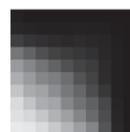


This document is an unofficial translation of the Notice of 27th Annual General Shareholders' Meeting and is provided for your convenience only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original version of the document is the sole official version.



Notice of 27th Annual General Shareholders' Meeting



AVANT
GROUP

Date/time

September 27, 2023 (Wednesday) at 10:00AM (Doors open at 9:30AM)

Location

1-3-2, Otemachi, Chiyoda-ku, Tokyo
Keidanren Hall, 2F, Keidanren Kaikan (Please refer to the venue guide at the end.)

Matters to be resolved

Proposal1: Appropriation of surplus

Proposal2: Election of four directors (except directors who are audit committee members)

Proposal3: Revision of performance-based share compensation plan for directors (except for directors who are audit committee members as well as for outside directors)

"Matters on corporate officers," "Officers' compensation plan" and "Compliance and risk management" in the 27th business report contains content highly relevant to the documents for reference for the shareholders' meeting listed in the electronically provided matters; therefore, the order of listing was rearranged.

AVANT GROUP CORPORATION Securities Code: 3836

Dear Shareholders,

Thank you for your patronage and support to the businesses of our group.

We made a fresh start under the new name “AVANT GROUP CORPORATION” by restructuring our business in October 2022. Through this restructuring, we started the new midterm management plan “BE GLOBAL 2028” from July 2023 under the strategic initiative to become a “software company useful to improve corporate value.” The business strategy was synchronized with the group strategy, aiming at becoming a world-class software company.

“BE GLOBAL 2028” adopts a “software-driven strategy” as the common strategy for the group. With software to create value for all businesses as the starting point, we enhance the ability to contribute to customers as well as service productivity to invest the resulting profits into human resources development and R&D. As a product of these activities, we accomplish the spiral of value creation to continually improve corporate value of our group.

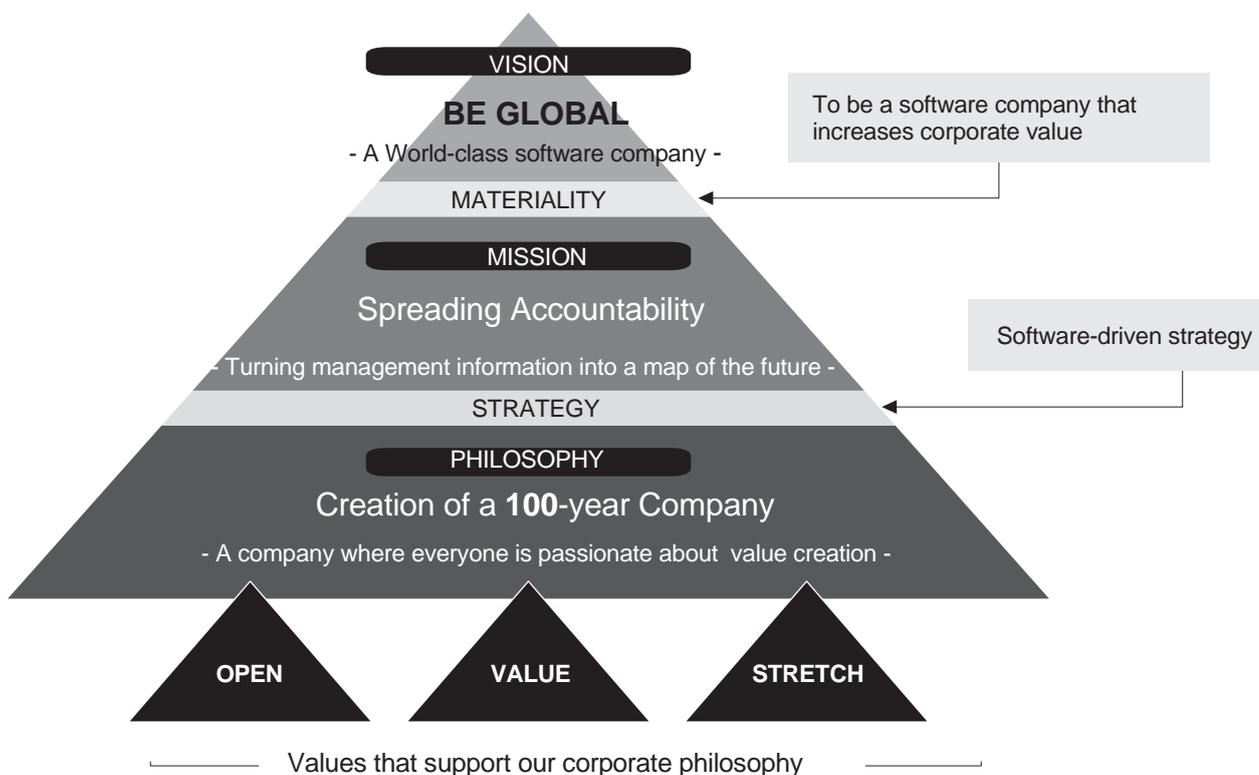
A company is an organization where many people gather and contribute to society through its corporate value. Our group is aiming to contribute to society through organizational growth with a wide variety of members.

It is my sincere hope for you to look forward to the future progress and growth of “AVANT GROUP CORPORATION.” I appreciate your continued support and patronage.

Tetsuji Morikawa
President and Representative Director
Group CEO
AVANT GROUP CORPORATION

Philosophy of AVANT GROUP

Our group works together and aims to accomplish the mission since incorporation: “spreading accountability,” based on the corporate philosophy of “creating a company that will last for 100 years.” Our target is to “BE GLOBAL.” We will evolve into a world-class software company and widely contribute to the development of society and economy.



In 2021, our group defined the strategic materiality to accomplish our vision as “to be a software company that increases corporate value.” It points to two things: we contribute to “improvement of corporate value” through DX of management and we are a “software company” in the core of business model. This strategic materiality was created in the course of implementing our midterm management plan “BE GLOBAL 2023,” which remains to be the direction to follow in the new midterm management plan “BE GLOBAL 2028.”

Certain things were identified during the process to plan for “BE GLOBAL 2028,” including stipulation of strategy to achieve the vision to be the “software-driven strategy.”

“Software-driven strategy” is a concept to manage all corporate businesses with software as the starting point. We measure the effectiveness of each software by visualizing respective growth and profitability to understand which software is actually contributing to customers at what level and to promote more strategic activities.

By promoting these strategic activities, we will achieve the vision to “become a world-class software company” through accumulation and utilization of intellectual properties to enhance the ability to contribute to customers.

Midterm management plan for the AVANT GROUP

Reflection of our midterm management plan “BE GLOBAL 2023”

In September 2018, our group established the midterm management plan “BE GLOBAL 2023” over the five years ending in FY23 (June 2023 period) to aim at “becoming a world-class software company.”

We successfully accomplished both the operational KPI and financial KPI and doubled the sales and operating profit in the midterm plan. We were not able to accomplish the strategic KPI as the goal to convert the business model; however, the share sales increased from 4 billion yen in FY18 to 7.6 billion yen in FY23.

		FY18 results	FY23 goal	FY23 results
Operational KPI	Sales (100 million yen)	121	180~220	214
	Operating profit (100 million yen)	16	31~38	32
Strategic KPI	Stock sales ratio (%)	33	70	35
	Sales growth ratio + operating profit ratio	28.5	40 \leq	29.9
Financial KPI	ROE (%)	24.5	20 \leq	22.2*
	Dividend (yen)	12	15 \leq	15

※ Average for FY19 – FY23; FY23 results: 18.3%

Regarding the goal in the strategic KPI, we changed our policy in the third year of the previous midterm plan, based on which we engaged in activities.

We initially expected to use M&A for conversion of the business model to measure the progress with the strategic KPI; however, changed our policy to a plan that assumes organic growth rather than relying on M&A after experiencing multiple cases with risks exceeding the allowable limit due to the steep price increase, insufficient management ability, etc.

During the time of this policy change, we made a statement to “become a software company useful to improve corporate value” as the strategic initiative and also restructured our business.

In business restructuring, we optimized allocation of each business company in the respective market to achieve strategic initiative and created a midterm plan based on this new role sharing by business companies to produce the new midterm plan “BE GLOBAL 2028.”

Goals of the new midterm management plan “BE GLOBAL 2028”

The midterm management plan “BE GLOBAL 2028” aims at realizing a spiral of value creation by improving productivity from value creation resulting from software-driven strategy as the starting point. Improvement of productivity from value creation as measured by per-capita operating profit is reduced to compensation and invested into human resources to achieve value creation in people and goods. Not only service is provided but also software is created by people and goods; therefore, value creation in people and goods leads to continuous business growth resulting in creation of corporate value. Enhanced corporate value increases funding capacity as well as capacity available for business investment, resulting in improvement of productivity for value creation.

The direction aimed at by the spiral of such value creation is to “become a software company useful to improve corporate value” as the strategic initiative to be achieved.

Outlook of the new midterm management plan “BE GLOBAL 2028”

As a B-to-B software growth corporation, we aim at profit growth of triple net profit against double sales on the basis of 25% or more net profit growth rate CAGR (average annual growth rate). This profit growth requires either improvement of “productivity from sales” to increase per-capita sales or improvement of “productivity from invested costs” to reduce invested costs for the same sales. These types of productivity are collectively called “productivity from value creation.”

We plan to increase the per-capita operating profit as the index to improve productivity from value creation to one-and-a-half times more in five years, and the gross profit from software to achieve progress of software-driven strategy to three times more in five years. Our group expects to be recognized as growth shares rather than aggressive growth shares in the stock market, raising ROE as the financial KPI and maintaining 20% on average. For stable shareholder return, we have a discipline of 7% DOE* (dividend on equity ratio) on average.

※DOE: Dividend on equity ratio

	FY23	FY28	Changes/Average in 5 years
Sales	21.4 billion yen	40-45 billion yen	2x
Operating profit	3.28 billion yen	9-11 billion yen	3x
Operating profit rate	15.4%	20-24%	+5 - 9pts
Net profit	2.09 billion yen	6-7 billion yen	3x/CAGR 25%
Operating profit per person	2.4 million yen	3.5-4.3 million yen	1.5x
Software gross profit	2.13 billion yen	6-6.5 billion yen	3.0x
ROE	18.3%	20% ≧	AVG 20%
DOE	4.9%	8% ≧	AVG 7%
Dividend	15 yen	51 yen ≧	3.4x

Securities Code:3836
September 8, 2023
(Start date of electronic provision: September 5, 2023)

To All Shareholders,

Tetsuji Morikawa
President and Representative Director
AVANT GROUP CORPORATION
2-15-2 Konan, Minato-ku, Tokyo

Notice of 27th Annual General Shareholders' Meeting

Thank you for your continued support and patronage.

Please be advised that the 27th Annual General Shareholders' Meeting will be held as detailed below. We are electronically providing the notice to call this shareholders' meeting by posting the "notice to call the 27th Annual General Shareholders' Meeting" on the following website.

Please refer to our website <https://www.avantgroup.com/ja/ir/irnews.html> or the website of Tokyo Stock Exchange (Tosho) as follows:

Tokyo Stock Exchange website (Company Announcements Service)
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>
(Please access the Tosho website in the above, enter/search "Avant Group" or the Securities Code "3836" in "Code," and sequentially select "basic information" and "documents to be examined/PR information" to confirm the column of "notice to call shareholders' meeting/materials for shareholders' meeting" in the "documents to be examined.")

Voting rights may be exercised in writing or on the Internet in place of attendance on the day. Please review the documents for reference for the shareholders' meeting posted in electronically provided matters and exercise the voting rights according to the guidance below no later than 6PM on September 26, 2023 (Tuesday).

1. Date/time September 27, 2023 (Wednesday) at 10AM (Doors open at 9:30AM)
2. Location 1-3-2 Otemachi, Chiyoda-ku, Tokyo
Keidanren Kaikan 2F Keidanren Hall
(Please refer to the venue guide at the end.)

3. Purposes

Matters to be reported

1. The Business Report, the Consolidated Financial Statements and the report of the audit of the Consolidated Financial Statements by the Independent Auditor and Audit Committee for the 27th Fiscal Term (from July 1, 2022 to June 30, 2023) will be reported at the meeting.
2. The Non-Consolidated Financial Statements for the 27th Fiscal Term (from July 1, 2022 to June 30, 2023) will be reported at the meeting.

Matters to be resolved

Proposal1 Appropriation of surplus

Proposal2 Election of four directors (except directors who are audit committee members)

Proposal3 Revision of performance-based share compensation plan for directors (except for directors who are audit committee members as well as for outside directors)

4. Notice Pertaining to the 27th Annual General Shareholders' Meeting

① Guidelines for Internet-Based Voting Rights Exercise, Advanced Submission of Queries and Opinions, and Video Broadcast Details

For specific protocols concerning the digital execution of voting rights, pre-submission procedures for queries and opinions, as well as instructions for live-streaming and post-meeting archived video access, please consult the information provided below. Subject matters eliciting high levels of stockholder interest will be judiciously incorporated into the agenda of the General Shareholders' Meeting.

- The exercise of voting rights can be done in person, by mail (postal), or in advance through the internet using a computer or smartphone.



Please refer to information on pages 8 and 9.

- Shareholders are welcome to submit questions in advance for consideration.

- On the day of the General Shareholders' Meeting, we will live-stream the proceedings via the internet.



Please refer to information on page 10

- After the meeting concludes, we will provide an archived video of the proceedings on our company website.

② Information Disclosure via the Internet

The documents we have sent also serve as electronic provision measures based on written disclosure requests. Furthermore, the following items are excluded in accordance with legal requirements and Article 13 of our company's articles of incorporation. Therefore, these documents form a part of the materials that the Audit and Supervisory Committee and the external auditor have audited.

- Matters concerning the company's stock
- Matters concerning the company's new stock options
- Situation of the independent auditor
- Notes to Consolidated financial statements
- Notes to Non-Consolidated financial statements

In case any amendments are made to these electronic provision measures, the corrections will be posted on the respective websites where they are published.

③ Other information

If you are attending on the day of the meeting, we kindly request that you submit the enclosed voting rights exercise form at the reception desk. We also ask you to bring this notice of the meeting with you. Should there be any significant changes in the operations of the General Shareholders' Meeting due to future circumstances, we will notify you on the following website:

<https://www.avantgroup.com/ja/index.html>

End of statement

Guidance on the Exercise of Voting Rights

Exercise of voting rights in writing



Please fill out the enclosed voting form, indicating your approval or disapproval for each agenda item, and return it by mail. If there is no indication of approval or disapproval for any item on the voting form, it will be treated as an expression of approval.

Exercise Deadline: To be received no later than 6:00 PM on September 26, 2023 (Tuesday)

Exercise of Voting Rights via the Internet



Please visit our designated voting site (<https://www.web54.net>), input your approval or disapproval for each agenda item, and submit.

Exercise Deadline: Up to 6:00 PM on September 26, 2023 (Tuesday)

Exercise of Voting Rights by means of a Smartphone or Tablet



Please scan the "QR Code for Smartphone Voting Website Login" located at the bottom right of the enclosed voting form using your smartphone or tablet. Open the displayed URL and follow the on-screen instructions to input your approval or disapproval for each agenda item, and then press submit.

Exercise Deadline: Up to 6:00 PM on September 26, 2023 (Tuesday)

Exercise of Voting Rights by Attendance of the General Shareholders' Meeting in Person



Please bring the enclosed voting form and submit it at the reception desk at the meeting venue.

For registered shareholders held by trustee banks and the like (including permanent proxies), if you have previously applied to use the electronic voting platform operated by ICJ Corporation, you may also use this platform as a method for exercising voting rights by electronic means at our General Shareholders' Meeting, in addition to the above methods.



Should you choose to exercise your voting rights through both written form and via digital means such as a computer or smartphone, the vote submitted through the Internet will be acknowledged as the valid exercise of your voting rights. In that event that you should exercise your voting rights multiple times via the Internet, the most recently submitted vote will be recognized as valid.

Guidelines for Exercising Voting Rights via the Internet or Other Digital Platforms



To exercise your voting rights via digital means, you may do so using either a computer or a smartphone by visiting the designated voting website provided by our company.

Exercising Voting Rights via Smartphone or Other Similar Devices

1. Please scan the "Smartphone Voting Website Login QR Code" located at the bottom-right corner of the enclosed voting form using a smartphone or tablet.



2. Subsequently, please follow the on-screen instructions to indicate your approval or disapproval of the agenda items.

Should you wish to modify your vote after initially casting it, please visit the website designed for computer usage. Utilize the "Login ID" and "Password" provided on the voting form and follow the on-screen instructions to enter your stance on the proposals.

Exercising Voting Rights via the Internet or Other Digital Platforms

1. Please access the following voting website: <https://www.web54.net>



2. After logging in by entering the "Voting Rights Exercise Code" displayed on the bottom-left corner of the enclosed voting form (postcard side), please input your "Password." Then, proceed to follow the on-screen guidance to indicate your approval or disapproval of the agenda items before submitting your decision.



- Please note that any fees incurred, such as connection charges by telecommunications carriers and service providers while using the voting website, will be the responsibility of the stockholder.
- Your password is a critical piece of information used to verify that the individual casting the vote is indeed the stockholder. Kindly handle this password with the utmost care, comparable to how you would treat your personal seal or PIN number.
- If incorrect password entries exceed a certain limit, the password will become disabled. Should you require a password reissue, please adhere to the on-screen procedures.

Inquiries

Should you have any questions or require clarification regarding the exercise of voting rights via digital means, please feel free to reach out to the dedicated hotline below:

Sumitomo Mitsui Trust Bank, Limited
Securities Transfer Web Support Exclusive Line

0120-652-031

Operating Hours: 9 a.m. to 9 p.m.

Guidance on Internet-Based Pre-Submission of Questions

To accommodate shareholders who are unable to attend in person, we have established a specialized website to receive questions in advance via the internet. Kindly input the following URL on your computer or smartphone, or use the provided QR code to access the website and submit your queries.

Website for the pre-submission of questions:
<https://krs.bz/diva/m/agm>



【Notice】

The deadline for question submissions is 6:00 PM (Japan Standard Time) on Tuesday, September 26, 2023. All questions received will be compiled by the Secretariat and addressed during the General Shareholders' Meeting. Please understand in advance that it may not be possible to respond to every question submitted.

Live Video Streaming of the General Shareholders' Meeting

For those interested in watching the General Shareholders' Meeting via the internet, we kindly request you to access the following website:

Website for Live Webcast:
<https://avantgroup.premium-yutaiclub.jp/live/>



To view the live webcast, you will need to input the following information:

- The 9-digit stockholder number found on the enclosed proxy voting form
- The 7-digit postal code of your registered address, excluding any hyphens

Guidance on Archived Broadcast

Following the conclusion of the General Shareholders' Meeting, a recorded video will be made available for archival viewing on our company website: <https://www.avantgroup.com/ja/ir/stock/meeting.html>

【Notice】

We recommend accessing the webcast site earlier than the designated start time to input your stockholder number and postal code.

Depending on your device and network conditions, it may not be possible to view the webcast.

Any costs associated with data transmission for viewing the webcast will be borne by the stockholder.

Viewing this webcast is not considered formal attendance at the General Shareholders' Meeting as per the Companies Act. Consequently, it will not be possible to ask questions or submit proposals in accordance with the Companies Act. Shareholders who may wish to pose questions or make proposals under the Companies Act are earnestly requested to attend the General Shareholders' Meeting in person. We kindly ask for your cooperation in exercising your voting rights in advance, either in writing or via the internet.

Reference Documents for the General Shareholders' Meeting

Proposal1: Appropriation of surplus

Disposition of the surplus shall be as follows.

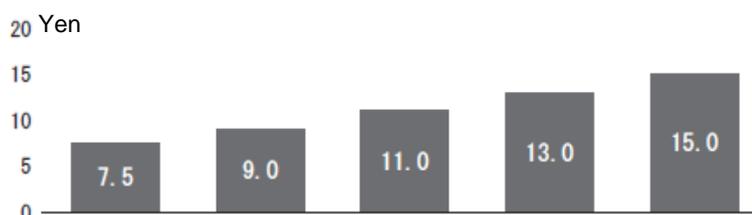
【AVANT GROUP CORPORATION's stockholder return policy】

We place dividend of the surplus as the important matter of the shareholder return measures and pay attention to the indexes including dividend on equity ratio (DOE) by directing to stably maintain and improve the dividend amount without being affected by business performance of each term.

