growth rate + operating income ratio) (%)	22.0	28.5	30.2	30.2
Total asset turnover (times)	1.50	1.50	1.46	1.46
Research and development expenses (million yen)	345	451	515	515
Capital adequacy ratio (%)	52.9	54.4	56.6	56.6
Cash conversion ratio	68.9	64.9	61.9	61.9
Share Information and Shareholder Returns				
Number of shares issued (shares)	37,552,000	37,552,000	37,570,188	37,570,188
Average number of shares during the period (shares)	37,549,488	37,549,332	37,561,940	37,561,940
BPS (yen/share)	103.15	127.63	157.00	157.00
EPS (yen/share)	17.67	28.26	35.06	35.06
DPS (yen/share)	4.0	6.0	7.5	7.5
DDE (%)	4.2	5.2	5.3	5.3
Dividend payout ratio (%)	22.6	21.2	21.4	21.4
TSR	0.0	0.0	0.0	0.0
3 years (%)	195.5	271.4	748.5	748.5
5 years (%)	694.3	501.4	549.6	549.6

AVANT

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