対話で未来を創る



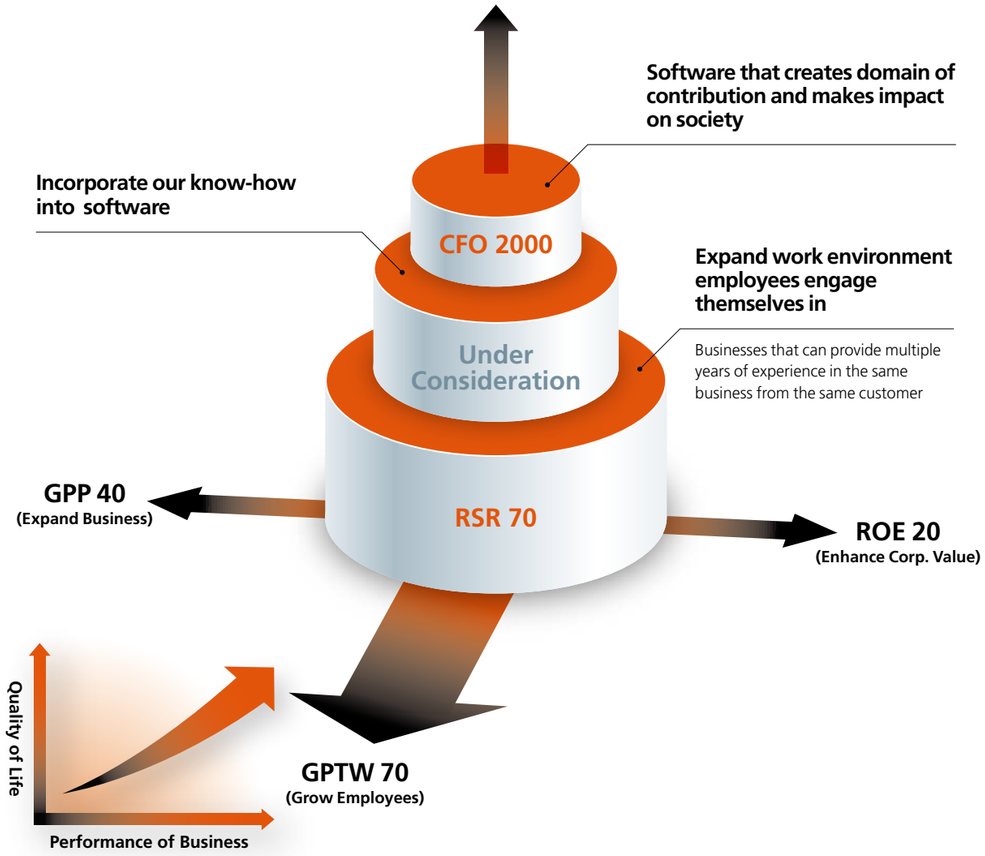
Avant Group Philosophy, Strategy, and KPIs

- We are developing strategies that helps us to achieve the vision of BE GLOBAL under the management philosophy "Creation of a 100-year company"
- Our KPIs are set on the ground of three axes of challenges: business expansion, employee growth, and corporate value enhancement
- We will create "de-facto," by expanding work environment where employee engages themselves in and incorporating our know-how into software

To **BE** a Sustainable **GLOBAL** Software Company

"Spreading Accountability"

Update Management with Software for Sustainable Economic Development



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Environment Social Governance
Guidance for Collaborative Value Creation

In the first issue of AVANT integrated report, we aim to provide easy-to-understand explanations of our values, business models, and strategies, which cover mainly the first part of the overall picture of the Guidance for Collaborative Value Creation. Sustainability and capital strategy will be reported in more detail in the Integrated Report for the next fiscal year and beyond, along with the progress of BE GLOBAL medium-term management plan.

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Editorial Policy

In preparing the integrated report, we considered the Group's philosophy structure and management strategy, as well as the current status of the Group. We believed that referring to the "Guidance for Collaborative Value Creation" advocated by the Ministry of Economy, Trade and Industry could more accurately express the value that the Avant Group could create in the future. With Morikawa, President and Group CEO at the center of this Integrated Report, we aim to let many stakeholders understand the Group's potential by organizing our values, business models, and strategies. We will continue to improve the completeness of the Integrated Report through dialog with you.

Period Covered
July 1, 2019 to June 30, 2020

Organization Covered
AVANT Corporation and Avant Group

Forward-Looking Statements
The earnings forecasts and other information concerning future forecasts and strategies contained in this document are based on judgments made by the Company at the time of preparation of this document within the range that can normally be predicted based on information that is reasonably available to the Company. There is a risk that the results may differ from those stated in the forward-looking statements due to the occurrence of unpredictable special circumstances or unpredictable results.

A Message from President

The Avant Group's management philosophy is "Creating a 100-year company." In today's terms, it would be something like, "Creating a sustainable and wellness workplace."

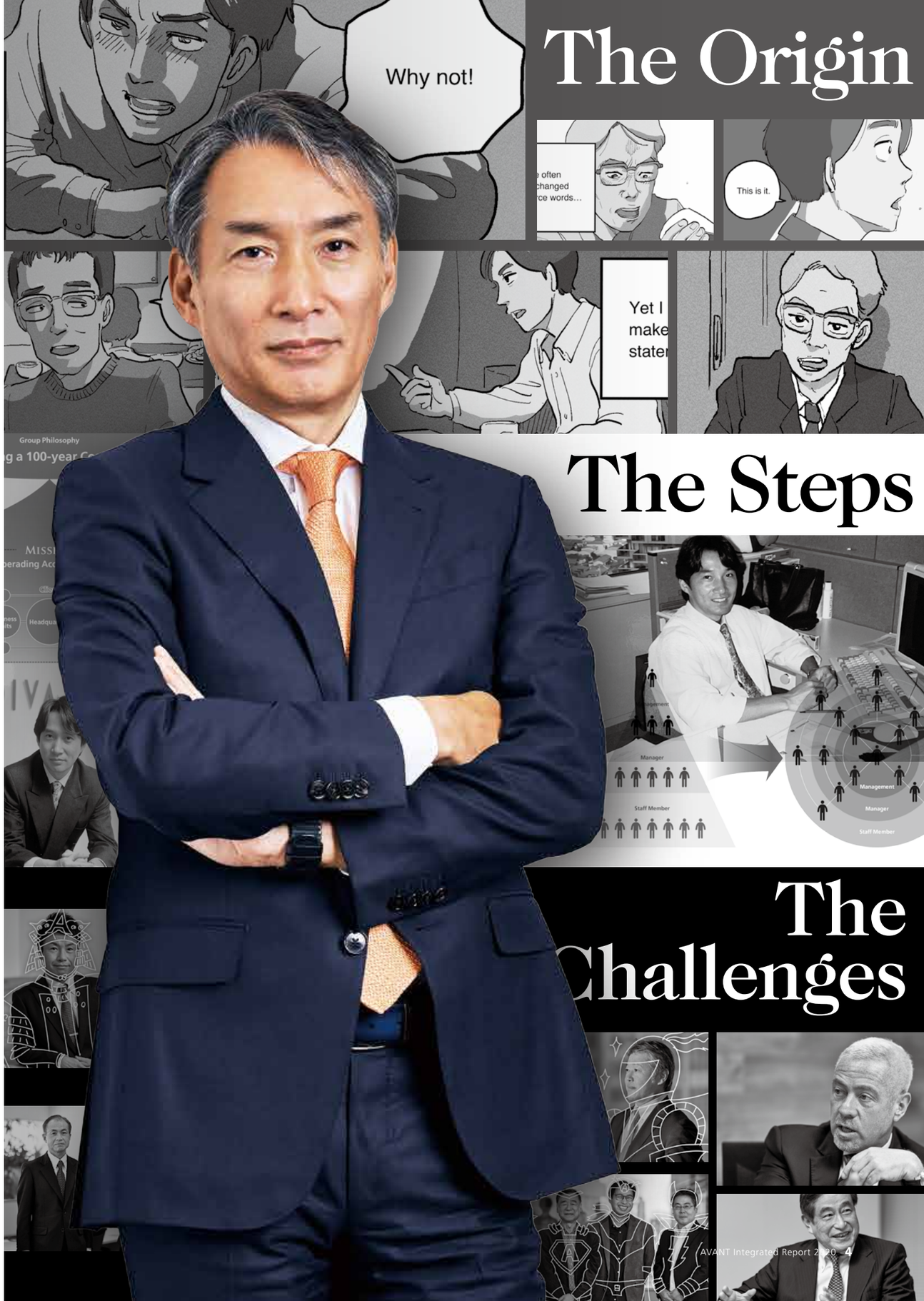
Although the expression may change, I believe that there is universality in what is important for people to enrich their lives through their work. One of them is the passion and action to "be useful for others." In our company, we call it "customer orientation."