The term-end dividend of the 27th term shall be as follows in consideration of the business performance of the current business year and the future business development.

- (1) Type of property for dividend
Monetary property
- (2) Matters concerning allocation of property for dividend and such total amount: 15 yen per our ordinary share
The total amount of dividend in this case shall be 564,642,795 yen.
- (3) Effective date of dividend of the surplus: September 28, 2023

Transition of dividend per ordinary share and dividend on equity ratio



	Term ending June 2019	Term ending June 2020	Term ending June 2021	Term ending June 2022	Term ending June 2023
Dividend per share (yen)	7.5	9.0	11.0	13.0	15.0
Dividend on equity ratio	5.27%	5.17%	5.18%	5.04%	4.93%
(Ref.) Average of companies listed at Tokyo Stock Exchange	2.93%	2.93%	2.88%	3.18%	3.09%

(Note) Dividend per share is after share split adjustment.

Average dividend on equity ratio of companies listed at Tokyo Stock Exchange indicates the average of 12 months until June for each term. The values of the term ending June 2022 are also revised to indicate average of 12 months until June, not average of 12 months until April. The values of the term ending 2023 indicates average of 12 months until April 2023.

Proposal2: Election of four directors (except directors who are audit committee members)

The terms of all four directors (except directors who are audit committee members) will expire at ending of the Meeting. Therefore, we request you to elect four directors.

There are no special matters to point out from the audit committee in regard to this proposal.

The director candidates are as follows.

Candidate No.	Name	Position and responsibility at the Company	Attendance to board of directors
1	Reelection: Tetsuji Morikawa	President and Representative Director, Group CEO, Member of consideration advisory committee	100% (14/14)
2	Reelection: Naoyoshi Kasuga	Director, Group CFO	100% (14/14)
3	Reelection: Jon Robertson	Director Outside Independent Diversity	93% (13/14)
4	New election: Tatsuya Kamoi	--- Outside Independent	-

(Note)

1. There is no special interest between each director candidates and the Company.
2. Mr. Jon Robertson and Mr. Tatsuya Kamoi are outside director candidates. We have designated Mr. Jon Robertson as the independent director under the provisions of Tokyo Stock Exchange and have notified the same to thereto. If Mr. Robertson is reelected, he will continue to be the independent director. We will also designate Mr. Tatsuya Kamoi as the independent director and will notify the same thereto if he is approved to be elected.
3. Mr. Jon Robertson and we have entered into the liability limitation agreement under Clause 1, Article 427 of the Companies Act. The amount of limit of liability is the minimum liability amount stipulated by the law. If Mr. Robertson is reelected, the liability limitation agreement shall be retained. If election of Mr. Tatsuya Kamoi is approved, we will enter into the equivalent liability limitation agreement with him.
4. We have entered into the agreement of liability insurance of officers, etc. stipulated in Clause 1, Article 430-3 of the Companies Act with an insurance company. If this Proposal is approved and passed and each director candidate is elected and assumes the positions of directors, all such directors shall be insured with the relevant insurance agreement. The relevant insurance agreement shall insure the directors of the Company and our subsidiaries, directors who are members of audit committee, executive officers and employees, etc. and the full insurance premium for all insured is incurred by the Company. The relevant insurance shall cover damage compensation, settlement money, compromise money and damage of litigation cost, etc. considered to be paid by the insured which arise when the insured is subject to claim for damage compensation due to their performance of duties during the insurance period. However, any claim for damage compensation arising from act of disloyalty, criminal act, fraud, intentional violation and insider trading, etc. shall not be covered by the relevant insurance. The agreement period of the agreement of liability insurance of officers, etc. shall be one year, and will be renewed upon resolution at the board of directors before expiration of such period.

Candidate Number 1

Tetsuji Morikawa

Reelection

Date of Birth: February 23, 1966 (57 years old)
Tenure on Board of Director: 26 years
Board Meeting Attendance: 100% (14 out of 14)
Number of Company Stocks Held: 9,764,000 stocks



【Professional Background】

April 1990	Joined PwC Consulting LLC
May 1997	Founded the company and assumed the role of President and Representative Director (ongoing)
September 2020	Appointed Group CEO (ongoing)

【Important Concurrent Roles】

October 2013	CEO, DIVA CORPORATION OF AMERICA
March 2017	Outside Director, KAYAC Inc.

【Rationale for Nomination as Board Director】

Since founding the company in May 1997, Mr. Morikawa has steered the company group for 26 years as its Representative Director. Beyond establishing our self-developed consolidated accounting software as a critical infrastructure for delivering comprehensive management information centered around financial data, he has also exhibited strong leadership in business diversification through M&A, transitioning to a holding company system, and orchestrating group reorganization. Currently, he is spearheading the transformation and growth of the group towards realizing our new mid-term management plan, "BE GLOBAL 2028." We kindly request your support for his reappointment for the continued prosperity of our company group.

【To Our Esteemed Shareholders】

Our enduring vision since the company's inception has been to become a globally competitive software enterprise. The five-year action plan we recently initiated, dubbed "BE GLOBAL 2028," aims to harness our accumulated expertise, align our business strategy with group strategy, and transition these into actionable steps towards fulfilling this vision. The strategic focus of this plan, termed "Strategic Materiality," is to "Become a software company that substantially contributes to enhancing corporate value." We are committed to making a significant impact on organizations that view the enhancement of corporate value as a pivotal challenge. We trust you will find the growth narrative of AVANT GROUP compelling as we persist in striving for globally recognized performance.

Candidate Number 2

Naoyoshi Kasuga

Reelection

Date of Birth: May 13, 1963 (Age 60)
Tenure on Board of Director: 12 years
Board Meeting Attendance: 100% (14/14 sessions)
Number of Company Stocks Held: 21,221 stocks



【Professional Background】

April 1987	Joined The Long-Term Credit Bank of Japan, Limited
August 1999	Joined the New York Stock Exchange Asia Pacific Office
January 2005	Appointed as Executive Officer at the New York Stock Exchange
October 2010	Joined the Company
February 2011	Promoted to Head of the President's Office within the Company
September 2011	Designated as the Company's Board Director in charge of Finance (Ongoing)
September 2020	Assumed the role of Group CFO (Ongoing)

【Rationale for Nomination as Board Director】

Mr. Kasuga joined our Company in October 2010 after garnering valuable experience at commercial banks and the New York Stock Exchange. Since September 2011, he has been serving as the Board Director responsible for financial matters, and currently holds the position of Group CFO. His extensive experience and informed insights into management have been instrumental in overseeing the financial dimensions of the Company. His nomination is further supported by his exemplary character and discernment.

【To Our Esteemed Shareholders】

As we strive to realize our Group's principal objective—"to evolve into a software company that contributes meaningfully to enhancing corporate value"—we are committed to deploying capital judiciously yet ambitiously, in alignment with our new mid-term business strategy. In doing so, we aim for our Group to be continually recognized and supported by shareholders and investors as a continuous growth enterprise over the long term. Concurrently, we are dedicated to reciprocating this support by way of continuous improvements in corporate value and stable dividend returns.

Candidate Number 3

John Robertson

Reelection

Outside

Independent

specializing in Diversity

Date of Birth: October 29, 1968 (54 years old)
Tenure on Board of Director: 3 years
Board Meeting Attendance: 93% (13 out of 14 meetings)
Number of Company Stocks Held: 0 stocks



【Professional Background】

January 1994	Sales Manager at M3i Systems, Inc.
July 1996	Sales Director at SAP America, Inc.
July 1999	Managing Director at EMC Corporation
July 2002	Senior Director at Reuters Corporation (now Thomson Reuters)
January 2004	Rejoined EMC Corporation
January 2007	VMware K.K., Vice President in charge of Customer Operations
January 2012	Vice President and Head of ASEAN at VMware Singapore Pte. Ltd.
December 2014	Vice President of VMware K.K.
March 2015	President and Representative Director of VMware K.K.
September 2020	Director at our company (ongoing)
March 2021	President for Asia-Pacific & Japan Region at Snowflake Inc. (ongoing)

【Important Concurrent Roles】

March 2021 President for Asia-Pacific & Japan Region at Snowflake Inc.

【Rationale for Nomination as Non-Executive Director and Expected Contributions】

With over 30 years of experience leading globally diverse organizations in Japan and the Asia-Pacific region, Mr. Robertson has demonstrated exceptional managerial, leadership, and communication skills. He possesses an in-depth understanding of cutting-edge IT technologies, including the cloud-native sector, and has consistently exhibited enthusiastic leadership in the fast-evolving IT industry. We anticipate that he will continue to contribute meaningfully, especially in achieving our vision of BE GLOBAL and in executing our mid-term business strategy through cloud technology.

【To Our Esteemed Shareholders】

I have served as a director at Avant for three years and have been profoundly impressed by the AVANT GROUP CORPORATION's commitment to balancing customer satisfaction with outstanding performance. We offer world-class technology solutions and services that facilitate our clients' digital transformations. Cloud technology is increasingly recognized as vital, even in Japan, and I believe that we will enhance the value of our relationships with our clients through maintaining and strengthening partnerships based on trust and mutual growth. As an expert in technology, I am committed to deeply engaging in these sectors, continually enhancing their value, and elevating the market presence of the AVANT GROUP CORPORATION.

Candidate Number 4	Tatsuya Kamoi	New election Outside Independent
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Date of Birth: February 10, 1961 (62 years old)
Tenure on Board of Director: -
Board Meeting Attendance: -
Number of Company Stocks Held: 0 stocks



【Professional Background】

April 1983	Joined Seiko Epson Corporation
January 2006	Executive Officer at IBM Japan, Ltd. and Director at IBM Business Consulting Services Ltd.
January 2012	Managing Executive Officer at IBM Japan, Ltd.
August 2014	Representative Director and Mercer Far East Market Leader at Mercer Japan Ltd.
October 2019	Senior Corporate Executive at NEC Corporation
April 2020	Representative Director at ABeam Consulting Ltd.
April 2023	Vice Chairman of the Board at ABeam Consulting Ltd. (Ongoing)

【Important Concurrent Roles】

April 2023	Vice Chairman of the Board at ABeam Consulting Ltd.
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【Rationale for Nomination as Non-Executive Director and Expected Contributions】

Mr. Kamoi brings over two decades of experience in consulting and IT strategy implementation for both domestic and global enterprises. Furthermore, his leadership roles at Mercer Japan Ltd. and ABeam Consulting Ltd., coupled with his extensive background in human resources, make him an ideal candidate for contributing to our business oversight and the successful execution of our new mid-term business strategy "BE GLOBAL 2028."

【To Our Esteemed Shareholders】

Leveraging my multifaceted experience - which spans operational roles in business and consulting companies, global business development for Japan-based corporations, IT services at both U.S. and Japan headquarters of American companies, and HR management - I aim to make a meaningful contribution to AVANT GROUP CORPORATION. Specifically, I hope to assist in achieving our upcoming business growth strategies and fortifying our corporate governance to enhance overall enterprise value. Your support is highly appreciated.

Proposal3: Revision of performance-based share compensation plan for directors (except for directors who are audit committee members as well as for outside directors)

We obtained approval at the 26th Annual General Shareholders' Meeting held on September 27, 2022 that the compensation for our directors (except directors who are audit committee members) shall be annually within 150,000,000 yen as the fixed compensation (not including, however, employee's salary for the director also serving as an employee), annually within 41,250,000 yen per director (except outside directors) as short-term performance-based compensation, annually within 100,000,000 yen as middle-term performance-based compensation (the number of shares to be issued shall be annually within 60,000 shares per director and within 100,000 shares in total for all directors except outside directors).

We shall further endeavor to share value with our directors (except for directors who are members of committee of audit, etc. as well as for outside directors, hereafter "Subject Directors") and shareholders by continuous increase of the share value and shall revise details of the share compensation plan as middle-term performance-based compensation for the purpose of granting incentives to the Subject Directors to sustainably increase our corporate value. This Bill is to revise the details of the share compensation plan for the purpose of endeavoring further value sharing with the Subject Directors and our shareholders by continuous increase of the share value. We have stipulated the decision-making policy concerning the directors' compensation, etc. by individual of which overview is as described after p.28 through 32. We are planning to revise it so that it is consistent with the details of this Bill if you have approved this Bill as we consider the details of this Bill is appropriate.

There are currently two Subject Director (0 outside directors), and if Proposal 2 "Election of four directors (except directors who are members of committee of audit, etc.)" is approved and passed as the original proposal, the number of the Subject Directors shall be continuously two (0 outside directors).

1. Overview of the new share compensation plan

The new share compensation plan (hereafter "Plan") shall set the period from September of every year to September of the following year as the subject period (hereafter "Subject Period"), consisting of two parts; one part is where the Company's ordinary shares are issued provided that the Company's share value increases at ending of the Subject Period compared to that at the starting thereof (hereafter "Part I") and the other part is where the Company's ordinary shares are issued in the number calculated according to the Company's share growth rate as it was traditionally done (hereafter "Part II").

In the Plan, monetary compensation receivables equivalent to the total amount of payment into the shares issued to the Subject Directors at ending of the Subject Period based on Part I and Part II shall be provided, and the Company's ordinary shares shall be issued or disposed of by accepting contribution in kind from the Subject Directors. Payment amount of such issuance or disposition per share shall be determined by the board of directors to an extent where no special advantage is created for the Subject Directors with the closing share value of the Company's ordinary shares at Tokyo Stock Exchange on the previous business day of resolution date of the board of directors in regard to such issuance or disposition (the closing share value on the latest transaction date if the transaction is not closed) as the base.

Monetary compensation receivables provided under the Plan shall be annually within 100,000,000 yen similarly to the former share compensation plan as the reasonable amount in consideration of the purpose of the Plan, and the number of shares to be issued under the Plan shall be annually within 60,000 shares per director and annually within 100,000 shares for all Subject Directors. If there is share split (including free allocation of the Company's ordinary shares) or share consolidation of the Company's ordinary shares after the date when this Bill is approved and passed, the upper limit number shall be adjusted according to the split ratio or consolidation ratio.

The specific period and details of the provision to each Subject Director shall be determined by the board of directors.

2. About Part I

In Part I, the Company's ordinary shares shall be issued in the number determined by the Company's board of directors under the following condition; when comparing average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period starts (September of every year) with average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period ends (September of the following year), the latter exceeds the former.

Part I requirement of share issuance is that no specific misconduct, etc. stipulated by the Company's board of directors is taken during the Subject Period.

3. About Part II

In Part II, the number of the Company's ordinary shares to be issued to each Subject Director after ending of the Subject Period shall be determined by multiplying (1) the number of shares determined by the board of directors (equal to the number of shares determined for Part I in the same Subject Period; hereafter "Standard Number of Shares to be Issued") by (2) share issuance ratio to be determined according to the Company's share growth rate.

The Company's share growth rate shall be calculated by dividing the Company's TSR (Total Shareholder Return) during the Subject Period by Tokyo Stock Price Index (hereafter "TOPIX") during the Subject Period.

Specifically, calculation is done in accordance with the following calculation formula. However, reasonable adjustment shall be made according to ratio, etc. of the Subject Directors' tenure in the Subject Period. In addition, in the case that there is share split or share consolidation of the Company's ordinary shares after this Bill is approved and passed, or otherwise that there is any reason for adjustment of the following calculation items, such items shall be adjusted to a reasonable extent.

Whether compensation, etc. under this Bill shall be issued or provided to each Subject Director, the number of the Company's ordinary shares to be issued and amount of the monetary compensation receivables for issuance of the Company's ordinary shares have not been fixed. Additionally, if simple average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period ends (September after one year) falls below simple average of the closing share value of the Company's ordinary shares at Tokyo Stock Exchange in the month when the Subject Period starts (September of the current year), the monetary compensation receivables shall not be provided and the Company's ordinary shares shall not be issued to the Subject Directors under Part II during such Subject Period.

Middle and long-term performance-based compensation (the number of shares to be issued)
 = Standard number of shares to be issued x Share issuance ratio

Share issuance ratio

- ① If the Company's share growth rate (A) is under 100%: 0
- ② If A is more than 100% and under 112%: $33\% \times (A-100\%) / 12\%$
- ③ If A is more than 112% and under 150%: $33\% + 67\% \times (A-112\%) / 38\%$
- ④ If A is over 150%: 100%

The Company's TSR (Total Shareholder Return)

A: The Company's share growth rate

The Company's TSR during the Subject Period
 TOPIX growth rate during the Subject Period

Simple average of closing share value of the Company in the month when the Subject Period is ending (September after 1 year) + Total dividend amount per share for divided of surplus during the Subject Period

Simple average of closing share value of the Company in the month when the Subject Period is starting (September)

TOPIX growth rate

Simple average of TOPIX in the month when the Subject Period is ending (September after 1 year)

Simple average of TOPIX in the month when the Subject Period is starting (September)

【Requirement of share issuance】

In Part II, the Company's ordinary shares shall be issued to the Subject Directors when the Subject Period ends and the following requirements are satisfied.

- ① No specific misconduct, etc. stipulated by the Company's board of directors has been taken
- ② Otherwise the requirements stipulated by the Company's board of directors are satisfied as requisites to achieve the purpose of the performance-based share compensation plan

In addition, at the 26th Annual General Shareholders' Meeting, we concluded that shares were not to be issued to the president and representative director if the annual growth rate (CAGR) of one share's profit after adjustment until ending of the Subject Period fell under 18%, but such condition shall be abolished.

In the case that ① a Subject Director is dead or withdraws or resigns from the Company's director or other position designated by the board of directors by the reason considered by the board of directors as legitimate and ② a merger agreement where the Company shall be an extinct company, share exchange agreement or share transfer plan where the Company shall become a wholly owned subsidiary or other matters concerning reorganization, etc. are approved at the Company's general shareholders' meeting (however, the board of director shall do the same if approval from the Company's general shareholders' meeting is not required for such reorganization, etc.), and in the chase that the Company's general shareholders' meeting considers there is a duly reason, as necessary, the amount reasonably designated by the Company's board of directors shall be provided in place of the Company's ordinary shares at the time reasonably designated by the Company's board of directors.

Matters on corporate officers

(1) Names, etc. of directors (as of June 30, 2023)

Position	Name	Responsibility and status of important concurrent posts
President and Representative Director	Tetsuji Morikawa	Group CEO, Member of the compensation advisory committee DIVA CORPORATION OF AMERICA CEO, Outside director of KAYAC, Inc.
Director	Naoyoshi Kasuga	Group CFO, Outside director of Metapraxis Limited
Director	Naohisa Fukutani	Chairperson of the compensation advisory committee, Senior advisor of PwC Japan LLC
Director	Jon Robertson	President of Asia Pacific and Japan Region, Snowflake Inc.
Director, full-time audit committee member	Tsuyoshi Noshiro	
Director, audit committee member	Chie Goto	Member of the compensation advisory committee, Partner of Sakura Kyodo Law Office
Director, audit committee member	Makoto Nakano	Professor of the graduate school of Hitotsubashi University, Vice chairperson of IAAER

- (Note) 1. Director Mr. Naohisa Fukutani and Director Mr. Jon Robertson are outside directors.
2. Director and audit committee member Ms. Chie Goto and Director and audit committee member Makoto Nakano are outside directors.
3. Director and audit committee member Mr. Tsuyoshi Noshiro and Ms. Chie Goto hold the license of certified public accountant and have considerable knowledge of finance and accounting.
4. The Company has selected Director and audit committee member Mr. Tsuyoshi Noshiro as a full-time audit committee member to improve effectivity of audit and reinforce the auditing and supervising function by enhancing information collection and through full alignment with the internal audit department, etc.
5. The Company has designated Director Mr. Naohisa Fukutani, Director Mr. Jon Robertson, Director and audit committee member Ms. Chie Goto and Director and audit committee member Mr. Makoto Nakano as independent directors under the provision of Tokyo Stock Exchange and has notified the above thereto.
6. Although Director Mr. Naohisa Fukutani is the Company's shareholder, his ownership ratio is under 1%, which does not make him a major shareholder and he and the Company have no specific interest. Therefore, we consider that it will not cause any conflict of interest with general shareholders. There is no specific interest between other directors mentioned above and the Company.

