AVANT

AVANT CORPORATION

Convocation Notice of 24th Annual General Meeting of Shareholders

Time	Wednesday, September 23, 2020 10:00 (venue opens at 09:00)	
Place	Keidanren Hall, Keidanren Kaikan 1-3-2 Otemachi, Chiyoda-ku, Tokyo	
Matters to be resolved	First proposal	Appropriation of Surplus
	Second proposal	Election of Five (5) Directors
	Third proposal	Change in medium- to long-term performance-based compensation scheme

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail.

A Message from President

I would like to thank all of our shareholders for their continued understanding and support of us. The Company hereby delivers the convocation of the 24th Ordinary General Meeting of Shareholders and the business report. Despite the spread of COVID-19, the Company was able to increase earnings for the 24th fiscal year for the fifth consecutive year without being seriously affected.

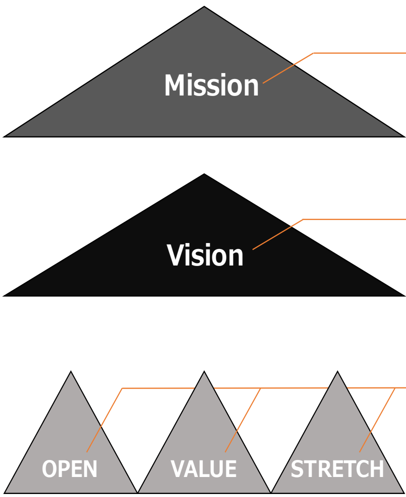
COVID-19 is changing not only our lives, but also our way of doing business. AVANT Group placed top priority on securing the employment of its group employees, ensuring the safety of its employees, supporting the diverse ways of working of its group employees, and continuing to work to solve issues that support the value creation of its customers.

The mission of AVANT Group is to provide solutions to clients in need of advanced judgment within the organization based on management information obtained through digital transformation (DX), a process the Company call it "spreading accountability." With COVID-19, the social and economic landscape is changing dramatically, and DX is becoming increasingly inevitable for our clients. This is a major opportunity for AVANT Group. We intend to use our collective strengths to further hone the experience and know-how that the Group has accumulated. With the aim of evolving into a world-class SaaS company, we have entered the third year of the 5-year mid-term management plan called "BE GLOBAL." As a guideline for business conversion, we aim to achieve a recurrent revenue ratio of 70% by the end of the plan and are making full-fledged efforts to transform our business model. Please stay healthy, and the Company looks forward to the continued support of our stockholders and investors.

AVANT Group Corporate Philosophy

Creating a 100-Year Company

We value management philosophy based on Japanese culture to regard our company as a public organization as a cultural asset and aspire to develop as an organization that exists for the development of society



Spreading Accountability

As advances in information technology have brought major changes to society, the Group's mission is to help disclose corporate management information throughout the organization so that it contributes to the sustainable development of the company and society

BE GLOBAL

With increased information availability, society has become globalized and we need to position ourselves from a global perspective. We shall create a competitive business and organization, with performance benchmarked against world-class SaaS companies

OPEN, VALUE and STRETCH

We value an organizational culture that emphasizes honest relationships with all stakeholders. We work to create new value and pursue the highest level of customer satisfaction. We enjoy change and pursue growth to accomplish challenges.

Stock Code 3836
September 2, 2020

To Our Shareholders

2-15-2 Konan, Minato-ku, Tokyo
AVANT Corporation
President Tetsuji Morikawa

Convocation Notice of 24th Annual General Meeting of Shareholders

I would like to thank all of our shareholders for their continued understanding and support of us.
We will hold our 24th Annual General Meeting of Shareholders as follows, and we would like to notify you that you will attend.
If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. You are asked to exercise your voting rights by 6 p.m. on Friday, September 18, 2020, after considering the reference documents for the general meeting of shareholders described later.

Note

1. Time: Wednesday, September 23, 2020 10:00 (venue opens at 09:00)
2. Place: Keidanren Hall, Keidanren Kaikan
   1-3-2 Otemachi, Chiyoda-ku, Tokyo
3. Purpose

Matters to be reported
1. Business report, consolidated financial statements and auditing report of the consolidated financial reports by the independent auditor and the Board of Auditor for the 24th fiscal year (from July 1, 2019 to June 30, 2020)
2. Parent company financial statements for the 24th fiscal year (from July 1, 2019 to June 30, 2020)

Matters to be resolved

First proposal	Appropriation of Surplus
Second proposal	Election of Five (5) Directors
Third proposal	Change in medium-to long-term performance-based compensation scheme

4. Important Notice related to 24th Annual General Meeting of Shareholders

While COVID-19 continued to spread, the following measures have been taken in relation to the management of the General Meeting of Shareholders as described below.
Shareholders are asked to take actions to reduce the risk of infectious diseases, such as wearing masks when going out and refraining from going out despite poor physical conditions.

Notices

- Voting rights can be exercised not only by visiting the company, but also by writing (by mail) or the Internet in advance.
- At the time of entering the facility, please cooperate with the measurement of body temperature by means of a thermal camera and using of alcohol disinfecting sprays.
- In the event that shareholder's body temperature is 37.5 degrees or more, or shareholders who are judged to be in poor health will be refused to enter the facility. The General Meeting of Shareholders is held with fewer seats than in the previous year in order to maintain a social orientation and ensure the safety of shareholders visiting the meeting (about 50 seats).
  Please Note that the number of visitors may be limited in order to secure the interval between shareholders.
- If there is a major change in the operation of the General Meeting of Shareholders due to future conditions, we will announce the change on the following website
  https://www.avantcorp.com/ir

Reference Documents

First Proposal: Appropriation of Surplus

The Company proposes to appropriate the surplus as follows:

<AVANT Group Shareholder Return Policy>

Cash dividends are an important part of shareholder return policy. AVANT plans to maintain sustainable growth in dividends, and rely on dividends on equities (DoE) rather than cash income which could fluctuate and unpredictable.

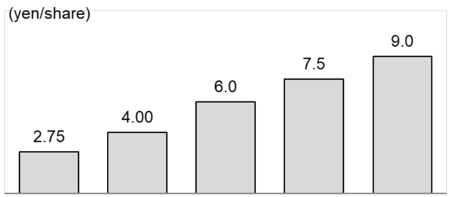
Regarding the year-end dividend for the 24th fiscal year, taking the results of the fiscal year and future management environment into consideration, we propose the followings:

(1) Type of dividend property: Cash

(2) Allotment of dividend property to shareholders and total allotment of dividend property to shareholders: 9 yen per share of the Company's common stock or 383,236,639 yen in aggregate.

(3) Effective date of the dividends of surplus: September 24, 2020

Trends in Dividends per Share and Dividend on Equity



	FY2016	FY2017	FY2018	FY2019	FY2020
Dividends per share (yen)	2.75	4.0	6.0	7.5	9.0
DOE (AVANT)	3.41%	4.18%	5.20%	5.27%	5.17%
DOE (TSE Average)	2.64%	2.70%	2.86%	2.93%	2.93%

(Note) Per share data are adjusted for stock splits. The result for the year ended June 2020 is a 12-month weighted average to April 2020.

Second Proposal: Appointment of Five Directors

The terms of office of all the current Directors (4 persons) of the Company will expire at the conclusion of this Annual General Meeting of Shareholders. Therefore, in order to strengthen the management structure, we request the selection of 5 members of the Board.

The candidates for Directors are as follows.

No.	Name	Positions	Attendance at Board Meetings
1	Reelected Tetsuji Morikawa	President	100% (17 / 17)
2	Reelected Naoyoshi Kasuga	Director	100% (17 / 17)
3	Reelected Naohisa Fukutani	Director Outside Independent	100% (17 / 17)
4	Reelected Georges Ugeux	Director Outside Independent Foreign	94% (16 / 17)
5	New Jon Robertson	Outside Independent Foreign	

(Notes)
1. There is no conflict of interests between the candidates for Directors and the Company.
2. Mr. Naohisa Fukutani, George Ugeux and Mr. Jon Robertson are candidates for outside directors. We have designated Mr. Naohisa Fukuya and Mr. George Ugeux as Independent Directors in accordance with the rules stipulated by the Tokyo Stock Exchange and have filed with the Exchange. In addition, we will designate Mr. Jon Robertson as an independent director in accordance with the provisions of the Exchange and will file with the Exchange.
3. Naohisa Fukutani and George Ugeux have entered into limited liability agreements with the Company as stipulated in Article 427-1 of the Companies Act. The maximum liability under the applicable contract is the minimum liability limit stipulated by law. If this proposal is approved and Mr. Naohisa Fukutani and Mr. George Ugeux are reelected, the limited liability agreement will continue. In addition, if this proposal is approved and Mr. Jon Robertson is elected, we will conclude a similar liability limitation agreement with Mr. Jon Robertson.

Candidate 1

Tetsuji Morikawa

Born on February 23, 1966 (Age 54)

Reelect

Years at Board: 23 years

Attendance: 17 / 17

Shares in the Company: 9,764,000 shares

< Biography, position in the Company>

April 1990	Joined Price Waterhouse Consultant
May 1997	Founded the Company and assumed President (current)

<Concurrent position>

October 2013	President, Diva Corporation
October 2013	CEO, DIVA CORPORATION OF AMERICA
March 2017	Outside director, Kayac (current)

<Reason for Appointment>

Since the founding in May 1997, he has led the management of the Group for 2023 years as representative director. Through the sale of consolidated accounting packages and software developed in-house, he has established the business as an infrastructure that provides a variety of management information, centered on financial information. In addition, he has demonstrated the leadership by diversifying the company through M&A and transitioning to a holding company. Currently, he is driving the Group-wide shift to SaaS, which is the key to sustainable growth. For the further development of our Group, the Company ask you to continue his appointment.

Candidate 2

Naoyoshi Kasuga

Born on May 13, 1963 (Age 57)

Reelect

Years at Board: 9 years

Attendance: 17 / 17

Shares in the Company: 6,500 shares

< Biography, position in the Company>

April 1987	Joined Long-Term Credit Bank of Japan
August 1999	Joined New York Stock Exchange Asia Pacific Branch
January 2005	President, New York Stock Exchange
October 2010	Joined Diva Corporation (later renamed as Avant)
February 2011	Director of Office of Group CEO
September 2011	Director, CFO (current)

<Reasons for Appointment>

After working at a commercial bank and then at the New York Stock Exchange, he joined the Company in October 2010. Since September 2011, he has been in charge of financial affairs as a director and later Chief Financial Officer of the Group, and he is currently in charge of financial affairs based on wide range of experience and management knowledge. Given his superior personality and insight, the Company requests that he continue to be appointed.

Candidate 3

Naohisa Fulutani

Reelect | Outside | Independent

Born on April 17, 1961 (Age 59)

Years at Board: 7 years

Attendance: 17 / 17

Shares in the Company: 50,200 shares

< Biography, position in the Company>

April 1987	Joined Mitsui Bank Ltd.
July 2001	Joined Daiwa Securities SMBC Singapore Limited Director of Asia Pacific Corporate Finance
March 2005	Joined GCA Corporation as Managing Director
September 2013	Joined the Company (current)
July 2015年	Joined PriceWaterhouseCoopers Ltd (now PwC Advisory LLC) as partner (current)

<Concurrent position>

March 2016	Partner, PriceWaterhouseCoopers Ltd (current)

<Reasons for Appointment>

Drawing on his many years of experience in managing independent M&A advisory firms, particularly in commercial banking and investment banking, he has provided valuable advice to all aspects of management, and the Company has requested him to become the leading independent outside director. The Company believes that this will contribute to the strengthening of management supervision and corporate governance in the future and requests the shareholders to continue his appointment.