From this passion and action, our mission of "spreading accountability" was born. If we make the management decision-making process "open," we will see more and more 100-year companies. And the workers and society will be happier. Our mission is to help make this happen.

This integrated report is the first volume by the Group. First, we decided to focus on the "origin" of our passion and the "character" of our organization. This is because business activities are the actions of people no matter how far they evolve.

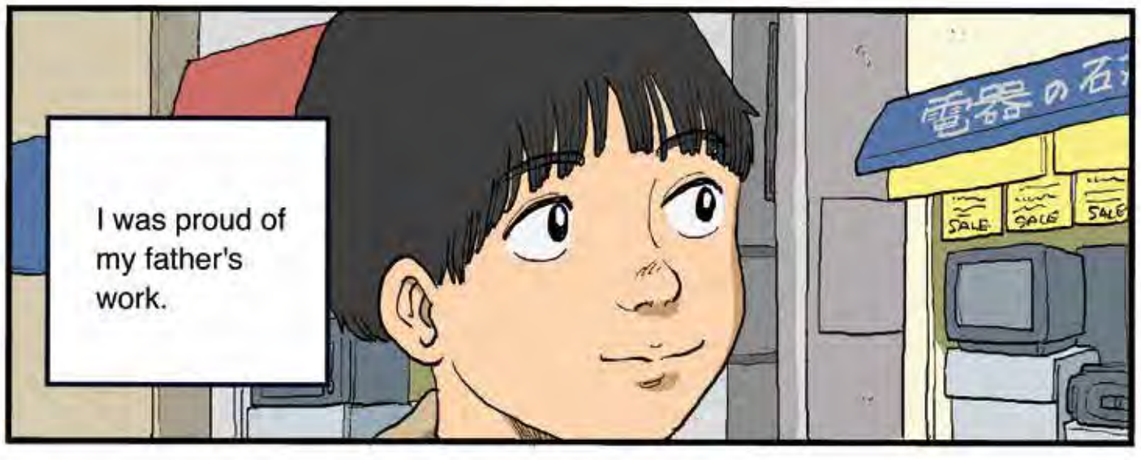
I hope you enjoy this volume.

Tetsuji Morikawa
President and Group CEO, AVANT Corporation




SONY
SONY
…it was inevitable.
Thinking about it now… that I was interested in management…


I saw electronic components and appliances, Maybe dad made that cable, too..
On the way back from the tutoring school…


I was proud of my father's work.
SALE
SALE
SALE


My father would invite his men to our house... a big party.
Hey, Tetsuji, bring some beers
On new year's break


In other words, the art of production is…


so I thought
Having fun…
I saw a bunch of old men all drunken, talking passionately.


That two years during my college days when I spent with my father
you home… dad
I have this memorable one


clank
"Tetsuji"
Did you read the financial statements I passed to you yesterday?


that bundle...
財務諸表
Yeah, I'm sure


My father would seriously talk about management to me, a 20-years old novice.
thud
Ballantine's
Well, talk to me.


I think this income statement is...
Yet I would make a statement


We were talking like two business owners
I realized


…taking control of the management… such a finesse!
Liquor would heat up the debate soon…


If you're president, you'll have to change it yourself, don't you?
Since my father became president, he often grieved over internal politics and struggles.


We often exchanged fierce words…
You don't understand. It's not that easy.


My father called me up to the nightclub he frequented


And sometimes…


Oh, here you are! Tetsu


Play me something.
why…


Good grief! Every day. Wonder how he can keep up his job.
Daddy in a good mood, huh?


What? How?
clink
clink
You do? He's an unusual type for a president.

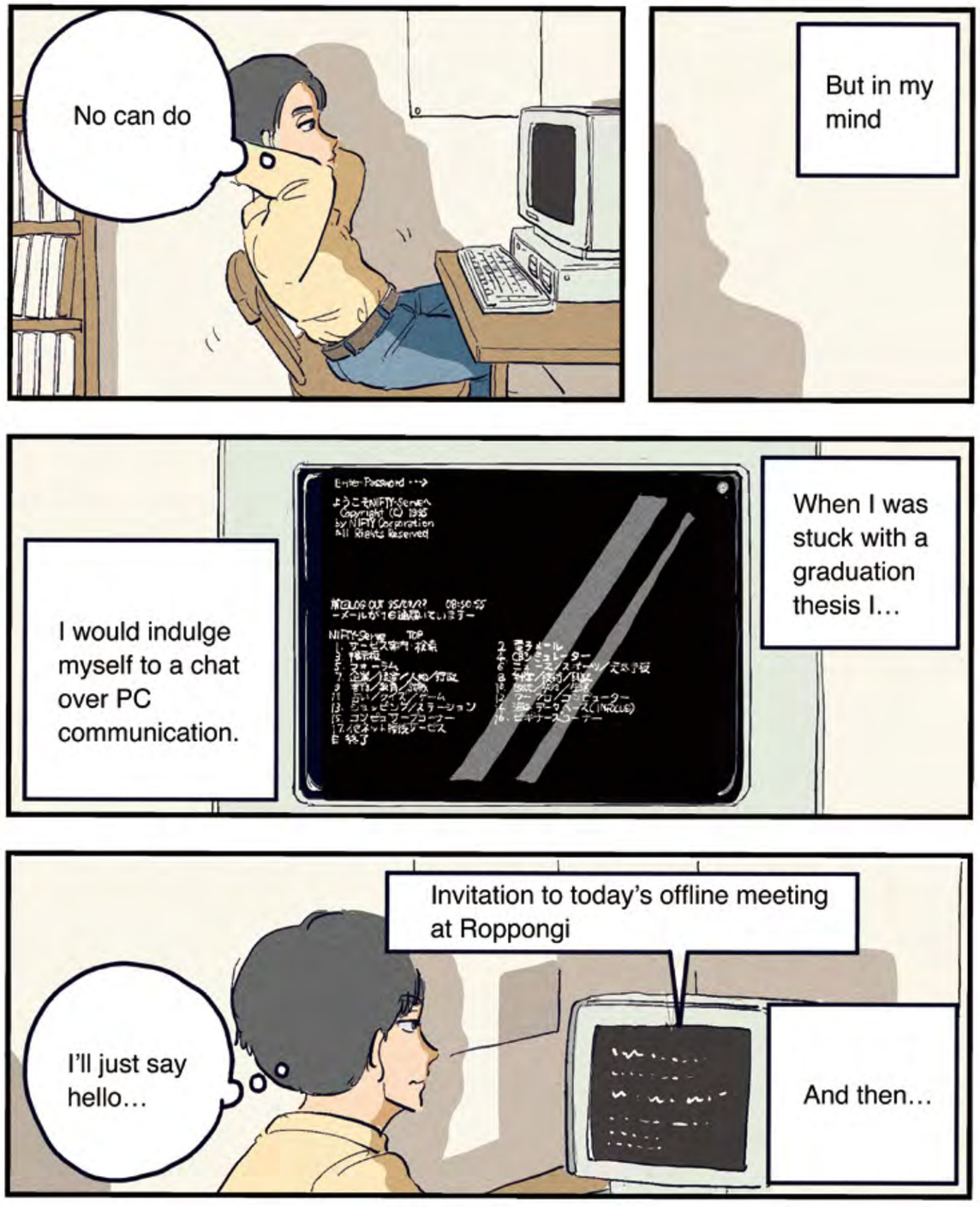

...
He always says... the company exists for a diligent people (chuckle).


Let's go skiing before we get into graduation paper.
The reason why I decided on my philosophy is this graduation thesis.


Take me to ski.
I...
Tetsu,
Buy me GT4...


yack
sigh
I want to create a company where everyone is equal and free.





Picture provided by NIFTY Corporation


A variety of faces, local business owners, art students, and mysterious informers…
There were a bunch of PC chat buddies gathering at Roppongi.