(2) Overview of details of the liability limitation agreement

The Company has entered into the agreement to limit damage liability in Clause 1, Article 423 of the Companies Act with the outside directors and external audit committee members. Limited amount of damage liability under such agreement shall be the amount stipulated in Clause 1, Article 425 of the Companies Act.

(3) Overview of details of the agreement of liability insurance of officers, etc.

We have entered into the agreement of liability insurance of officers, etc. stipulated in Clause 1, Article 430-3 of the Companies Act with an insurance company. The relevant insurance agreement shall insure the directors of the Company and our subsidiaries, directors who are members of committee of audit, etc., executive officers and employees, etc. and the full insurance premium for all insured is incurred by the Company. The relevant insurance shall cover damage compensation, settlement money, compromise money and damage of litigation cost, etc. considered to be paid by the insured which arise when the insured is subject to claim for damage compensation due to their performance of duties during the insurance period. However, any claim for damage compensation arising from act of disloyalty, criminal act, fraud, intentional violation and insider trading, etc. shall not be covered by the relevant insurance.

(4) Matters concerning outside directors

① Matters concerning those who execute business of other legal entities, important concurrent posts as outside directors

Position	Name	Details of concurrent post	Legal entity, etc. of concurrent post	Relationship with the Company
Director	Naohisa Fukutani	Senior advisor	PwC Japan LLC	The Company does not have relationship with PwC Japan LLC for transaction, etc.
Director	Jon Robertson	President of Asia Pacific and Japan Region,	Snowflake Inc.	Snowflake Inc. where Mr. Jon Robertson is the president of Asia Pacific and Japan Region and the Company's wholly owned subsidiary, ZEAL Corporation have entered the solution partner agreement, where they are in the transactional relationship for the products provided by Snowflake Inc., but such amount is under 0.2% of the consolidated sales amount which is within 2% designated by the Company as the standard of independence, which shall not possibly cause an influence on the Company's decision making.
Director (Audit committee member)	Chie Goto	Partner	Sakura Kyodo Law Office	The Company does not have relationship with Sakura Kyodo Law Office for transaction, etc.
Director (Audit committee member)	Makoto Nakano	Professor, Vice chairperson	Graduate shoold of Hitotsubashi University, IAAER	The Company does not have relationship with Hitotsubashi University and IAAER for transaction, etc.

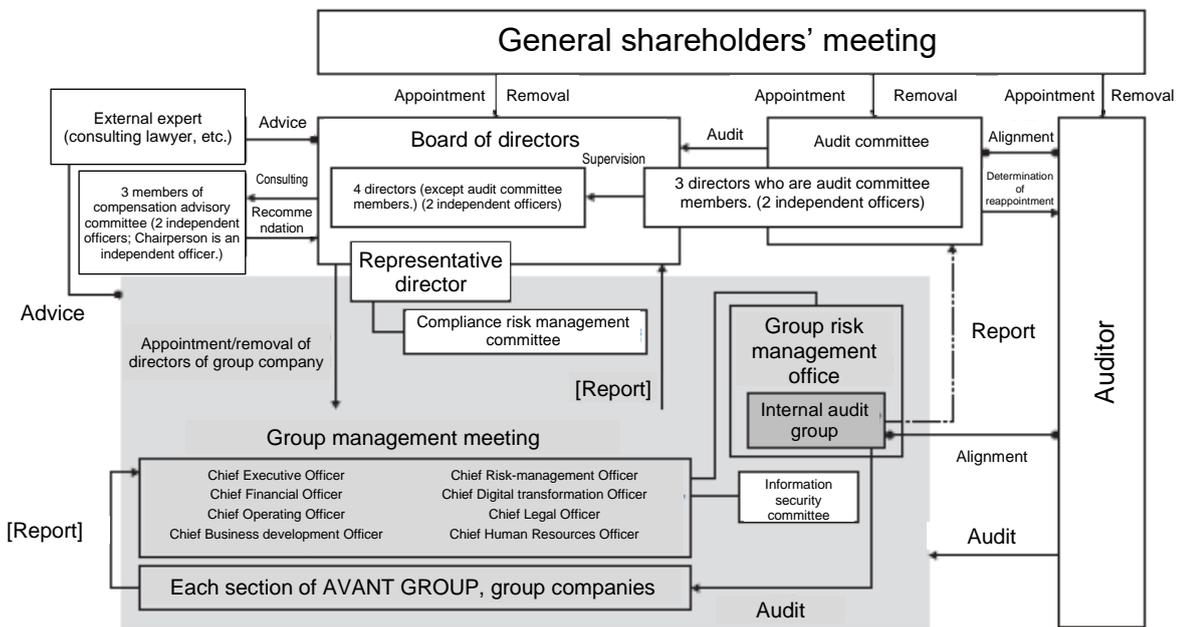
② Overview of the main activities in the current fiscal year and duties performed for the roles expected for the outside directors

	Activity status
Director Naohisa Fukutani	He attended the board of directors all 14 times held in the fiscal year. Additionally, he has posed questions, advices and opinions as necessary for enhancement of the Company's management supervision and corporate governance as the head outside director and as an expert of corporate management and governance. In the compensation advisory committee, as the chairperson, he has put effort to aggregate each member's inputs in consideration of the purpose to enhance independence, objectivity and accountability of decision-making process of the officer compensation plan.
Director Jon Robertson	He attended the board of directors 13 times out of 14 held in the current fiscal year. He has profound knowledge of the latest IT technology and has posed questions, advices and opinions as necessary for achivement of creation of the corporate value through adoption of clouds for the Company's vision "BE GLOBAL" and mid-term management planning.
Director (Audit committee member) Chie Goto	She attended the board of directors all 14 times, the baord of audits all 5 times and committee of audit, etc. all 13 times held in the current fiscal year. She has posed questions, advices and opinions as necessary through her abundant insights as a legal and accounting expert. She also proactively studies the market trends, etc. as a member of the compensation advisory committee as well as collecting inputs on the directors and exective officers.
Director (Audit committee member) Makoto Nakano	He attended the board of directors all 10 times and the committee of audit, etc all 13 times held after he assumed the director position on September 27, 2022 and has posed questions, advices and opinions as necessary through his abundant insights as an expert of busiess, accounting and corporate finance.

[Reference]Corporate governance system

Avant Group transformed as the company with audit committee by resolution at the 26th Annual General Shareholders' Meeting held on September 7, 2022, and has shifted to the system where the board of directors focuses on the management strategy function to monitor the executing statuses. The authority to determine execution of operation that delegates the authority is the rules of the board of directors to be reviewed and determined at the board of directors' meeting held immediately after ending of every annual general shareholders' meeting in order to react to change in diversity of the board of directors and replacement, etc. of group CEO.

We have selected the current corporate governance system in seeking how corporate governance should be in view of creation of companies that will last for 100 years.



【Reference】 Criteria for Appointment and Dismissal of Directors

The Company's basic policy of corporate governance therein stipulates the criteria for appointment and dismissal of directors as follows.

1. Candidates of directors shall be those who satisfy the following standards in full consideration of their knowledge, experiences, skills and diversity.
 - ① Fully understand the Company's management philosophy and diligently endeavor to exercise the same
 - ② Have broad knowledge necessary for company management
 - ③ Have sufficient quality to determine execution of important operations of the Company as a member of the board of directors
 - ④ Contribute to enhancement of mutual warning and monitoring functions of directors and to effectivity of the board of directors
2. The Company's outside directors shall be those who satisfy the above standards as well as the independence standards stipulated by the Company.
3. Candidates of directors shall be discussed, determined and nominated at the board of directors.
4. Directors' term is one year and the term of directors who are audit committee members is two years, where reappointment shall not be prevented.
5. The board of directors shall discuss the bill on removal of a director who is considered to fall under the following standard for discussion of the bill on removal of directors.
 - ① Act or possible act to breach the laws and the Articles of Incorporation
 - ② Revealed lack of requirements for appointment of directors
 - ③ Any other reason which does not meet the requirement for appointment of directors.

【Reference】 Major agenda of the board of directors

In the current fiscal year, the board of directors were held 14 times and among total minutes of 1,419, management strategy of the mid-term management plan, etc. was discussed for 338 minutes (approx. 23%), enhancement of governance of the institutional design change, etc. for 322 minutes (approx. 22%), investment including investment to VC funds, etc. for 144 minutes (approx. 10%). Major agenda are as follows.

Resolved matters	Reported matters
<ul style="list-style-type: none"> ● Important human resources and organization of Avant Group ● Approval of compensation plan for officers and compensation amount ● Change in institutional design ● Investment to VC funds ● Purchase of source code of Empower Japan 	<ul style="list-style-type: none"> ● New mid-term management plan ● Report on institutional design ● Role of the board of directors for resolution of materiality ● Consideration of implementation of share compensation for employees ● Progress report of new mid-term management plan formulation and core KGI “human resources value improvement rate” ● How to increase software ~Improvement of product planning skills in the mid-term management plan~ ● Report on improvement to startups and alignment ● Policy on outside director candidates in FY24 ● Remaining issues and resolution of reorganization of the group ● Report on share value trends

【Reference】 Directors’ skill matrix

The Company’s board of directors appoint directors among the candidates who have diverse and professional experiences and insights including leadership (experience as management), experience in IT industry/SaaS, insights of corporate value, experience in global business, insights of organizations and human resources, finance/accounting, legal and compliance with improvement of the corporate value as the purpose, and “Proposal 2: Election of four directors (except directors who are audit committee members)” is approved and passes as the original proposal, the Company’s board of directors shall be composed of the following skill matrix. In addition, the Company’s board of directors shall consist of 4 directors who are not audit committee members (2 outside and independent directors, 1 foreign resident) and 3 directors who are audit committee members. (2 outside and independent directors, 1 female), where the board of directors believe that diversity and balance of knowledge, experiences and skills of the human resources are fully considered and at the level to have advanced decision-making skill.

	Directors				Directors who are audit committee members.		
	Tetsuji Morikawa	Naoyoshi Kasuga	Jon Robertson	Tatsuya Kamoi	Tsuyoshi Noshiro	Chie Goto	Makoto Nakano
Insights of finance/accounting		●			●	●	●
Insights of legal and compliance					●	●	
Leadership	●		●	●			
IT industry /SaaS experience	●		●	●			
Insights of corporate value	●	●	●				●
Experience of lobal business		●	●	●			
Insights of organizations/human resources	●	●	●	●	●	●	●

【Reference】 Standards of independence of outside directors

When not falling under any of the following as a result of investigating to a reasonably possible extent by the Company, outside directors shall be determined to have independence.

- ① Those who are or were persons who execute(d) business (executive directors, executives, executive officers, employees, staff) of the Company or its subsidiary or affiliate (hereafter collectively "Our Group" currently and for the past 10 years
- ② Those who directly or indirectly hold more than 10% of total voting rights of the Company or persons who execute such business
- ③ Persons whose major business partner (Note 1) is Our Group or persons who are the major business partners (Note 1) of Our Group or persons who execute such business
- ④ Those who gain great amount (Note 2) of monetary or other property profit besides the compensation for officers in compensation of providing professional services by a consultant, lawyer, certified accountant, tax accountant, etc. to Our Group, or persons who execute such business
- ⑤ Those who receive donation or grant of annually over 15,000,000 yen from Our Group or persons who execute such business
- ⑥ Those who belong to the audit firm which is the audit firm of Our Group
- ⑦ Persons who execute the business of the company for which a person who executes the business of Our Group is appointed as the officer
- ⑧ Those who fall under above ②~⑦ in the past three years
- ⑨ The spouse or relative within the second degree of consanguinity of those falling under above ①~⑧

(Note 1) Major transaction is a transaction with provision or receipt of amount exceeding 2% of the annual consolidated sales amount or loan of amount exceeding 2% of the consolidated gross asset.

(Note 2) Great amount is where such profit excluding the compensation for officers received from Our Group exceeds annually 15,000,000 yen in the latest fiscal year if those who provide professional services are individuals, and if those who provide professional services are groups including legal entities or unions, etc., it is where such profit received from Our Group exceeds the higher amount between 2% of the annual gross revenue of such group and 15,000,000 yen in the latest fiscal year.

【Reference】 Evaluation of effectivity of the board of directors

The Company has recognized the issue concerning duties, structure and operation, etc. of the board of directors and has been working on continuous improvement for the purpose of achieving improvement of continuous corporate value. The board of directors conducts analysis and evaluation every year concerning effectivity of itself in consideration of self-evaluations, etc. of each director.

<Evaluation method>

We conducted evaluations by a third-party institution in view of enhancing independence and objectivity of the analysis and evaluation for the term ending June 2018 and the term ending June 2019, but there was an input from the board of directors that such evaluations focused on quantitative evaluation which makes the issues unclear. Therefore, we decided to conduct interviews for directors and auditors by a third-party institution as necessary mainly by our original surveys after the term ending June 2020.

Since June 2021, we have conducted the evaluations by independently preparing the survey form where evaluations of issues and opinions about the responding measures can be described in order to more clearly understand the issues. The survey was conducted for all directors including the audit committee members. In June 2023 and such result was reported to the board of directors on July 19, 2023.

<Overview of evaluation result>

To summarize the survey responses, most of them mentioned that the monitoring function was enhanced by transforming to the company with the committee of audit, etc., and also that sufficient discussion was held on the management strategies and mid-term management plan which were the issues in the previous survey, resulting in high evaluation overall on effectivity of the board of directions, mentioning proper operation thereof. On the other hand, the timing to provide information to the outside directors and necessity of prior opinion exchange were pointed out, where we consider the need of specific measures.

(1) Organization of the board of directors

As organization of the board of directors, the following opinions and issues were pointed out.

- A committee of nomination is not necessary, but succession of Group CEO should be discussed at the board of directors' meeting.
- Information for discussion of KPI, etc. to be monitored in view of mid-and long term should be straightened for improvement of the corporate value.
- Training for the outside directors should be further enhanced.

(2) Issues of the board of directors

There was an input that the case (succession plan of Group CEO) said to be necessary to be continuously discussed for a long time needs to be further discussed. Necessity of discussion on human investment and exploration and development of human resources was also pointed out.

(3) Operation of the board of directors

As for the reporting system, insufficiency in prior distribution and prior explanation was also pointed out as mentioned in the previous suggestion. There was some improvement in regard to the previous suggestion that there should be an opportunity to more deeply understand the strategies and actual situations of the company operating the business due to the offsite meeting.

<Future response>

In consideration of the above suggestions, we have reported that we shall promote the following measures for operation of the board of directors in the term ending June 2024.

- (1) Reconsideration of the scheduled time in consideration of reorganization of the annual agenda and importance of the agenda
- (2) Thorough distribution of the materials with sufficient lead time or streamlining of discussion time by prior explanation
- (3) Understanding the needs of the outside directors to enhance the training contents for them
- (4) Straightening of information for discussion on KPI to be monitored in view of mid-and long term

Officers' compensation plan

1. Policy and manner of decision concerning determination of amount of compensation, etc. for officers and such calculation method

(1) Compensation system and decision process of compensation amount

Policy and calculation method concerning determination of the Company's officer compensation and the standards of compensation system/compensation amount, etc. for directors/executive officers were determined at the board of directors held on September 27, 2022 (Such overview is as described in below "(2) Director (except directors who are audit committee members) compensation" and below "2. Purpose, ground of index and specific calculation method of performance-based compensations and performance-based share compensation").

The Company passed a resolution at the board of directors' meeting held on March 17, 2021 to install the compensation advisory committee as a voluntary advisory body to enhance independence, objectivity and accountability of the decision process at the board of directors' meeting held on March 17, 2021. The compensation advisory committee consists of three people; two independent officers and the director as Group CEO, where the chairperson is to be appointed from the independent outside directors. We endeavor to secure objectivity including considering the levels of the entire market or the entire industry by obtaining advice from external intellectuals. Matters to be discussed at the compensation advisory committee shall be as follows.

- (a) The policy of determining the compensation, etc. for directors/executive officers
- (b) The draft of the bill concerning the compensation, etc. for directors/executive officers to be brought into the general shareholders' meeting
- (c) The draft of the policy concerning determination of details of the compensation, etc. for directors/executive officers by individual to be brought into the board of directors' meeting
- (d) The draft of details including the compensation, etc. for directors/executive officers by individual to be brought into the board of directors' meeting
- (e) Other matters considered by the board of directors as necessary incidental in regard to the above

(2) Director (except directors who are audit committee members) compensation

The compensation for the Company's directors (except directors who are audit committee members; hereafter the same in this "Director (except directors who are audit committee members) compensation") is separated into the fixed compensation provided every month (fixed amount periodical compensation) and performance-based compensation provided in the consistent timing every year. Ratio of each compensation is determined by generally considering significance, etc. of stable revenue and incentive compensation.

The fixed compensation is provided every month in the standard amount by position in consideration of the levels meeting the required skills and responsibilities. The amount limit of the fixed compensation for the Company's directors was approved as annually within 150,000,000 yen at the 26th Annual General Shareholders' Meeting held on September 27, 2022 (the number of directors immediately after such General Shareholders' Meeting was four (including two outside directors)).

The performance-based compensation is for the directors who are audit committee members and directors except outside directors (hereafter "Subject Director") and consists of (1) bonus to provide money according to performance, etc. per fiscal year as the short-term performance-based compensation (performance-based bonus) and (2) performance-based share compensation according to change of index during the Subject Period (Note) of three years as the mid-term performance-based compensation. The mid-term performance-based compensation is share compensation where the Company's ordinary shares are issued for the purpose of further promoting value sharing between the Subject Directors and shareholders by providing the Subject Directors with incentive to improve the Company's corporate value through a longer term. As for the performance-based bonus, its amount limit was approved as annually within 41,250,000 yen per Subject Director at the 26th Annual General Shareholders' Meeting held on September 27, 2022 (the number of Subject Directors immediately after such General Shareholders' Meeting was two (excluding outside directors)). In addition, as for the mid-term performance-based compensation, its amount limit was approved as within 100,000,000 yen per Subject Period and the number of shares to be issued by the Company to the Subject Directors under this plan was approved as annually within 60,000 shares per director and annually within 100,000 shares in total for all directors at the 26th Annual General Shareholders' Meeting held on September 27, 2022 (the number of Subject Directors immediately after such General Shareholders' Meeting was two (excluding outside directors)).

Since the outside directors are in the position independent from execution of operation, the performance-based compensation is not applied but the above fixed compensation is provided.

(Note) For three years from the month when the Company's ordinary shareholders' meeting of each year is held and the Subject Period for the payment made as the compensation for this fiscal year is from September 2022 to September 2025.

(3) Compensation for directors who are audit committee members

As for amount of the compensation for the directors who are audit committee members, the fixed compensation shall be provided and determined by discussion of the directors who are audit committee members. in consideration of whether full-time or part-time, internal directors or outside directors, and allocation of operations within the scope of amount limit of the compensation determined at the general shareholders' meeting. Amount limit of the compensation was determined as annually within 55,000,000 yen at the 26th Annual General Shareholders' Meeting held on September 27, 2022 (the number of directors who are audit committee members. immediately after such General Shareholders' Meeting was three).

2. Purpose, ground of index and specific calculation method of performance-based compensations and performance-based share compensation

(1) Short-term performance-based compensation

The short-term performance-based compensation provided to directors (except outside directors and directors who are committed members of audit, etc.; hereafter “Subject Directors” in this “2. Purpose, ground of index and specific calculation method of performance-based compensations and performance-based share compensation”) is the compensation plan to provide in money according to change compared to the previous year in the consolidated operating profit consistently emphasized among the Company’s mid-and long-term management strategies, mid-term management plan and fiscal year performance. The amount is calculated by multiplying the standard amount defined according to the positions by the short-term incentive factors set from 0% to 200% according to fluctuation compared to the previous year in the consolidated operating profit.

Short-term performance-based compensation

= Standard amount of short-term performance-based compensation x Short-term incentive factor

Calculation method of the factors is as follows.

When the current consolidated operating profit is (a) and the previous term’s consolidated operating profit is (b), the value calculated in the following calculation formula shall be the factor.