Candidate 4

Georges Ugeux

Born on April 20, 1945 (Age75)

Reelect Outside Independent Foreign

Years at Board: 6 years

Attendance: 16 / 17

Shares in the Company: 2,000 shares

< Biography, position in the Company>

September 1970	Joined Société Générale (Belgium)
January 1985	Joined Morgan Stanley as Managing Director, Investment Banking Division
October 1988	Joined Société Générale Belgium as Group CFO
September 1992	Joined Kidder, Peabody International as President
September 1996	Joined New York Stock Exchange as President, International and Research
October 2003	Founded Galileo Global Advisors LLC as Chairman & CEO (current)
September 2014	Joined the Company as Director (current)

<Concurrent position>

October 2003	Chairman & CO, Galileo Global Advisors LLC

<Reasons for Appointment>

In addition to his wide-ranging experience as the top management of a consulting firm, he has participated in the management of banks, securities companies, and investment banks, and offers useful advice based on his wealth of knowledge and knowledge related to finance and the securities market. The Company expects his appointment will contribute to the strengthening of management oversight and corporate governance in the future.

Candidate 5

Jon Robertson

New Outside Independent Foreign

Born on October 29, 1968 (Age 51)

Shares in the Company: 0 shares

< Biography, position in the Company>

January 1994	Sales Manager, M3i Systems, Inc.
July 1996	Sales Director, SAP America, Inc.
July 1999	Managing Director, EMC Corporation
July 2002	Senior Director, Reuters K.K. (now Thomson ReutersK.K.)
January 2004	EMC Corporation
January 2007	Vice President, Customer Operation, VMware K.K.
January 2012	Vice President and General Manager, ASEAN, VMware Singapore Pte. Ltd.
December 2014	Vice President, VMware K.K.
March 2015	President, VMware K.K. (current)

<Concurrent position>

March 2015 President, VMware K.K.

<Reasons for Appointment>

He has been leading an international organization for 30 years in Japan and the Asia-Pacific region, and he is well-skilled in management, gravitation, and communication skills. He has demonstrated avid leadership in the rapidly changing IT industry with deep knowledge of the latest IT technologies, including the cloud-native field. We expect he will provide the same leadership in our effort to achieve corporate value creation through our corporate vision “BE GLOBAL” and our shift to cloud business in our medium-term management plan.

Third Proposal: Change in Medium-to Long-term Performance-based Compensation Scheme

Remuneration for our directors is divided into fixed compensation (paid in the same amount regularly) and performance-linked compensation. The standard amount of fixed compensation is paid according to its position, taking into account his or her capacities and levels commensurate with responsibilities. Performance-based compensation is paid to directors (excluding outside directors) and consists of (1) short-term performance-based compensation linked to business performance for each fiscal year, and (2) medium-to long-term performance-based compensation linked to the rate of increase in stock prices during the 3-year period covered by. For details on the executive remuneration system, please refer to "Directors remuneration" on pages 19 to 22.

With regard to medium-to long-term performance-based compensation, starting from the 23rd fiscal year, with the aim of providing directors with an incentive to increase corporate value over a longer period of time and sharing value between directors and shareholders, the Company has changed to stock-based bonuses, in which the Company will issue its common stock according to the results of the relevant period at the end of the applicable period.

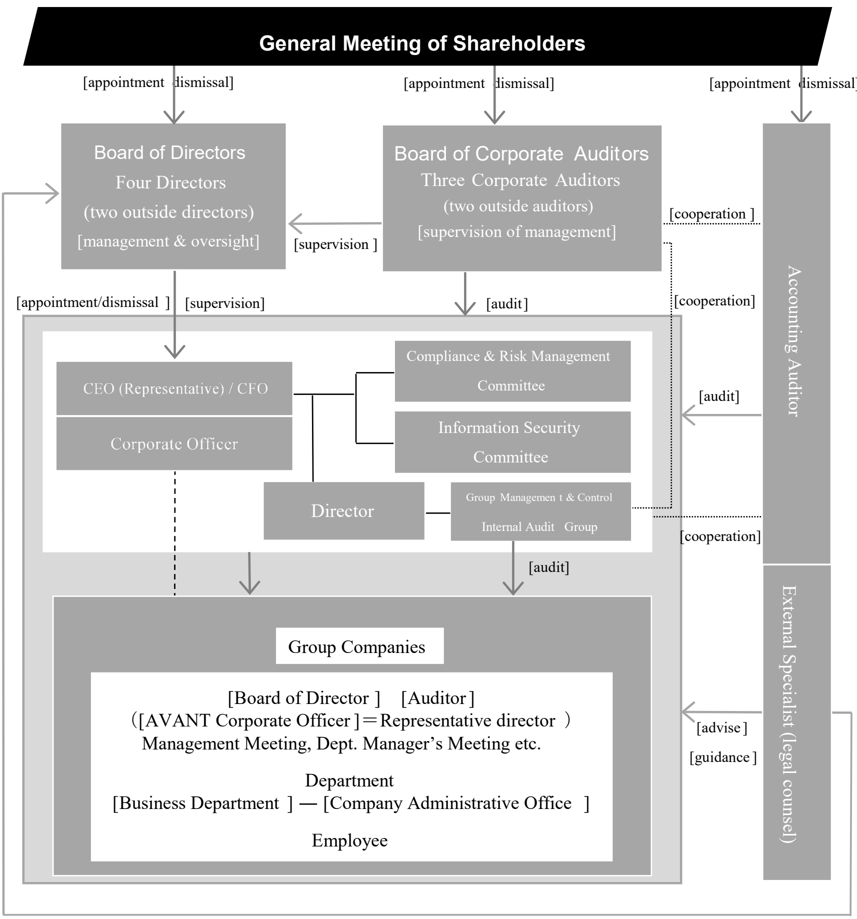
At the Board of Directors meeting on August 19, 2020, in order to clarify the responsibilities of the Representative Directors toward realizing the Medium-Term Management Plan "BE GLOBAL," the Board approved the decision to impose restrictions on the share compensation of the President for the respective periods based on the following key quantitative indicators of the Medium-Term Management Plan: "recurrent revenue ratio (continuous sales ratio to sales)."

Recurrent revenue ratio that serve as the basis for granting stock-based compensation at the end of the term

Fiscal Years	Recurrent Revenue Ratio
June 2019	Over 50%
June 2020	Over 60%
June 2021	Over 70%
June 2022	Over 70%
June 2023	Over 70%

<Reference> System of Corporate Governance

Avant Corporation has established a management system that enables appropriate management decisions and quick business execution by enabling the Board of Directors the management decision-making function and the function to supervise the execution of business. For a management monitoring function, we believe establishing the Board of Corporate Auditors and the auditing system by corporate auditors, including outside corporate auditors will be effective, and the company decided to adopt corporation with corporate auditor system.



Matter related to the director of the company

(1) List of Directors and Statutory Auditors (As of June 30, 2020)

Position	Name	Status of persons in charge and important concurrent positions
President and Representative Director	Tetsuji Morikawa	President and Representative Director, DIVA Corporation CEO, DIVA CORPORATION OF AMERICA Outside Director, Kayak Co., Ltd.
Director	Naoyoshi Kasuga	Finance
Director	Naohisa Fukutani	Partner, PwC Advisory Limited
Director	Georges Ugeux	Chairman and CEO, Galileo Global Advisors
Corporate auditor	Tsuyoshi Noshiro	
Outside auditor	Kunio Suzuki	Representative Director, KS Management Co., Ltd.
Outside auditor	Masanori Kobayashi	Representative, Kobayashi Law Accounting Office

(Notes)
1. Mr. Naohisa Fukutani and Mr. Georges Ugeux are outside directors.
2. Mr. Kunio Suzuki and Mr. Masanori Kobayashi are outside auditors.
3. Mr. Tsuyoshi Noshiro and Mr. Masanori Kobayashi are qualified certified public accountants and have considerable knowledge in the areas of finance and accounting.
4. The Company has designated Mr. Naohisa Fukutani, Mr. Georges Ugeux, and Mr. Masanori Kobayashi as independent officers in accordance with the provisions of the Stock Exchange and has filed with the Exchange.
5. Mr. Naohisa Fukutani holds shares in the Company, but the shareholding is less than 1% and not considered as major shareholder. There is no special interest between the company and him, nor a conflict of interest with the general shareholders.
6. There were no changes in officers during the current fiscal year.

(2) Outline of Limited Liability Agreement

The Company has entered into an agreement with all of our outside directors and outside auditors to limit liability for damage as set forth in Paragraph 1 of Article 423 of the Companies Act pursuant to the provisions of Paragraph 1 of Article 427 of the Companies Act. The limited amount of liability for damages under the applicable agreement is the amount specified in Paragraph 1 of Article 425 of the Company Law.

(3) Information on Outside Officers

(i) Matters related to important concurrent positions as executive officers and outside officers of other corporations, etc.

Position	Name	Concurrent position	Representation	Our Relations
Director	Naohisa Fukutani	Partner	PwC Advisory Limited	We do not have any business or other relationships with the company.
Director	Georges Ugeux	Chairman and CEO	Galileo Global Advisors	We do not have any business or other relationships with the company.
Auditor	Kunio Suzuki	Representative Director	KS Management Co., Ltd.	We do not have any business or other relationships with the company.
Auditor	Masanori Kobayashi	Representative	Kobayashi Law Accounting Office	We do not have any business or other relationships with the company.

(ii) Major activities during the year

	Status of activities
Director Naohisa Fukutani	In addition to attending all 17 meetings of the Board of Directors during the fiscal year under review, he is an expert in finance and gives questions, advice and advice as appropriate from a management perspective on the state of business execution.
Director Georges Ugeux	In addition to attending 16 of the 17 meetings of the Board of Directors during the fiscal year under review, he provides questions and advice as appropriate from the perspective of finance and management.
Auditor Kunio Suzuki	Attended 16 of the 17 Board of Directors meetings during the fiscal year, and attended 14 of the 15 Audit & Supervisory Board meetings. In addition, he also attended board meetings of subsidiaries. Based on his abundant experience in the information industry, he asks questions, gives advice, and offers advice on the state of business execution as appropriate.
Auditor Masanori Kobayashi	Attended 16 of the 17 meetings of the Board of Directors held during the fiscal year under review, and attended all 15 Audit & Supervisory Board meetings. In addition, he asks questions and gives advice on the status of business execution from the perspective of legal and accounting experts as appropriate.

<Reference> Evaluation of Effectiveness of Board of Directors

With the aim of realizing sustainable enhancement of corporate value, the Company recognizes issues and areas for improvement regarding the responsibilities, management, and composition of the Board of Directors, and engage in continuous improvement. Every year, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors based on the self-evaluation of each Board of Directors. The method of evaluating the effectiveness of the Board and the outline of the evaluation results for the year ended June 31, 2020 are as follows.

Evaluation method	In order to improve the independence and objectivity of analysis and evaluation, we conducted a third party evaluations in fiscal years ended June 2018 and 2019. For the fiscal year ended June 2020, the Company decided to conduct its own questionnaire centering on free comments in accordance with the changes in important points and priorities for improving the effectiveness of the Board of Directors. In January 2020, the Company delivered the questionnaire to all directors and auditors. The comments from the directors were broadly divided into 3 categories: “issues to be discussed”, “points to be improved”, and “points to be improved in the future.” The Board of Directors held discussions on August 3, 2020, and the assessment of the effectiveness of the comments was finalized.
Summary of evaluation results	The Board judged that the effectiveness of the Board of Directors has been ensured appropriately and that improvements have been made in the following areas, which were recognized as issues in the previous year; (i) Regular IR report to directors, (ii) Scheduling and managing the progress of monthly board agendas (Comprehensiveness of items to be discussed and understanding of the overall picture) (iii) Focus on key issues and manage monthly meetings of the Board of Directors (Significant improvements to the video conferencing system utilizing ZOOM conferences, etc.) (iv) Held informal meetings, including one among directors and executive officers, and exchanged opinions frankly (v) Exchanging opinions with experts at meetings of the Board of Directors as necessary. At the same time, it was recognized that the following issues need to be addressed on a regular and continuous basis in order to further enhance the effectiveness of the system; (i) Enhanced discussion of CEO succession plans (ii) Possibility of shifting to a Company with Committees (iii) Appropriate number and composition of Board of Directors with diversity in mind (iv) Further improvement of the Board discussion procedure

Future measures	Issues that need to be addressed on a regular and ongoing basis are posted on the schedule to be discussed on the Board of Directors and will be discussed on a regular basis. The Company will focus on assisting deeper discussions on issues that still have a wide disagreement among directors, starting with the hearing of each director and seeking further opinions from outside experts as necessary.