I tired to take the cobweb in my mind over graduation thesis and
Really matches with Honda
Ayrton Senna is the real champion. Awesome
Among them,


gulp
gulped down with liquor


And that day when I made my decision...
dizzy


Drank too much…
You, Tetsu
growl


Both of them were drunk
hiccup
Hanging around until now?


How can you be the president of a company like that?
And two drunkards engaged in a heated argument.

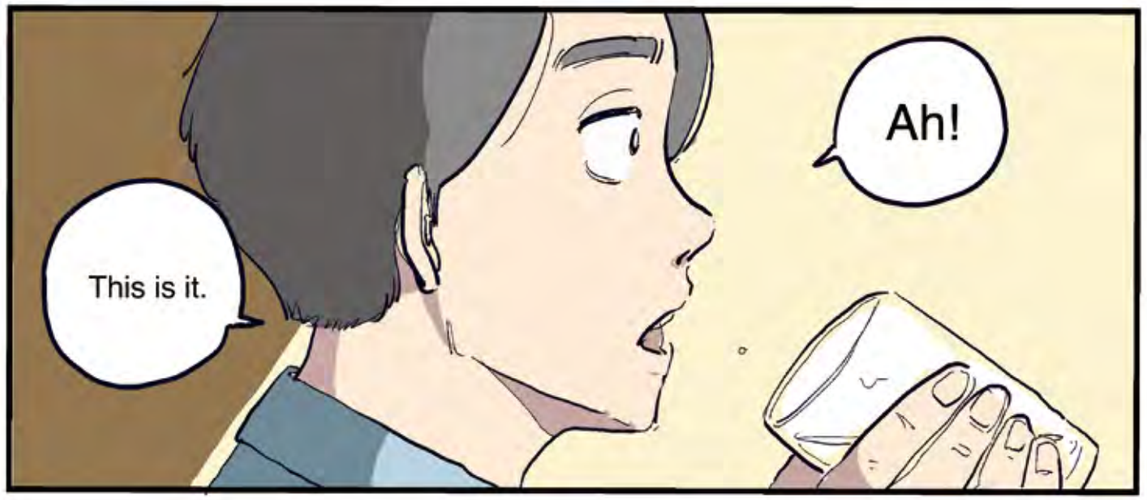

bam
You think you can do it? You're a greenhorn!
Why don't you just run your own business?


Up to this point, it was the usual argument.
Why not!


Yup…
flip
Tetsu, I'm going.
But,

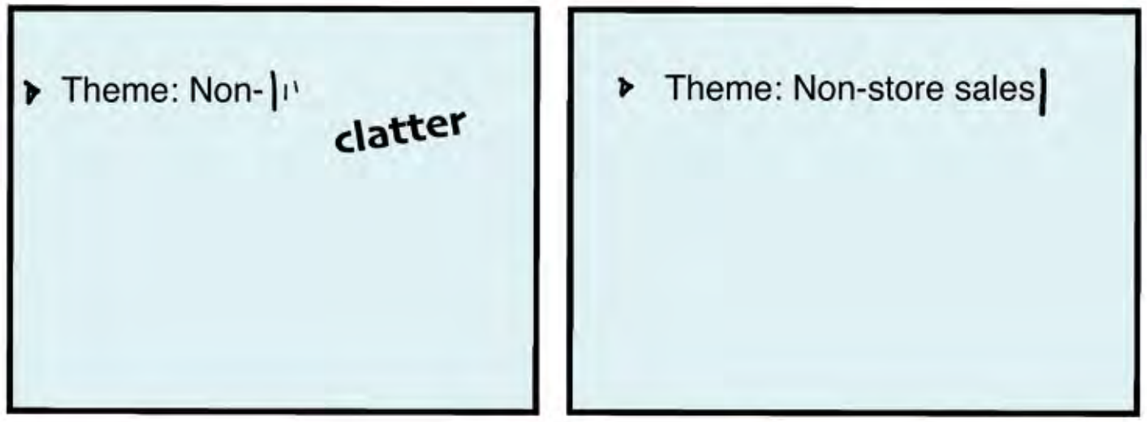

Not again… with dad
squeak
plash


Why not!
You think you can do it!

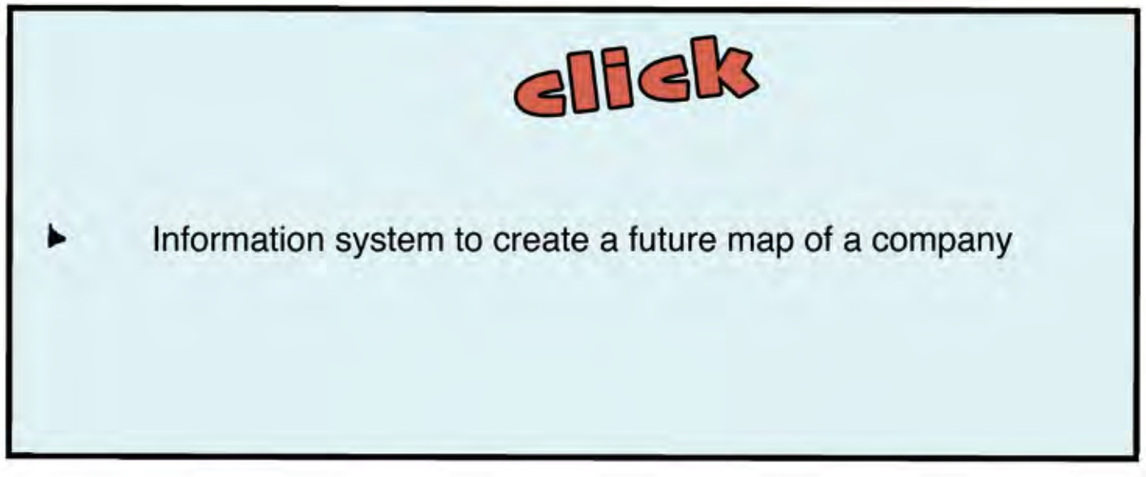

This is it.
Ah!