① (a) is less than (b) :0

② (a) exceeds (b) and under (b) x 112%: $0.5 \times \{1 + ((a)-(b) \div ((b) \times 12\%))\}$

③ (a) is more than 112% of (b): $1 + 0.5 \times ((a) - (b) \times 112\%) \div ((b) \times 6\%)$

The current consolidated operating profit in the current fiscal year as the performance index is 3,289,000,000 yen and the volatility from the previous term’s consolidated operating profit (3,247,000,000 yen) became 1.30%. When this is applied to the calculation formula of ②, the short-term incentive factor became 0.55 as follows, and therefore, 55% of the standard amount of short-term performance-based compensation was provided as the short-term performance-based compensation.

Short-term incentive factor = $0.5 \times (1 + ((\text{Current consolidated operating profit: } 3,289,000,000 \text{ yen} - \text{Previous term’s consolidated operating profit: } 3,247,000,000 \text{ yen}) \div (\text{Previous term’s consolidated operating profit: } 3,247,000,000 \text{ yen} \times 12\%)) = 0.55$

(2) Mid-and long-term performance-based compensation

It is implemented for the purpose of providing the Subject Directors with incentive to improve the Company's corporate value through a longer term and further promoting value sharing between the Subject Directors and shareholders, and is the performance-based share compensation plan using performance share unit to issue the Company's ordinary shares according to achievement rate of the performance goals.

The Company's ordinary shares shall be issued in the number calculated by multiplying the number of shares to be issued which is determined by the Company's board of directors (standard number of shares to be issued) by the share issuance ratio determined according to the Company's share growth rate which is the representative index to show the Company's corporate value. The Company's share growth rate shall be calculated by dividing the Company's TSR (Total Shareholder Return) during the Subject Period by TOPIX growth rate during the Subject Period.

The Company's shares shall be issued by providing monetary compensation receivables to the Subject Directors after ending of the Subject Period and having all of such monetary compensation receivables contributed in kind for issuance of the Company's shares or appropriation of own shares.

$$\text{Middle and long-term performance-based compensation (the number of shares to be issued)} \\ = \text{Standard number of shares to be issued} \times \text{Share issuance ratio}$$

Share issuance ratio

- ① If the Company's share growth rate (A) is under 100%: 0
- ② If A is more than 100% and under 112%: $33\% \times (A - 100\%) / 12\%$
- ③ If A is more than 112% and under 150%: $33\% + 67\% \times (A - 112\%) / 38\%$
- ④ If A is over 150%: 100%

A: The Company's share growth rate

The Company's TSR (Total Shareholder Return)

The Company's TSR during
the Subject Period
TOPIX growth rate during
the Subject Period

Simple average of closing share value of the Company in the month
when the Subject Period is ending (September after 3 years) + Total
dividend amount per share for divided of surplus during the Subject
Period

Simple average of closing share value of the Company in the month
when the Subject Period is starting (September)

TOPIX growth rate

Simple average of TOPIX in the month when the Subject Period is
ending (September after 3 years)

Simple average of TOPIX in the month when the Subject Period is
starting (September)

For the share compensation for the president as the representative director, it was approved at the 26th Annual General Shareholders' Meeting held on September 27, 2022 that such provision shall be limited if the average annual growth rate (CAGR) of the current term's net profit per share after adjustment for three years until ending of the Subject Period falls under 18% since the Company upholds annual growth rate of 18% for operating profit in the mid-and long-term management strategies.

The Company's TSR for the Subject Period from September 2019 to September 2022 was 147.0%, TOPIX growth rate was 121.7%, and the Company's share growth rate in above A was 120.7%. Since this is applied to above share issuance ratio ③: If A is more than 112% and under 150%, 48.3% of 8,726 shares, which is the standard number of shares to be issued.

(3) Compensation, etc. for directors

Ratio of the fixed compensation and performance-based compensation for directors (except directors who are audit committee members) shall be as follows with the time when the performance goal was achieved as a rough indication (short-term performance incentive factor 100% is the standard).

Composition ratio of compensations for directors (except directors who are audit committee members)

	Fixed compensation	Short-term performance-based compensation	Long-term performance-based compensation
Directors (except for directors who are audit committee members)	50~55%	15%~20%	30%

Amount of the compensations, etc. for directors in the current fiscal year shall be as follows. For the compensations, etc. for directors (except directors who are audit committee members) by individuals, the manner of decision on details of the compensations, etc. and determined details of the compensations, etc. are considered by the board of directors to be consistent with the decision policy of the compensations, etc. for directors by individuals through explanation on the calculation processes described in above (1) and (2), etc.

Amount of the compensations, etc. for directors

Category	Total amount of compensation, etc.	Total amount of compensation, etc. by type		No. of the subject officers
		Basic compensation	Performance-based compensation	
Directors (except for directors who are audit committee members) (No. of outside directors)	136mil. yen (30mil. yen)	116mil. yen (30mil. yen)	19mil. yen (-)	5 persons (3 persons)
Directors (audit committee members) (No. of outside directors)	29mil. yen (16mil. yen)	29mil. yen (16mil. yen)	- (-)	3 persons (2 persons)
Auditor (No. of independent auditors)	5mil. yen (2mil. yen)	5mil. yen (2mil. yen)	- (-)	3 persons (2 persons)
Total (No. of external officers)	170mil. yen (48mil. yen)	150mil. yen (48mil. yen)	19mil. yen (-)	11 persons (7 persons)

(Note)

1. Payment amount for directors do not include salary for staff who work as a director.
2. The Company transformed to the company with the committee of audit, etc. as of September 27, 2022 under the resolution of the 26th Annual General Shareholders' Meeting held on the same date.
3. Above includes one director and one auditor who retired at ending of the 26th Annual General Shareholders' Meeting held on September 27, 2022.

3. Reference

The Company will partially revise the composition ratio of the compensations for directors and the performance index, etc. in the short-term performance-based compensation and mid-term performance-based compensation from the term ending June 2024, as well as the policy of determining the compensations, etc. for directors. Revision in the mid-term performance-based compensation requires approval of all shareholders for Proposal 3 (p.17~19 of notice of convocation). Please see such bill for revisions.

Compliance and risk management

System to ensure appropriateness of operations and implementation status of such system

Overview of implementation status of the system to ensure that execution of duties by the directors complies with the laws and Articles of Incorporation and the system to otherwise ensure appropriateness of operations is as follows.

<Overview of determined details>

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

- The directors shall comply with the Group's standards of conduct, conform to the laws/Articles of Incorporation and rules of board of directors and other internal rules, etc., appropriately execute the operations by taking the initiative as the model and thoroughly have the staff informed.
- Those who are in charge of compliance and risk management of each company of Our Group designated by the chairperson of compliance risk management (CRM) committee shall discuss and consider such important issues and measures at CRM committee and immediately report to the board of directors thereof.
- For breach of the laws and other legally doubtful conducts, etc., the whistle-blowing system of which contact is an external lawyer and the director who is committee member of audit, etc. shall be established and operated.
- The audit committee members shall audit execution of duties by the directors through attendance for the board of directors as well as important meetings and investigation, etc. of status of execution of operations under the audit policy stipulated by the committee of audit, etc.

2) System in regard to storage and management of information related to execution of duties by directors

- Information concerning execution of duties by the directors shall be appropriately stored and managed under the laws, rules of board of directors, document management rules and other related rules.

3) Rules concerning management of risk of loss and other system

- Properly manage the operations and funds as well as preventing risks from occurring by assessing the performance status by rolling forecast management in the cycle suitable to the management environment for performance progress and thorough expense management.
- Manage the risks of compliance, information asset and matters concerning the business by preparing rules and manuals, etc. and announcing the same.
- Enhance management and responses of compliance at the CRM committee for thorough compliance.
- Enhance management and responses of information asset at the information security committee for management thereof.
- Consult and receive advices and instructions from a lawyer, accounting auditor, tax accountant, etc. as necessary for performance of the operations.

4) System to ensure efficient execution of duties by directors

- The Company's board of directors' meetings shall basically hold ordinary board of directors' meetings monthly, and shall hold the extraordinary board of directors' meetings as necessary to make decisions and promptly execute operations as well as supervising important decisions by the directors in management and the status of execution of the operations.
- The meeting bodies and committees of which responsible persons or members are the directors shall have discussions and make decisions, etc. of executive of operations within the scope of authorities stipulated in the rules.
- Promote decentralization of management by organization according to the management policy and business plans.
- Term of directors who are not audit committee members shall be one year to clarify the management responsibilities and respond to change in the management environment.

5) System to ensure appropriateness of operations in corporate groups consisting of the Company and subsidiaries

- The Company respects autonomy of the subsidiaries as well as supporting preparation and improvement of the internal control system and promoting the same in cooperation with the subsidiaries.
- The Company's subsidiaries shall enter into management instruction and management control agreements for the system where we receive reports on important matters concerning execution of operations by directors, etc. Although the board of directors of the Company's subsidiaries decide on important matters, they shall obtain the Company's approval for three matters of (i) investment, (ii) officer allocation and (iii) capital policy which have an important impact on the Group.
- The Company's subsidiaries shall basically have the ordinary board of directors' meetings monthly and shall hold the extraordinary board of directors' meetings as necessary to make decisions and promptly execute operations, and the Company's Group legal department shall review the status of how the board of directors' meetings are held.
- Employees of the Company's subsidiaries shall report to or consult the contact of the whistle-blowing system in the event they come to know any breach of the laws, Article or Incorporation and internal rules or any act against the social norm.
- Compliance with the laws and other issues concerning compliance of the subsidiaries shall be supported by the CRM committee.
- Prevent risks from occurring by assessing the performance status by rolling forecast management in the cycle suitable to the management environment for performance progress and thorough expense management in accordance with the budget management rules and by properly managing the operations and funds and reporting to the Company.
- Periodically conduct the internal audit by the internal audit group and report such result to the Company's directors and committee of audit, etc. for necessary management to ensure appropriateness of the operations of the Company's subsidiaries.

6) Matters concerning staff to assist the duties of audit committee members and matters concerning achievement of effectivity of instructions for such staff

- If the committee of audit, etc. requests the board of directors for installation of the secretarial office to assist their duties, install the secretarial office by appointing appropriate human resources internally and externally. In case of staff, thoroughly make them informed to follow the instructions and orders of the committee of audit, etc.

7) System for directors who are not audit committee members and staff to report to the committee of audit, etc. and system for directors, auditors or staff of the subsidiaries or those who receive reports therefrom to report to audit committee

- Committee members may attend the board of directors' meetings and other important meetings, browse documents necessary for audit and ask the directors and staff for such explanation.
- Directors, auditors and staff of the Company and the Company's subsidiaries shall report to the Company's committee of audit, etc. the matters that cause a significant impact on the Company's operations and performance, etc.
- It is prohibited to treat those who have make report in a disadvantageous manner for the reason of reporting to the committee of audit, etc.

8) Other system to ensure effectiveness of audit by audit committee

- The committee of audit, etc. shall periodically hold a meeting with the president as the representative director to exchange opinions on the policy of execution of operations, risks and issues to be resolved and important issues in audit, etc.
- The committee of audit, etc. shall periodically exchange opinions with the accounting auditor.
- In the case that a audit committee members claims advance payment or reimbursement of the cost incurred for execution of the duties, such cost shall be incurred by the Company unless considered unnecessary.

9) Basic idea for elimination of antisocial forces

Elimination of antisocial forces shall be stipulated by the basic policy concerning the internal control system and the following system shall be prepared therefor.

- ① Declare elimination of antisocial forces and prohibition of antisocial acts in the Group's standards of conduct, and receive a letter of commitment concerning "Standards of Conduct and Management of Confidential Information" from the officers and employees every year.
- ② Appoint a person(s) responsible for prevention of undue claims with the administrative department as the responsible section for cooperation, etc. with the jurisdictional police for elimination of antisocial forces. For business partners, confirmation on antisocial forces at closing of the basic agreement for thorough announcement and enhancement of elimination of antisocial forces.

<Overview of status of implementation>

The Company continuously investigate maintenance and implementation status of the internal control system since the early preparation of the system to ensure appropriateness of the operations and reports the investigation result to the board of directors. Any problem discovered as a result of the investigation shall be corrected for building and implementation of more appropriate internal control system. Implementation status in the current fiscal year is as follows.

- We select to be the company with committee of audit, etc. for reinforcement of supervising function of the board of directors and further enhancement of corporate governance.
- We periodically held compliance risk management (CRM) committee to review the risks in the business environments which vary across the Group and consider the measures therefor and the board of directors endeavored to understand compliance status by receiving reports from Group CRO.
- We held 14 board of directors' meetings including ordinary meetings in the current term, and conducted supervision by focusing on the agenda for formulating of new mid-term management plan and enhancement of governance.
- The audit committee members attended important meetings including the board of directors' meeting, group management meetings and the subsidiaries' board of directors' meetings and exchanged opinions periodically with the president as the representative director and accounting auditor to ensure effectiveness of audit.

Business Report

(From July 1, 2022 to June 30, 2023)

Matters concerning current status of the corporate group

(1) Business progress and such results

The consolidated performance in the current fiscal year is as follows.

(Unit: mil. yen)

	The 26th (term ending June 2022)	The 27th (term ending June 2023) (Current fiscal year)	Compared to the previous fiscal year	
			Change	Change rate (%)
Sales	18,703	21,424	2,721	14.5
Operating profit	3,247	3,289	42	1.3
Ordinary profit	2,988	3,265	277	9.3
Current net profit belonging to parent company	2,045	2,094	49	2.4

For the consolidated sales, we positively consider rising of investment needs for maintenance and enhancement of competitiveness through “Advancing of corporate management and corporate activities leveraging data and digital technologies” which is becoming mid- and long-term trend among the Japanese companies who are our customers, and as a result of all three businesses of group governance business, digital transformation business and outsourcing business growing in a good rate, the consolidated sales of the current fiscal year was 21,424,000,000 yen (14.5% increase compared to the same term of the previous year).

For improvement of stock sales (i.e., sales that continuously occurs such as software maintenance fee) ratio which we uphold as our management goal in the current mid-term management plan, outsourcing business which constantly maintains stock sales ratio of approximately 90% shows high growth rate, leading to its higher sales composition rate throughout the Group. In addition, since the stock sales ratio of the other two businesses also improved, it achieved 35.3% which is 0.7 point higher than that in the same term of the previous year. On the other hand, the total amount of stock sales also maintains stable growth such as 16.9% compared to the same term of the previous year.

As for profit, we have promoted preparation of the systems aiming for starting of the new mid-term management plan as the entire Group in the current term, and due to cost increase for the fixed labor cost for increase of staff by improvement of benefits and supplemental recruitment for enhancement of competitiveness for the purpose of attracting human resources, rebranding for reorganization of the Group and straightening of products in the company operating business as well as preparation of development environment, and increase of outsourced processing cost to respond to increase of demands from customers, the operating profit was 3,289,000,000 yen (1.3% increase compared to the same term of the previous year), ordinary profit was 3,265,000,000 yen (9.3% increase compared to the same term of the previous year) and the current net profit belonging to parent company was 2,094,000,000 yen (2.4% increase compared to the same term of the previous year).

Status of each reporting segment shall be as follows.

① Sales

(Unit: mil. yen)

	The 26th (term ending June 2022)	The 27th (term ending June 2023) (Current fiscal year)	Compared to the previous fiscal year	
			Change	Change rate (%)
Group governance business	9,372	10,033	660	7.0
Digital transformation promotion business	7,015	8,381	1,366	19.5
Outsourcing business	3,044	3,755	711	23.4
Transaction elimination between segments	△729	△746	△16	-
Consolidated sales	18,703	21,424	2,721	14.5

② Operating profit

(Unit: mil. yen)

	The 26th (term ending June 2022)	The 27th (term ending June 2023) (Current fiscal year)	Compared to the previous fiscal year	
			Change	Change rate (%)
Group governance business	2,060	1,709	△350	△17.0
Digital transformation promotion business	1,244	1,521	277	22.3
Outsourcing business	661	824	163	24.7
All-company cost and Transaction elimination, etc. between the Company and segments	△718	△766	△47	-
Consolidated operating profit	3,247	3,289	42	1.3

The group governance business increased the income with the sales of 10,033,000,000 yen (7.0% increase compared to the same term of the previous year). While growth of the solution contributing to the group management control was the factor of income increase, such increase was at the limited level due to there was restriction to the sales activities due to reorganization. In addition to increase of the outsourcing processing cost to respond to increase of demands, we straightened the products and prepared the development environment along with the reorganization. Since such costs increased, profit rate fell under the level of the same term of the previous year and the profit amount also decreased. As a result, the operating profit decreased to 1,709,000,000 yen (17.0% decrease compared to the same term of the previous year).

For the digital transformation promotion business, while the needs to leverage data for decision making related to management and business promotion is continuously accelerating, the inquiries are shifting to what is focused on “building of cloud data platform” in a larger scale, the conventional major field of “development related to business intelligence” also transited in a good state. As a result, the sales increased to 8,381,000,000 yen (19.5% increase compared to the same term of the previous year). Although there is labor cost increase due to raising the compensation level in the aim of competitiveness enhancement to attract human resources, it is absorbed by income increase and the operating profit was 1,521,000,000 yen (22.3% increase compared to the same term of the previous year) greatly exceeded that of the previous consolidated accounting year.

The outsourcing business continuously maintained high sales growth rate and steadily accumulated stock sales which led to the increased sales of 3,755,000,000 yen (23.4% increase compared to the same term of the previous year). As for profitability, although there is a cost increase factor such as promotion of recruiting and increase of office areas to achieve continuous growth in the future, the profit amount increased thanks to the income increase effect. As a result, the operating profit increased to 824,000,000 yen (24.7% increase compared to the same term of the previous year).

The number of consolidated employees is 1,389 at the end of the current fiscal year, which is 163 more compared to that of the end of the current fiscal year.

Status of order receipt and sale in the current fiscal year is as follows.

Status of order receipt and sale

(Unit: mil. yen)

	Current fiscal year (From July 1, 2022 to June 30, 2023)		
	Sale results	Amount of orders received	Balance of orders received
Group governance business	10,033	9,839	2,938
Digital transformation promotion business	8,381	9,208	1,957
Outsourcing business	3,755	4,016	2,425
Transaction elimination between segments	△746	△688	△300
Total	21,424	22,375	7,021

(2) Status of facility investment

Total amount of facility investment in the current fiscal year: 623,000,000 yen (including software)
Details of major facility investment is purchase of office equipment and internal-use software.

(3) Status of fund procurement

There are no special matters in the current fiscal year.

(4) Status of properties and profit and loss

① Status of properties and profit and loss of the corporate group

Category	The 24th (term ending June 2020 term ending June 20)	The 25th (term ending June 2021)	The 26th (term ending June 2022)	The 27th (term ending June 2023) (current fiscal year)
Sales (mil. yen)	15,691	16,236	18,703	21,424
Ordinary profit (mil. yen)	2,282	2,808	2,988	3,265
Current net profit belonging to parent company (mil. yen)	1,537	1,888	2,045	2,094
Current net profit per share (yen)	40.92	50.24	54.37	55.65
Gross asst (mil. yen)	11,780	13,956	16,617	18,705
Net asset (mil. yen)	7,194	8,787	10,597	12,328
Amount of net asset per share (yen)	191.42	233.70	281.68	327.51

(Note)

1. Share split is conducted with the ratio of two ordinary shares per ordinary share as of December 1, 2019. The current net profit per share and amount of net asset is calculated per share are calculated with assumption that such share split was conducted at the beginning of the 24th term.
2. We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 26th term, and each value for the period after the 26th term are the values after applying the above accounting standard, etc.

② Status of the Company's properties and profit and loss

Category	The 24th (term ending June 2020 term ending June 20)	The 25th (term ending June 2021)	The 26th (term ending June 2022)	The 27th (term ending June 2023) (current fiscal year)
Operating profit (mil. yen)	2,355	2,661	2,324	3,572
Ordinary profit (mil. yen)	1,145	1,348	731	1,873
Current net profit belonging to parent company (mil. yen)	1,252	1,464	646	2,022
Current net profit per share (yen)	33.32	38.95	17.18	53.74
Gross asst (mil. yen)	6,994	8,899	10,947	8,780
Net asset (mil. yen)	5,054	6,219	6,532	8,178
Amount of net asset per share (yen)	134.49	165.41	173.63	217.27

(Note)

1. Share split is conducted with the ratio of two ordinary shares per ordinary share as of December 1, 2019. The current net profit per share and amount of net asset is calculated per share are calculated with assumption that such share split was conducted at the beginning of the 24th term.
2. We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 26th term, and each value for the period after the 26th term are the values after applying the above accounting standard, etc.