<Reference> Directors Remuneration

Policy and method for determining the amount of compensation for officers and calculation method

Directors remuneration of the Company is divided into fixed compensation (paid in the same amount regularly) and performance-based compensation. The fixed compensation is paid for each job title in consideration of the level commensurate with the required capability and responsibility. Performance-based compensation covers directors (excluding outside officers) and consist of (1) short-term performance-based compensation linked to business results for each fiscal year, and (2) medium- to long-term performance-based compensation linked to the rate of increase in share prices and others for the three-year evaluation period. Medium- to long-term performance-based compensation have been introduced from the fiscal year ended June 2018. From fiscal year ended June 2019, in order to incentivize directors on improvement of corporate value over the longer term and share the value with shareholders the Company has elected share-based compensation that the Company's common stock will be delivered according to the performance of the target period at the end of the target period.

The maximum amount of fixed compensation for the directors of the Company shall be no more than 150,000 thousand yen and was resolved at the 5th Annual General Meeting of Shareholders held in September 2001 and the 11th Annual General Meeting of Shareholders held in September 2007. Similarly, performance-linked compensation is resolved at the 18th Ordinary General Meeting of Shareholders held in September 2014, with an annual amount of 41,250 thousand yen per eligible director. The upper limit of medium- to long-term performance-based share compensation is set at 100,000 thousand yen for each applicable period and was resolved at the 22nd Annual General Meeting of Shareholders held in September 2018.

Since outside directors and auditors are independent from business execution, performance-based compensation is not applied, and fixed compensation is paid.

The maximum amount of remuneration for Audit & Supervisory Board Members has been resolved at an extraordinary general meeting of shareholders held in December 2003 within an annual amount of 30,000 thousand yen.

Remuneration Calculation Process

The Company's board remuneration policy and calculation method, and the compensation structure and remuneration for each director are determined by the Board of Directors. We are endeavoring to ensure objectivity by taking the advice of external experts into consideration and taking into account the level of the entire market or industry as a whole.

Purpose of performance-linked compensation and performance-linked stock compensation, basis of indicators, and specific calculation method

(1) Short-term performance-linked compensation)

This is a monetary bonus that is paid in the range of 0% to 200% relative to earnings and stock price achievement. For the purpose of improving the corporate value expected by investors, performance-linked compensation is calculated using coefficients calculated from two indicators: A. Rate of increase in operating profit and B. Company stock price increase rate.

Short-term performance compensation = Short-term performance base amount (33.3% of fixed compensation) × Short-term incentive coefficient (**A** × **B**)

A Rate of increase in operating profit

Rate is calculated under the following formula where (a) represent consolidated operating profit for the current year and (b) represents consolidated operating profit of previous fiscal year
(i) (a) is less than (b): 0
(ii) (a) is higher than (b) but less than (b)×112%: 0.5×{1+((a)-(b))÷ ((b)×12%) }
(iii) (a) is higher than 112% of (b): 1+0.5×((a)-(b)×112%)÷((b)×6%)

B Company stock price increase rate

1 + (average stock price during the period÷stock price at the beginning of the period)-(average TOPIX value during the period ÷ TOPIX at the beginning of the period)

※Short-term incentive coefficient is limited to 2.0

In the fiscal year under review, 129% of the base amount was paid as follows.

A. Consolidated operating income growth rate = 1 + 0.5 × (operating income: 2,278 million yen-(operating income of 1,966 million yen × 112%)) ÷ operating income for the previous fiscal year: 1,966 million yen × 6% = 1.32

B. Our share price increase rate = 1 + (Average share price during the period: 1,003 yen ÷ Stock price at the beginning of the period: 1,032 yen)-(Average TOPIX during the period: 1,578 yen ÷ TOPIX at the beginning of the period: 1,585 yen) =0.98

Short-term incentive coefficient =A×B=1.29

As the rate of increase in our share price is reflected in medium-to long-term performance-linked remuneration, the Board of Directors resolved at a meeting held on September 18, 2,020 to use the rate of increase in consolidated operating income as a coefficient for short-term performance-based compensation from the 25th fiscal year and onward.

(2) Medium- to long-term performance-linked compensation)

In order to provide directors with an incentive to increase our corporate value over a longer period of time and to further promote the sharing of value between directors and shareholders, we provide stock-based remuneration as the number of shares of common stock that are calculated based on the growth rate of our shares during the period covered (Note 1) at the end of the period. An increase in corporate value is calculated by dividing the Company's TSR (Total Shareholder Return) for the period covered by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) for the period covered. The number of shares to be issued is determined by our Board of Directors.

(Notes) 1. 3 years from the month in which the Annual General Meeting of Shareholders of each year belongs. The initial period covered is from September 2018 to September 2021, and thereafter the period covered is from September of each year to September of the following 3 years.

2. After the end of the relevant period, the Company will pay monetary compensation claims to the relevant Directors, and when issuing shares or disposing of treasury stock by the Company, the Company will deliver its shares by making contributions in kind to all of the monetary compensation claims. The amount of remuneration for monetary remuneration claims to be paid under the System shall not exceed 100 million yen per year. The number of shares to be delivered to the applicable Directors under the System shall not exceed 60 thousand shares per year for all Directors, and shall not exceed 0.1 million shares per year for the total number of Directors.

Medium- to long-term compensation (Number of shares delivered) = Standard no. of shares × stock compensation ratio

Stock compensation ratio

(i) Increase in corporate value (A) is less than 100%: 0
(ii) A is not less than 100% but less than 112%: 33%×(A-100%)÷12%
(iii) A is not less than 112% but less than 150%: 33%+67%×(A-112%)÷38%
(iv) A is more than 150%: 100%

A Increase in corporate value

$$\frac{\text{TSR during the period}}{\text{Rate of increase in TOPIX}}$$

Company's TSR (Total Shareholder Return)

$$\frac{\text{Simple average value of the closing price of the Company's common stock on the Tokyo Stock Exchange in the end month (September three years later)} + \text{Total dividend per share for surplus dividends during the period}}{\text{Simple average of the closing prices of the Company's common stock on the Tokyo Stock Exchange in the start month (September of the year)}}$$

Rate of increase in TOPIX

$$\frac{\text{Simple average of TOPIX for the end month (September after 3 years)}}{\text{Simple average of TOPIX for the start month (September of the year)}}$$

Because the current consolidated fiscal year was prior to the end of the current consolidated fiscal year, no payment was made.

(3) Amount of Remuneration for Directors and Auditors

Segment	Number of Payments	Amount paid
Directors (Outside Directors)	4 people (2 people)	142 million yen (29 million yen)
Corporate Auditors (Outside Corporate Auditors)	3 people (2 people)	17 million yen (7 million yen)
Total (Outside Officers)	7 people (4 people)	160 million yen (36 million yen)

(Notes) 1. The amount paid to Directors does not include the amount paid to Directors concurrently serving as

Employees.

2. The total amount of the planned performance-linked bonus for our directors (excluding outside directors) is 30 million yen. Medium-to long-term performance-based stock compensation will be included in the above-mentioned "Paid Amount" However, this information is not disclosed because the period was prior to the enactment.

Compliance and Risk Management

Compliance system for Directors

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

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

2) System to ensure that directors perform their duties efficiently

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

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

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

System to ensure the appropriateness of company operations

1) Rules and other systems for managing risk of loss

- With regard to thorough progress management of business results and expense management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.

- We shall manage risks related to compliance, information assets, and other business matters by developing and disseminating necessary regulations and manuals.
- In addition, to ensure thorough compliance, the CRM Committee will strengthen management and response. Also, for intellectual properties management, the Information Security Committee will reinforce management and response.
- The Company shall consult, receive advice and guidance from third parties with specialized knowledge such as lawyers, Accounting auditors, tax accountants, etc., as necessary for business execution.

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

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

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

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

- With regard to the progress of the performance of our subsidiaries and thorough cost management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.
- The appropriateness of the operations of the Company's subsidiaries will be observed as necessary by conducting regular internal audits by the Office of Internal Audit and reporting the results to the Company's directors and the Board of Corporate Auditor.

4) System for ensuring appropriate financial reporting

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

5) Basic approach to eliminate anti-social forces

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

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

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

The audit system by statutory auditors

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

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

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

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

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

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

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

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

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

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

Operational status of the system to ensure the appropriateness of business

The Company has been continuously investigating the maintenance and operation status of the internal control system since the establishment of the system to ensure the appropriateness of the above operations and has reported the details of the investigation to the Board of Directors.
We have taken corrective actions for problems found as a result of the investigation and are working to build and operate a more appropriate internal control system.

Medium-term Management Plan “BE GLOBAL”

In September 2018, the AVANT Group announced a new medium-term management plan "BE GLOBAL 2023". We aim to maximize corporate value over the five years to the fiscal year ending June 2023.

Pursue enhancement in revenue and profitability

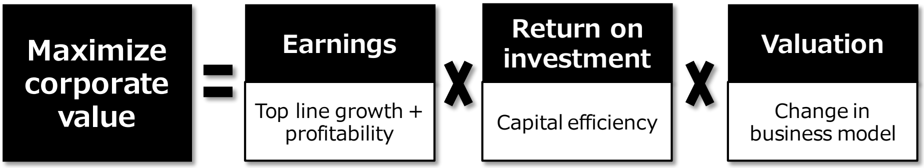
As explained in the previous section, the Group focus on making seamless value proposition in existing consolidated accounting-related business, business intelligence business, and outsourcing business. Mounting demand from our client companies to strengthen governance and management capabilities is a follow-wind for us. We take this opportunity to improve profitability by improving quality and productivity and promoting automation. On the other hand, for the medium- to long-term growth of the Group, it is very important to strengthen the system for product development that accurately answers to the changes in the needs of customers and the surrounding environment. For that end, we are not affected by short term fluctuation in earnings, we will continue to make development investments that are necessary from a medium- to long-term perspective.

Transformation of business model

In order to further enhance corporate value, the Group focuses on building stable and continuous revenue base, and in the medium-term management plan, the Group targets continuous increase in the recurring revenue ratio (to total sales). In order to achieve this, we intend to transform our business models while accelerating the expansion of the outsourcing business and promoting the cloud shift in other businesses.

Growth through mergers and acquisition

In addition to the growth of existing businesses, if there is an opportunity for mergers and acquisition we would aggressively take it after careful examination whether the target matches the Group's strategy, whether it will contribute to the enhancement of the corporate value of the Group. Definitely we will not take it for the sake of achieving mergers and acquisition.



Main KPIs of the medium-term management plan

Revenue and operating income are shown as targets to be achieved in the five-year medium-term management plan. We have also adopted an indicator that aims to improve corporate value while balancing the growth and profitability adopted by major IT companies overseas, with the aim of increasing the sum of total revenue growth and operating profit margin to 40 points or more. The ROE target of at least 20% on average should be achieved over the medium to long term. We will explain the shareholder return policy later, but we will maintain the shareholder return policy while realizing an increase in business performance, and aim for a dividend of 15 yen or more per share in the final year.

Revenues	We are targeting revenues of 18 billion yen to 22 billion yen in the fiscal year ending June 2023. This represents net sales that would have been achieved if sales grew at an average growth rate of around 10% from net sales for the previous fiscal year.
Recurrent revenue ratio	The Group has set a target of increasing the "recurrent revenue ratio," which is the ratio of recurrent revenues (sales occurring continuously every fiscal year, such as software maintenance fees) to total revenues, to 70% in order to realize business model reforms during the period of the current medium-term plan.
Operating margin	The Group places importance on the growth of operating income, and our long-term target is an average growth rate of 18%. Based on this average growth rate, we aim to achieve 3.1 billion yen to 3.8 billion yen in the current medium-term management plan for the year ending June 2023.
Revenue growth + operating margin	Under the current medium-term management plan, we will adopt the "sales growth rate + operating income margin" as a new indicator in order to promote both the improvement of profitability and the expansion of scale while maintaining a balance, with the goal of achieving this figure at the top level of 40% or more even from a global perspective.
ROE	We recognize that realizing the goals of the current Medium-Term Management Plan requires not only the growth of the 3 existing businesses, but also investment activities, such as internal investments and the incorporation of external growth. However, as a guideline for implementing investment activities, we have set a target of maintaining ROE of at least 20% on a continuing basis, which we maintain at around 20% over the long term.
Dividends	We consider dividends to be an important part of our shareholder return policy. We focus on indicators such as the ratio of dividends to net assets, and aim to maintain and increase the amount of dividends in a stable manner without being greatly influenced by the performance of

	each fiscal year.