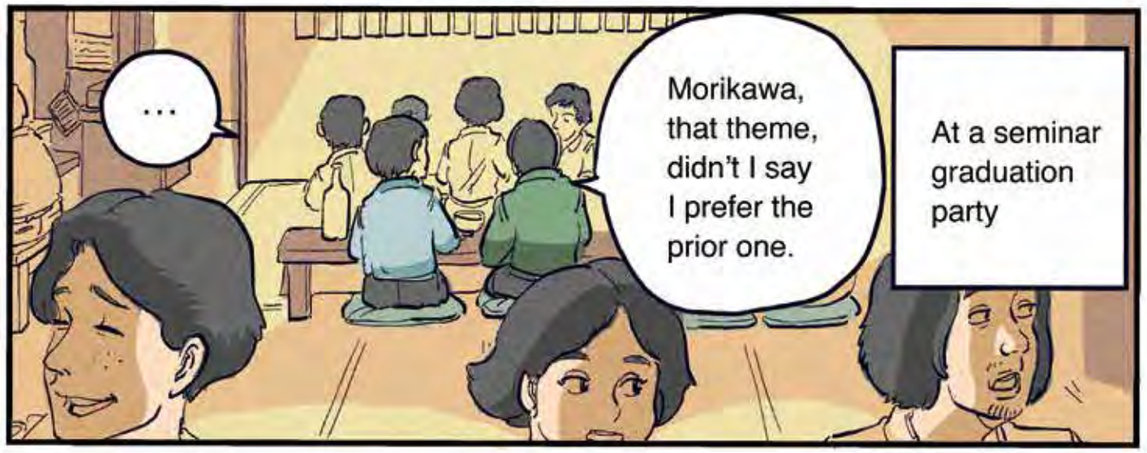

I noticed
in an argument with my father


clatter
This is it.
Dad,


Theme: Non-
clatter
Theme: Non-store sales

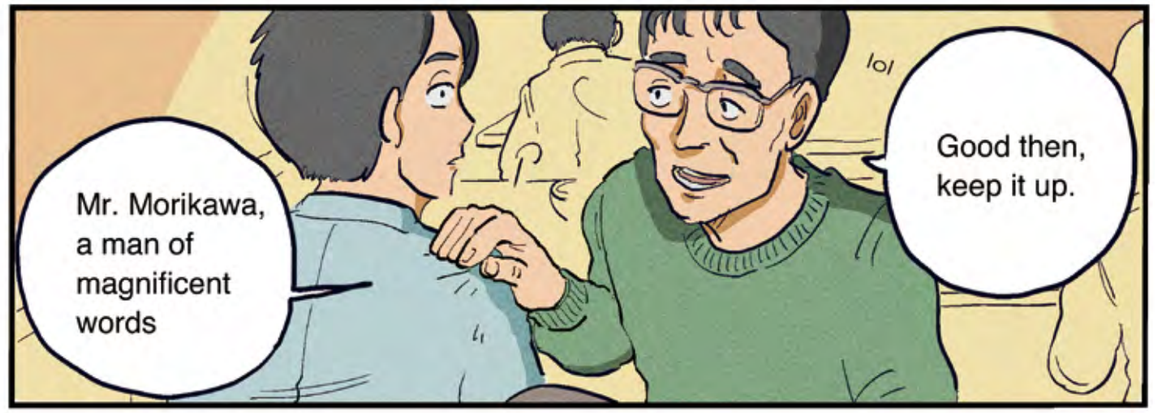

No, the thesis of my life is…
The theme of my graduation thesis,

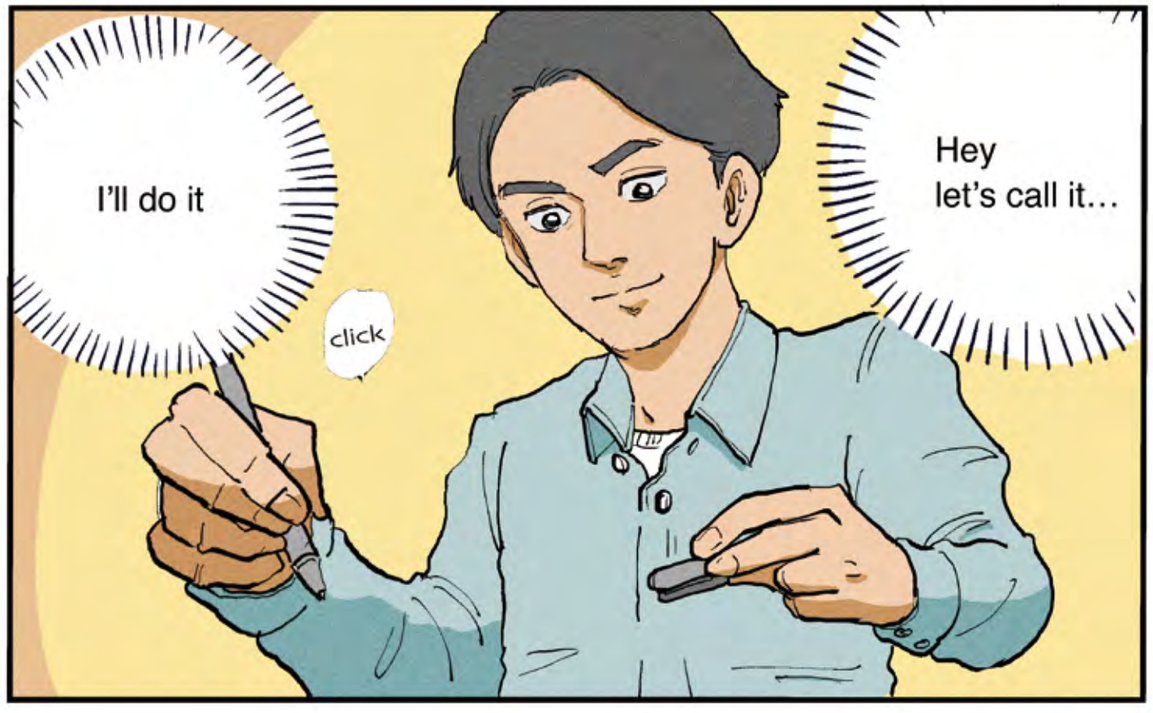

click
Information system to create a future map of a company

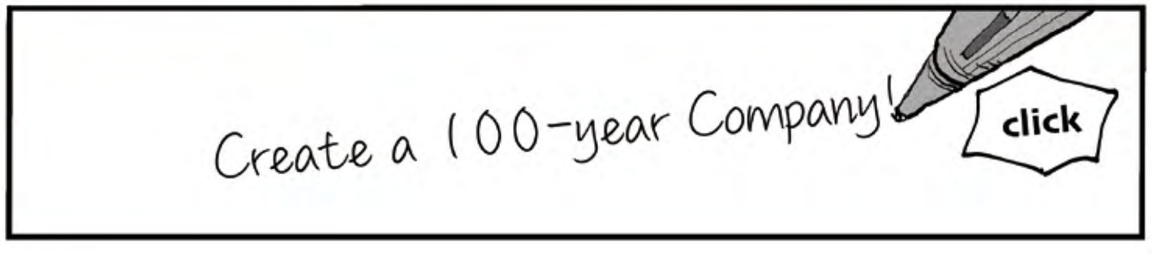

…
Morikawa, that theme, didn't I say I prefer the prior one.
At a seminar graduation party


like SONY or Honda in software.
I will create a company


…uh huh


101
Mr. Morikawa, a man of magnificent words
Good then, keep it up.


I'll do it
click
Hey let's call it…


Create a 100-year Company!
click

"The Steps" from Inception to Today

History 1

Challenge

Spreading Accountability as Mission

Joined a Foreign Consulting Firm Based on Two Original Experiences

As a student, I was immersed in personal computer communications and excited of being connected to others.

I also witnessed the agony of my father, who was involved in the Company's internal politics.

Through two original experiences, when I was senior at university, I became interested in topics such as "the impact of knowledge and information on human thought" and "the possibility of utilizing information in management decision-making."

Then I started to seek a job and decided to jump into a foreign-affiliated consulting firm because I felt that the words of an employee of the company was close to me.

Potential of "Software" that I Learned from Foreign Companies

When I joined the company, I was surprised by a system that made use of human resources unique to foreign-affiliated companies.

The firm would send graduates from college without knowledge or know-how to overseas headquarters for six months and thoroughly teach them the manual so that they could, upon returning home, be able to make proposals that would solve problems of the customer and lead to high value contracts. It was surprising experience.

Of course, only a few of them would rise to an established consultant with manuals alone. However, at the very least, such methods of human resource development and monetization process undermined my existing concepts of "experience makes a person" and "custom-made is the only way to create added value" as Japanese people.

On the other hand, I was devastated by a pragmatic management style of foreign-affiliated companies.

The employment contract was a thorough performance-based system, and there was a year when performance deteriorated, and bonuses were not paid. I felt backlash with a unified evaluation system in which individual efforts and achievements behind the scene, working hard to identify the needs of customers and continuing overtime to complete proposals, could not be rewarded.

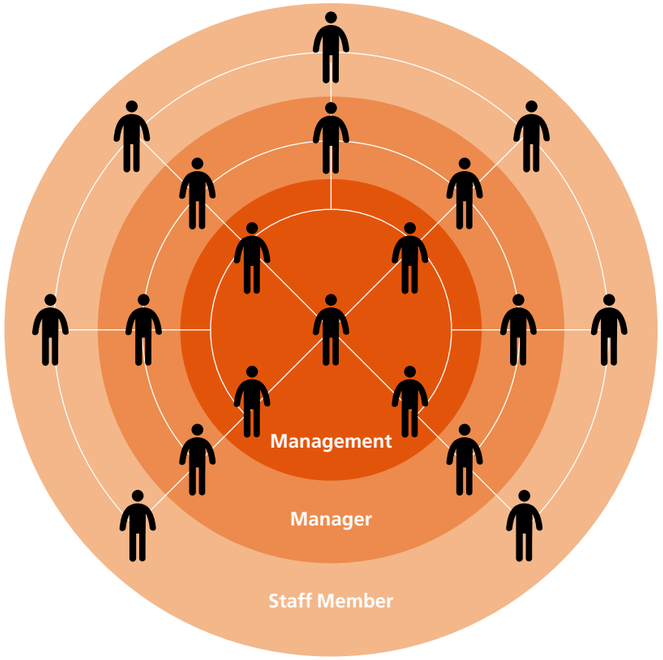
I was also impressed by overseas mission-critical business software packages.

When Microsoft was sweeping the PC market, there were software packages as a part of the IT system in Japan as well, but I was surprised by the idea of packaging the core systems of large companies.

Based on what I learned from foreign companies and global companies



Decisions made by the top management tend to be opaque as they are made by a few managers. This can lead to personnel disputes and in-company politics.



By using IT to bring management information to the attention of a large number of employees, transparent decision-making can be achieved through open discussions.