(5) Status of important parent company and subsidiaries

① Status of the parent company

No applicable matters

② Status of the important subsidiaries

Company name	Capital fund	The Company's voting right ratio	Major business contents
AVANT CORPORATION	100mil. yen	100.0%	Development and support for sale and introduction of software, maintenance and other related businesses
Internet Disclosure Co., Ltd.	39mil. yen	100.0%	Development and sale of software, information processing and providing services
ZEAL Corporation	100mil. yen	100.0%	Designing of information system Development and sale of software and other related business
DIVA CORPORATION	100mil. yen	100.0%	Development and sale of software Outsourcing related business
DIVA CORPORATION OF AMERICA	1,100,000USD	100.0%	IT product service surveys

③ Status of the important affiliate

Company name	Capital fund	The Company's voting right ratio	Major business contents
Metapraxis Limited	143,000 GBP	19.79%	Development and sale of software

(Name)

1. The equity-method affiliate is one important affiliate above.

2. Our Group conducted reorganization with company split among the consolidated subsidiaries on October 1, 2022. Therefore, we changed the name of the Company and the Company's consolidated subsidiaries as shown below.

After change of company name	Before change of company name
AVANT GROUP CORPORATION	AVANT CORPORATION
AVANT CORPORATION	DIVA CORPORATION
DIVA CORPORATION	FIERTE CORPORATION

(6) Issues to be addressed

Our Group has worked on our business activities to achieve the current mid-term management plan “BE GLOBAL 2023” with the aim “to become a successful software company in the world.” Based on the experiences gained through this activity, we announced our new mid-term management plan “BE GLOBAL 2028” which reveals the action plan for the next five years aligning the business strategies and group strategies in August 2023.

Directionality of “BE GLOBAL 2028” is “to become a useful software company for improvement of the corporate value” which is the strategic materiality. With this directionality, we are aiming to create the value creation spiral where each of us improves our contribution to our customers and productivity by using software, promotes return of compensation and R&D with improved profit and improves our own corporate value is improved through these processes.

The issues to be solved by the Company in achieving this “BE GLOBAL 2028” are as follows.

1. Create continuous demands in the growing DX market of management

As the field where we can currently be of the largest help, Our Group as a whole is positioned in the DX market of management of the companies required for improvement of the corporate value. DIVA and Internet Disclosure is positioned in the consolidated financial statement disclosure market, ZEAL is positioned in BI, data platform, DX market and AVANT is positioned in the next generation management information platform market from viewpoint of investors as subcategories thereof, where there is 15%~30% of annual potential each.

In each market, it will be necessary to accurately understand what our customers are seeking and continuously maintain the potential of the growing markets.

2. Promotion of software-driven strategy to achieve contribution to customers

Our Group has set our strategic materiality as “becoming a useful software company for improvement of the corporate value” and is focusing on software as the manner to contribute to our customers. Therefore, we will visualize growth and profitability by software, measure which software is actually helping contribution to customers at what degree to achieve optimization. This is called the software-driven strategy.

We will not only optimize the existing software, but we will also enhance the lineup of software by in-house development and procurement from other companies. Thus, we will actively procure software which may be helpful for achievement of materiality in the global viewpoint. In specific, through minority investment to foreign SaaS vendors and software development companies, etc., we will build different collaborative relationship from that with normal distributors and will increase software we deal with as well as expanding the network which will also lead to improvement of in-house development ability.

3. Improvement of value creation productivity

Our Group has set profit growth which exceeds the sales growth as our goal, and to achieve this profit growth, improvement of “sales productivity” to increase sales amount per person with the same invested cost (cost price and SGA) or improvement of “invested cost productivity” to reduce cost to be invested against the same sales amount, and improvement of “value creation productivity” which has both viewpoints will be necessary.

As a major tool to achieve the above, we are assuming procurement of software and R&B to leverage generative AI, etc., and will newly establish “materiality achievement office” to lead the entire Group in regard thereto and promote improvement of value creation productivity.

4. Preparation of environment to improve value of human resources

We can clarify what to aim for by above 1. through 3., of which achievement is only possible by improvement of value of human resources. We will make necessary human resources requirements clear to achieve what to aim for and fill such gap by preparing the growth environment.

While focusing on development of the existing employees, we will also invite external skillful human resources when it is difficult to achieve internally only. We will explore human resources not only in normal recruitment but also in building of the network related to procurement of software.

5. Improvement of employees' satisfaction in work

Our Group's great property is our employees who have advance techniques and professionalism as well as desire to take on challenges. Our Group considers “increasing quality employment” as an important role of the management. While gradually increasing the number of employees in every term, we endeavor to enrich our employees' living and lives and create environment where they can focus on achievement with satisfaction in their operations. Our Group conducts the surveys for our employees by using “Great Place to Work ®(GPTW)” to create satisfying work environment and visualize their satisfaction in work and engagement to conduct improvement action aiming to raise this GPTW scores to 70 points at each company of the Group.

6. Compliance

Our Group has focused on compliance as the basic principle of the corporate control since the foundation. On the other hand, recent social demand for compliance has been increasing where downfall of social trust in the event of a breach is much larger than before and the period needed for recovery of trust is considered longer. We are promoting our business activities by making sure not to breach the relevant laws including labor laws as well as corporate ethics more carefully than before.

7. Sustainability

Our Group's management philosophy "creating a company that will last for 100 years" is to consider companies as the society's public bodies and sustainably develop as organizations existing for the society. Our Group sets our mission to provide the value in our customers using management information for creation of the future as well as contributing to the society, but since we will be involved with different stakeholders in the course of such achievement, continuous development will not be reached unless each person of the Group acts very carefully to keep the balance between economic activities, environmental preservation and social fairness. Therefore, Our Group defined the Group human rights policy and Group environmental policy on July 22, 2020, signed UN Global Compact on August 25, 2020 by declaring that we agree with, support and exercise the essential values in four fields of "human rights," "labor," "environment" and "anti-corruption."

On July 1, 2021, we decided to use "green power" for all power to be used by Our Group every year, and to achieve zero emission of greenhouse gas to take one step ahead for achievement of sustainable society. We also have been involved in supporting activities sports events and cultural activities hosted by local communities and industrial groups.

(9) Status of employees (as of June 30, 2023)

① Status of employees of the corporate group

Number of employees	Change from the end of the previous fiscal year
1,389	163 increase

(Note)

1. The number of employees indicates the working staff.
2. The number of employees does not include temporary employees (the number of dispatched employees, part-time employees and workers is average 22 during the term).

② Status of the Company's employees

Number of employees	Change from the end of the previous fiscal year	Average age	Average years in service
37	10 decrease	43.9	5.4

(Note)

1. The number of employees indicates the working staff.
2. The number of employees does not include temporary employees (the number of dispatched employees, part-time employees and workers is average 22 during the term).

(10) Status of major loaners (as of June 30, 2023)

No loan from financial institutions.

We have entered into a loan commitment agreement (loan limit: 3,500mil. yen) with the partner financial institution for efficient procurement of working capital.

(11) Other important matters concerning status of the corporate group

No applicable matters.

Matters on shares of the company (As of June 30, 2023)**(1) Total number of shares issuable:** 62,304,000 shares**(2) Total number of shares issued:** 37,645,851 shares (including 2,988 own shares)

(Note) Total number of shares issued has increased by 4,216 shares according to issuance of new shares as performance-linked stock compensation on October 28, 2022, and increased by 16,134 according to issuance of new shares as restricted stock compensation on the same day.

(3) Number of shareholders: 2,926**(4) Major shareholders:** (Top 10 shareholders)

Name of shareholders	Number of shares held (shares)	Shareholding ratio (%)
Tetsuji Morikawa	9,764,000	25.94
The Master Trust Bank of Japan (trust account)	3,197,300	8.49
Tsuyoshi Noshiro	1,868,800	4.96
Custody Bank of Japan (trust account)	1,801,800	4.79
Obic Business Consultants Co., Ltd.	1,600,000	4.25
Avant Group Employees' Shareholding Association	1,436,700	3.82
SSBTC CLIENT OMNIBUS ACCOUNT	1,262,502	3.35
JP MORGAN CHASE BANK	975,300	2.59
PCA CORPORATION	778,400	2.07
Tatsuru Nakayama	653,508	1.74

(Note) Shareholding ratio is calculated deducting own shares (2,998 shares).

(5) Status of shares issued to the company executives as a compensation for execution of duties in this fiscal year

	Number of shares (shares)	Number of eligible persons (persons)
Directors (except audit committee members and outside directors)	4,216	1
Outside directors (except audit committee members)	-	-
Directors (audit committee members)	-	-
Auditors	-	-

(Note) Stock compensation of the company is described in the "Executive Compensation System" in the Notice of 27th Annual General Shareholders' Meeting.

(6) Other important matters concerning shares

No applicable matters.

Matters concerning share acquisition rights, etc. of the Company

(1) Status of share acquisition rights issued for consideration of execution of duties which are held by the Company's officers

(as of June 30, 2023)

No applicable matters.

(2) Status of share acquisition rights issued to employees, etc. for consideration of execution of duties during the current fiscal year

No applicable matters.

Matters concerning the Company's officers

(1) Names, etc. of directors

As listed in p.20.

(2) Overview of liability limitation agreement

As listed in p.20.

(3) Overview of details of liability insurance agreement of officers, etc.

As listed in p.20.

(4) Matters concerning external officers

As listed in p.21.

(5) Compensation plan for officers

As listed in p.28 through p.33.

Status of independent auditor

(1) Name: Deloitte Touche Tomatsu LLC

(2) Amount of compensation

	Payment amount
Amount of compensation, etc. for the operations in Clause 1, Article 2 of the Certified Public Accountants Act	30mil. yen
Total amount of money to be paid by the Company and subsidiaries and other property benefits	31mil. yen

(Note)

1. In the audit agreement between the Company and Deloitte Touche Tomatsu LLC, compensation amounts for audit under the Companies Act and audit under the Financial Instruments and Exchange Act are not segmented or practically cannot be segmented, the above amount includes the amount of compensation, etc. for audit under the Financial Instruments and Exchange Act.
2. The Company's committee of audit, etc. receives explanation of the audit plan from the accounting auditor, reviews and considers the auditing time and staff allocation in consideration of agreement on audit compensation to make agreement on the audit compensation in Clause 1, Article 399 of the Companies Act.

(3) Details of non-audit operations

The Company pays to the accounting auditor the consideration for advising services concerning human right due diligence which is service outside Clause 1, Article 2 of the Certified Public Accountant Act.

(4) Policy of determining removal or non-reappointment of the accounting auditor

The committee of audit, etc. shall set removal or non-reappointment of the accounting auditor as the purpose of the general shareholders' meeting if considered as necessary including the case that there is trouble in execution of duties of the accounting auditor.

The committee of audit, etc. shall also remove the accounting auditor based on agreement of all members of audit, etc. if the accounting auditor is considered to fall under the items stipulated in Clause 1, Article 340 of the Companies Act. In such case, the members of audit, etc. appointed by the committee of audit, etc. shall report removal of the accounting auditor and the reason for removal at the first general shareholders' meeting to be convoked after such removal.

(5) Overview of details of liability limitation agreement

No applicable matters.

The Company's system and policy (compliance and risk management)

As described from p.34 through p.36.

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(Note) The amount listed in this Business Report is described with the fractional point under the indicated unit rounded off.

## Consolidated Balance Sheet

(As of June 30, 2023)

(Unit: thousand yen)

| Account items                                              | Amount     | Account items                                  | Amount     |
|------------------------------------------------------------|------------|------------------------------------------------|------------|
| (Assets)                                                   |            | (Liabilities)                                  |            |
| <b>Current assets</b>                                      | 15,351,673 | <b>Current liabilities</b>                     | 6,122,119  |
| Cash and deposit                                           | 10,317,243 | Notes payable and accounts payable             | 634,758    |
| Bills receivable, accounts receivable, and contract assets | 2,963,130  | Lease obligations                              | 12,257     |
| Securities                                                 | 500,000    | Accounts payable and accrued expenses          | 512,708    |
| Work-in-process                                            | 13,620     | Accrued corporate taxes, etc.                  | 354,192    |
| Raw materials and supplies                                 | 112,676    | Contract liability                             | 2,796,086  |
| Prepaid expenses                                           | 824,824    | Provision for bonuses                          | 1,038,329  |
| Others                                                     | 623,801    | Reserve for officers' bonuses                  | 172,380    |
| Allowance for doubtful accounts                            | △3,622     | Provision for loss on order received           | 61,594     |
| <b>Fixed assets</b>                                        | 3,353,919  | Others                                         | 539,812    |
| <b>Tangible fixed assets</b>                               | 487,466    | <b>Fixed liabilities</b>                       | 254,956    |
| Buildings                                                  | 417,933    | Lease obligations                              | 6,039      |
| Accumulated depreciation                                   | △157,247   | Asset retirement obligations                   | 210,900    |
| Vehicles                                                   | 843        | Deferred tax liability                         | 38,016     |
| Accumulated depreciation                                   | △843       |                                                |            |
| Tools, equipment and supplies                              | 69,026     | <b>Total liabilities</b>                       | 6,377,076  |
| Accumulated depreciation                                   | △494,223   | (Net assets)                                   |            |
| Construction in progress                                   | 51,978     | <b>Shareholders' equity</b>                    | 12,103,876 |
| <b>Intangible fixed assets</b>                             | 728,532    | <b>Capital fund</b>                            | 345,113    |
| Software                                                   | 728,306    | <b>Capital surplus</b>                         | 281,913    |
| Others                                                     | 225        | <b>Retained earnings</b>                       | 11,477,458 |
| <b>Investments and other assets</b>                        | 2,137,920  | <b>Own shares</b>                              | △608       |
| Investment securities                                      | 772,046    | <b>Accumulated other comprehensive incomes</b> | 224,639    |
| Long-term prepaid expenses                                 | 66,028     | Other securities valuation differences         | 183,925    |
| Deposit and guarantee deposit                              | 575,243    | Deferred hedge gains and losses                | 302        |
| Deferred tax asset                                         | 590,209    | Foreign currency translation reserve           | 40,411     |
| Others                                                     | 134,393    | <b>Total assets</b>                            | 12,328,516 |
| <b>Total assets</b>                                        | 18,705,593 | <b>Total liabilities and net assets</b>        | 18,705,593 |

## Consolidated Profit and Loss Statement

(From July 1, 2022 to June 30, 2023)

Unit: thousand yen

| Account items                                                            | Amount    |            |
|--------------------------------------------------------------------------|-----------|------------|
| <b>Sales</b>                                                             |           | 21,424,584 |
| <b>Cost of sales</b>                                                     |           | 12,028,711 |
| <b>Gross profit</b>                                                      |           | 9,395,873  |
| <b>Selling, general and administrative expenses</b>                      |           | 6,106,482  |
| <b>Operating profit</b>                                                  |           | 3,289,390  |
| <b>Non-operating profit</b>                                              |           |            |
| Interest income                                                          | 96        |            |
| Dividend income                                                          | 10,192    |            |
| Gain on investments in investment partnerships                           | 7,386     |            |
| Grant income                                                             | 531       |            |
| Others                                                                   | 4,559     | 22,766     |
| <b>Non-operating expenses</b>                                            |           |            |
| Interest expense                                                         | 485       |            |
| Loss on investments in investment partnership                            | 11,975    |            |
| Commission paid                                                          | 15,388    |            |
| Exchange loss                                                            | 4,426     |            |
| Stock issuance fee                                                       | 228       |            |
| Compensation for damages                                                 | 13,377    |            |
| Others                                                                   | 289       | 46,172     |
| <b>Ordinary profit</b>                                                   |           | 3,265,983  |
| <b>Extraordinary loss</b>                                                |           |            |
| Impairment loss                                                          | 186,613   | 186,613    |
| <b>Current net income before tax</b>                                     |           | 3,079,370  |
| Corporate tax, resident tax and business tax                             | 1,009,937 |            |
| Corporate tax adjustment amount                                          | △25,087   | 984,850    |
| <b>Current net income</b>                                                |           | 2,094,520  |
| <b>Current net profit attributable to shareholders of parent company</b> |           | 2,094,520  |

## Consolidated Statement of Changes in Shareholders' Equity, etc.

(From July 1, 2022 to June 30, 2023)

(Unit: thousand yen)

|                                                                      | Shareholders' equity |                 |                   |            |                            |
|----------------------------------------------------------------------|----------------------|-----------------|-------------------|------------|----------------------------|
|                                                                      | Capital fund         | Capital surplus | Retained earnings | Own shares | Total shareholders' equity |
| Initial balance                                                      | 329,128              | 265,928         | 9,872,031         | △608       | 10,466,479                 |
| Changes during the period                                            |                      |                 |                   |            |                            |
| Issuance of new shares                                               | 15,984               |                 | 15,984            |            | 31,969                     |
| Dividend of surplus                                                  |                      |                 | △489,092          |            | △489,092                   |
| Current net profit attributable to shareholders of parent company    |                      |                 | 2,094,520         |            | 2,094,520                  |
| Changes during the period on items except shareholders' equity (net) |                      |                 |                   |            |                            |
| Total changes of the period                                          | 15,984               | 15,984          | 1,605,427         | —          | 1,637,397                  |
| Balance at the end of current period                                 | 345,113              | 281,913         | 11,477,458        | △608       | 12,103,876                 |

|                                                                      | Accumulated other comprehensive incomes  |                                 |                                      |                                              | Total net assets |
|----------------------------------------------------------------------|------------------------------------------|---------------------------------|--------------------------------------|----------------------------------------------|------------------|
|                                                                      | Valuation difference on other securities | Deferred hedge gains and losses | Foreign currency translation reserve | Total accumulated other comprehensive income |                  |
| Initial balance                                                      | 103,126                                  | 236                             | 27,820                               | 131,183                                      | 10,597,663       |
| Changes during the period                                            |                                          |                                 |                                      |                                              |                  |
| Issuance of new shares                                               |                                          |                                 |                                      |                                              | 31,969           |
| Dividend of surplus                                                  |                                          |                                 |                                      |                                              | △489,092         |
| Current net profit attributable to shareholders of parent company    |                                          |                                 |                                      |                                              | 2,094,520        |
| Changes during the period on items except shareholders' equity (net) | 80,798                                   | 66                              | 12,591                               | 93,456                                       | 93,456           |
| Total changes of the period                                          | 80,798                                   | 66                              | 12,591                               | 93,456                                       | 1,730,853        |
| Balance at the end of current period                                 | 183,925                                  | 302                             | 40,411                               | 224,639                                      | 12,328,516       |

## Notes to consolidated financial statements

### 1. Notes, etc. to important matters as the base for preparation of the consolidated calculation documents

#### (1) Matters concerning the scope of consolidation

The number of consolidated subsidiaries and names of major consolidated subsidiaries

- Number of consolidated subsidiaries: 5
- Names of major consolidated subsidiaries: AVANT CORPORATION  
Internet Disclosure Co., Ltd.  
ZEAL Corporation  
DIVA CORPORATION  
DIVA CORPORATION OF AMERICA

(Note) Our Group conducted reorganization with company split among the consolidated subsidiaries on October 1, 2022. Therefore, we changed the name of the Company and the Company's consolidated subsidiaries as shown below.

| After change of company name | Before change of company name |
|------------------------------|-------------------------------|
| AVANT GROUP CORPORATION      | AVANT CORPORATION             |
| AVANT CORPORATION            | DIVA CORPORATION              |
| DIVA CORPORATION             | FIERTE CORPORATION            |

#### (2) Matters concerning application of equity method

The number of equity-method affiliates and names of major affiliates

- Number of equity-method affiliates: 1
- Names of major affiliates: Metapraxis Limited

#### (3) Matters concerning fiscal years of the consolidated subsidiaries

The final days of fiscal years of all consolidated subsidiaries match the consolidated closing date.