Mid Term Business Plan KPI

	FY18		FY23
Revenue	¥12B	➡	¥18 – 22B
Recurring revenue ratio	33%	➡	70%
Operating income	¥1.6B	➡	¥3.1 ~ 3.8B
Revenue growth + OP margins	28.5pt	➡	Over 40pt
ROE	24.5%	➡	Over 20%
Dividends	¥6	➡	Over ¥15

[Accompanying Documents]

Business Report

(From July 1, 2019
To June 30, 2020)

(1) Discussion on Business Operations

The consolidated results for the fiscal year ended June 30, 2020 are as follows.

(Millions of yen, rounded down to the nearest unit)

	Fiscal Year ended June 30, 2019	Fiscal Year ended June 30, 2020	Year on Year Change	
			Amount	%
Revenue	14,077	15,691	1,613	11.5
Operating income	1,966	2,278	312	15.9
Ordinary income	1,972	2,282	309	15.7
Net Profit attributable to owners of parent company	1,317	1,537	220	16.8

Consolidated revenue was 15,691 million yen (up 11.5% year on year), achieving double-digit growth. While the Business Intelligence Business and the Outsourcing Business both recorded significant growth, the Consolidated Accounting-related Business also grew mainly due to the continuation of large-scale projects with additional sales, which were scheduled to level off in the fiscal year under review.

In the mid-term management plan announced in September 2018, one of the management targets was to increase the ratio of recurring revenue (e.g. software maintenance fees, among other continuously generated revenue). While some of the results have begun to emerge, such as an increase in cloud sales in the Consolidated Accounting-related business, there was also a favorable impact from non-recurrent revenue, mainly in the Business Intelligence business. As a result, the total amount of recurrent revenue increased 15.9% year on year, but the ratio of recurrent revenue to total revenue remained almost unchanged at 32.6%.

Operating income increased 15.9% year on year to 2,278 million yen, and ordinary income increased 15.7% year on year to 2,282 million yen, and profit attributable to owners of parent company increased 16.8% to 1,537 million yen, all increased for the fifth consecutive years and set their records. While there was an upward trend in costs associated with the increase in the level of employee compensation to improve competitiveness and the opening and expansion of offices, we continued our focus on accumulating new orders for highly profitable projects and our efforts to improve quality and productivity of existing projects. Since the spread of COVID-19 began, the Company set out efforts to reduce nonessential expenses in preparation for future uncertainties.

Some companies in Japan have begun to postpone or some seriously affected have suspend IT investment as a result of the expansion of COVID-19, and some of the orders received by the Group have been affected, but the impact on operating results for the fiscal year under review is limited.

The status of each reportable segment is as follows.

(i) Revenue

(Millions of yen, rounded down to the nearest million yen)

	Fiscal Year ended June 30, 2019	Fiscal Year ended June 30, 2020	Year on Year Change	
			Amount	%
Consolidated Accounting	8,034	8,485	451	5.6
Business Intelligence	4,990	5,767	776	15.6
Outsourcing	1,629	2,062	432	26.5
Elimination of inter-segment transactions	(576)	(624)	(47)	—
Consolidated net sales	14,077	15,691	1,613	11.5

(ii) Operating income

(Millions of yen, rounded down to the nearest million yen)

	Fiscal Year ended June 30, 2019	Fiscal year ended June 30, 2020	Year on Year Change	
			Amount	%
Consolidated Accounting	1.293	1,616	323	25.0
Business Intelligence	636	692	55	8.8
Outsourcing	318	364	45	14.4
Corporate Expenses and Elimination of inter-company transaction	(281)	(394)	(112)	—
Consolidated operating income	1,966	2,278	312	15.9

In the Consolidated Accounting-related business, at the beginning of the fiscal year, we anticipated that the large-scale projects that had contributed greatly to revenue up to the previous fiscal year would level off. However, during the year under review, we continue to receive additional sales from this client. At the same time, we saw solid new sales in areas other than large-scale projects, and segment revenue increased 5.6% year on year to 8,485 million yen. Personnel expenses rose due to an increase in the number of employees, and expenses rose due to the renovation of an existing office and opening of a new office. Despite these increases in expenses, we were able to improve overall profitability as a result of our efforts to improve project quality and productivity, and since the spread of COVID-19 began, the Company set out efforts to reduce nonessential expenses in preparation for future uncertainties. As a result, operating income increased 25.0% year on year to 1,616 million yen.

In the Business Intelligence business, we continue to observe favorable market environment where corporations invest heavily in visualizing corporate management information as part of their efforts to promote digital transformation. As a result, net sales increased to 5,767 million yen (up 15.6% year on year). On the other hand, operating income increased only slightly to 692 million yen (up 8.8% year on year), due in part to an increase in personnel expenses accompanying an increase in remuneration levels and an increase in the number of employees, as well as an increase in expenses related to the opening of a new office.

In the Outsourcing business, demand continued to be strong as enterprise clients continue strengthen and examine the group governance system and review the roles of the accounting department in their organization. In addition, sales in other than consolidated accounting and disclosure fields such as treasury management solutions increased, and segment revenue increased significantly or 26.5% year on year to 2,062 million yen. Despite an increase in expenses such as office floor space accompanying an increase in the number of employees, and expenses incurred for the maintenance of the office environment in order to continue providing high-quality services to customers while ensuring the health and safety of employees despite the spread of COVID-19, operating income increased to 364 million yen (up 14.4% year on year).

The number of employees on a consolidated basis was 1,055 at the end of the fiscal year, an increase of 117 from the beginning of the fiscal year.

Following are orders and sales during the current fiscal year.

Orders and sales

(millions of yen)

	Fiscal Year (From July 1, 2019 To June 30, 2020)		
	Sales	New Orders	Outstanding orders
Consolidated Accounting	8,485	8,313	1,999
Business Intelligence	5,767	5,417	854
Outsourcing	2,062	2,160	950
Elimination of inter-segment transactions	(624)	(533)	(208)
Total	15,691	15,357	3,595

(2) Status of capital expenditure

Total capital expenditure during the current fiscal year 474 million yen (including software)

Main capital expenditure included purchases of office furniture and software for own use.

(3) Status of financing

There was nothing to report.

(4) Financial position and results of operations

(i) Assets, Profits and Losses of the Corporate Group

Segment	21st fiscal period (June 2017)	22nd fiscal period (June 2018)	23rd fiscal period (June 2019)	24th fiscal period (June 2020) (current year)
Net sales (Millions of yen)	10,532	12,110	14,077	15,691
Ordinary income (Millions of yen)	1,308	1,632	1,972	2,282
Attributable to Owners of Parent Net income (Millions of yen)	663	1,062	1,317	1,537
Net income per share (Yen)	35.35	56.57	35.06	40.92
Total assets (Millions of yen)	7,325	8,814	10,415	11,780
Net assets (Millions of yen)	3,873	4,792	5,898	7,194
Net assets per share (Yen)	206.31	255.26	157.00	191.42

(Notes)

1. On November 1, 1.2017 and December 1, 2019, the Company conducted a 2-for-1 stock split. Net income per share and net assets per share have been calculated as if this stock split had taken place at the beginning of the 21st fiscal period.
2. Since the beginning of the 23rd fiscal year, we have applied the "Partial revision of the Tax Effects Accounting Standard" (corporate accounting standard No. 28, February 16, 2018), etc., and the major management indicators related to the 22nd fiscal year are indicators, etc. after retroactively applying the said accounting standard, etc.

(ii) Our Assets and Profits and Losses

Segment	21st fiscal period (June 2017)	22nd fiscal period (June 2018)	23rd fiscal period (June 2019)	24th fiscal period (June 2020) (current year)
Operating revenue (Millions of yen)	1,743	1,751	1,851	2,355
Ordinary income (Millions of yen)	561	679	729	1,145
Net income (Millions of yen)	478	642	771	1,252
Net income per share (Yen)	25.50	34.22	20.55	33.32
Total assets (Millions of yen)	5,388	6,029	6,769	6,994
Net assets (Millions of yen)	2,979	3,480	4,044	5,054
Net assets per share (Yen)	158.69	185.38	107.65	134.49

(Notes)
1. On November 1, 1.2017 and December 1, 2019, the Company conducted a 2-for-1 stock split. Net income per share and net assets per share have been calculated as if this stock split had taken place at the beginning of the 21st fiscal period.
2. Since the beginning of the 23rd fiscal year, we have applied the "Partial revision of the Tax Effects Accounting Standard" (corporate accounting standard No. 28, February 16, 2018), etc., and the major management indicators related to the 22nd fiscal year are indicators, etc. after retroactively applying the said accounting standard, etc.

(5) Statue of important parent companies and subsidiaries

(i) Important parent companies

Not applicable

(ii) Important subsidiaries

Company	Capital	The Company's shareholding	Main business
Diva Corporation	100 million yen	100.0%	Software development and sales, introduction, support & maintenance and other related businesses
Internet Disclosure Co., Ltd.	39 million yen	100.0%	Software development and sales, information processing and provision services
Zeal Corporation	100 million yen	100.0%	Information system design, software development and sales, and other related businesses
Fierte Corporation	100 million yen	100.0%	Outsourcing and related services
DIVA CORPORATION OF AMERICA	1,100,000USD	100.0%	Research IT products and services

(6) Challenges for AVANT Corporation

In September 2018, the Group announced new five-year medium-term management plan "BE GLOBAL 2023" which covers five years to the fiscal year ending June 30, 2023, with the goal of becoming a globally competitive software company. We are working to achieve this plan. In particular, the goal of raising the ratio of "recurring revenue," which consistently generate sales, such as software maintenance fees, to total revenue (the ratio of recurring revenue) to 70% from more than 30% currently, is an extremely important challenge for the Group, and all of our employees are making efforts to tackle this challenge positively. In addition, we have adopted the "sales growth rate + operating income margin" as an indicator in order to promote both improvement of profitability and expansion of scale in a balanced manner. Our goal is to raise this figure to 40% or more, which is the highest level on a global basis.

In realizing these medium-term management plan, we must address the following issues.

1. To Increase the Number of Clients

The Group's products have been adopted by many of Japan's leading companies, with sales records exceeding 1,000 companies, and these products are becoming the infrastructure that support consolidated accounting and group management in Japan. However, they have not yet reached a sufficient level to contribute to society and increase corporate value. For the foreseeable future, we will continue to provide high-quality, high-value-added products and services with the aim of attracting more than 2,000 customers.

2. To Increase the Value of Contributions to Existing Customers and Their Group Companies

One of our greatest assets is our clients, who are among Japan's most outstanding corporations. In addition, as we provide products and services related to group management, dozens of affiliated companies of the clients are using our Group's products as users. In order to provide added value to these customers and their group companies, we aim to contribute to more than ten thousand group companies by providing various services of our group companies and cloud-based products developed based on the knowledge accumulated through these services.
In addition, we will strive to create an environment in which each Group company can realize maximum synergy.

3. Transition from Man-hour Sales to Value-based Sales

In the process of expanding the scale of our corporate group to the present scale, we have increased the ratio of sales based on the man-hours required to bill customers by man-hours multiplied by the unit price. In order to further increase corporate value by increasing profitability and productivity while expanding the scale of sales in the future, we recognize that it is necessary to shift from a business focused on man-hours sales to a business focused on value-based sales that does not necessarily require an increase in the number of employees in order to increase sales. The 70% recurring revenue ratio is a percentage that will be difficult to achieve without this change in business model. By setting this goal as an important indicator, the Group is working together to transform its business model.

4. Improving Employee Satisfaction

Another major asset of our group is outstanding employees with advanced technologies, expertise, and a spirit of challenge. At the Group, we consider "increasing quality employment" to be an important role of management. While increasing the number of employees every fiscal year, we strive to create a rewarding work environment that enriches the lives of employees and allows them to focus on the creation of results in their work. As part of these efforts, we have begun to recruit diverse human resources regardless of gender or nationality, and to promote them to manager positions.