I have begun to run to build a global software company originating in Japan



However, I realized, it would be more beneficial for customers to use packages that incorporate knowledge and know-how on solving global companies' issues, no matter how expensive, rather than creating systems from scratch for each company.

At the same time, I was amazed by the ideas of such overseas engineers and felt the sense of crisis that we Japanese engineers would be intellectually colonialized by overseas software companies and consulting companies.

This sense of crisis provided an opportunity to take on the challenge of developing world-class software in Japan.

Create Software that Encourage "Transparent Decision-Making"

Developing proprietary software—
I set my goal to make corporate management decisions visible through the use of information technology. This eventually became our mission "Spreading Accountability."

I grew up looking my father struggle. I believed that the decisions of many Japanese companies at the time were made behind the scene, determined by only a few among its management, and that it was one of the factors behind corporations' internal personnel disputes and internal politics.

In order to change this situation, we need to make use of IT where the Internet environment has become the norm, to give many employees access to a variety of management information, and to make transparent decisions through open discussions.

We need to increase the number of companies that make, instead of top down, democratic decision based on shared information, companies that are exciting to manage and also companies that are rewarding for employees to work in which their own will is reflected in management. That was how I felt about starting a business.

Find Way in Information Systems

Visualize management information to support highly transparent decision-making—Although there was a basic idea that led to the current corporate mission, I honestly did not see how I should embody it at that time.

Management information is composed of everything from financial information to data related to production, inventory, and sales, and there is no technology to integrate these information. In the first place, I did not understand anything about managing a business or organization.

Among my thoughts at that time, there was one growth factor that leads to the Avant Group now. I found opportunities in an information system, not a mission-critical system. Mission-critical business system literally supports the fundamentals of business activities and are not frequently replaced once they are introduced. Competition was somewhat close to an end with foreign-affiliated companies gaining share.

On the other hand, information systems, while they account for only a few percentage of total system investment, but it has to be continuously customized and updated, and a vendor could expect sustainable sales stream while strengthening customer relationships.

This idea is the starting point for the current Avant Group's growth strategy of "recurring sales business rooted in real demand."

Consolidated Accounting System at Core

While being aware of a variety of issues, I only had a vague vision of the future. It was in 1995 when I was clearly aware of entrepreneurship.

I got the information that consolidated financial statements will become mandatory five years later in 2000 as part of the so-called "Accounting Big Bang" trend, in which the accounting systems of domestic companies are globalized. I felt that it was a chance!

I was developing consolidated accounting system at the time.

My system had two important elements: technological superiority and the feasibility of achieving the mission, both of which were important factors in deciding to start a business.

"Technological superiority"—I have invented, this was a self flattery, a system in which data modeling design can be done with SQL language and shortened the consolidation process, which at the time took five to six hours, to five minutes, the system that can be operated without knowing programming languages and other matters.

It was an overwhelmingly superior system to the auditing firm-affiliated system, which we competed at the time.

The other element "feasibility of achieving the mission" meant that the consolidated accounting system could be a foundation for visualizing management information or spreading accountability.

Consolidated accounting systems contain financial statements that serve as the basis for business planning, such as sales, profits, and costs. The data in these financial statements can be used as a common language for decision making and can be reconfigured in various ways to be utilized at the business site to plan and execute growth strategies.

Based on the consolidated accounting system, we will support the decision-making of Japanese companies by evolving this system and create "strong Japanese companies." I was determined to grow together with our customers.

This was the moment when the idea of starting a business and the image of the organization became clear.



Start business focusing on consolidated accounting system

"The Steps" from Inception to Today

History 2

Perspective

Approach of Consolidated Accounting System

A Robust Start, but Followed by Internal Dissonance on Direction

In 1997, DIVA Corporation was established as a spin-out with my colleagues. DivaSystem, a consolidated accounting system developed by the company, has created a whirlwind in the marketplace, and in about five and six years since its establishment, the win rate in the competition has been almost 70-80%. It was very smooth sailing.

Of course, however, corporate society is a competitive society. In order to prevent our progress, in 2002 competing products that thoroughly researched our products appeared, and the win rate suddenly declined.

Our company that has grown steadily since its founding exposed its weakness in foothold.

In discussions with executives, who founded the Company together, each other's values clashed.

Discussions on the future continued for more than a year, we remained divided in our opinions.

I was troubled by the fact that my colleagues were denying each other the value that we had been trying to provide to our customers: a democratic and transparent decision-making system.—I was filled with fear that I might suffer like my father and abandon my original intention. In such a cornered situation, I went back to my starting point and made the biggest decision of my life. Public offering.

Stood Listed under Philosophy of "Creating a 100-Year Company"

When I was watching my father's distress, I thought that the management of a company was to build a management system with a monitoring function, namely, who and how to make decisions while ensuring fairness. In other words, that "governance is all about human resources."

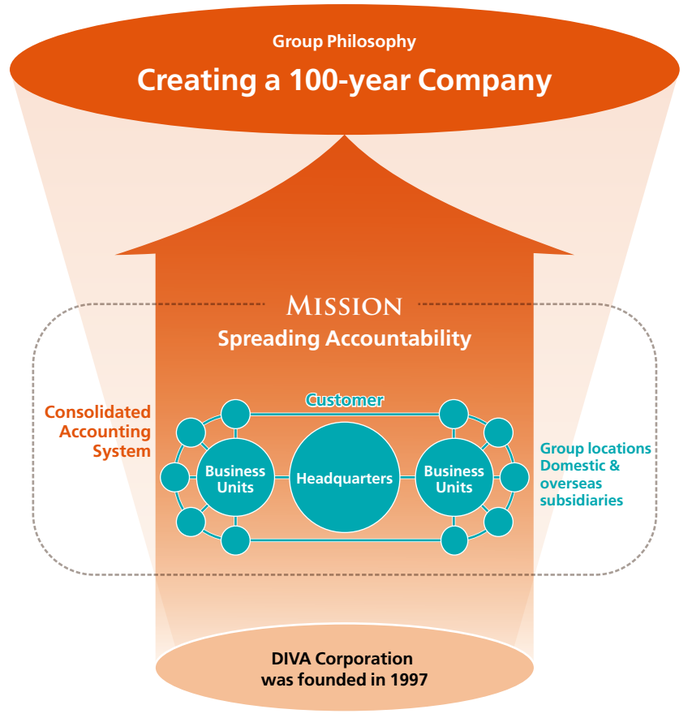
However, at that time I was in a situation in which I was unable to make objective decisions trapped in a mix of my own private feelings of wanting to get along with the members of the founding period, and the personal dreams and commitments of individual executives.

So, I decided to return to the starting point of the company's foundation and take on the challenge of creating a company where governance actually works.

In other words, the primary objective of the DIVA's listing was to introduce overwhelming checks and balances in business strategies and personnel, and to strengthen governance, not to raise funds.

I thought it should be the best choice for both shareholders and employees if this company can continue to grow together with its customers, even if the check-and-balance function dismissed me.

In February 2007, we listed our shares on the Osaka Securities Exchange's Hercules (now TSE JASDAQ). We have officially established a corporate philosophy "Creating a 100-Year Company" to express our determination to become a company that lasts 100 years, equipped with a transparent decision-making system that has never been disrupted by governance again.



The primary objective of the listing was to strengthen governance, not to raise funds.

"The Steps" from Inception to Today

History 3

Present

Our Future Lies in Comprehensive Power of Group

To provide truly useful management information systems to our customers,



From Accounting System to Management System

Earlier, I referred to listings as a means of strengthening governance. But of course, it is important to utilize the funds raised for growth investments.

In this context, I started to consider DivaSystem not only as a consolidated accounting system that supports our customers' information disclosures, but also as a consolidated management system that helps them formulate growth strategies and strengthen governance.

Taking the opportunity of the listing, I thought we have finally reached the stage of realizing our mission of "spreading accountability" by diversifying our business portfolio.

In fact, DIVA was making a significant track record by actively offering applied systems that combine in-house packages and other companies' products that are useful for managerial accounting.

However, in 2008, the year following the Company's listing, the Global Financial Crisis struck.

I took the advice of an auditor and took all the effort to avoid making loss. However, I realized that, in order to continue investment in growth and realize our mission, the Company should gain scale and physical strength to invest in R&D under any situation. The Company needed to increase its sales from three billion yen at that time to a minimum of ten billion yen.