#### (4) Matters concerning accounting policy

①Evaluation standard and evaluation method of important assets

1) Evaluation standard and evaluation method of securities

•Bonds held to maturity Amortized cost method (Straight-line method)

•Other securities

Other securities than shares, etc. without market price Market value method (evaluation differences are processed by reporting as a component of shareholders' equity and cost of products sold is calculated by moving-average method)

Shares, etc. without market price Cost method by moving-average method

Investment to the investment limited partnership (if considered as securities under Clause 2, Article 2 of the Financial Instruments and Exchange Act) is by taking the amount equivalent to equity in net amount with the latest financial statement available for the reporting date of financial statement stipulated the partnership agreement as the base.

## 2) Evaluation standard and evaluation method of inventory

- Work in progress Cost method by specific identification method (value in the balance sheet is calculated by writing down due to reduction of profitability)
- Raw materials Cost method by first-in first-out method (value in the balance sheet is calculated by writing down due to reduction of profitability)
- Inventory goods Cost method by specific identification method (value in the balance sheet is calculated by writing down due to reduction of profitability)

## ② Depreciation method of important depreciable assets

### 1) Tangible fixed asset (except for lease assets)

Declining-balance method

However, the straight-line method is applied for equipment attached to buildings obtained after April 1, 2016 (Main service life)

Building 3 years to 10 years

Tools, equipment and fixings 2 years to 8 years

### 2) Intangible fixed assets

Straight-line method

- Software for market sale Depreciation based on estimated profit from sale within estimated vendible period (3 years)
- Software for in-house use Service life is in-house usable period (3 years to 5 years)

### 3) Lease assets

- Finance leases exempt from passage of title • Lease assets for lease transaction  
Straight-line method with lease period as service life and the remaining value as zero

## ③ Recording standard of important allowance

- 1) Allowance for doubtful accounts To prepare for loss by doubtful accounts of receivables, collectability is reviewed by loan loss ratio for general accounts receivables, and individually for specific receivables including doubtful account receivable and estimated uncollectable amount is recorded.
- 2) Provision for bonuses To prepare for bonus provided to employees, obligation amount of the current fiscal year is recorded based on the estimated payment amount.
- 3) Reserve for officers' bonuses To prepare for bonus provided to officers, obligation amount of the current fiscal year is recorded based on the estimated payment amount.
- 4) Provision for loss on order received Among the inquiries related to order receipt agreement, for the inquiries expected to have future loss at the end of the current fiscal year and of which loss can be reasonably estimated, such estimated amount of loss is recorded to prepare for the future loss.

## ④ Other important matters for preparation of consolidated calculation documents

- 1) Processing method of important deferred charge • Stock issuance fee: All amount is process at the time of expenditure
- 2) Important hedge accounting method
  - Hedge accounting method Deferred process is applied.
  - Hedging vehicle and subject for hedging Hedging vehicle...Foreign currency deposit  
Subject for hedging...Scheduled foreign currency denominated transaction
  - Hedging policy Foreign currency deposit is used for the purpose of avoiding currency exchange fluctuation risk. It is used within the scope of actual demand and transaction for investment shall not be conducted.

- Evaluation method of hedge effectiveness Since important conditions of hedge vehicle and subject for hedge are the same and cash flow fluctuation after starting of hedge can be offset, evaluation of effectiveness on the consolidated closing date is omitted.

### 3) Recording standards of important revenue and cost

Our Group recognizes revenue as the amount of consideration expected to obtain the right in exchange of the property or service when control of such property or the service is transferred to customers by applying the following five step approaches for contract with customers.

- Step 1: Identify the contract with the customer
- Step 2: Identify performance obligations in the agreement
- Step 3: Calculate transaction price
- Step 4: Distribute the transaction price to the performance obligations in the agreement
- Step 5: Recognize the revenue at the point of satisfying the performance obligations (or in the course of satisfying)

Our Group conducts group governance business, digital transformation promotion business and outsourcing business.

In the group governance business, we sell license of DivaSystem which is package software for consolidated management and consolidated accounting which was developed inhouse, and consulting service for introduction thereof, and continuous maintenance services including upgrading after starting of operation.

In license sale, we determine that the performance obligations shall be satisfied when the license is granted to customers and we recognize revenue as property or services transferred at one point.

In consulting service for introduction, we determine that the performance obligations shall be satisfied according to degree of progress of introduction to DivaSystem and we recognize revenue by progress rate.

In maintenance service, we determine that the performance obligations shall be satisfied throughout the agreement period and we recognize revenue throughout such agreement period

In the digital transformation promotion business, we mainly provide system integration services called BI (business intelligence) for leveraging of information, introduction support service of cloud data platform, sale and maintenance of software license and hardware.

In software license sale, we determine that the performance obligations shall be satisfied when the license is granted to customers and we recognize revenue as transaction by agent in net amount when the license is granted.

In system development services, we determine that the performance obligations shall be satisfied according to degree of progress of development and we recognize revenue by progress rate.

Additionally in maintenance services, we determine that the performance obligations shall be satisfied throughout the agreement period and we recognize revenue throughout such agreement period.

In the outsourcing business, we mainly provide services to accept the operations mainly including consolidated closing and consolidate tax payment through outsourcing.

Since control for services is transferred to customers by provision of services, we determine that the performance obligations shall be satisfied throughout according to the degree of service provision and we recognize revenue throughout such agreement period.

We receive the consideration for the transactions within one year after satisfying the performance obligations, not including important financial elements.

### 4) Standard of conversion of important assets or liabilities in foreign currency to Japanese currency.

Monetary receivables and payables in foreign currency are converted to Japanese yen at spot exchange rate on the consolidated closing date, and conversion translation adjustments (換算差額) are processed as profit or loss.

Assets and liabilities of the subsidiaries in foreign countries are converted to Japanese yen at spot exchange rate on the consolidated closing date, and revenue and cost are converted to Japanese yen at average rate during the term and the translation adjustments are recorded into foreign currency translation reserve in the net asset section.

#### 5) Application of group relief system

The Company and our domestic consolidated subsidiaries have applied the group relief system since the current fiscal year. We conduct accounting process of corporate tax and local corporate tax or accounting process of tax effect accounting therefor and disclosure in accordance with “Treatment of Accounting Process and Disclosure When Applying Group Relief System” (ASBJ PITF (Practical Solutions) No.42 August 12, 2021).

### 2. Note to change of accounting policy

We have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31 June 17, 2021, hereafter “Guidance on Accounting Standard for Fair Value Measurement”) since the beginning of the current fiscal year, and will apply new accounting policy stipulated by the Guidance on Accounting Standard for Fair Value Measurement in accordance with transitional treatment stipulated in accordance with Clause 27-2 of the Guidance on Accounting Standard for Fair Value Measurement throughout the future. There is no impact given by such change to the consolidated calculation documents in the current consolidated accounting year.

### 3. Note to accounting estimation

No applicable matters.

### 4. Note to the consolidated balance sheet

#### (1) Work-in-process and provision for loss on order received

Work-in-process and provision for loss on order received related the order receipt agreement where loss is anticipated are indicated in cross order without offsetting.

At the end of the current fiscal year, amount for provision for loss on order received among work-in-process related to the order receipt agreement where loss is anticipated is 61,594,000 yen.

#### (2) Balance of receivables arising from the contract with customers and contract assets

Balance of receivables arising from the contract with customers and balance of contract assets are listed in “Notes to consolidated financial statements 9. Note concerning revenue recognition (3) Information for understanding of revenue amount after the current accounting year and the following consolidated accounting year ① Balances, etc. of contract assets and contract liabilities.”

#### (3) Loan commitment agreement

The Company has entered into the loan commitment agreement with three partner banks for efficient procurement of working capital.

Balance of unexecuted loans, etc. for the loan commitment at the end of the current fiscal year shall be as follows.

|                                 |                         |
|---------------------------------|-------------------------|
| Total amount of loan commitment | 3,500,000,000 yen       |
| Balance of unexecuted loans     | - ,000 yen              |
| <hr/> Balance                   | <hr/> 3,500,000,000 yen |

## 5. Note to consolidated profit and loss statement

### (1) Revenue arising from contract with customers

Amount of revenue arising from the contract with customers is listed in “Notes to consolidated financial statements 9. Note concerning revenue recognition (1) Information on disaggregation of revenue arising from the contract with customers.”

### (2) Impairment loss of software

Our Group recorded impairment loss for the following asset group in the current fiscal year.

#### ① Overview of asset where impairment loss is recognized and amount of impairment loss

| Location                                 | Purpose     | Type     | Impairment loss |
|------------------------------------------|-------------|----------|-----------------|
| DIVA CORPORATION<br>(Shinjuku-ku, Tokyo) | Idle assets | Software | 186,613,000 yen |

#### ② Background where impairment loss was recognized

The relevant software was application development investment for the purpose of cost reduction in cloud operation service of DivaSystem LCAk which is DIVA CORPORATION's major product. Then the entire Group's reorganization was conducted in October 2022. Since it was determined as difficult to achieve the collecting plan of the relevant asset at the initial point of development in the course of reviewing the new mid-term management strategy after the following term, we came to recognized the impairment loss.

#### ③ Asset grouping method

Our Group conducts grouping for assets for business in principle with the business categories in the management accounting which continuously manages income and expenditure as the base, and conducts grouping by individual assets for idle assets and assets to be appropriated.

#### ④ Calculation method of collectable values

Collectible values are measured by utility value.

We had recorded software suspense account as development cost of the unreleased for the relevant asset, but since we concluded that it would be impossible to continue the development by the same method as the existing business or the method diverted from the same method, we evaluated the collectible value as 0.

## 6. Note to consolidated statements of changes in equity

### (1) Matters concerning the total number of issued shares

| Share type      | Number of shares at the beginning of the current fiscal year | Number of increased shares of the current fiscal year | Number of decreased shares of the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Ordinary shares | 37,625,501 shares                                            | 20,350 shares                                         | - shares                                              | 37,645,851 shares                                      |

(Note) The number of increased shares of the consolidated accounting year of 20,350 shares is 4,216 shares from increase due to issuance of new shares as performance-based share compensation and 16,134 shares from increase due to issuance of new shares as share compensation with limitation of transfer.

(2) Matters concerning the number of own shares

| Share type      | Number of shares at the beginning of the current fiscal year | Number of increased shares of the current fiscal year | Number of decreased shares of the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Ordinary shares | 2,998 shares                                                 | - shares                                              | - shares                                              | 2,998 shares                                           |

(3) Matters concerning dividend of surplus

① Amount of paid dividend, etc.

| Resolution                                                 | Share type      | Total amount of dividend (thousand yen) | Dividend amount per share (yen) | Record date   | Effective date     |
|------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------|---------------|--------------------|
| Annual General Shareholders' Meeting on September 27, 2022 | Ordinary shares | 489,092                                 | 13.00                           | June 30, 2022 | September 28, 2022 |

(Note) Dividend amount per share at the Annual General Shareholders' Meeting on September 27, 2022 includes 1.00 yen of dividend for 25th anniversary

② Dividend of which effective date is in the following term among dividends of which record date belongs to the current fiscal year in the following term

| Scheduled resolution                                       | Share type      | Dividend resource | Total amount of dividend (thousand yen) | Dividend amount per share (yen) | Record date   | Effective date     |
|------------------------------------------------------------|-----------------|-------------------|-----------------------------------------|---------------------------------|---------------|--------------------|
| Annual General Shareholders' Meeting on September 27, 2023 | Ordinary shares | Retained earnings | 564,642                                 | 15.00                           | June 30, 2023 | September 28, 2023 |

## 7. Note to financial products

### (1) Matters concerning status of financial products

#### ① Policy of approach for financial products

Our Group procures necessary funds (mainly bank loan and issuance of corporate bonds) based on the management policy and business plans, etc. Temporary funds surplus are managed with financial assets with high liquidity and safety in accordance with the internal rules of operations and short-term working funds are procured by loaning from banks. We also use foreign currency deposit for the purpose of avoiding currency exchange fluctuation risk. For evaluation method, etc. of hedging vehicles, subject for hedging policy and effectiveness of hedge, see the abovementioned notes, etc. to important matters as the base for preparation of the consolidated calculation documents “(4) Matters concerning accounting policy ④ Other important matters for preparation of consolidated calculation documents 2) Important hedge accounting method.”

#### ② Details of financial products and such risk and risk management system

Notes receivable and accounts receivable which are operating receivables are exposed to credit risk of customers, but we endeavor to early identify the concern about collection due to worsening, etc. of financial status, etc. and mitigate such risk by thoroughly managing credit of each partner and periodically managing the collection due date and balance.

Since held-to-maturity bonds among investment securities aim only for high-class credits, credit risk is very small, but there are currency exchange fluctuation risk and interest fluctuation risk. Other securities are exposed to market price fluctuation risk and currency exchange fluctuation risk, but we are continuously reviewing the holding status in consideration of market value, etc. Investment to investment limited partnership is exposed to risk where the shares fall under the invested principal due to change in the share issuer's management status and financial status, but we are managing the risk by periodically obtaining the partnership's financial statements to grasp their financial status and operation status.

Deposit and guarantee deposit are guarantee deposit in the lease agreement of the headquarters, branches and subsidiaries and are exposed to credit risk of the lessee, but we endeavor to mitigate such risk by reviewing the credit risk at the time of closing of the agreement.

Bills payable and trade accounts payable and other accounts payable which are operating liabilities are due within one year. Lease liabilities related to finance lease transactions are mainly aiming for fund procurement for facility investment and such due date is at longest one year and nine months after financial closing. These are exposed to liquidity risk (risk where payment cannot be made on the due date), but Our Group manages such risk by monthly confirming and managing the fund schedule and balance of payment account.

#### ③ Supplemental explanation on the matters concerning market value, etc. of financial products

Since calculation of market value of financial products include fluctuation factors, such value may change by applying different preconditions.

(2) Matters concerning market value, etc. of financial products

Amount recorded in the consolidated balance sheet, market value and such differences as of June 30, 2023 shall be as follows. Shares, etc. without market price is not included in the following table ((Note) See 1.). "Cash and deposit," "notes receivable, accounts receivable and contract assets," "securities," "notes payable and accounts payable," "accounts payable and accrued expenses," "accrued corporate taxes, etc." are omitted since the market values are similar to the book values since they are cash and paid in a short term.

|                                                                                            | Amount recorded in the consolidated balance sheet (thousand yen) | Market value (thousand yen) | Difference (thousand yen) |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------|---------------------------|
| ①Investment securities                                                                     |                                                                  |                             |                           |
| Other securities                                                                           | 660,751                                                          | 660,751                     | -                         |
| ②Deposit and guarantee deposit (including those scheduled to be collected within one year) | 575,243                                                          | 571,937                     | △3,306                    |
| Assets total                                                                               | 1,235,995                                                        | 1,232,689                   | △3,306                    |
| ①Lease liabilities (including those scheduled to be collected within one year)             | 18,296                                                           | 18,300                      | 3                         |
| Total liabilities                                                                          | 18,296                                                           | 18,300                      | 3                         |

(Note)1. Shares, etc. without market price

| Category          | Amount recorded in the consolidated balance sheet |
|-------------------|---------------------------------------------------|
| Non-listed shares | 0,000 yen                                         |

These are not included in "①Investment securities."

2. Investments to partnership recording the equity-equivalent amount in net amount and other entities similar thereto are omitted from description. Amount recorded in the consolidated balance sheet of such investment is 111,294,000 yen.

- (3) Matters concerning breakdown, etc. by the level of market values of financial products  
 Market values of financial products are classified into the following three levels according to observability and importance of inputs used for calculation of market values.

Market value of level 1: Market value calculated by the reasonable price for the assets or liabilities subject to calculation of such market value formed in an active market among the inputs related to calculation of observable market value

Market value of level 2: Market value calculated by using the input related to calculation of other market value than input of level 1 among the inputs related to calculation of observable market value

Market value of level 3: Market value calculated by using the input related to calculation of non-observable market value  
 If multiple inputs that give an important impact to calculation of market value are used, the value is classified into the lowest priority level at calculation of market value among the levels to which those inputs respectively belong

① Financial products recorded in the consolidated balance sheet by market value

| Category              | Market value (thousand yen) |         |         |         |
|-----------------------|-----------------------------|---------|---------|---------|
|                       | Level 1                     | Level 2 | Level 3 | Total   |
| Investment securities |                             |         |         |         |
| Other securities      |                             |         |         |         |
| Shares                | 363,960                     | -       | -       | 363,960 |
| Others                | -                           | 296,791 | -       | 296,791 |
| Assets total          | 363,960                     | 296,791 | -       | 660,751 |

② Other financial products than those recorded in the consolidated balance sheet by market value

| Category                                                                                | Market value (thousand yen) |         |         |         |
|-----------------------------------------------------------------------------------------|-----------------------------|---------|---------|---------|
|                                                                                         | Level 1                     | Level 2 | Level 3 | Total   |
| Deposit and guarantee money (including those scheduled to be collected within one year) | -                           | 571,937 | -       | 571,937 |
| Assets total                                                                            | -                           | 571,937 | -       | 571,937 |
| Lease liabilities (including those scheduled to be collected within one year)           | -                           | 18,300  | -       | 18,300  |
| Liabilities total                                                                       | -                           | 18,300  | -       | 18,300  |

(Note) Explanation on evaluation methodology used for calculation of market value and of inputs concerning calculation of market value

#### Investment securities

The listed shares are evaluated by using the reasonable prices. Since the listed shares are traded in an active market, such market value is classified as market value of level 1.

On the other hand, the investment trust, etc. held by the Company is not traded with low frequency in the market and cannot be considered as a reasonable price in an active market, such market value is classified as market value of level 2.

#### Deposit and guarantee deposit

Market value of deposit and guarantee deposit are classified in a certain interval and calculated by the current value in the calculation where the future cash flow is discounted by appropriate index including yield of national bonds, etc. and classified as market value of level 2.

#### Lease liabilities

Market value of lease liabilities is calculated by discount cash flow method based on the interest rate in consideration of the total amount of principal and interest and the remaining period and credit risk of the relevant liabilities, and classified as market value of level 2.

## 8. Notes to recognition of revenue

(1) Information on disaggregation of revenue arising from the contract with customers

(Unit: thousand yen)

|                                                              | Reporting segment         |                                           |                      | Total      |
|--------------------------------------------------------------|---------------------------|-------------------------------------------|----------------------|------------|
|                                                              | Group governance business | Digital transformation promotion business | Outsourcing business |            |
| Property or services transferred at one point                | 241,547                   | 46,870                                    | 133,184              | 421,602    |
| property or services transferred throughout a certain period | 9,723,660                 | 8,330,094                                 | 2,949,226            | 21,002,982 |
| Revenue arising from contract with customers                 | 9,965,208                 | 8,376,964                                 | 3,082,411            | 21,424,584 |
| Other revenue                                                | -                         | -                                         | -                    | -          |
| Sales to external customers                                  | 9,965,208                 | 8,376,964                                 | 3,082,411            | 21,424,584 |

(2) Information to be the base to understand the revenue arising from the contract with customers

Information to understand the revenue is as described in "1. Notes, etc. to important matters as the base for preparation of the consolidated calculation documents (4) Matters concerning accounting policy ④3) recording standards of important revenue and cost."

(3) Information to understand amount of revenue of the current fiscal year and after the following consolidated accounting year

① Balance, etc of contract assets and contract liabilities

(Unit: thousand yen)

|                                                                                             | The current fiscal year |
|---------------------------------------------------------------------------------------------|-------------------------|
| Receivables arising from the contract with customers (balance at the beginning of the term) | 2,512,036               |
| Receivables arising from the contract with customers (balance at the end of the term)       | 2,283,659               |
| Contract assets (balance at the beginning of the term)                                      | 512,013                 |
| Contract assets (balance at the end of the term)                                            | 679,471                 |
| Contract liabilities (balance at the beginning of the term)                                 | 2,355,344               |
| Contract liabilities (balance at the end of the term)                                       | 2,796,086               |

Contract assets are mainly concerning Our Group's rights for unclaimed consideration among the revenues recognized according to progress of satisfaction of the performance obligations. Contract assets shall be transferred to receivable arising from the contract with customers when Our Group's rights to the consideration becomes unconditional.

Contract liabilities are mainly concerning the deferred revenue from customers. Contract liabilities shall be spent along with recognition on revenue. The amount included in the contract liabilities as of the beginning of the term among the revenues recognized in the current fiscal year is 2,093,460,000 yen.

② Transaction price distributed to the remaining performance obligations

Total amount of transaction price distributed to the remaining performance obligations and the period where recognition of revenue is expected are as follows.