5. Capturing External Growth

Sustainable development of existing businesses is the foundation for realizing the Medium-term Management Plan, but it may not be possible to achieve it on its own. We will also consider acquisitions and capital alliances to be the important elements of modern corporate activities when these are deemed necessary and effective, and will take a proactive approach while carefully preparing for them.

In incorporating external growth, the target company should share the direction we aim to pursue, and we will avoid the possibility of impairing corporate value by adopting an easy approach to external growth. To this end, we always refer to the cost of capital and we decipline ourselves to maintain ROE of 20% or more even after the acquisition.

6. Compliance

Since our founding, compliance has been a fundamental principle of corporate governance. At the same time, society demands for stronger compliance so much that in the event of a violation, the loss of public confidence is even greater than in the past, and the time required to restore confidence is longer. We are promoting business activities even more thoroughly than in the past so that we do not violate not only various related laws and regulations centered on labor laws, but also corporate ethics.

7. Corporate Social Responsibility

"A corporation is a public entity." This sense of mission is the starting point of our group. Our customers' management information.

Our mission is to contribute value to society by helping clients to transform management information for the future and and create value. We are also paying attention to the fact that many companies are not only creating quality jobs and maximizing their own business profits and corporate value, but also focusing on activities to return value to societies. Currently, we support sporting events and cultural activities sponsored by local governments and industry associations.

8. Impact of the spread of the new coronavirus infections

The Company expects the impact of the spread of COVID-19 to level off to some extent within 2020, and the economic activities of domestic companies should gradually recover by 2021. However, if the impact of the COVID-19 persists, IT investment by domestic companies will be postponed and the Group's operating results may deteriorate more than anticipated.

(7) Main business

(As of June 30, 2020)

Segment	Business Activities
Consolidated Accounting-related Business	Developing, selling, introducing, and maintaining “DivaSystem (consolidated management and consolidated accounting systems)” Consulting services related to IFRS deployment, enhanced management control, and budgetary and administrative accounting Search service for disclosure documents
Business Intelligence Business	System integration services known as business intelligence (BI)
Outsourcing Business	Outsourcing services such as consolidated accounting and consolidated taxation

(8) Main offices

(As of June 30, 2020)

(i) The Compan’s main business sites

Tokyo Head Office	15-2, Konan 2-chome, Minato-ku, Tokyo

(ii) Major Subsidiaries' Facilities

DIVA Corporation	(Head Office)	Minato-ku, Tokyo
	Omori Office	Shinagawa, Tokyo, Japan
	Osaka Office	Osaka-shi, Osaka
	Nagoya Office	Nagoya-shi, Aichi
	Konan Office	Minato-ku, Tokyo
Internet Disclosure Co., Ltd.		Minato-ku, Tokyo
ZEAL Corporation	(Head Office)	Shinagawa, Tokyo, Japan
	Gotanda Office	Shinagawa, Tokyo, Japan
	Osaka Office	Osaka-shi, Osaka
	Former office	Shinagawa, Tokyo, Japan
FIERTE CORPORATION		Shinjuku-ku, Tokyo

(Notes)
1. The Konan Office was newly established on December 2, 1.2019.
2. The Takanawa Office was closed on March 16, 2020.
3. On February 3, 2020, we established a new Fudomae office.

(9) Employees

(As of June 30, 2020)

(i) Employees of the Group

Number of employees	Changes from the end of the previous fiscal year
1,055 people	Increased by 117

(Notes) 1. The number of employees is based on the number of employees.

2. 2. The number of employees does not include temporary employees (the average number of temporary employees, part-time employees, and part-time employees during the fiscal year is 16).

(ii) Employees of the Company

Number of employees	Increase or decrease from the end of the previous fiscal year	Average age	Average length of service
36 people	Decrease by 1	43.1 years old	4.1 years

(Notes) 1. The number of employees is based on the number of employees.
2. 2. The number of employees does not include temporary employees (the average number of temporary employees, part-time employees, and part-time employees during the fiscal year is 2).

(10) Status of major lenders (As of June 30, 2020)

There are no loans from financial institutions.

The Company has entered into loan commitment agreements (maximum loan amount: 3.5 billion yen) with the financial institutions with which it does business in order to efficiently procure working capital.

Matters relating to shares of the Company (As of June 30, 2020)

(1) Total Number of Authorized Shares 62,304,000 shares

(Note) The total number of shares authorized to be issued increased by 31,152,000 shares following the two-for-one stock split conducted on December 1, 2019.

(2) Total number of shares issued 37,586,982 shares (including 2911 treasury shares)

(Notes) 1. The total number of shares increased by 16,794 shares upon the issuance of new shares as restricted stock-based compensation effective October 17, 2019

2. The number of shares increased by 18,785,094 shares as a result of the two-for-one stock split conducted on December 1, 2.2019

(3) Number of Shareholders 2,675 person

(4) Major Shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Shares)	Percentage of total shares held (%)
Tetsuji Morikawa	9,764,000	25.98
Avant Employee Stock Ownership Assocaiation	3,195,300	8.50
Japan Trustee Service Bank, Ltd. (Trust Account)	2,248,500	5.98
Tsuyoshi Noshiro	1,868,800	4.97
OBIC Business Consulting Co., Ltd.	1,600,000	4.26
PCA Corporation	1,556,800	4.14
SSBTC CLIENT OMNIBUS ACCOUNT	1,426,200	3.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	983,500	2.62
FCP SEXTANT AUTOUR DU MONDE	811,600	2.16
BBH/DESTINATIONS INTERNATIONAL EQUITY FUND/WASATCH ADVISORS	653,640	1.74

(Notes) 1. The shareholding ratio is calculated after deducting treasury stock (2,911 shares).

2. Japan Trustee Services Bank, Ltd. as of July 27, 2020 merged with JTC Holdings and Trust & Custody Services Bank, Ltd. and registered as Japan Custody Bank, Ltd.

(5) Other Significant Matters Concerning the Shares

Not applicable.

Matters relating to stock acquisition rights of the Company

(1) Stock options granted/issued to the directors of the Company in consideration of the executive officers of their duties (As of June 30, 2020)

Not applicable.

(2) Subscription rights to shares issued to employees, etc. in consideration of execution of duties during the current fiscal year

Not applicable.

Status of Accounting Auditors

(1) Name Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc.

	Payment amount
Amount of remuneration, etc. for services (audit services) under Article 2(1) of the Certified Public Accountants Law	28 millions of yen
Total amount of money and other financial interests that we and our subsidiaries have to pay to our accounting auditors	28 millions of yen

(Notes)
1. The Company and Tohmatsu Limited Liability Audit Co., Ltd. do not divide the amount of audit fees under the Companies Act from the amount of audit fees under the Financial Instruments and Exchange Act. Therefore, these amounts include the amount of audit fees under the Financial Instruments and Exchange Act.
2. After receiving an explanation of the audit plan from the accounting auditor and checking the audit time, personnel arrangement, and other factors based on the content of the audit fee agreement, our Audit & Supervisory Board agrees on the audit reward under Article 399, Clause 1 of the Company Law.

(3) Content of non-audit services

Not applicable.

(4) Policy for the Determination of the Dismissal or Non-Reelection of the Accounting Auditor

In the event that the execution of duties by the accounting auditor is impaired or Audit & Supervisory Board determines that such impediment is necessary, the removal or non-reappointment of the accounting auditor shall be the subject of the meeting of shareholders.

In addition, in the event an accounting auditor is deemed to fall under any of the items set forth in Clause 1 of Article 340 of the Corporate Law, Audit & Supervisory Board shall dismiss such accounting auditor with the consent of all auditors. In this event, the corporate auditors selected by Audit & Supervisory Board shall report to the shareholders meeting convened for the first time after their dismissal to the effect that the independent auditors have been dismissed and the reasons for their dismissal.

(Note) The amount listed in this business report is rounded down to the nearest fraction of the indicated unit.

Consolidated Balance Sheets

(As of June 30, 2020)

(thousands of yen)

(Assets)	Amount	(Liabilities)	Amount
Current Assets	9,505,230	Current liabilities	4,314,163
Cash and deposits	6,335,623	Notes and accounts payable – trade	428,418
Notes and accounts receivable- trade	2,343,601	Lease obligations	14,299
Securities	10,783	Accounts payable – other, and accrued expenses	333,436
Work in progress	140,960	Income tax payable	122,303
Raw materials and supplies	15,587	Unearned revenue	2,075,741
Prepaid expenses	552,356	Provision for bonus	719,089
Others	111,927	Provision for bonus for directors (and other officers)	120,998
Allowance for doubtful accounts	(5,610)	Provision for loss on order received	15,887
Non-current assets	2,275,373	Other	483,988
Property, plant and equipment	469,392	Non-current liabilities	272,107
Buildings	501,574	Lease obligations	45,297
Accumulated depreciation	(201,938)	Asset retirement obligations	226,810
Vehicles	440		
Accumulated depreciation	(146)	Total liabilities	4,586,270
Tools, furniture and fixtures	733,399	(Net assets)	
Accumulated depreciation	(563,937)	Total shareholders’ equity	7,161,533
Intangible assets	191,526	Share capital	303,271
Software	190,781	Capital surplus	240,071
Other	744	Retained earnings	6,618,666
Investments and other assets	1,614,455	Treasury shares	(476)
Investment securities	428,261	Accumulated other comprehensive income	32,800
Long term prepaid expenses	21,088	Valuation difference on available-for-sale securities	35,859
Leasehold and guarantee deposits	674,355	Deferred gains or losses on hedges	6
Deferred tax assets	369,737	Foreign currency translation adjustment	(3,065)
Others	121,013	Total net assets	7,194,333
Total assets	11,780,604	Total liabilities and net assets	11,780,604

Consolidated Statements of Income

(From July 1, 2019
To June30, 2020)

(thousands of yen)

Items	Amount	
Net sales		15,691,533
Cost of sales		8,525,446
Gross profit		7,166,086
Selling, general and administrative expenses		4,887,396
Operating profit		2,278,690
Non-operating income		
Interest income	421	
Dividend income	5,376	
Gain on investments in investment partnership	371	
Subsidy income	2,220	
Other	937	9,326
Non-operating expenses		
Interest expenses	744	
Commission expenses	4,755	
Foreign exchange losses	17	
Share issuance costs	413	
Other	3	5,934
Ordinary profit		2,282,082
Profit before income taxes		2,282,082
Income taxes – current	727,521	
Income taxes – deferred	16,666	744,188
Profit		1,537,894
Profit attributable to owners of parent		1,537,894

Consolidated Statement of Changes in Net Assets

(From July 1, 2019
To June 30, 2020)

(thousands of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	295,525	232,325	5,362,527	(404)	5,889,973
Changes for the year					
Issue of new shares	7,746	7,746			15,492
Dividends			(281,755)		(281,755)
Net income attributable to shareholders of parent company			1,537,894		1,537,894
Purchase of treasury stock				(71)	(71)
Net changes of items other than shareholders' equity					
Total changes for the year	7,746	7,746	1,256,139	(71)	1,271,559
Balance at the end of the year	303,271	240,071	6,618,666	(476)	7,161,533

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the beginning of the year	11,067	3	(2,995)	8,075	5,898,048
Changes for the year					
Issue of new shares					15,492
Dividends					(281,755)
Net income attributable to shareholders of parent company					1,537,894
Purchase of treasury stock					(71)
Net changes of items other than shareholders' equity	24,791	2	(69)	24,724	24,724
Total changes for the year	24,791	2	(69)	24,724	1,296,284
Balance at the end of the year	35,859	6	(3,065)	32,800	7,194,333

Notes to Consolidated Financial Statements

1. Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

The number of Consolidated Subsidiary Companies and the names of major Consolidated Subsidiary Companies

・ Consolidated subsidiaries	5 companies
・ Names of consolidated subsidiaries	DIVA Corporation Internet Disclosure Co., Ltd. ZEAL Corporation FIERTE Corporation DIVA CORPORATION OF AMERICA

(2) Application of the equity method

Not applicable.