Company that Resonates with Our "Customer Orientation"

That's when I met Internet Disclosure Co., Ltd., (ID) in 2009.

This company offers, in a word, comprehensive, searchable database of information disclosed by listed companies. President Takizawa himself was a certified public accountant and he established his own industry classification based on his own experience as an auditor, and he facilitated comparison with other companies. The service was highly evaluated for its convenience and was used by most domestic auditing firms.

If this system is used by companies in the preparation of accounting information, it can be used for more effective information disclosure, such as benchmark comparisons.

But what I felt most attractive was that the company focused on user-friendliness.

We shared the same thorough customer orientation in which whatever the system such as accounting system, it won't yield value unless used by the customers.

While watching the demo, I shouted "this is it!" I met with President Takizawa many times, and at the end, I begged him to join the Group.

In 2012, we welcomed ZEAL Corporation, which engage in a business intelligence business that makes use of the vast amount of data in business-related systems in the formulation of management strategies and decision-making, as a member of the Group.

This company did not develop its own products. It had a reputation for system integration technologies that cater to customer needs, organize and analyze data from the database, and lead to output. Major SIers also entrusted the company with the system integration of this field. However, when the founder of the company decided to set up a new company, he proposed a transfer of business, saying that Mr. Morikawa would be able to make use of the current organization.

As the business environment and needs of our customers change, there were times when we couldn't respond with our own products alone. In addition, if we join together with ZEAL, which is in the era of big data utilization and utilizes sophisticated and diverse technologies and tools, we should be able to provide solutions that will further help our customers improve their management and governance. With a view to strengthening the Group, I decided to accept requests.

Furthermore, in 2017, in order to fully respond to customers' labor shortage issues, we established FIERTE Corporation through business split from DIVA, so that

We will leverage Group's collective strengths while overlaying aspirations with specialists in each field

we can grow the team that has been responsible for outsourcing the preparation of financial statements using the DivaSystem since 2004 as a group of specialists who respond to BPO needs for various systems.

Establishment of Holding Company Avant

Year 2013. As number of the Group companies increased including DIVA, ID, and ZEAL, I considered it necessary to train the next generation of managers through the independent growth of each company, and necessity of a control tower to draw up overall growth strategy while looking at the portfolio of corporate groups with diverse expertise.

Accordingly, we established a pure holding company, AVANT Corporation, in which the top management of Group companies is in charge of the execution of business as corporate officer of Avant, and the directors of Avant are dedicated to the supervision of execution.

Toward Second Phase of Growth to Demonstrate Comprehensive Strength

And now. The environment surrounding our customers is changing dramatically in the face of the enhancement of corporate governance, the trend incorporating digital transformation (DX), and the spread of COVID-19.

For example, the corporate governance code is continuously revised to reflect strong demand for a commitment to sustainable value creation based on bold management decision.

As a result, discussions among division team and managers, which were siloed and closed, are transformed into open discussions reflecting various stakeholders and objective data.

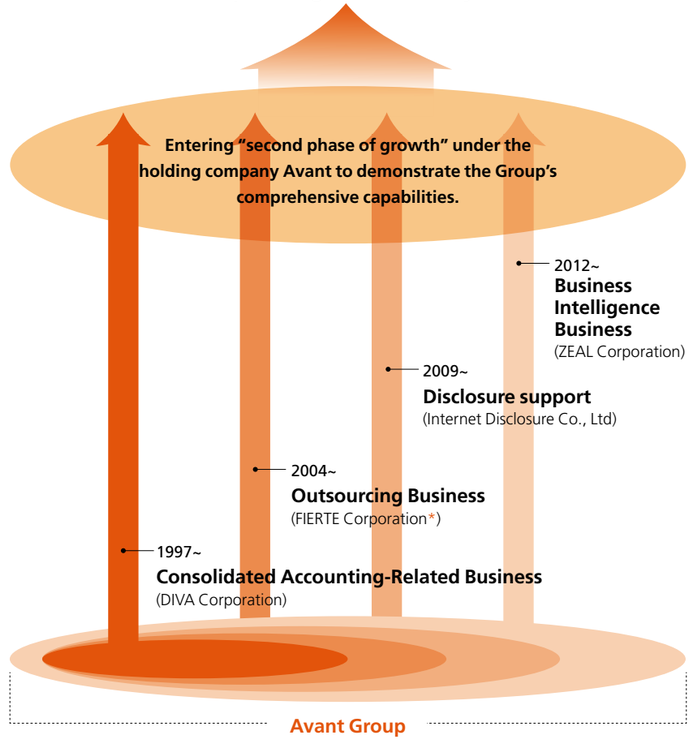
At the same time, the technologies which were immature at the time of DIVA's founding, have matured to a level that can sufficiently withstand practical application, and that have begun to accelerate the management reforms, business reforms, and governance reforms that are required of companies to integrate specialized knowledge that utilizes these technologies and to look at them from a comprehensive perspective.

I believe that these developments are precisely the fact that customers have come to demand "spreading accountability."

Until now, the Avant Group has maintained high growth by refining its respective areas of expertise. DIVA, IDs, which are responsible for making management information more usable, ZEAL, which is responsible for making it visible, and FIERTE, which is responsible for making it more entrusted.

As we move forward, I am confident that our collective strength as a group is becoming increasingly important for us to meet the needs of our customers in the future-our ability to offer proposals that combine our respective areas of expertise.

In the following session of "Avant Group's "Challenge": Transformation by DX," I had frank discussions with customer representative, IT specialist, and the leaders of the Group. Please discover the possibilities of Avant that emerge from this discussion.



* FIERTE was incorporated in 2017

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Special Dialog 1

Masuo Yoshimatsu

President and CEO,
CFO Support Inc.



How to make forecast? Creating such tools should lead to "spreading accountability"

P.35

Special Dialog 2

Jon Robertson

Outside Director, AVANT Corporation



As Saas business explodes, platforms are undergoing a major shift, and I believe that I'm about to face very interesting time ahead.

Avant Group's "Challenge": Transformation by DX

Transformation by DX

COVID has brought major changes in the environment and working styles. You guys must be facing various issues. Let's engage in "Creative Dialog" and talk about a broad range of areas such as "I want to make this," and "I want to develop this."

P.39

Dialog 1
Avant Group's Capital Strategy

Naoyoshi Kasuga

Director and Group CFO, AVANT Corporation



We have mastered P&L management. Next, we need to acquire a sense of the balance sheet and create a business management ecosystem that takes into account the cost of capital.

P.43

Dialog 2
Consolidated Accounting-Related Business



The best way for managers to show off their skills is to create strategies. So, I simply want to create products they can count on most when they think about strategies.

Teppei Terashima
Director,
DIVA Corporation

Hiroshi Takizawa
President and CEO,
Internet Disclosure Co., Ltd.

Hiroshi Iwasa
Director,
DIVA Corporation

Hiroki Takemura
Vice President and Representative Director,
DIVA Corporation

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Dialog 3
Business Intelligence Business

Takahiro Okabe

President and Representative Director,
ZEAL Corporation



Needs for Business transformation through data will be a major business opportunity for ZEAL.

P.53

Dialog 4
Outsourcing Business

Gen Nagata

President and Representative Director,
FIERTE Corporation

The accounting business has the potential to change the industrial structure of Japan.



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Avant Group's Competitiveness: Why DivaSystem SMD?

DivaSystem SMD, Consolidated and Multi-Axis Managerial Accounting System That Is Essential for Decision-Making at Group Companies

Wataru Izumisawa

General Manager,
East Japan Busines Division 2,
Business Development Unit,
DIVA Corporation





Special Dialog 1

Mr. Yoshimatsu joined Mitsubishi Electric Corporation in 1982. After serving as head of accounting and finance at local subsidiaries in the U.K., Singapore, and the U.S., he held CFO positions at Sun Microsystems, SSP, and Nidec Corporation. He serves as an outside director of several companies and established CFO Support Inc. in December 2019. Specially appointed professor at Tokyo Metropolitan University Graduate School.

Masuo Yoshimatsu
President and CEO,
CFO Support Inc.



Tetsuji Morikawa
President and Group CEO,
AVANT Corporation

CFOs Signal Practical Future

We Need Western-Style CFOs Who Support CEOs' Decision-Making Based on Data

Morikawa: Mr. Yoshimatsu had been active as a CFO of various companies for a long time and had also been a customer of Avant, a provider of accounting information systems. As a representative of our customers, I would like to ask for your advice on how we should proceed in the future.

