CORPORATE GOVENANCE
AVANT CORPORATION

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AVANT Corporation

Tetsuji Morikawa, President and CEO

Contact: Group General Affairs 81-3-6864-0100

The following is an overview of Corporate Governance at AVANT Corporation.

I. Fundamental policy concerning corporate governance and basic information about capital structure, corporate attributes

1. Fundamental Policy

The biggest management goal is, in fulfilling our social responsibilities as a company, to support employees' self-fulfillment through the realization of sustainable business growth and to create "a 100-year company" that generates and contributes the added value to all stakeholders, including customers.

To that end, we have established the "Avant Group Corporate Governance Basic Policy" (http://www.avantcorp.com/corporate/final_english.pdf) and are working on continuous enhancement of corporate governance.

[Reasons for non-compliance with the principals of the Corporate Governance Code]

<Supplementary principle 1-2-4 Improving the infrastructure for exercising voting rights at general meetings of shareholders>

Since the 21st General Meeting of Shareholders held on September 26, 2017, the Company has established an infrastructure that enables electronic exercise of voting rights. The convocation notice is also disclosed in English (http://www.avantcorp.com/).

We do not participate in the electronic voting platform, as foreign shareholders are still limited to around 12% at present. We use a third party to conduct shareholder identification survey to monitor the situation.

<Supplementary principle 4-1-3 establishment of a succession plan>

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

<Supplementary principle 4-10-1 use of optional committees>

The Company, based on its size and capabilities, has not established an independent advisory committee. The board of directors is composed of four directors, including two independent outside directors. These outside directors make active remarks and advice as needed by the Board of Directors. We believe that procedures with

independence and objectivity are being done appropriately.

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

<Principle 1-4 Cross-shareholdings > (Comply)

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

<Principle 1-7 Related party transactions> (Comply)

The Company consults the Board of Directors for deliberation and resolution of directors' competing transactions and conflicts of interest transactions. At the end of each fiscal year, each director, Statutory auditor, and corporate officer is questioned with regard to transactions with related parties to confirm that it does not harm the common interests of the company and shareholders. There are no related party transactions.

<Principle 2-6 Role of corporate pension funds as asset owners> (Comply)

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

<Principle 3-1 Full disclosure> (Comply)

(i) The management philosophy is described on our website and reports on corporate governance.

(ii) Based on the principles of this Code, the Corporate Governance Basic Policy and Reports on Corporate Governance are disclosed on our website.

(iii) In determining the compensation for directors, the basic policy is to make them function effectively as compensation for the director's contribution to improving corporate value. Within the limits of the amount of remuneration, etc. resolved at the General Meeting of Shareholders, the allocation is determined in consideration of the position, performance and results during his tenure.

(iv) When appointing and nominating candidates for directors and statutory auditors, the Board of Directors shall select the most suitable person by resolution considering whether they have the personality, experience, capabilities, broad insights and other factors to improve corporate value, and have a various experience and broad expertise in our business. In addition, outside directors also consider whether they can perform management oversight functions for the Company's management team from a neutral and fair objective perspective.

(v) The reasons for the appointment of candidates for outside directors and candidates for outside Statutory

auditors are disclosed in the convocation notice of the general meeting of shareholders.

<Supplementary Principle 4-1-1 Scope of delegation to management>

The Company established a separation between management decision-making and supervision and business execution through the Board of Directors as a management decision-making and supervisory body and the corporate officer system as a business execution system based on such decisions. The outline is disclosed on our website and reports on corporate governance. The Board of Directors decides on matters stipulated in laws and the Articles of Incorporation and important matters of the Company and Group companies. In addition, Avant's directors and key members attend the meetings of each business subsidiary's board of directors to recognize their business conditions. The Company signs with its subsidiaries a management guidance / management contract, and the Company receives reports on important matters related to the execution of duties by directors. The results are reported to the Avant's Board of Directors. The Avant Group General Affairs Office shall confirm that the Board of Directors of each operating subsidiary is held monthly. While the board of directors of each subsidiary decides important matters, directors shall seek approval from Avant, a holding company, on matters such as (a) investment including office contracts, (b) human resources, and (c) finance including capital policy. Our corporate governance system is disclosed on the following website.