(Unit: thousand yen)

|                  | The current fiscal year |
|------------------|-------------------------|
| With in one year | 6,977,186               |
| Over one year    | 44,255                  |
| Total            | 7,021,442               |

**9. Note to information per share**

|                                |            |
|--------------------------------|------------|
| Amount of net asset per share  | 327.51 yen |
| Amount of net profit per share | 55.65 yen  |

## 10. Note to important subsequent events

(Introduction of employee stock ownership plan)

The Company decided to introduce the “employee stock ownership plan” (hereafter “Plan”) as an incentive plan targeting Our Group employees at the board of directors’s meeting held on August 4, 2023.

### ① Purpose of introduction of the Plan

We will introduce this Plan to foster the employees’ belongingness and have them involved in management by making this Plan as incentive for the employees who has contributed to the Company’s growth and to improve the Company’s corporate value in a mid-and long term by raising awareness of the Company’s performance and rise of share price.

### ② Overview of the Plan

This Plan is an incentive plan to set a trust (hereafter “Trust”) with money contributed by the Company as the fund, where the Trust acquires the Company’s ordinary shares (hereafter “Shares”) and issues the Shares to each employee. The Shares shall be issued to each employee in accordance with the rules of share issuance stipulated by the Company’s board of directors.

The fund for acquirement of the Shares by the Trust is fully contributed by the Company, and not incurred by employees. By introduction of this Plan, employees can receive economic benefit by rise of price of the Shares, which can be expected to promote the employee’s performance of operations by being aware of share prices and to improve the employees’ motivation for work.

### ③ Overview of Trust

- |                              |                                                                                                                                |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| (1) Title                    | :Employee stock ownership plan                                                                                                 |
| (2) Consignor                | :AVANT GROUP CORPORATION                                                                                                       |
| (3) Consignee                | :Sumitomo Mitsui Trust Bank<br>(Reconsignee: Custody Bank of Japan, Ltd.)                                                      |
| (4) Beneficiary              | :Employees who satisfy the beneficiary requirements                                                                            |
| (5) Trust administrator      | :An independent third party from the Company and the Company’s employees to be appointed.                                      |
| (6) Exercise of voting right | :Beneficiaries shall exercise the voting right through the trust period according to instruction from the trust administrator. |
| (7) Type of trust            | :Other monetary trust than cash in trust (trust of others’ benefit)                                                            |
| (8) Date of trust agreement  | :August 15, 2023                                                                                                               |
| (9) Date of entrusting money | :August 15, 2023                                                                                                               |
| (10) End date of Trust       | :September 30, 2028 (planned)                                                                                                  |

### ④ Details of acquirement of the Shares in this Trust

- |                                                              |                                                                           |
|--------------------------------------------------------------|---------------------------------------------------------------------------|
| (1) Type of Shares to be acquired                            | :Ordinary shares                                                          |
| (2) Amount to be entrusted as acquirement fund of the Shares | :450,000,000 yen (upper limit)                                            |
| (3) Total number of Shares to be acquired                    | :350,000 shares                                                           |
| (4) How to acquire the Shares                                | :Acquired from the trading market (including non-attendance transaction). |
| (5) Share acquirement period                                 | :August 15, 2023 through September 29, 2023 (planned)                     |

## 11. Other notes

The listed amounts are indicated with the figures under the unit rounded off.

## Balance Sheet

(As of June 30, 2023)

(Unit: thousand yen)

| Account items                              | Amount           |
|--------------------------------------------|------------------|
| (Assets)                                   |                  |
| <b>Current assets</b>                      | <b>6,655,702</b> |
| Cash and deposits                          | 5,119,866        |
| Accounts receivable                        | 83,870           |
| Securities                                 | 500,000          |
| Supplies                                   | 20,517           |
| Prepaid expenses                           | 64,338           |
| Short-term loans receivable                | 100,000          |
| Advances paid                              | 27,186           |
| Other receivables                          | 737,390          |
| Others                                     | 2,532            |
| <b>Fixed assets</b>                        | <b>2,124,598</b> |
| Tangible fixed assets                      | 129,458          |
| Tools, equipment and supplies              | 294,946          |
| Accumulated depreciation                   | △217,466         |
| Construction in progress                   | 51,978           |
| <b>Accumulated depreciation</b>            | <b>194,117</b>   |
| Software                                   | 193,892          |
| Others                                     | 225              |
| <b>Investment and other assets</b>         | <b>1,801,022</b> |
| Investment securities                      | 660,751          |
| Securities of related affiliated companies | 1,043,737        |
| Long-term prepaid expenses                 | 18,934           |
| Deposit and guarantee deposit              | 165              |
| Insurance reserve fund                     | 59,511           |
| Others                                     | 17,920           |
| <b>Total assets</b>                        | <b>8,780,300</b> |

| Account items                                | Amount           |
|----------------------------------------------|------------------|
| (Liabilities)                                |                  |
| <b>Current liabilities</b>                   | 536,039          |
| Lease liabilities                            | 3,772            |
| Accounts payable                             | 178,829          |
| Accrued expenses                             | 8,584            |
| Accrued corporate taxes, etc.                | 2,019            |
| Deposit received                             | 18,183           |
| Provision for bonuses                        | 66,337           |
| Reserve for officers' bonuses                | 21,059           |
| Provision for loss on order received         | 200,000          |
| Others                                       | 37,251           |
| <b>Fixed liabilities</b>                     | <b>65,600</b>    |
| Lease obligations                            | 1,458            |
| Asset retirement obligations                 | 22,300           |
| Deferred tax liability                       | 41,841           |
| <b>Total liabilities</b>                     | <b>601,640</b>   |
| (Net assets)                                 |                  |
| <b>Shareholders' equity</b>                  | <b>7,994,432</b> |
| <b>Capital fund</b>                          | <b>345,113</b>   |
| <b>Shareholders' equity</b>                  | <b>281,913</b>   |
| Capital fund                                 | 281,913          |
| <b>Capital surplus</b>                       | <b>7,368,014</b> |
| Profit reserve                               | 374              |
| Other retained earnings                      | 7,367,640        |
| Retained earnings carried forward            | 7,367,640        |
| <b>Own shares</b>                            | <b>△608</b>      |
| <b>Valuation and translation adjustments</b> | <b>184,228</b>   |
| Valuation difference on other securities     | 183,925          |
| Deferred hedge gains and losses              | 302              |
| <b>Total assets</b>                          | <b>8,178,660</b> |
| <b>Total liabilities and net assets</b>      | <b>8,780,300</b> |

## **Profit and Loss Statement**

(From July 1, 2022 to June 30, 2023)

Unit: thousand yen

| Account item                                  | Amount    |            |
|-----------------------------------------------|-----------|------------|
| <b>Operating revenue</b>                      |           |            |
| Business management fee                       | 926,226   |            |
| Dividend income of affiliates                 | 2,636,255 |            |
| Others                                        | 516       | 3,572,998  |
| <b>Operating expenses</b>                     |           |            |
| Sales cost                                    | 518       |            |
| Selling, general and administrative expenses  | 1,696,182 | 1,696,700  |
| <b>Operating profit</b>                       |           | 1,876,298  |
| <b>Non-operating profit</b>                   |           |            |
| Interest income                               | 2,022     |            |
| Dividend received                             | 10,192    |            |
| Others                                        | 3,216     | 15,431     |
| <b>Non-operating expenses</b>                 |           |            |
| Interest paid                                 | 24        |            |
| Commission paid                               | 5,791     |            |
| Foreign exchange loss                         | 71        |            |
| Stock issuance expenses                       | 228       |            |
| Loss on investments in investment partnership | 11,975    |            |
| Others                                        | 289       | 1,881      |
| <b>Ordinary profit</b>                        |           | 18,373,347 |
| <b>Current net profit before tax</b>          |           | 18,373,347 |
| Corporate tax, resident tax and business tax  |           |            |
| Corporate tax adjustment amount               | △159,743  | △149,122   |
| <b>Current net profit</b>                     | 10,621    | 2,022,470  |

## Statement of changes in equity

(From July 1, 2022 to June 30, 2023)

(Unit: thousand yen)

|                                                                            | Shareholders' equity |                 |                       |                                   |                         |                         |
|----------------------------------------------------------------------------|----------------------|-----------------|-----------------------|-----------------------------------|-------------------------|-------------------------|
|                                                                            | Capital fund         | Capital surplus |                       | Profit reserve                    | Retained earnings       |                         |
|                                                                            |                      | Capital reserve | Total capital surplus |                                   | Other retained earnings | Total retained earnings |
|                                                                            |                      |                 |                       | Retained earnings carried forward |                         |                         |
| Balance at the beginning of the period                                     | 329,128              | 265,928         | 265,928               | 374                               | 5,834,262               | 5,834,637               |
| Changes during the current period                                          |                      |                 |                       |                                   |                         |                         |
| Issuance of new shares                                                     | 15,984               | 15,984          | 15,984                |                                   |                         |                         |
| Dividend of surplus                                                        |                      |                 |                       |                                   | △489,092                | △489,092                |
| Current net profit                                                         |                      |                 |                       |                                   | 2,022,470               | 2,022,470               |
| Changes during the current period except shareholders' equity (net amount) |                      |                 |                       | -                                 |                         |                         |
| Total changes during the current period                                    | 15,984               | 15,984          | 15,984                |                                   | 1,533,377               | 1,533,377               |
| Balance at the end of current period                                       | 345,113              | 281,913         | 281,913               | 374                               | 7,367,640               | 7,368,014               |

|                                                                            | Shareholders' equity |                            | Valuation and translation adjustments                                       |                                 |                                             | Total net assets |
|----------------------------------------------------------------------------|----------------------|----------------------------|-----------------------------------------------------------------------------|---------------------------------|---------------------------------------------|------------------|
|                                                                            | Own shares           | Total shareholders' equity | Valuation difference on other securities<br>Deferred hedge gains and losses | Deferred hedge gains and losses | Total valuation and translation adjustments |                  |
| Balance at the beginning of the period                                     | 608                  | 6,429,085                  | 103,126                                                                     | 236                             | 103,363                                     | 6,532,448        |
| Changes during the current period                                          |                      |                            |                                                                             |                                 |                                             |                  |
| Issuance of new shares                                                     |                      | 31,092                     |                                                                             |                                 |                                             | 31,092           |
| Dividend of surplus                                                        |                      | △489,092                   |                                                                             |                                 |                                             | △489,092         |
| Current net profit                                                         |                      | 2,022,470                  |                                                                             |                                 |                                             | 2,022,470        |
| Changes during the current period except shareholders' equity (net amount) |                      |                            | 80,798                                                                      | 66                              | 80,865                                      | 80,865           |
| Total changes during the current period                                    | -                    |                            |                                                                             |                                 |                                             |                  |
| Balance at the end of current period                                       | △608                 | 7,994,432                  | 183,925                                                                     | 302                             | 184,228                                     | 8,178,660        |

## Notes to non-consolidated financial statement

### 1. Matters concerning important accounting policy

#### (1) Evaluation standard and evaluation method of assets

|                                                           |                                                                                                                                                                                 |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ① Evaluation standard and evaluation method of securities |                                                                                                                                                                                 |
| • Bonds held to maturity                                  | Amortized cost method (Straight-line method)                                                                                                                                    |
| • Subsidiaries' shares and affiliates' shares             | Cost method by moving-average method                                                                                                                                            |
| • Other securities                                        |                                                                                                                                                                                 |
| Other securities than shares, etc. without market price   | Market value method (evaluation differences are processed by reporting as a component of shareholders' equity and cost of products sold is calculated by moving-average method) |
| Shares, etc. without market price                         | Cost method by moving-average method                                                                                                                                            |

#### ② Evaluation standard and evaluation method of inventory

|                   |                                                                                                                                            |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| • Inventory goods | Cost method by specific identification method (value in the balance sheet is calculated by writing down due to reduction of profitability) |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------|

#### (2) Processing method of important deferred charge

|                      |                                                  |
|----------------------|--------------------------------------------------|
| • Stock issuance fee | All amount is process at the time of expenditure |
|----------------------|--------------------------------------------------|

#### (3) Depreciation method of fixed asset

|                             |                                                                                                                                                                                                                                                     |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ① Tangible fixed asset      | Declining-balance method<br>However, the straight-line method is applied for equipment attached to buildings obtained after April 1, 2016<br>(Main service life)<br>Building 3 years to 10 years<br>Tools, equipment and fixings 2 years to 8 years |
| ② Intangible fixed assets   | Straight-line method                                                                                                                                                                                                                                |
| • Software for in-house use | Service life is in-house usable period (5 years)                                                                                                                                                                                                    |

#### (4) Recording standard of allowance

|                                 |                                                                                                                                             |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| ① Provision for bonuses         | To prepare for bonus provided to employees, obligation amount of the current fiscal year is recorded based on the estimated payment amount. |
| ② Reserve for officers' bonuses | To prepare for bonus provided to officers, obligation amount of the current fiscal year is recorded based on the estimated payment amount.  |

#### (5) Recording standards of revenue and cost

The Company's revenue shall be management instruction fee and operation consignment fee from the subsidiaries. The performance obligations are to provide to the subsidiaries with the consigned operations according to content of the agreement, and since the Company's performance obligations are satisfied when the operations are provided, we have recognized the revenue and cost at such point.

(6) Important matters as the base for preparation of other calculation documents

① Important hedge accounting method

|                                            |                                                                                                                                                                                                             |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • Hedge accounting method                  | Deferred process is applied.                                                                                                                                                                                |
| • Hedging vehicle and subject for hedging  | Hedging vehicle...Foreign currency deposit<br>Subject for hedging...Scheduled foreign currency denominated transaction                                                                                      |
| • Hedging policy                           | Foreign currency deposit is used for the purpose of avoiding currency exchange fluctuation risk. It is used within the scope of actual demand and transaction for investment shall not be conducted.        |
| • Evaluation method of hedge effectiveness | Since important conditions of hedge vehicle and subject for hedge are the same and cash flow fluctuation after starting of hedge can be offset, evaluation of effectiveness on the closing date is omitted. |

② Standard of conversion of important assets or liabilities in foreign currency to Japanese currency

Monetary receivables and payables in foreign currency are converted to Japanese yen at spot exchange rate on the closing date, and conversion translation adjustments are processed as profit or loss.

③ Application of group relief system

The Company has applied the group relief system since the current fiscal year. We conduct accounting process of corporate tax and local corporate tax or accounting process of tax effect accounting therefor and disclosure in accordance with "Treatment of Accounting Process and Disclosure When Applying Group Relief System" (ASBJ PITF (Practical Solutions) No.42 August 12, 2021).

## 2. Note to change of accounting policy

We have applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31 June 17, 2021, hereafter "Guidance on Accounting Standard for Fair Value Measurement") since the beginning of the current accounting year, and will apply new accounting policy stipulated by the Guidance on Accounting Standard for Fair Value Measurement in accordance with transitional treatment stipulated in accordance with Clause 27-2 of the Guidance on Accounting Standard for Fair Value Measurement throughout the future. There is no impact given by such change to the calculation documents in the current consolidated accounting year.

## 3. Note to accounting estimation

No applicable matters.

## 4. Note to balance sheet

(1) Monetary claims and monetary obligations for the affiliates (except for those indicated in category)

|                                 |                 |
|---------------------------------|-----------------|
| Short-term monetary claims      | 384,047,000 yen |
| Short-term monetary obligations | 114,703,000 yen |
| Long-term monetary claims       | 17,920,000 yen  |

(2) Loan commitment agreement

The Company has entered into the loan commitment agreement with three partner banks for efficient procurement of working capital.

Balance of unexecuted loans, etc. for the loan commitment at the end of the current fiscal year shall be as follows.

|                                 |                   |
|---------------------------------|-------------------|
| Total amount of loan commitment | 3,500,000,000 yen |
| Balance of unexecuted loans     | -,000 yen         |
| Balance                         | 3,500,000,000 yen |

## 5. Note to profit and loss statement

Trade volume with the affiliates (except for those indicated in category)

|                                                   |                   |
|---------------------------------------------------|-------------------|
| Trade volume by operating transactions            | 1,237,180,000 yen |
| Trade volume by other than operating transactions | 398,371,000 yen   |

## 6. Note to statements of changes in equity

Matters concerning the number of own shares

| Share type      | Number of shares at the beginning of the current fiscal year | Number of increased shares of the current fiscal year | Number of decreased shares of the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Ordinary shares | 2,998 shares                                                 | - shares                                              | - shares                                              | 2,998 shares                                           |

## 7. Note to tax effect accounting

Breakdown by major causes of occurrence of deferred tax assets and deferred tax liabilities  
Deferred tax assets

|                                                                  |                               |
|------------------------------------------------------------------|-------------------------------|
| Loss carried forward in taxation                                 | 139,045,000 yen               |
| Accrued business tax                                             | 426,000 yen                   |
| Accrued office tax                                               | 407,000 yen                   |
| Provision for bonuses                                            | 15,850,000 yen                |
| Reserve for officers' bonuses                                    | 782,000 yen                   |
| Depreciation cost                                                | 16,357,000 yen                |
| Loss on valuation of investment securities                       | 3,062,000 yen                 |
| Loss on valuation of shares of affiliates                        | 84,635,000 yen                |
| Asset retirement obligations                                     | 5,497,000 yen                 |
| Other valuation difference on available-for-sale securities      | 6,401,000 yen                 |
| Others                                                           | 2,374,000 yen                 |
| Deferred tax assets subtotal                                     | <u>274,839,000 yen</u>        |
| Valuation allowance for loss carried forward in taxation         | △139,045,000 yen              |
| Valuation allowance for total of deductible temporary difference | <u>△87,697,000 yen</u>        |
| Deferred tax assets total                                        | 48,097,000 yen                |
| Deferred tax liabilities                                         |                               |
| Equipment attached to buildings (asset retirement cost)          | -,000 yen                     |
| Other valuation difference on available-for-sale securities      | 89,805,000 yen                |
| Others                                                           | 133,000 yen                   |
| Deferred tax liabilities Total                                   | <u>89,938,000 yen</u>         |
| Net amount of deferred tax assets                                | <u><u>△41,841,000 yen</u></u> |

(2) Breakdown by items of cause of difference between legal effective tax rate and burden rate of corporate tax, etc. after application of legal effective tax rate

|                                                                                   |                     |
|-----------------------------------------------------------------------------------|---------------------|
| Legal effective tax rate                                                          | 30.6%               |
| (Adjustment)                                                                      |                     |
| Items not permanently calculated into loss including entertainment expenses, etc. | - %                 |
| Items not permanently calculated into revenue including received dividend, etc.   | △43.0%              |
| Valuation allowance                                                               | 0.5%                |
| Others                                                                            | <u>4.0%</u>         |
| Burden rate of corporate tax, etc. after application of legal effective tax rate  | <u><u>△7.9%</u></u> |

(3) Accounting process of corporate tax and local corporate tax or accounting process of tax effect accounting therefor

The Company has applied the group relief system since the current fiscal year. We conduct accounting process of corporate tax and local corporate tax or accounting process of tax effect accounting therefor and disclosure in accordance with "Treatment of Accounting Process and Disclosure When Applying Group Relief System" (ASBJ PITF (Practical Solutions) No.42 August 12, 2021).