Yoshimatsu: Thank you very much for the opportunity.

Morikawa: First of all, I would like to hear about the role of the CFO based on your experience. I think that the role of the CFO in enhancing corporate value is also changing in the context of the recent governance reforms and the Corona crisis.

Yoshimatsu: The first thing I can say is that everyone should have access to management information and management should make decisions based on data. These norms have become even more important in this uncertain era, especially under Corona crisis. The most recent survey conducted by this major auditing firm pointed out earnings forecasts as an item of increasing importance as the CFO's role in the Corona crisis.

Morikawa: You say the conventional method of performance management does not apply…

Yoshimatsu: No. As many companies suddenly found themselves caught in turbulence called Corona, it is important how quickly to grasp the drastic changes in the spiral, that is, the changes in the management environment, and navigate the company to the destination by observing the condition of the aircraft. Under such circumstances, you cannot rely on the accounting manager who reports only the results, you need a Western-style CFO who supports the CEO's decision-making.

Morikawa: Japanese companies sometimes have so-called super accounting manager, who make statements to the management team.

Yoshimatsu: Yes. For many Japanese companies, however, decisions are made in accordance with the rank of chairman, president, directors in charge, and division heads. However, the U.S. and European-style CFOs look at business performance alongside the COO and report directly to the CEO. The CFO then assists the CEO in making decisions. I believe that the Corona crisis has begun to raise awareness of such an image of a CFO.

Morikawa: The point is that the CEO and the COO are separate and that the COO and the CFO are parallel. In the midst of drastic changes in the environment, it is important to adjust course and set a landing point, always balancing what is happening in the field with future financial strategies. That may be too much for the super accounting manager.

Yoshimatsu: Prompt decision-making by the CFO is important.

Morikawa: In order to fulfill this role as the CFO, he or she must visualize data—not just current earnings, but also the visualization of various indicators. If we are unable to do so, we will be unable to establish the course.

Yoshimatsu: You're right. Heated discussion at Board of Directors sounds good, but if that is the exchange of qualitative views not based on data, discussion would drift away from corporate management and end up in exchanges of personal belief and philosophy. We sometimes refer to it as aerial combat. So, as the first step of the discussion, we should share a sense of crisis by looking at numeric, quantitative management information that is rooted in the operation front. And statements should be concrete as possible.

Merge Perspective of "People" in Finance

Morikawa: Our Company also experienced stronger need for visualization under the Corona crisis. This includes not only the performance and financial aspects, but also employee motivation. I believe results are performance indicators, and in order to forecast highly accurate results, we believe it is necessary to understand changes in the level of satisfaction of people who support our business processes, including sales activities.

Yoshimatsu: Corona crisis also raises a major question about the visualization

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of human and organizational decision-making processes, doesn't it?
Morikawa: It does. Therefore, we started to conduct quarterly surveys of employee satisfaction in some areas and are working more than ever on management that incorporates narrative opinions.
Yoshimatsu: The idea of placing emphasis on human resources to support medium-to long-term growth is precisely what is required of S of the ESG management in recent years, in other words, strengthening the social aspect.
Morikawa: Thank you for pointing it out. But our awareness is rather desperate. We cannot grow without incorporating employee motivation as one factor of management information.
Yoshimatsu: I'm sure many companies feel the same.
Morikawa: I think the CFO in the future should promote visualization of people, goods, and money and use that information to support the CEO's decision-making. Accordingly, that F should also stand for future, not only for finance.
Yoshimatsu: I understand very well. In addition, when it comes to quantifying people's satisfaction, it responds to the recent trend of employment shifting from membership-based to job-based. In order to make the job-based employment to work, it is necessary to make the hierarchical organization flat, adopt DX, and promote efficiency. In such cases, we can respond quickly to issues by establishing KPIs related to personnel, such as employee satisfaction. Of course, it is important to collaborate with CHRO (Chief Human Resource Officer), who is the chief personnel officer.
Morikawa: When I think of group management, I am pursuing optimization from the perspective of business portfolio. However, in the future, I should weigh human resources as more important factor when considering the Group's strategy and each company's strategy. Human resource is the important part of the equation in the strategy for the future. That's what I realized under this Corona crisis. In this sense, I think that it may be difficult to design business restructuring itself in the true sense unless the CFOs go all the way to tackle people's motivation, together with the CHROs.
Yoshimatsu: In the aftermath of the Corona crisis, corporate safety was highlighted first, and from this perspective, shareholders and investors in Europe and the U.S. have started to announce that companies should not overly strive to increase shareholder value, such as by reviewing shareholder returns. On the other hand, there is growing demand for greater labor share and investment in people. This means that there has been a growing demand for medium-to long-term growth, not short-term performance. Mr. Morikawa's point of view on people is increasingly important in considering the trend toward achieving SDGs in 2030, contributing to the sustainability of the global community, and strengthening ESG as non-financial capital that will generate F as the future.

Solutions That Make "Finance" Common Language

Morikawa: I would like to hear your opinions on the role of outside directors in the trend toward strengthening governance. Mr. Yoshimatsu yourself have a wealth of experience as an outside director. What stance do you take on the Board of Directors?
Yoshimatsu: The basic role of outside directors besides supervision is to give accurate questions and advices on how to increase the company's medium-to long-term corporate value on top of monitoring and supervision of management. So I'm always ready to give them. What I am paying particular attention is to make my proposal more specific in a situation people are more hesitant in judgement and not to give the kind of "aerial combat" that I referred to earlier, qualitative and philosophical stuffs that end up with "good stories!"
Morikawa: You need to be bold, aren't you?
Yoshimatsu: I'm trying to avoid complicating the discussion. I would suggest my point of view and ask "Why don't you think about it this way?" Then management can make a hypothesis from a perspective that they didn't have. From that point I prompt brainstorming, and I will join them to materialize the story. In terms of the perspective, since it is an uncertain era, sometimes I would suggest that we should aim for transformation by setting high, discontinuous targets.
Morikawa: I see. Meanwhile, since the introduction of Corporate Governance Code, many outside directors have been created. I understand this is a system in which an outside person who does not have an interest intentionally oversees a company, based on the recognition that in reality no company can discipline itself internally. I am also serving as an outside director of a company, and I feel that it is very difficult to truly express my opinions from a third party perspective. In the midst of an overwhelming shortage of information on corporate activities compared to in-house directors, it is quite difficult to decide what to say.
Yoshimatsu: I understand very well. That's indeed why I think that the visualization of the management the Avant Group is promoting become meaningful.
Morikawa: Thank you very much. In fact, there are many opportunities when I interview the company I sit as an outside director about business situation, but all I get are qualitative matters and I can't engage in the dialog. The language that forms the basis of dialog, then, is finance. Look at investments, returns. Only after these figures are available can we discuss corporate activities, including people and processes. At present, however, there are no rules for discussing dialog with outside directors in what terms.
Yoshimatsu: You're right. You mentioned earlier that outside directors became mandatory, the current situation does not seem to meet the needs of companies for outside directors with "finance as a common language." Compared to Europe and the U.S., where job-based employment has become the norm, a professionalism has been established, and there are many managers of these capacities. In Japan there are few candidates for outside directors who have management experience with finance as a common language.
Morikawa: When I founded the company, we positioned accounting information as a common language for management, but now I believe that finance information, including people, goods, and money, is important. By visualizing performances, you can understand past performance, but you can't see what you need to do in the future. Therefore, I want to strongly support outside directors, CEOs and CFOs, which are in short supply, by proactively building a management information system that will trigger them to think about what they should do in the future. In addition, if we are able to realize these goals and objectively view ourselves, I believe that this will also strengthen governance as a whole.
Yoshimatsu: You're right. My awareness of issues is precisely this point. I think that accounting information will become more automated. However, as for how to make forecast, I think there is also a method to utilize a wide variety of management information with AI. I think that creating such tools will lead to the "spreading accountability" that Team Morikawa is developing.
Morikawa: Thank you very much. In addition, in order to make management information available to the public, we will make it available a process in which manual operations are converted to BPO (Business Process Outsourcing) and substantially automated with the use of IT and AI. In other words, we intend to contribute through our collective strengths while properly aligning various tools, services, and solutions in response to customer issues.
Yoshimatsu: That's encouraging. If you are able to provide such comprehensive services, I think that management will be able to have sound dialog with a diverse range of shareholders and investors, including activists, on issues including the direction of portfolio reform, which is now a challenge for various companies.
Morikawa: Lastly, can you tell us your expectation for the Avant Group?
Yoshimatsu: This is a summary of what I have said so far. I hope your group of companies support not only the CFO but whole management in making decision, creating a multifaceted and comprehensive common language, solutions that pave the way for the future, not only the past.
Morikawa: Thank you very much. Listening to your opinion, we were able to raise our confidence in the Avant Group's course.