(https://www.avantcorp.com/corporate/governance.html)

<Supplementary Principle 4-1-2 Analysis and explanation of mid-term business plan> (Comply)

We formulated a new medium-term management plan that runs five years from the fiscal year ended June 2018 to the fiscal year ending June 2023 and announced it in September 2018. The medium-term management plan is reviewed annually based on business performance, future social and economic conditions, etc., but if this new medium-term management plan changes, we will explain the background and details of the change promptly at nearest occasion including the financial results briefing session.

< Principle 4-2 Role and responsibilities of the board >(Comply)

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

<Supplementary principle 4-2-1 Healthy management remuneration based on sustainable growth> (Comply)

The Company's executive remuneration is divided into basic remuneration and bonuses and is determined within the scope of remuneration approved by the General Meeting of Shareholders. Basic remuneration is determined based on job title, responsibility, among others. Bonus is determined mainly based on company's

performance for the corresponding fiscal year, determined within the scope of compensation approved by the General Meeting of Shareholders. In order to encourage healthy entrepreneurship among directors, the Company introduced performance-linked stock compensation, which reflects company's results and risk over the medium term, for directors after seeking shareholders' approval at 22nd Annual General Meeting of Shareholders held on September 19, 2018.

<Supplementary Principle 4-8-2 Effective use of independent directors> (Comply)

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

<Principle 4-9 Independence standards and qualification for independent directors> (Comply)

Independent outside directors are nominated based on independence judgments to ensure the independence of the candidate based on the standards established by the Companies Act and the related rules of Financial Instruments Exchanges. At the Board of Directors meetings, outside directors actively provide opinions and advice from an objective and neutral standpoint, contributing sufficiently to constructive considerations.

<Supplementary Principle 4-11-1 View on the diversity and size of the board as a whole> (Comply)

The Company's Board of Directors has diverse and expert knowledge of law, accounting, tax, corporate finance, etc., and management experience and knowledge for the purpose of improving corporate value. The balance of knowledge, experience, and abilities of the entire Board of Directors is fully considered. The reasons for the appointment of outside directors and outside statutory auditors are disclosed in the convocation notice of the general meeting of shareholders.

<Supplementary Principle 4-11-2 Directors and Auditors' concurrent position> (Comply)

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

<Supplementary Principle 4-11-3 Analysis, evaluation and disclosure of effectiveness of the board> (Comply)

In April 2019, a questionnaire was sent electronically to four directors and three statutory auditors who are all members of the Board of Directors. To secure anonymity, we asked directors and auditors to reply directly to the third-party organization. In June 2019, we received analysis, discussion, and evaluation based on the report of the aggregate results directly from the third-party organization, and the discussion was held at the Board of Directors meeting on July 17, 2019.

We recognize that the effectiveness of the entire Board of Directors. Based on the answers to the questionnaire,

the Board of Directors including outside directors has become a forum for discussions and free discussions, and there are generally positive reviews from outside organizations such as sufficient deliberation. On the other hand, directors expressed opinions that constant efforts were required to present materials timely. Directors have shared issues related to improving the functions of the Board of Directors and stimulating discussions. Going forward, the Board of Directors of the Company will continue to make efforts to improve the functions of the Board of Directors, respond promptly after a thorough examination of the issues based on this effectiveness assessment.