## 8. Note to transactions with the related parties

### (1) Subsidiaries

(Unit: thousand yen)

| Names of companies, etc.       | Ownership ratio of voting right, etc. | Relationship with related parties                                                                                                                                          | Details of transactions                 | Amount of transaction | Item                          | Balance at the end of the term |
|--------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------|-------------------------------|--------------------------------|
| AVANT CORPORATION              | Direct 100%                           | Consigned with management instruction and administration work<br>Fund management<br>Guarantee of liabilities<br>Working also as officers<br>Consignment of accounting work | Consigned with management work (Note 1) | 374,346               | Accounts receivable           | 31,909                         |
|                                |                                       |                                                                                                                                                                            | Consignment of accounting work (Note 1) | 73,726                | Short-term loan receivable    | 100,000                        |
|                                |                                       |                                                                                                                                                                            | Fund repayment (Note 2)                 | 2,576,000             | Prepaid expenses              | 462                            |
|                                |                                       |                                                                                                                                                                            | Interest payment (Note 2)               | 15                    | Other receivables             | 57,671                         |
|                                |                                       |                                                                                                                                                                            | Fund loan (Note 2)                      | 1,450,000             | Advances paid                 | 5,946                          |
|                                |                                       |                                                                                                                                                                            | Collection of fund (Note2)              | 1,350,000             | Long-term accounts receivable | 5,102                          |
|                                |                                       |                                                                                                                                                                            | Receipt of interest (Note 2)            | 1,953                 | Accounts receivable           | 43,231                         |
|                                |                                       |                                                                                                                                                                            | Sellout of fixed asset (Note 3)         | 389,442               |                               |                                |
| Internet Disclosure, Co., Ltd. | Direct 100%                           | Management instruction<br>Fund management<br>Working also as officers                                                                                                      | Consigned with management work (Note 1) | 2,000                 | Accounts receivable           | 550                            |
|                                |                                       |                                                                                                                                                                            | Interest payment (Note 2)               | 3                     | Prepaid expenses              | 539                            |
|                                |                                       |                                                                                                                                                                            |                                         |                       | Other receivables             | 8,521                          |
|                                |                                       |                                                                                                                                                                            |                                         |                       | Long-term accounts receivable | 2,200                          |
| ZEAL Corporation               | Direct 100%                           | Consigned with management instruction and administration work<br>Fund management<br>Fund loan<br>Working also as officers                                                  | Consigned with management work (Note 1) | 309,277               | Accounts receivable           | 27,956                         |
|                                |                                       |                                                                                                                                                                            | Deposited fund (Note2)                  | 71,000                | Other receivables             | 57,838                         |
|                                |                                       |                                                                                                                                                                            | Fund repayment (Note 2)                 |                       | Advances paid                 | 640                            |
|                                |                                       |                                                                                                                                                                            | Interest payment (Note 2)               | 971,000               | Long-term accounts receivable | 5,263                          |
|                                |                                       |                                                                                                                                                                            |                                         | 4                     | Accrued expenses              | 789                            |
| DIVA CORPORATION               | Direct 100%                           | Consigned with management instruction and administration work<br>Consignment of accounting work<br>Working also as officers                                                | Consigned with management work (Note 1) | 250,602               | Accounts receivable           | 23,454                         |
|                                |                                       |                                                                                                                                                                            | Consignment of accounting work (Note 1) | 180,073               | Advances paid                 | 13,171                         |
|                                |                                       |                                                                                                                                                                            | Sellout of fixed asset (Note 3)         | 5,629                 | Other receivables             | 56,370                         |
|                                |                                       |                                                                                                                                                                            |                                         |                       | Long-term accounts receivable | 69,264                         |
|                                |                                       | Accrued expenses                                                                                                                                                           | 5,354                                   |                       |                               |                                |

\*1. Transaction amounts do not include consumption tax and term-end balance includes consumption tax.

2. Our Group conducted reorganization with company split among the consolidated subsidiaries on October 1, 2022. Therefore, we changed the name of the Company and the Company's consolidated subsidiaries as shown below.

| After change of company name | Before change of company name |
|------------------------------|-------------------------------|
| AVANT GROUP CORPORATION      | AVANT CORPORATION             |
| AVANT CORPORATION            | DIVA CORPORATION              |
| DIVA CORPORATION             | FIERTE CORPORATION            |

Conditions and policy of determination, etc. of trading conditions

(Note)

1. Trading conditions of accepting management work and consigning accounting work are appropriately determined in consideration of arising cost, etc.
2. Interest rates of fund loan and deposit in the Group fund management are reasonably determined in consideration of the market interest.
3. Trading conditions of prices are determined upon discussion and negotiation between both parties.

(2) Officers and major individual shareholders, etc.  
No applicable matters.

#### **9. Note to recognition of revenue**

Information as the base to understand revenue, the note is omitted since the same is described in "Notes to consolidated financial statements 1. Matters concerning important accounting policy (5) Recording standards of revenue and cost."

#### **10. Note to information per share**

Amount of net asset per share 217.27 yen

The current net profit per share 53.74 yen

#### **11. Note to important subsequent events**

The note is omitted since the same is described in "Notes to consolidated financial statements 11. Note to important subsequent events."

#### **12. Other Notes**

The indicated amount is with the figure under the unit rounded off.

## Audit Report on Consolidated Financial Statements

### Independent Auditor's Report

August 25, 2023

AVANT GROUP CORPORATION  
To the Board of Directors

Deloitte Touche Tohmatsu LLC Tokyo Office  
Designated Limited Liability Partner Engagement Partner Certified Public Accountant Jun Kagawa  
Designated Limited Liability Partner Engagement Partner Certified Public Accountant Kenji Oyama

#### Audit Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Abanto Group Corporation for the fiscal year from July 1, 2022, to June 30, 2023, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of changes in Shareholders' equity, and accompanying notes to the consolidated financial statements.

In our opinion, the aforementioned consolidated financial statements adhere to the generally accepted accounting principles in Japan and present, in all material respects, an accurate portrayal of the financial condition and operating results of the corporate group consisting of AVANT GROUP CORPORATION and its consolidated subsidiaries for the period in question.

#### Basis for Audit Opinion

Our audit was conducted in accordance with auditing standards generally accepted in Japan. Our responsibilities under these standards are described in "Auditor's Responsibilities for the Audit of the Financial Statements and Related Schedules." We are independent from the Company in accordance with ethical requirements in Japan and have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### Other Matters

Other matters are described in the management report and its accompanying notes. Management is responsible for the preparation and presentation of this other information. The Audit Committee is responsible for overseeing the directors' execution of their duties concerning the preparation and presentation process of this other information.

Our audit opinion on the consolidated financial statements does not encompass these other matters, and we express no opinion on them.

Our responsibilities during the audit of the consolidated financial statements include reading the other matters and, in doing so, consider whether there are any material inconsistencies with the consolidated financial statements or the knowledge we obtained during our audit, and to pay attention to indications of material errors in the other matters

Based on the work we have carried out; we are required to report any other material errors in the statements.

With regards to disclosures, we have no other matters to report.

#### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes establishing and maintaining internal controls deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

The Audit Committee is responsible for overseeing the Board of Directors in the establishment and operation of the financial reporting process

## Auditor's Responsibilities in the Audit of Consolidated Financial Statements

The auditor's primary responsibility is to gain reasonable assurance that the consolidated financial statements and associated documents are devoid of significant misrepresentations arising from fraud or error. Based on the audit performed, the auditor is obligated to articulate an independent opinion on the financial statements and related documents in the auditor's report. A misrepresentation is deemed significant when it has arisen due to either fraud or error, and when viewed individually or in aggregate, it could reasonably be expected to impact the decision-making of the users of the consolidated financial statements.

In adherence to auditing standards generally recognized as fair and reasonable within our country (Japan), the auditor maintains professional skepticism and exercises professional judgment throughout the audit process to undertake to achieve the following:

- Identify and assess risks of material misstatements due to fraud or error. Design and implement audit procedures to address these risks. The selection and application of audit procedures are at the auditor's discretion. Moreover, the auditor gathers sufficient and appropriate audit evidence as the basis for their opinion.
- While the primary objective of the consolidated financial statements' audit is not to express an opinion on the effectiveness of internal controls, the auditor reviews relevant internal controls during risk assessment. This is to design audit procedures that are appropriate under the given circumstances.
- Evaluate the appropriateness of accounting policies and their application methods employed by management, as well as the reasonableness of accounting estimates and the adequacy of related disclosures.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on a going-concern basis. Based on the audit evidence obtained, assess whether there are material uncertainties relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Should material uncertainties exist regarding the going-concern assumption, the auditor is required to either draw attention to the related notes in the audit report or, if the notes are inappropriate, to issue a qualified opinion on the consolidated financial statements. The auditor's conclusion is grounded on the audit evidence available up to the date of the audit report; however, future events or conditions may subsequently challenge the entity's ability to continue as a going concern.
- Assess whether the presentation and disclosure notes of the consolidated financial statements are in compliance with generally accepted accounting principles in Japan. This includes evaluating the presentation, structure, and content of the consolidated financial statements, along with the related disclosure notes, to ascertain if they fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence concerning the financial information of both the company and its consolidated subsidiaries to form an opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and conducting the audit of the consolidated financial statements. The auditor bears sole responsibility for the audit opinion.

The auditor communicates with the Audit and Supervisory Committee concerning the planned scope and timing of the audit, key audit findings that include material weaknesses in internal controls identified during the execution of the audit, as well as other matters as mandated by the auditing standards.

Furthermore, the auditor reports to the Audit and Supervisory Committee on adherence to Japan's professional ethical guidelines concerning independence. This includes any factors that could reasonably be considered to impact the auditor's independence, and if applicable, the measures implemented to mitigate or eliminate such hindrances.

### Conflict of Interest

Neither the company nor its consolidated subsidiaries have conflicts of interest that are mandated to be disclosed under the provisions of the Certified Public Accountants Act.

End of statement

## Auditor's Report on Non-Consolidated Financial Statements

### Independent Auditor's Report

August 25, 2023

AVANT GROUP CORPORATION  
To the Board of Directors

Deloitte Touche Tohmatsu LLC Tokyo Office

Designated Limited Liability Partner Engagement Partner Certified Public Accountant Jun Kagawa

Designated Limited Liability Partner Engagement Partner Certified Public Accountant Kenji Oyama

#### Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of AVANT GROUP CORPORATION for the 27th fiscal year spanning from July 1, 2022, to June 30, 2023. These financial statements include the balance sheet, income statement, statement of changes in equity, notes to the financial statements, and accompanying schedules (hereinafter collectively referred to as "financial statements and related schedules").

In our opinion, these financial statements and related schedules are prepared in conformity with accounting principles generally accepted in Japan and present fairly, in all material respects, the financial position and results of operations of the Company for the fiscal year under review.

#### Basis for Audit Opinion

Our audit was conducted in accordance with auditing standards generally accepted in Japan. Our responsibilities under these standards are described in "Auditor's Responsibilities for the Audit of the Financial Statements and Related Schedules." We are independent from the Company in accordance with ethical requirements in Japan and have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### Other Matters

Other matters are described in the management report and its accompanying notes. Management is responsible for the preparation and presentation of this other information. The Audit Committee is responsible for overseeing the directors' execution of their duties concerning the preparation and presentation process of this other information.

Our audit opinion on the financial statements does not encompass these other matters, and we express no opinion on them.

In connection with our audit of the financial statements and related schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and related schedules or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Based on the work we have carried out, we are required to report any other material errors in the statements.

With regards to disclosures, we have no other matters to report.

#### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes establishing and maintaining internal controls deemed necessary by management for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

The Audit Committee is responsible for overseeing the Board of Directors in the establishment and operation of the financial reporting process.

## Auditor's Responsibilities in the Audit of Non-Consolidated Financial Statements

The auditor's primary responsibility is to gain reasonable assurance that the financial statements and associated documents are devoid of significant misrepresentations arising from fraud or error. Based on the audit performed, the auditor is obligated to articulate an independent opinion on the financial statements and related documents in the auditor's report. A misrepresentation is deemed significant when it has arisen due to either fraud or error, and when viewed individually or in aggregate, it could reasonably be expected to impact the decision-making of the users of the financial statements.

In adherence to auditing standards generally recognized as fair and reasonable within our country (Japan), the auditor maintains professional skepticism and exercises professional judgment throughout the audit process to undertake to achieve the following:

- Identify and assess risks of material misstatements due to fraud or error. Design and implement audit procedures to address these risks. The selection and application of audit procedures are at the auditor's discretion. Moreover, the auditor gathers sufficient and appropriate audit evidence as the basis for their opinion.
- While the primary objective of the financial statements' audit is not to express an opinion on the effectiveness of internal controls, the auditor reviews relevant internal controls during risk assessment. This is to design audit procedures that are appropriate under the given circumstances.
- Evaluate the appropriateness of accounting policies and their application methods employed by management, as well as the reasonableness of accounting estimates and the adequacy of related disclosures.
- Conclude whether it is appropriate for management to prepare the financial statements on a going-concern basis. Based on the audit evidence obtained, assess whether there are material uncertainties relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Should material uncertainties exist regarding the going-concern assumption, the auditor is required to either draw attention to the related notes in the audit report or, if the notes are inappropriate, to issue a qualified opinion on the financial statements. The auditor's conclusion is grounded on the audit evidence available up to the date of the audit report; however, future events or conditions may subsequently challenge the entity's ability to continue as a going concern.
- Assess whether the presentation and disclosure notes of the consolidated financial statements are in compliance with generally accepted accounting principles in Japan. This includes evaluating the presentation, structure, and content of the consolidated financial statements, along with the related disclosure notes, to ascertain if they fairly represent the underlying transactions and accounting events.

The auditor communicates with the Audit and Supervisory Committee concerning the planned scope and timing of the audit, key audit findings that include material weaknesses in internal controls identified during the execution of the audit, as well as other matters as mandated by the auditing standards.

Furthermore, the auditor reports to the Audit and Supervisory Committee on adherence to Japan's professional ethical guidelines concerning independence. This includes any factors that could reasonably be considered to impact the auditor's independence, and if applicable, the measures implemented to mitigate or eliminate such hindrances.

### Conflict of Interest

Neither the company nor its consolidated subsidiaries have conflicts of interest that are mandated to be disclosed under the provisions of the Certified Public Accountants Act.

End of statement

## Audit Committee's Audit Report

### Audit Report

The Audit Committee conducted an audit of the directors' execution of duties for the 27th fiscal year, spanning from July 1, 2022, to June 30, 2023. We hereby report on the methods and results of this audit. It is worth noting that the company transitioned from being a company with a Board of Auditors to a company with an Audit Committee as decided at the 26th General Shareholders' Meeting held last year. The audit activities from July 1, 2022, to the conclusion of the General Shareholders' Meeting on September 27, 2022, were based on the information handed over from the previous Board of Auditors.

#### 1. Methodology and Scope of the Audit

The Audit Committee systematically received reports from the directors, staff, and others concerning the Board of Directors' resolutions on matters stipulated in Article 399-13, Section 1, Sub-sections (a) and (b) of the Companies Act, as well as the establishment and operational status of the systems (internal control systems) maintained pursuant to such resolutions. The Committee sought clarifications when necessary, expressed its opinions, and conducted the audit using the following methodology:

- ① In accordance with the audit policies and division of responsibilities defined by the Audit Committee, we collaborated with the company's internal control department. We attended key meetings, received reports from the directors and employees about the performance of their duties, sought clarifications as required, reviewed significant decision-making documents, and investigated the status of operations and assets at the headquarters and major business locations. For subsidiaries, we coordinated and exchanged information with their respective directors and auditors and received business reports from the subsidiaries as needed.
- ② We monitored and verified the independence and appropriateness of the independent auditors' activities. We received reports on the execution of their duties, and when necessary, sought additional explanations. We also received notification that the systems for ensuring the proper execution of duties, as outlined in Article 131 of the Corporate Accounting Rules, were maintained in accordance with the "Audit Quality Control Standards" prescribed by the Business Accounting Council.

After employing these methods, we carefully examined the business report and its attached supplementary documents, the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, and related notes), and the non-consolidated financial statements (balance sheet, income statement, statement of changes in equity, and individual notes) along with their corresponding supplementary documents.

#### 2. Audit Results

##### (1) Audit Results of the Business Report and Supplementary Documents

- ① We find that the business report and its attached supplementary documents accurately represent the company's condition in compliance with laws and the Articles of Incorporation.
- ② No acts of misconduct or significant violations of laws or the Articles of Incorporation were found concerning the directors' execution of their duties.
- ③ We find the contents of the Board of Directors' resolutions concerning the internal control systems to be reasonable. Furthermore, there are no issues to note regarding the description of the internal control systems in the business report or the execution of duties by the directors.

##### (2) Audit Results of the Consolidated Financial Statements

We consider the audit methodology and results employed by Deloitte Touche Tohmatsu LLC, the independent auditors, to be reasonable.

##### (3) Audit Results of the Non-consolidated Financial Statements and Supplementary Documents

We consider the audit methods and results of Deloitte Touche Tohmatsu LLC, the independent auditors, to be reasonable.

August 25, 2023

AVANT GROUP CORPORATION Audit Committee  
Full-Time Audit Committee Member Tsuyoshi Noshiro (Seal)  
Audit Committee Member (Outside Director) Chie Goto (Seal)  
Audit Committee Member (Outside Director) Makoto Nakano (Seal)

# Guide Map to the Venue of Annual General Shareholders' Meeting

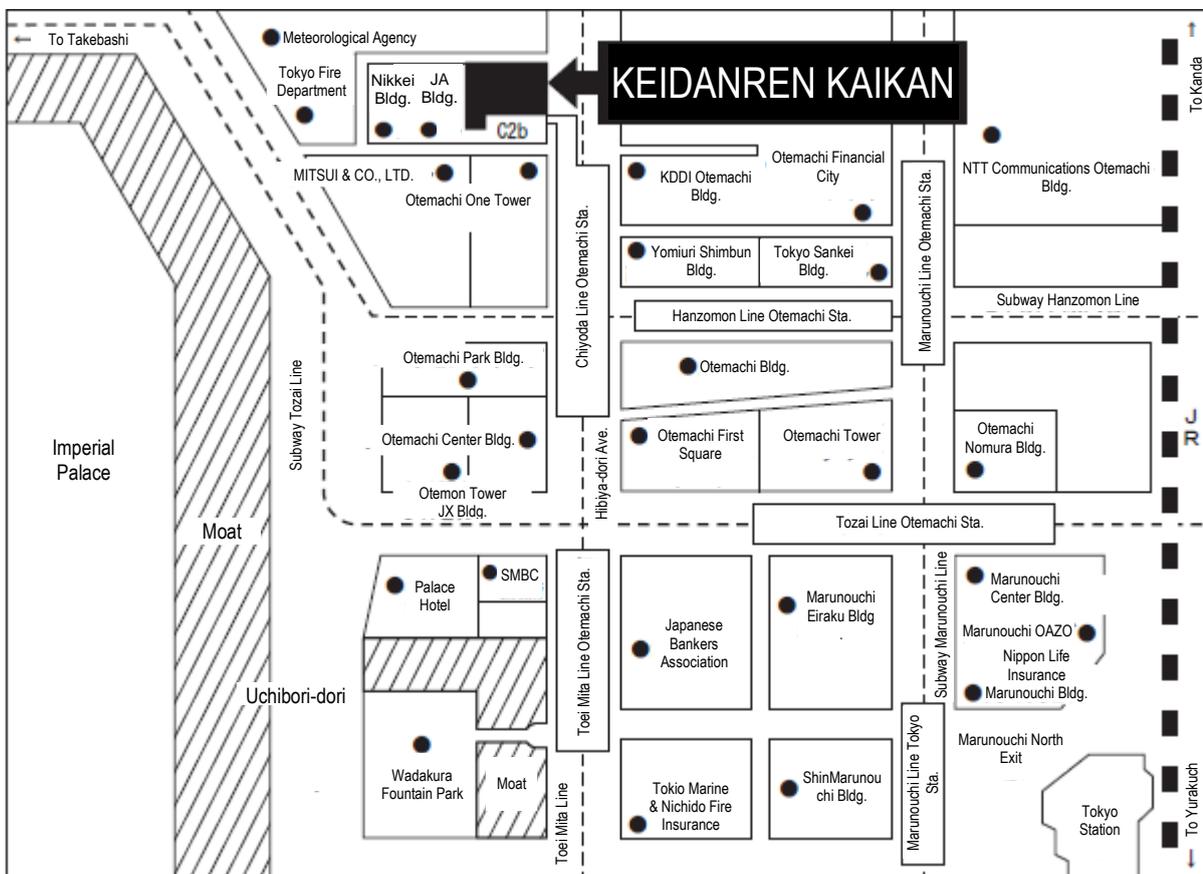
## Venue

1-3-2 Otemachi, Chiyoda-ku, Tokyo  
Keidanren Kaikan 2F Keidanren Hall

## Transportation

Subway: Otemachi Sta.  
(Chiyoda Line, Marunouchi Line, Hanzomon Line, Tozai Line, or Toei-Mita Line)  
Directly connected from C2b exit.

Parking: Shared parking lot available on B2 floor (300 yen/30 min)



We contribute to renewable energy promotion of 1.5 million kWh/year through Green Power Certificate.