(3) Accounting periods of consolidated subsidiaries

The fiscal year-end of all consolidated subsidiaries is the same as the consolidated fiscal year-end date.

(4) Significant Accounting Policies

(i) Valuation standards and methods for important assets

1) Marketable securities

・ Held-to-maturity debt securities	Amortized cost (straight-line method)
・ Other securities	
With market value	Market value method based on market prices, etc. as of the closing date (Valuation difference is included directly in net assets, and cost of securities sold is calculated by the moving average method.)
Without market value	Cost determined by the moving-average method Investments in limited partnerships for investment (deemed as securities pursuant to Article 2(2) of the Financial Instruments and Exchange Law) are based on the latest financial statements available according to the closing report date stipulated in the partnership agreement, and the amount equivalent to equity is included in the net amount.

2) Evaluation criteria and method of inventories

・ Work in process	Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)
・ Raw materials	Stated at cost determined by the first-in, first-out method. (The carrying value on the balance sheet is written down to reflect the decline in profitability.)
・ Supplies	Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)

(ii) Depreciation methods for material depreciable assets

1) Property, plant and equipment (Excluding leased assets)

Declining balance method
However, the straight-line method is applied to facilities attached to buildings acquired on or after April 1, 2016.
(principal useful lives)

Buildings	3 to 10 years
Tools, furniture and fixtures	2 to 8 years

2) Intangible assets — Fixed amount method

- Software for sale — Amortization based on projected sales revenue within the estimated selling period (3 years)
- Software for internal use — The useful lives are the estimated useful lives (3 to 5 years).

3) Leased assets

- Lease assets related to finance lease transactions that do not transfer ownership of the leased property to the lessee — Straight line method over the periods of these capital leases, assuming no remaining value

(iii) Basis of material allowances

1) Allowance for doubtful accounts — The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on an estimate of the uncollectible amount for specific receivables such as doubtful receivables.

2) Accrued bonuses — In order to prepare for bonuses paid to employees, the amount to be borne in the current consolidated fiscal year is recorded based on the estimated amount to be paid.

3) Provision for directors' bonuses — To prepare for the payment of bonuses to directors, the Company records the amount of bonuses to be borne in the current fiscal year based on the estimated amount of bonuses to be paid.

4) Accrual for losses on contracts — In order to prepare for future losses on contracts for which future losses are expected and the amount of such losses can be reasonably estimated at the end of the fiscal year under review, the Company records an estimated amount of such losses.

(iv) Other important matters that form the basis for preparing consolidated financial statements

1) Accounting method of deferred assets

- Stock issuance cost — All costs are booked as expenses as incurred.

2) Significant hedge accounting method

- Hedge accounting method — In principle, the Company uses deferral hedge accounting.
- Hedging instruments and hedged items — Hedging instruments: Foreign currency deposits
  Hedged items: Forecast transactions denominated in foreign currencies
- Hedging policy — Foreign currency deposits are used to hedge foreign currency fluctuation risk. The Company's policy is to use these instruments within the scope of actual demand and not to enter into transactions for

speculative purposes.

・ Hedging evaluation	Evaluation of the effectiveness of the hedging instrument at the consolidated balance sheet date is omitted because the important conditions for the hedging instrument and the hedged item are the same, and cash flow fluctuations after the hedge's inception can be offset.

3) The standards for recognition of significant revenues and expenses

・ Standard for recording sales and cost of sales related to made-to-order software

1. Contracts for which the outcome is certain with respect to the portion of progress up to the end of the current consolidated fiscal year

Percentage-of-completion method (contract progress rate is estimated using the cost-to-cost method)

2. Other Contracts

Acceptance Criteria

4) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

The revenue and expense accounts of the overseas consolidated subsidiaries and their balance sheet accounts, are translated into yen at the rates of exchange in effect at the balance sheet date.

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date. Revenue and expense accounts are translated into Japanese yen at the average exchange rates prevailing during the fiscal year. Translation adjustments are included in foreign currency translation adjustments in net assets.

5) Accounting for consumption tax

Consumption taxes are subject to the net of tax method.

6) Consolidated tax return system

We and our domestic consolidated subsidiaries have adopted the consolidated taxation system.

7) Application of tax effects related to the transition from the consolidated taxation system to the group calculation system

With respect to items for which the non-consolidated tax payment system was reviewed in line with the transition to the group accounting system and the transition to the group accounting system established under the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), the provisions of Article 44 of the Guidelines for the Application of Accounting Standards for Tax Effect Accounting (Guidelines for the Application of Corporate Accounting Standards No. 28 of February 16, 2018) are not applied in accordance with the provisions of Article 3 of the Handling of the Application of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Accounting System (Practical Response Report No. 39 of March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are in accordance with the provisions of the Tax Act prior to the revision.

2. Matters concerning changes in disclosing methods

(Notes to Consolidated Statements of Income)

"Subsidy income," which was included in "Other" under "Non-operating income" in the previous fiscal year, is presented as a separate item from the fiscal year under review because it exceeded 10% of total non-operating income.

3. Notes to Consolidated Balance Sheet

(1) Accrued loss on work in process and orders received

Work in process and allowance for loss on order received related to contracts for which losses are expected are not offset.

Of the work in process related to the order contract that is expected to incur losses at the end of the fiscal year under review, the amount corresponding to the provision for loss on order received was 12,581 thousand yen.

(2) Loan commitment agreements

The Company has concluded loan commitment agreements with 3 banks with the aim of efficiently procuring working funds.

Undisbursed balances of loan commitments as of the end of the fiscal year under review are as follows.

Total loan commitments	3,500,000 thousands of yen
Loan balance	- thousands of yen
Balance	3,500,000 thousands of yen

4. Notes to Consolidated Statement of Changes in Net Assets

(1) Matters related to the total number of issued shares

Class of shares	Current Consolidated Fiscal Year Initial number of shares	Current Consolidated Fiscal Year Increased number of shares	Current Consolidated Fiscal Year Decrease in number of shares	Current Consolidated Fiscal Year Number of shares at the end
Common stock	18,785,094Shares	18,801,888Shares	-Shares	37,586,982Shares

(Notes)
1. On December 1, 2019, the Company conducted a two-for-one stock split of common stock.
2. The increase of 18,801,888 numbers of share in the current fiscal year was due to an increase of 18,785,094 shares resulting from the stock split and an increase of 16,794 shares resulting from the issuance of new shares as restricted stock compensation.

(2) Matters concerning the number of treasury shares

Class of shares	Current Consolidated Fiscal Year Initial number of shares	Current Consolidated Fiscal Year Increased number of shares	Current Consolidated Fiscal Year Decrease in number of shares	Current Consolidated Fiscal Year Number of shares at the end
Common stock	1,421Shares	1,490Shares	-Shares	2,911Shares

(Notes)
1. On December 1, 2019, the Company conducted a two-for-one stock split of common stock.
2. The increase of 1490 numbers of share in the current fiscal year was due to an increase of 1421 shares resulting from a stock split and an increase of 69 shares resulting from requests for the purchase of odd-lot shares.

(3) Dividends from surplus

(i) Cash dividends paid

Resolution	Class of shares	Total dividends (thousand yen)	Per share Dividends (yen)	Record date	Effective date
September 27, 2019 Annual Meeting of Shareholders	Common stock	281,755	15.00	June 30, 2019	September 30, 2019

(ii) Dividends for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Scheduled to be resolved	Class of shares	Source of dividend	Total dividends (thousand yen)	Per share Dividends (yen)	Record date	Effective date
September 23, 2020 Annual Meeting of Shareholders	Common stock	Retained earnings	338,256	9.00	June 30, 2020	September 24, 2020

(Note) On December 1, 2019, the Company conducted a 2-for-1 stock split of common stock.

5. Notes on Financial Instruments

(1) Matters relating to financial instruments

(i) Policy for Financial Instruments

Our Group procures the necessary funds (mainly bank loans and bond issues) based on our management policies and business plans. Temporary surplus funds are invested in highly liquid and safe financial assets in accordance with internal management regulations, and short-term working capital is procured through bank loans. In addition, foreign currency deposits are used to hedge foreign currency fluctuation risk. Regarding hedging instruments and hedged items, hedging policies, and methods of evaluating the effectiveness of hedging, please refer to "(iv) Matters concerning accounting policies, (iv) Other important matters that form the basis for preparing the consolidated financial statements, 2) Significant hedge accounting methods."

(ii) Description of financial instruments, related risks, and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. However, by thoroughly managing the credit of each business partner and regularly managing the collection date and balance, we aim to quickly identify and mitigate collection concerns due to deterioration in financial conditions, etc.

Investment securities classified as held-to-maturity are exposed to foreign exchange risk and interest rate fluctuation risk, although credit risk is insignificant, as they cover only highly rated securities. Available-for-sale securities are exposed to market price fluctuation risk and foreign currency exchange fluctuation risk. However, the Company is continually reviewing their holdings in light of market value and other factors. With regard to investment in limited partnerships, the Group is exposed to the risk of falling below the investment principal due to changes in the management and financial conditions of the issuer of the shares incorporated in the partnership. The Group manages risk by regularly obtaining the financial statements of the partnership and ascertaining the financial status and management status of the partnership.

Lease and guarantee deposits are guarantee deposits in the lease contracts of the head office, branches and subsidiaries, which are exposed to the credit risk of the lessee. At the time of the contract, credit risk is checked to reduce such risk.

Notes and accounts payable-trade and accounts payable-other, which are trade payables, are mostly due within 1 year. Lease obligations related to finance lease transactions are primarily for the purpose of procuring funds for capital expenditures. The maximum term end is 4 years and 9 months after the balance sheet date. These risks are exposed to liquidity risk (the risk of being unable to make payments on the due date), but our Group manages these risks by checking and managing monthly cash schedules and account balances.

(iii) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since variable factors are included in the calculation of the value, the value may change if different assumptions, etc. are adopted.

(2) Fair Value of Financial Instruments

Balance sheet amounts, fair values and differences as of June 30, 2020 are as follows: The following table does not include financial instruments whose fair values are deemed extremely difficult to determine (see Note 2).

		Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
(i)	Cash and deposits	6,335,623	6,335,623	-
(ii)	Notes and accounts receivable	2,343,601	2,343,601	-
(iii)	Marketable and investment securities			
	Held-to-maturity debt securities	101,343	101,379	36
	Other securities	319,797	319,797	-
(iv)	Lease deposits and guarantee deposits (including those scheduled to be collected within 1 year)	739,556	738,983	(573)
	Total assets	9,839,922	9,839,385	(536)
(i)	Notes and accounts payable-trade	428,418	428,418	-
(ii)	Accrued expenses	333,436	333,436	-
(iii)	Income taxes payable	122,303	122,303	-
(iv)	Lease liability (including current portion of 1 year)	59,597	59,786	189
	Total liabilities	943,754	943,944	189

(Notes) 1. Calculation method for fair value of financial instruments

Assets

(i) Cash and deposits, (ii) Notes and accounts receivable-trade

Since these instruments are settled in a short period of time, their fair values approximate their carrying amounts.

(iii) Marketable and investment securities

The fair values of these securities are based on quoted market prices for stocks and those for bonds are based on quoted market prices from financial institutions.

(iv) Lease deposits and guarantee deposits (including those scheduled to be collected within 1 year)

The fair value of lease and guarantee deposits is calculated using the present value discounted at an appropriate rate, such as the yield on government bonds, based on reasonably estimated collection periods of lease and guarantee deposits.

Liabilities

(i) Notes and accounts payable-trade, (ii) Accounts payable-other and accrued expenses, and (iii) Income taxes payable

Since these instruments are settled in a short period of time, their fair values approximate their carrying amounts.

(iv) Lease liability (including current portion of 1 year)

The fair value of these instruments is calculated based on the present value of the total amount of principal and interest discounted by the interest rate that would be applied to similar new leases.

2. Carrying amount of financial instruments whose fair value is deemed extremely difficult to determine

Classification	Carrying amount
Unlisted stocks	0Thousands of yen
Investment in limited investment partnership	17,904Thousands of yen

These instruments are not included in "(iii) Marketable securities and investment securities" because they do not have quoted market prices and it is extremely difficult to determine their fair values.