<Supplementary Principle 4-14-2 Training policy for directors and auditors> (Comply)

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

<Principle 5-1 Constructive dialogue with shareholders> (Comply)

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

2. Capital Structure

Percentage of shares held by foreigners	More than 10% but less than 20%

<Major Shareholders>

Name of Shareholders	Number of Shares held (Shares)	Percentage (%)
Tetsuji Morikawa	4,882,000	25.99
AVANT Employee Stock Ownership Association	1,734,600	9.23
Japan Trustee Services bank Ltd. (Trust Account)	1,276,300	6.79
Tsuyoshi Noshiro	934,400	4.97
OBIC Business Consultants Co., Ltd.	800,000	4.26
PCA Corporation	778,400	4.14
SSBTC CLIENT OMNIBUS ACCONT	596,472	3.18
Hikari Tsushin, Inc.	423,000	2.25

Kunio Suzuki	294,000	1.56
Toshiyuki Komine	256,000	1.36

Controlling shareholder	—
Parent company	None
Exchange where parent company is listed	—

Supplementary Information

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3. Corporate Attributes

Stock Exchange and Section	Tokyo Stock Exchange, First Section
Fiscal year end	June
Sector	Information & Communication
Number of employees at the end of previous fiscal year (Consolidated)	More than 500 but less than 1,000
Consolidated net sales in previous fiscal year	More than 10 billion yen but less than 100 billion yen
Number of consolidated subsidiaries at the end of previous fiscal year	Less than 10

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

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

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

1. Items concerning institutional structure, organizational operation, etc

Organization Form	Company with Audit and Supervisory Board

[Directors]

Number of directors in the company's Article of Incorporation	9
Directors' term in the Company's Article of Incorporation	One year

Chairman of the Board of Directors	President
Number of directors	Four
Elected outside directors	Elected
Number of outside directors	Two
Number of outside directors designated as independent directors	Two

Relationship with the Company (1)

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

* Selection criteria regarding relationship with the Company

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

Relationship with the Company (2)

Name	Independent Director	Supplementary information applicable items	Reason for electing
Naohisa Fukutani	○	At GCA Co., Ltd., where he once served as Managing Director, he used information retrieval services such as accounting / audit / tax laws / notifications / committee reports provided by our subsidiary Internet Disclosure. Although there is a history of transactions that have been made, it is an extremely minor transaction and there is no risk of affecting our	He has many years of experience in finance and a wide range of insights, as well as experience in management, and we are able to provide useful advice for the overall management of the Group, as well as contribute to strengthening management supervision and corporate governance. The Company has no special interests with the Company, satisfies the conditions of an

		decision-making.	independent officer based on the provisions of the Tokyo Stock Exchange, and determines that there is no risk of a conflict of interest with general shareholders. Designated as an officer.
George Ugeux	○	There is no current transaction between Galileo Global Advisors, where he is represented, and the Company, and there is no risk of affecting the Company's decision making.	He has many years of experience in finance and securities markets and a wide range of insights, as well as his own management experience. The Board of Directors has determined that there are no special interests with the Company, that it meets the conditions of an independent officer based on the provisions of the Tokyo Stock Exchange, and that there is no risk of a conflict of interest with general shareholders. Designated as an independent officer of the Company.

[Voluntary committees]

Existence of any committee equivalent to the Nomination Committee or the Compensation Committee	None

[Audit & supervisory board member]

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

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

Audit & supervisory board members attend financial accounting audit report meetings, receive reports from audit firms, provide opportunities for hearing and discussion, and collaborate by mutually confirming the status

of internal controls in business and finance.

Audit & supervisory board members and internal audit staff work together to coordinate business audits and strive for efficient audits, and have opportunities to listen and discuss with each other, and the status of management and business execution is appropriate and efficient. We are trying to cooperate by confirming.