6.Per Share Information

(1) Net assets per share 191.42 yen

(2) Net income per share 40.92 yen

(Note) On December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net income per share is calculated as if this stock split had taken place at the beginning of the current fiscal year.

7. Notes to Material subsequent events

Not applicable.

8. Other Notes

Amounts are rounded down to the nearest whole unit.

Balance Sheet

(As of June 30, 2020)

(thousands of yen)

Assets	Amount	Liabilities	Amount
Current assets	4,895,247	Current liabilities	1,780,360
Cash and deposits	3,673,619	Accounts payable	62,478
Notes and accounts receivable – trade	73,979	Accrued expenses	68,447
Securities	10,783	Deposits	83,632
Stocks	13,187	Lease obligations	3,315
Prepaid expenses	76,381	Provision for bonuses	39,296
Advance payment	512,433	Provision for bonuses for directors	31,668
Accounts receivable	406,906	Affiliated company deposit	1,483,000
Income tax refund	62,114	Other	8,521
Other	65,839	Non-current liabilities	159,486
Non-current assets	2,099,379	Lease obligations	12,307
Property, plant and equipment	118,404	Asset retirement obligations	147,179
Buildings	241,373	Total liabilities	1,939,847
Accumulated depreciation	(166,011)	Net assets	
Tools, furniture and fixtures	292,037	Shareholders' equity	5,018,914
Accumulated depreciation	(248,995)	Share capital	303,271
Intangible assets	63,177	Capital surplus	240,071
Trademark	82	Capital reserve	240,071
Software	62,499	Retained earnings	4,476,047
Other	595	Legal reserve	374
Investments and other assets	1,917,798	Other retained earnings	4,475,673
Investment securities	410,357	Retained earnings carried forward	4,475,673
Investments in subsidiaries	1,043,737	Treasury shares	(476)
Long-term prepaid expenses	4,651	Evaluation and conversion difference	35,865
Leasehold and guarantee deposits	345,973	Valuation difference on available for sale securities	35,859
Insurance policies	46,132	Deferred gains or losses on hedges	6
Deferred tax assets	38,930		
Other	28,015	Total net assets	5,054,779
Total assets	6,994,627	Total liabilities and net assets	6,994,627

Profit and Loss Statement

(From July 1, 2019To June 30, 2020)

(thousands of yen)

Items	Amount	
Operating revenue		
Management fee	803,761	
Dividend income from affiliated companies	1,552,016	2,355,778
Operating expenses		1,214,118
Operating income		1,141,659
Non-operating income		
Interest income	1,127	
Dividend income	5,376	
Foreign exchange gains	163	
Subsidy income	1,890	
Other	517	9,075
Non-operating expenses		
Interest expense	107	
Commission expense	4,755	
Share issuing costs	413	
Other	3	5,280
Current income		1,145,455
Non-operating income		
Gain from sale of fixed assets	17,894	17,894
Profit before income taxes		1,163,349
Income taxes – current	(79,380)	
Income taxes – deferred	(9,424)	88,805
Profit		1,252,154

Statement of Changes in Net Assets

(From July 1, 2019To June 30, 2020)

(thousands of yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
	Capital stock	Capital reserve	Total Capital surplus	Legal reserve	Other reserve Amount carried forward	Total Retained Earnings
Balance at the beginning of the year	295,525	232,325	232,325	374	3,505,273	3,505,647
Changes for the year						
Issue of new shares	7,746	7,746	7,746			
Dividends					(281,755)	(281,755)
Net income					1,252,154	1,252,154
Purchase of treasury stock						
Net changes of items other than shareholders' equity						
Total changes for the year	7,746	7,746	7,746	—	970,399	970,399
Balance at the end of the year	303,271	240,071	240,071	374	4,475,673	4,476,047

	Shareholders' equity		Valuation and conversion difference			Total net assets Valuation difference on available-for-sale securities
	Own shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Own shares	Total shareholders' equity	
Balance at the beginning of the year	(404)	4,033,093	11,067	3	11,070	4,044,164
Changes for the year						
Issue of new shares		15,492				15,492
Dividends		(281,755)				(281,755)
Net income		1,252,154				1,252,154
Purchase of treasury stock	(71)	(71)				(71)
Net changes of items other than shareholders' equity			24,791	2	24,794	24,794
Total changes for the year	(71)	985,820	24,791	2	24,794	1,010,614
Balance at the end of the year	(476)	5,018,914	35,859	6	35,865	5,054,779

Notes to Parent Company Financial Statements

1. Summary of significant accounting policies

(1) Valuation basis and method for assets

(i) Marketable securities

・ Held-to-maturity debt securities	Amortized cost (straight-line method)
・ Subsidiaries' stocks	Cost determined by the moving-average method
・ Other securities	
With market value	Market value method based on market prices, etc. as of the closing date (Valuation difference is included directly in net assets, and cost of securities sold is calculated by the moving average method.)
Without market value	Cost determined by the moving-average method

(ii) Evaluation criteria and method of inventories

・ Supplies	Cost method based on the specific identification method (the balance sheet value is calculated by writing down the book value due to the decrease in profitability)

(2) Accounting method of deferred assets

・ Stock issuance cost	All costs are charged to income as incurred.

(3) Depreciation method of fixed assets

(i) Property, plant and equipment	Declining balance method However, the straight-line method is applied to facilities attached to buildings acquired on or after April 1, 2016. (principal useful lives) Buildings 3 to 10 years Tools, furniture and fixtures 2 to 8 years
(ii) Intangible assets	Fixed amount method
・Software for internal use	Useful lives are the estimated useful lives (5 years)

(4) Accounting for reserves

(i) Accrued bonuses	To prepare for the payment of bonuses to employees, the amount to be borne in the current fiscal year is recorded based on the estimated amount to be paid.
(ii) Provision for directors' bonuses	To prepare for the payment of bonuses to directors, the amount of bonuses to be borne in the current fiscal year is recorded based on the estimated amount of bonuses to be paid.

(5) Other basic items for preparation of calculation documents

(i) Significant hedge accounting method

・ Hedge accounting method	In principle, the Company uses deferral hedge accounting.
・ Hedging instruments and hedged items	Hedging instruments: Foreign currency deposits Hedged items: Forecast transactions denominated in foreign currencies
・ Hedging policy	Foreign currency deposits are used to hedge foreign currency fluctuation risk. The Company's policy is to use these instruments within the scope of actual demand and not to enter into transactions for speculative purposes.

・ Hedging evaluation	Evaluation of hedging instruments and hedged items is omitted because they have the same important terms and conditions and can offset cash flow fluctuations after the hedge's inception.

(ii) Standards for the conversion of important foreign currency-denominated assets and liabilities into yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the balance sheet date, and translation adjustments are recognized as profit or loss.

(iii) Accounting for consumption tax

Consumption taxes are subject to the net of tax method.

(iv) Consolidated tax return system

We and our domestic consolidated subsidiaries have adopted the consolidated taxation system.

(v) Application of tax effects related to the transition from the consolidated taxation system to the group calculation system

Group established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020)

The non-consolidated taxation system was reviewed in conjunction with the transition to the calculation system and the shift to the group calculation system.

Items are related to the application of tax effect accounting related to the transition from the consolidated taxation system to the group accounting system.

Handling in accordance with Clause 3 of the "Handling" (Practical Response Report No. 39, March 31, 2020), "Tax Effects Association"

Implementation Guidance on Accounting Standards for Accounting (ASBJ Guidance No. 28, February 16, 2018), paragraph 44

As opposed to the application of the revised tax laws concerning the amounts of deferred tax assets and deferred tax liabilities

We have.

2. Notes to the Balance Sheet

(1) Monetary claims and liabilities to affiliated companies (excluding those presented separately)

Short-term monetary claims	992,704	Thousands of yen
Short-term loans payable	9,370	Thousands of yen
Long-term monetary receivables	28,015	Thousands of yen

(2) Loan commitment agreements

The Company has concluded loan commitment agreements with 3 banks with the aim of efficiently procuring working funds.

The balance of unused loan commitments at the end of the fiscal year under review is as follows.

Total loan commitments	3,500,000	Thousands of yen
Loan balance	-	Thousands of yen
Balance	3,500,000	Thousands of yen

3. Notes pertaining to profit-and-loss statement

Transactions with affiliated companies (excluding those classified)

Turnover with business transaction	918,634	Thousands of yen
Excluding operating transactions with subsidiary	18,917	Thousands of yen

4. Notes to Statement of Change in Shareholders' Equity

Matters concerning the number of treasury shares

Class of shares	Beginning of the current fiscal year Number of shares	Increase during the current fiscal year Number of shares	Decrease in the current fiscal year Number of shares	At the end of the fiscal year Number of shares
Common stock	1,421Shares	1,490Shares	-Shares	2,911Shares

(Notes) 1. On December 1, 2019, the Company conducted a two-for-one stock split of common stock.

2. The increase of 1490 numbers of share in the current fiscal year was due to an increase of 1421 shares resulting from a stock split and an increase of 69 shares resulting from requests for the purchase of odd-lot shares.

5. Notes to tax effect accounting

(1) Breakdown of principal origins of deferred tax assets and liabilities

Deferred tax assets	
Tax loss carryforwards	39,139Thousands of yen
Accrued enterprise tax	295Thousands of yen
Accrued business office taxes	307Thousands of yen
Provision for bonuses	9,169Thousands of yen
Provision for directors' bonuses	206Thousands of yen
Depreciation and amortization	14,562Thousands of yen
Loss on valuation of investment securities	3,062Thousands of yen
Asset retirement obligations	34,343Thousands of yen
Valuation difference on securities	1,754Thousands of yen
Others	252Thousands of yen
Gross deferred tax assets	103,093Thousands of yen
Valuation allowance for operating loss carryforwards	△39,139Thousands of yen
Valuation allowance for deductible temporary differences	△3,062Thousands of yen
Total of deferred tax assets	60,892Thousands of yen
Deferred tax liabilities	
Facilities attached to buildings (asset retirement cost)	8,322Thousands of yen
Valuation difference on securities	13,637Thousands of yen
Others	1Thousands of yen
Total deferred tax liabilities	21,961Thousands of yen
Net deferred tax assets	38,930Thousands of yen

(2) Reconciliation of the statutory tax rate to the effective income tax rate

Statutory tax rate	30.6%
(Adjustments)	
Expenses not deductible for income tax purposes	0.8%
Non-taxable dividend income	△40.9%

Valuation allowance	1.6%
Others	0.2%
Effective income tax rate	△7.6%

6. Notes on transactions with related parties

Subsidiaries

(Unit: thousand yen)

For the company Name	For voting rights Ownership ratio	Related party Relationship with	Details of transactions	Transaction value	Item	Balance at end of year
Stock Company DIVA CORPORATION	Directly 100%	Management guidance and Entrusted Affairs Fund administration Debt guaranteed Interlocking directorates Outsourcing of accounting operations	Outsourcing of management services (Note 1)	432,500	Accounts receivable	39,979
			Outsourcing of accounting (Note 1)	840	Accounts receivable-other	306,355
			Deposit of funds (Note 2)	892,000	Affiliated Companies Deposits received	1,183,000
			Repayment of funds (Note 2)	1,100,000	Long-term Accounts Receivable	9,879
			Interest payments (Note 2)	72		
			Proceeds from sales of property, plant and equipment (Note 3)	22,355		
Stock Company Internet Disclosure	Directly 100%	Management guidance Fund administration Interlocking directorates	Outsourcing of management services (Note 1)	2,000	Accounts receivable	550
			Interest payments (Note 2)	20	Accounts receivable-other	24,902
					Affiliated Companies Deposits received	200,000
ZEAL Corporation	Directly 100%	Management guidance and Entrusted Affairs Fund administration Loaning of funds Interlocking directorates	Outsourcing of management services (Note 1)	268,679	Accounts receivable	23,978
			Deposit of funds (Note 2)	100,000	Accounts receivable-other	60,281
			Repayment of funds (Note 2)	576,000	Affiliated Companies Deposits received	100,000
			Interest payments (Note 2)	15	Long-term Accounts Receivable	9,390
			Interest income (Note 2)	725		
			Proceeds from sales of property, plant and equipment (Note 3)	9,928		
			Succession of lease deposits (Note 4)	86,677		
FIERTE CORPORATION	Directly 100%	Management guidance and Entrusted Affairs Outsourcing of accounting operations Interlocking directorates	Outsourcing of management services (Note 1)	100,582	Accounts receivable	9,472
			Outsourcing of accounting (Note 1)	82,806	Accounts receivable-other	69,313
					Accounts payable-other	7,006
					Long-term Accounts Receivable	8,744

The transaction amount does not include consumption taxes, and the year-end balance includes consumption taxes.

Transaction terms and policy for deciding transaction terms

(Notes) 1. The terms and conditions of transactions for the consignment of management operations and the consignment of accounting operations are appropriately determined in consideration of the costs incurred and other factors.

2. The loan interest rate for funds and the deposit interest rate for Group fund management are reasonably determined by taking into account market interest rates.

3. Price terms and conditions are determined based on negotiations between the 2 parties.

4. Regarding the term building lease agreement, the position of the term building lease agreement is assumed under the same conditions.

7.1 Notes on Per Share Information

(1) Net assets per share	134.49 yen
(2) Net income per share	33.32 yen

(Note) On December 1, 2019, the Company conducted a 2-for-1 stock split of common stock. Net income per share is calculated as if this stock split had taken place at the beginning of the fiscal year.

8. Notes to Material subsequent events

Not applicable.

9. Other Notes

Amounts are rounded down to the nearest whole unit.

Accounting Audit Report for Consolidated Financial Statements

Independent Auditors' Report

August 24, 2020

AVANT Corporation
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited Liability Partners Engagement Partner	Certified Public Accountant	Jun Kagawa
Designated Limited Liability Partners Engagement Partner	Certified Public Accountant	Joji Furukawa

Audit Opinion

We have audited AVANT Corporation's consolidated financial statements for the year from July 1, 2,019 to June 30, 2020, including the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholders' equity, and consolidated Notes to income, in accordance with the provisions of Article 444(4) of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of AVANT Corporation and its consolidated subsidiaries for the period in which the consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan.

Basis for the audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility for auditing standards is stated in "Liability of Auditors in Auditing Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the provisions on occupational ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of the Company's management, auditors and Audit & Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the establishment and implementation of internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the appropriateness of preparing the consolidated financial statements based on the premise of a going concern, and disclosing matters in accordance with accounting principles generally accepted in Japan when it is necessary to disclose matters related to a going concern.

Auditors and Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in the development and operation of financial reporting processes.

Responsibility of the auditor in auditing the consolidated financial statements

The auditor is responsible for providing an independent opinion on the consolidated financial statements in the audit report based on an audit performed by the auditor, with reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error. A misstatement may be due to fraud or error and may be material, if aggregated or individually, to the extent that it is reasonably expected to affect the decision-making of users of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, auditors make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, perform the following.

- Identify and evaluate the risk of material misstatement due to fraud or error. Develop and implement audit procedures to address the risk of material misstatement. The selection and application of audit procedures is based on the judgment of the auditor. In addition, obtain sufficient and appropriate audit evidence supporting the expressions of opinion.
- The audit of the consolidated financial statements is not intended to express an opinion on the effectiveness of the entity's internal control, but the auditor considers internal control relevant to the audit in making the risk assessment in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the relevance of related Notes.
- Conclude whether it is appropriate for the management to prepare the consolidated financial statements on the premise of a going concern, and whether, based on the audit evidence obtained, significant uncertainty is recognized with respect to the event or situation that raises material doubt about the going concern assumption. If there is material uncertainty regarding the premise of a going concern, the auditor is required to bring attention to the Notes to the consolidated financial statements in the audit report, or if the Notes to the consolidated financial statements regarding material uncertainty are not appropriate, the auditor is required to express an opinion with an exception on the consolidated financial statements. The auditor's conclusion is based on the audit evidence obtained prior to the date of the audit report, but future events and circumstances may make the enterprise unable to survive as a going concern.
- Assess whether the consolidated financial statements are presented in accordance with accounting principles generally accepted in Japan, and whether the consolidated financial statements are presented in a manner that includes related Notes, their composition and content, and the transactions and accounting events on which the consolidated financial statements are based are fairly presented.
- Obtain sufficient and appropriate audit evidence about the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision, and implementation of the audit of the Consolidated Financial Statements. The auditor is solely responsible for the audit opinion.

The auditor reports to the auditors and Audit & Supervisory Board on the scope and timing of the planned audit, important findings in the audit, including significant deficiencies in internal control identified in the audit process, and other matters required by the audit criteria.

The auditor shall report to the auditors and Audit & Supervisory Board the fact that he/she has complied with the provisions on professional ethics in Japan regarding independence and that he/she has implemented safeguards in order to eliminate or mitigate factors that may reasonably affect the independence of the auditor.

Interests

The Company and its Consolidated Subsidiaries have no interest in the Company or the Operating Partner that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

End of document

Accounting Audit Report for Financial Statements

Independent Auditors' Report

August 24, 2020

AVANT Corporation
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited Liability Partners Engagement Partner	Certified Public Accountant	Jun Kagawa
Designated Limited Liability Partners Engagement Partner	Certified Public Accountant	Joji Furukawa

Audit Opinion

Pursuant to the provisions of Article 436, Paragraph 2, 1 of the Companies Act, we have audited AVANT Corporation's financial statements for the 24th fiscal period from July 1, 2,019 to June 30, 2020, which consist of the balance sheet, the statement of income, the statement of changes in net assets, the Notes to the consolidated financial statements, and the supplementary schedules (together, the "financial statements, etc.").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the period in which the financial statements are prepared in accordance with accounting principles generally accepted in Japan.

Basis for the audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. The responsibilities of our auditors in accordance with the auditing standards are set out in "Responsibility of the auditor in the audit of financial statements, etc." We are independent of the Company and fulfill other ethical responsibilities as an auditor in accordance with the provisions on occupational ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liabilities of Managers, Auditors and Audit & Supervisory Board to Financial Statements, etc.

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal controls that management determines are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, etc., due to fraud or error.

In preparing financial statements, management is responsible for evaluating the appropriateness of preparing financial statements, etc. based on the premise of a going concern, and disclosing such matters when it is necessary to disclose matters related to going concern in accordance with corporate accounting standards generally accepted in Japan.

Auditors and Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in the development and operation of financial reporting processes.

Liability of Auditors in Auditing Financial Statements, etc.

The responsibility of the auditor is to express an opinion on the financial statements, etc. from an independent standpoint in the audit report based on an audit conducted by the auditor, with reasonable assurance as to whether the financial statements as a whole are free of material misstatement, whether due to fraud or error. A misstatement may be caused by fraud or error, and if aggregated individually or individually, it is deemed material if it is reasonably expected to affect the decision-making of users of financial statements, etc.

In accordance with auditing standards generally accepted in Japan, auditors make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, perform the following.

- Identify and evaluate the risk of material misstatement due to fraud or error. Develop and implement audit procedures to address the risk of material misstatement. The selection and application of audit procedures is based on the judgment of the auditor. In addition, obtain sufficient and appropriate audit evidence supporting the expressions of opinion.
- The purpose of the audit of the financial statements, etc. is not to express an opinion on the effectiveness of the internal control, but the auditor considers internal control relevant to the audit in making the risk assessment in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the relevance of related Notes.
- Conclude whether it is appropriate for the management to prepare financial statements, etc. on the premise of going concern, and whether, based on the audit evidence obtained, significant uncertainty is recognized with respect to the event or situation that raises material doubt about the premise of the going concern. If there is material uncertainty regarding the premise of a going concern, the auditor is required to call attention to the Notes to the financial statements, etc. in the audit report, or if the Notes to the financial statements, etc. regarding material uncertainty are not appropriate, the auditor is required to express an opinion on the financial statements, etc. with items to be excluded. The auditor's conclusion is based on the audit evidence obtained prior to the date of the audit report, but future events and circumstances may make the enterprise unable to survive as a going concern.
- The inspector shall assess whether the presentation and Notes to the financial statements, etc. comply with accounting principles generally accepted in Japan, and whether the presentation, composition and content of the financial statements, etc. including related Notes, and the financial statements, etc. fairly represent the transactions and accounting events on which the financial statements, etc. are based.

The auditor reports to the auditors and Audit & Supervisory Board on the scope and timing of the planned audit, important findings in the audit, including significant deficiencies in internal control identified in the audit process, and other matters required by the audit criteria.

The auditor shall report to the auditors and Audit & Supervisory Board the fact that he/she has complied with the provisions on professional ethics in Japan regarding independence and that he/she has implemented safeguards in order to eliminate or mitigate factors that may reasonably affect the independence of the auditor.

Interests

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

End of document

Auditing Report from Audit & Supervisory Board

Audit Report

This Audit & Supervisory Board prepares this audit report on the execution of duties by the Directors for the 24th fiscal year from July 1, 2,019 to June 30, 2020, after deliberation based on the audit reports prepared by the respective Audit & Supervisory Board Members.

1. Methods and details of auditing by corporate auditors and Audit & Supervisory Board

(1) Audit & Supervisory Board established auditing policies and division of duties, and received reports on the status and results of audits from corporate auditors. It also received reports on the status of execution of duties from directors and accounting auditors, and requested explanations as required.

(2) In accordance with the auditing standards stipulated by Audit & Supervisory Board and in accordance with the auditing policies and the division of duties, the corporate auditors communicated with the directors, employees of the internal auditing division and others in an effort to collect data and improve the auditing environment. The corporate auditors also conducted audits in the following manner.

i) We attended meetings of the Board of Directors and other important meetings, received reports from directors and employees on the status of execution of their duties, requested explanations as necessary, reviewed important approval documents, and investigated the status of operations and assets at the Head Office and major business sites. Regarding subsidiaries, the Company communicated and exchanged information with directors and corporate auditors of subsidiaries, and received business reports from subsidiaries as necessary.

ii) We received periodic reports from directors and employees on the contents of resolutions of the Board of Directors concerning the establishment of the system set forth in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act and the system (internal control system) established based on the said resolutions as necessary to ensure that the execution of duties by directors stated in the business report complies with laws and regulations and the articles of incorporation, as well as other systems necessary to ensure the appropriateness of the business of the corporate group consisting of joint stock company and its subsidiaries. We also requested explanations and expressed opinions when necessary.

iii) The Audit & Supervisory Board members monitored and verified whether the accounting auditor maintained an independent position and conducted appropriate audits, received reports from the accounting auditor on the status of the execution of their duties, and requested explanations as necessary. In addition, we received a notice from the accounting auditor that the "system to ensure that the execution of duties is carried out appropriately" (matters listed in each item of Article 131 of the Corporate Accounting Rules) has been prepared in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above methods, the business report and the supplementary schedules thereof, the financial documents (balance sheet, profit and loss statement, statement of changes to shareholders' equity, and Notes to the non-consolidated financial statements), the supplementary schedules thereof, and the consolidated financial documents (consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes to shareholders' equity, and Notes to the consolidated financial statements) for the relevant business year have been reviewed.

2. Results of the audit

(1) Audit results concerning business reports

i) In our opinion, the business report and the supplementary schedules thereof accurately represent the status of the Company in accordance with laws, regulations, and the Articles of Incorporation.

ii) There were no misconduct or material facts in violation of laws, regulations, or the articles of incorporation in connection with the execution of duties by the directors.

iii) The content of the Board of Directors' resolutions on the internal control system is reasonable. In addition, there are no matters to be pointed out regarding the content of business reports related to the internal control system and the execution of duties by directors.

(2) Audit results concerning non-consolidated financial statements and supplementary schedules

The method and results of the audit conducted by Tohmatsu, a limited liability auditing firm, are deemed reasonable.

(3) Results of audit of consolidated financial statements

The method and results of the audit conducted by Tohmatsu, a limited liability auditing firm, are deemed reasonable.

August 24, 2020

AVANT Corporation Audit & Supervisory Board

Corporate Auditor Tsuyoshi Noshiro

Outside Auditor Kunio Suzuki

Outside Auditor Masanori Kobayashi

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