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

Relationship with the Company (1)

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

* Selection criteria regarding relationship with the Company

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

Relationship with the Company (2)

Name	Independent director	Supplementary information applicable items	Reason for electing
Kunio Suzuki		Representative Director of KS Management Limited Company	He is a board member of IBM Japan, Ltd., has a wealth of experience and insight into IT and information fields and industries, and has a thorough understanding of our management environment and business policy. He has been appointed as an outside

			Statutory auditor, judging that he can appropriately perform the duties of the outside statutory auditors, including useful advice in the process of management decisions and decision-making.
Masanori Kobayashi	○	Kobayashi Legal Accounting Office	He is qualified as a lawyer and certified public accountant and is well versed in the finance and legal affairs of the company and has been engaged in accounting and management through his many specialized experiences so far. We have determined that the duties of outside statutory auditors, including useful advice in the decision-making process, can be appropriately performed. There are no special interests with the Company, and independent directors based on the provisions of the Tokyo Stock Exchange. As a result, the Board of Directors has designated him as an independent officer of the Company.

[Independent directors]

Number of independent directors	Three

Other matters related to independent directors

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[Incentives]

Implementation of Measures to Grant Incentives to Directors	Introduction of performance-linked compensation system

Supplementary information

The Company has introduced a performance-linked remuneration system for the purpose of clarifying the performance responsibilities of directors and depending on the degree of achievement of the business plan, performance-linked officer bonuses based on profits in the consolidated statement of income will be provided. A performance-linked stock compensation system was introduced at the 22nd Ordinary General Meeting of Shareholders held on September 19, 2018. This gives management the incentive to draw out mid- to long-term corporate value creation. In order to be able to do so, it is a mechanism that enables flexible use of stock compensation, not money, and compensation linked to business performance.

Stock option grantee	—

Supplementary information

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[Directors remuneration]

Disclosure of Individual Director Remuneration	Individual remuneration is not disclosed

Supplementary information

The details of remuneration for directors and statutory auditors for the fiscal year ending June 2019 are as follows. Remuneration paid to directors 153 million yen Remuneration paid to Audit & Supervisory Board members 15 million yen (of which outside directors 33 million yen) Of the above, the performance-linked bonus for the fiscal year ending June 2019 is 48 million yen.

Existence or Nonexistence of Policies that Determine the Amount or Calculation Method of Remuneration	Exists

Disclosure of policy for determining remuneration or calculation method

The amount of compensation, etc. for directors of the Company is based on the fixed and performance-linked bonuses up to the amount approved at the General Meeting of Shareholders. Basically, it combines compensation according to the position and responsibilities of each director and compensation linked to the of the company's financial results.

[The Support System for Outside Directors]

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

2. Items concerning functions such as execution of duties, audit and supervision, designation, and remuneration

(Overview of the current state of Corporate Governance Structure)

(1) Execution of duties

1) Board of Directors

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

2) Corporate governance through executive officer system and board of directors of subsidiaries

The Company appoints the Company's corporate officers as representatives of Group companies, who reports on the status of business execution, discusses important management issues, and consults the Board of Directors on important matters. Each group company holds a management meeting and general manager meeting every month or every other week to report on the business execution status of each company and discuss important management issues. Decisions are made at the board of directors of the parent company or the board of directors of the parent company.

(2) Statutory auditors and Audit and Supervisory Board

The Company adopts the Audit and Supervisory Board system, and the statutory auditors consists of one full-time statutory auditor and two outside statutory auditors.

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, listen to reports on the status of business operations from directors, view important approval documents, etc., investigate the status of operations and assets in each department, and In accordance with the results of accounting audits, audit reports are prepared after considering business reports, financial statements and supplementary schedules.

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

(3) Policy on determining remuneration for directors and statutory auditors

1） Directors' remuneration

The amount of remuneration for the directors of the Company is combination of fixed compensation based on the responsibilities and position of each director and performance-linked remuneration related to the company performance, each within the limits approved at the General Meeting of Shareholders.

2） Auditors' remuneration

The amount of remuneration for Audit & Supervisory Board members shall be within the range of the remuneration limit decided at the General Meeting of Shareholders, taking into account the distinction between full-time and part-time auditors, internal and external auditors.

3. Reasons for choosing the current corporate governance system

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

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

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

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

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

	Supplementary explanation
Early dispatch of notice of convocation for shareholders	As a general rule, we try to dispatch three weeks before the date of the event.
Establishing a general meeting of shareholders that avoids concentration days	After confirming the concentration date of the General Meeting of Shareholders with the trust bank, we set the date to avoid the concentration date.
Exercise of voting rights by electric	From the 21st Ordinary General Meeting of Shareholders held on September 26, 2017, shareholders can exercise voting rights by electric means.

means	
Provision of convocation notice (summary) in English	Foreign shareholders are still limited, but in accordance with the Avant Group Corporate Governance Basic Policy, a summary of information related to shareholders and investors is prepared in English and provided on the website.
Others	The Company continues to devise operational procedures such as proceedings while displaying slides for explanations at the General Meeting of Shareholders, work to further improve management, revitalize the General Meeting of Shareholders, and facilitate the exercise of voting rights. In addition, a notice of convocation is posted on the Company's website to facilitate attendance at general meetings of shareholders and the exercise of voting rights.

2. IR Activities

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

3. Efforts to respect for the position of stakeholders

	Supplementary explanation
Stipulates respect for the status of stakeholders through internal regulations	We have established “Insider Information Management Regulations” for the purpose of alerting the handling of information and preventing information leakage and insider trading. In addition, the “AVANT Code of Conduct” has been established, a basic policy for compliance has been established, and compliance and risk management have been thoroughly implemented in accordance with the “Compliance and Risk Management Rules”.
Implementation of environmental conservation activities, CSR activities, etc.	Since the fiscal year ended June 2017, as part of the Mecenat activities, we have been participating in the “MOMAT Support Circle”, a corporate program of the National Museum of Modern Art, Tokyo and supporting the activities of this museum.
Establishing policies for providing information to stakeholders	“Disclosure Policy” has been prepared and published on our website (IR page). （https://www.avantcorp.com/ir/policy/disclosure.html）
Others	Based on the AVANT Code of Conduct, envisioning a highly transparent organization, the Company is constantly working to create new value through customer orientation, and enjoying its own growth. In doing so, the Company respects all stakeholders involved in the Group's business.

IV. Matters concerning internal control systems, etc.

1. Basic concept and status of internal control system

1. Basic concept and status of internal control system

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

- Establish the Board of Directors and select a representative director for appropriate decision making and quick execution of business.
- Established the Audit and Supervisory Board for the Statutory auditor to improve soundness of the management and strengthen monitoring and supervisory functions.

(Full-time Audit & Supervisory Board Member's business audit function, Outside Audit & Supervisory Board member's director monitoring, decision supervision function)

- Establish an accounting auditor to ensure the appropriateness of financial reporting and internal control through accounting audits and improve disclosure and information provision functions.

■ Installation of Compliance & Risk Management Committee chaired by the President and the Information Security to promote compliance of laws and regulations and response to important risks.

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

1. Director compliance system

[1] Compliance system for Directors

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

2) System to ensure that directors perform their duties efficiently

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

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

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

[2] System to ensure the appropriateness of company operations

1) Rules and other systems for managing risk of loss

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

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

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

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

- Our subsidiaries will comply with our management policy and “AVANT Code of Conduct”, share the practice of “AVANT Value”, and contribute to the improvement of the corporate value of the Group.
- While respecting the independence of subsidiaries, the Company will support the development and improvement of internal control systems and promote in cooperation with subsidiaries.
- The Company's subsidiaries enter into management guidance and management contracts with the Holding Company Avant, and the Company receives reports on important matters related to the execution of duties by directors. Although the board of directors of each operating company decides important matters, the following three areas need approval from Avant:

(A) Investment including office contracts

(B) Human resources

(C) Financing including capital management policy

- The Company's subsidiary shall hold a regular Board of Directors meeting basically once a month, and holds an ad hoc Board of Directors meetings as needed to make decisions and quickly execute business operations. The office of Group General Affairs of the Company confirms the status of meetings.
- As part of building a compliance system for the entire Group, employees of our subsidiaries report to or consult with the whistleblowing system when they learn that laws, the Articles of Incorporation, other internal rules and other social conventions are violated.
- The CRM Committee will provide support for legal violations and other compliance issues at subsidiaries.
- With regard to the progress of the performance of our subsidiaries and thorough cost management, the Company shall conduct the management of business process, funds and prevention of risks by grasping the status of business in a cycle relative to business environment based on rolling forecast management.
- The appropriateness of the operations of the Company's subsidiaries will be observed as necessary by conducting regular internal audits by the Office of Internal Audit and reporting the results to the Company's directors and the Audit and Supervisory Board.

4) System for ensuring appropriate financial reporting

Under the direction of the Board of Directors, the Company will establish a system for ensuring appropriate legal & financial reporting as well as operating system.

Periodically the Company needs to conduct self-assessment and independent assessment of internal control over financial reporting. At the same time, it is audited by an Accounting Auditor.

5) Basic approach to eliminate anti-social forces

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

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

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

[3] The audit system by statutory auditors

1) Matters related to the employee when the Audit & Supervisory Board Member requests that the employee

be assisted, and the independence of the employee from the director

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

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

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

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

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

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

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

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

- Audit & Supervisory Board members are able to hold meetings for communication and exchange of opinions with the President and Representative Director.

(2) Operational status of the system to ensure the appropriateness of business

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

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

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

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

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

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

V. Other

1. Existence of takeover defense measures

Introduction of Takeover Defense Measures	None

Supplementary information

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2. Other matters concerning corporate governance system

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

(1) Basic policy for timely disclosure of company information

Timely disclosure of company information is the only way, in fulfilling our social responsibilities, for the stakeholders to broadly understand our company and is an important part of coordinating with our stakeholders and shaping corporate governance. Accordingly, we shall provide the information in a timely, appropriate and fair manner.

(2) Status of internal structure related to timely disclosure

Important information related to the Company's operations, etc. are managed by the officer responsible for

handling information, and the timely disclosure work is performed by the Group Management Office, which is making efforts to strengthen and improve the timely disclosure system.

In addition, since we handle financial results information of our customers, the Company encourage everyone to thoroughly understand laws and regulations related to the Securities and Exchange Law, rules of the stock exchange and internal “Rule on Management of Insider Information,” and conduct training as a curriculum for internal education.

In view of the social situation regarding information management and its possible impact, the Information Security Committee has been established, and security policies and related document rules are currently being formulated to strengthen the company-wide information management system.

(3) Flow of timely disclosure

Existence of important information related to business operations are shared by each meeting body and report, and the person in charge of handling information shall proceed with the timely disclosure under the prescribed disclosure procedures.

Information regarding urgent incidents, important business decision and financial results is routed to officer in charge of information management. The officer shall examine and confirm the contents of the information and determine whether information is subject to timely disclosure. After the prescribed disclosure procedure, the release will be disclosed and posted on our website.

(4) Status of timely disclosure system monitoring

1) Statutory auditor

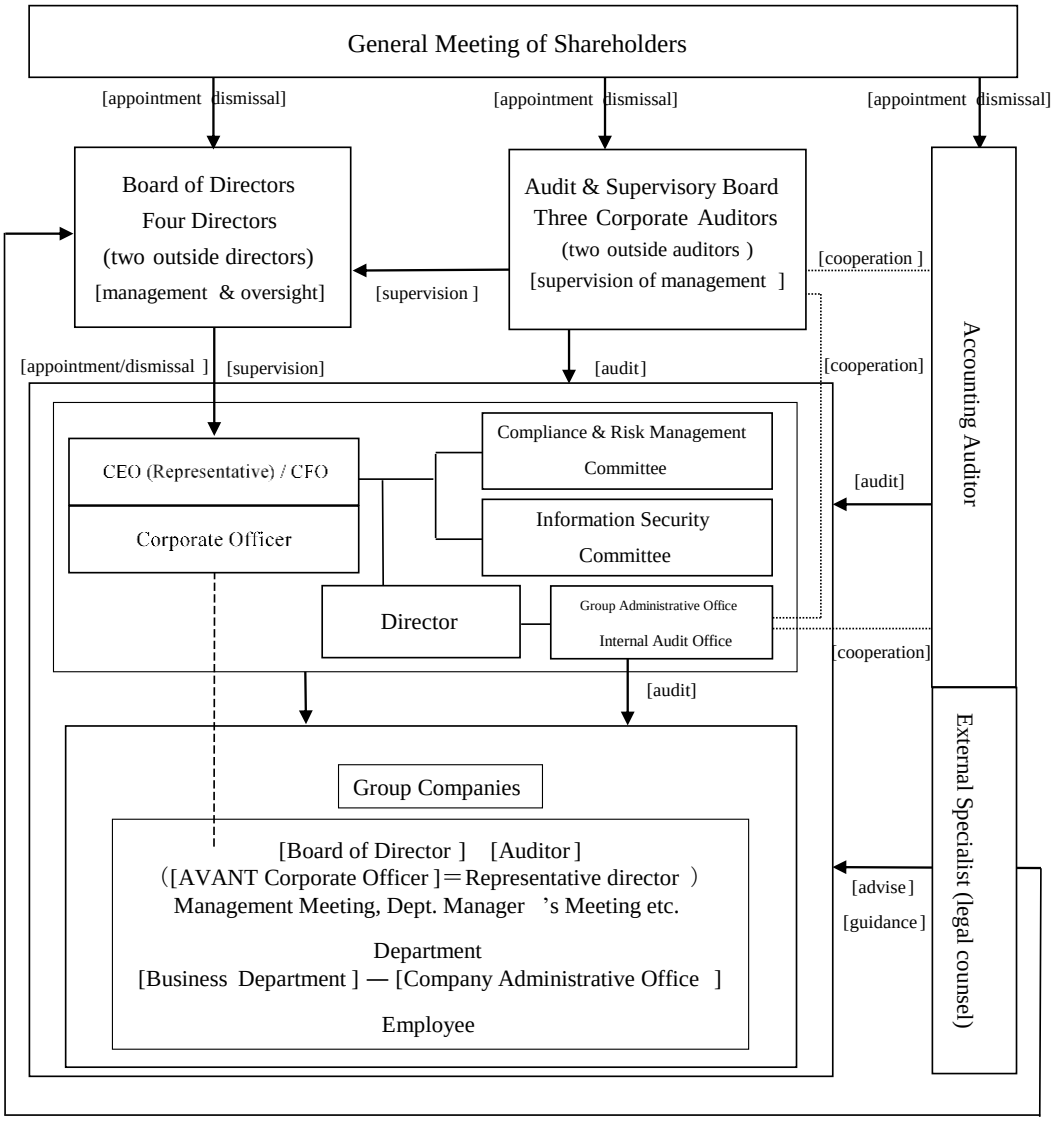
Members of Audit and Supervisory Board shall attend board meetings and other important meetings, audits reports on important occurrences related to company information, the status of decisions. They monitor the operational status of internal systems related to comprehensive and timely disclosure of information including confirmation of financial results and financial status.

2) Board of Directors for timely disclosure

For information that require timely disclosure such as financial results, the Board of Directors and Audit & Supervisory Board Members of the Company, including certified public accountants, confirm the appropriateness of the preparation of timely disclosure documents and securities reports at board meeting.

[Reference]

[Overview of Corporate Governance System]



[System of Timely Disclosure of Corporate Information]