Special Dialog 2



Tetsuji Morikawa
President and Group CEO,
AVANT Corporation



Jon Robertson
Outside Director,
AVANT Corporation

(Note) In March 2021, Mr. Jon Robertson joined Snowflake Inc. as President, Asia Pacific & Japan.

Significant Business Opportunities as We Shift to Cloud

Needs for Cloud Shift Steadily Increasing

Morikawa: I would like to welcome Mr. Robertson, who has been appointed as an outside director since September 2020. He has been active at the forefront of IT companies such as SAP, EMC, and VMware, and based on his wealth of experience in being responsible for modernizing corporate information systems, I would like to receive comments on the potential of SaaS businesses that we are focusing on.

Robertson: I used to be in the application business world. At the time, the IT infrastructures were in the transition from mainframe to UNIX and Windows, and I assumed it as a legacy world in which if they were placed on Windows, SIers would add adjustment between OS, hardware, databases, and so on according to the application. However, when I joined VMware, as you know, this is a company that promotes modernization of IT infrastructure hardware and applications, such as data centers, I learned virtualization, that is, technological innovations in the cloud, and I noticed the opportunities in linking all types of data. In fact, as the number of SaaS businesses has increased, platforms such as data centers are undergoing a major shift, and I believe that I'm about to face very interesting time ahead.

Morikawa: It is often said that Japan's IT environment is two to three years, or even ten years behind the U.S. and Europe. Are such changes occurring in the Japanese market as well?

Robertson: Depending on the industry and scale of the customers. Companies with many mission-critical systems, such as financial institutions, are still using mainframes, so rapid jump to the cloud is difficult, and the situation is that "Let's try a variety of things before planning." Conversely, start-up companies are quite different, and they have been competing in the cloud since the outset, and recently companies as large as 1,000 employees have begun to consider the cloud. I often hear them say, "We'll start with applications that don't weigh so heavily and accelerate it if that goes well."

Modernize Data Center Now

Morikawa: It is said the spread of COVID-19 has led to a sudden increase in society's adoption of Digital Transformation (DX). Do you think the shift to cloud is progressing steadily, not only among startups, but also among large companies' backbone systems?

Robertson: Yes. Demand for cloud is growing faster than in the U.S. with work style reforms and the spread of remote work. Until now, however, Japanese companies have built private cloud environments, rather than public cloud environments, which are the trends of the world. As you know, companies in Europe and the U.S. are developing and operating approximately 70 to 80% of IT systems in-house, and less than 20% are outsourced. The opposite is true in Japan. Most Japanese companies' IT systems are virtualized at SIers' data centers. SIers' seems to be good for maintaining the status quo, but now customers' needs are ahead of them due in part to the Corona crisis, and customers who had told us that they had to do something at some point are saying, "Let's do data center



Special Dialog 2 Significant Business Opportunities as We Shift to Cloud

modernization now and operate it in a multi-cloud!" Accordingly, we are responding to that voice and working with SIers to implement them in the cloud.

Morikawa: Cooperation with SIers is crucial in the Japanese marketplace, isn't it?

Robertson: Yes. In Japan, an important background to the development of DX under the Corona crisis is the shortage of personnel in the IT industry, let alone in the information systems division of customers. As a result, both companies and SIers have begun to be considerably conscious of automation and AI utilization, and some SIers have been actively promoting the creation of such an environment in recent years in order to fit them into the cloud environment.

Morikawa: The so-called shift to MSP* is advancing.

Robertson: That's what you mean. On the other hand, global companies that provide public cloud environments need to connect their platforms, as each platform is siloed. This is one of the business opportunities. We call it "journey to the cloud." There is no doubt that the momentum for "any cloud, any application, any device," which we have been advocating since about three years ago, or "Let's take applications to your favorite place no matter how old or new," is increasing. I think that the number of SaaS options will surely increase from next year.

***Managed Service Provider:** A provider of services that maintain availability through the operation, monitoring, and maintenance of customers' IT systems

Cooperation with SIers and Consulting Companies Is Important

Morikawa: What about the movement of a consulting firm whose domain overlap with SIers?

Robertson: In Europe and the U.S., consulting companies are working with vendors to share the goal of "putting all applications on the cloud in around five years." So, I think we will see such a trend in Japan in the near future. In particular, customers in the transportation and retailing industries, which were damaged by the Corona disaster, will work together with consulting companies as in Europe and the U.S. to promote discussions on the adoption of cloud computing and SaaS. In fact, in the past, on-premises licensing businesses accounted for 70 to 80% of business negotiations, but currently 40 to 50% have shifted to as a service.

Develop Comprehensive Strengths through Creative Dialog with Customers

Robertson: I have been talking about the progress of cloudization and SaaS. Could you tell me what kind of winning opportunities and growth the Avant Group is finding there?

Morikawa: The business we are pursuing is basically a field called information systems, not mission critical systems. Since the majority of the investment in information systems is made in this backbone systems, the information system has so far been viewed as a subterranean stream. However, the information system requires a high degree of creativity if we actually add value to various corporate data from the customer's point of view. On the other hand, mission critical systems are becoming standardized and commoditized while incorporating global best practices. In this sense, in the current world where new data is



created successively, we believe it is crucial that the information systems we create shift to SaaS, and deal with various types of data with flexibility in response to demand.

Robertson: Certainly, SaaS environments can demonstrate creativity as an informational infrastructure that can meet the detailed requirements of Japanese companies.

Morikawa: In Japan, the manufacturing industry has traditionally focused on creating sophisticated production management systems, while the question of how to grow by utilizing management information is a universal issue for all industries. This is not just an asset allocation. Creativity is essential to creating new business opportunities. If you handle only accounting information, there may be no need for creativity, but managements today are asked how to create and enhance corporate value through dialog with investors, as specified in the Corporate Governance Code.

Robertson: You made it clear the mission and processes that top management must fulfill.

Morikawa: To this end, we believe that it is necessary for each and every one of Avant Group to be aware of the management's point of view for our customers and to actively engage in creative dialogs.

Robertson: With a view to all types of management information, the entire Group should work together to build information infrastructure for customers and support their value creation.

Morikawa: Yes. Of course, the infrastructure can be standardized, but we believe that growth strategies to increase corporate value should reflect the originality of each company and management, and that this is the significance of SaaS base we provide. Ultimately, we want to create a platform where each employee of a customer company can communicate as a manager. That is what we are aiming in "spreading accountability," and I believe that the next decade will be a phase in which we will realize our mission through the collective strengths of the Group as a whole.

Robertson: Each company of Avant Group places great importance on relationships with its customers, creating strong relationships that last five years or ten years. Based on this ability to understand customers, I think that if we make use of the business climate in which the information that a company possesses plays a vital role in management, we will be able to shift to a SaaS model.

Based on Belief Useful for Customers' Management Innovation

Morikawa: Lastly, could you please share your frank opinions and impressions on the Avant Group as seen by Mr. Robertson, including your impressions of the issues that need to be addressed?

Robertson: In a word, I think it is a customer centric, customer focus company. A company that not only carries out what customers say, but also proposes solutions from a global perspective based on a proper outlook. In addition, when making proposals, there is a passion among everyone to express their opinions, regardless of whether they are executives or new employees, and I think they are in a good way different from traditional Japanese companies. I am also in a position to say, "Let's go digital transformation!" so that Japanese customers won't lose out to the world, so I can really empathize with that attitude. What's more, you place great importance on your employees, aren't you? It looks like a family. I hope you keep up this atmosphere. The number of people should continue to increase. Then, it is the mission that becomes important. The roles of each company and division will differ. However, there is always a overlap in the mission to "spreading accountability." Therefore, I hope that we will place great importance on our mission and cooperate with each other as a team to create as many Japanese companies as possible that can compete against the global peers.



Morikawa: Thank you very much. As a self-reliant organization that makes the most of its diverse personalities, we are prepared to create synergies as all-Avant organization while sharing the belief that it will continue to be useful to customers, as well as our mission and vision with the members. We have received a great deal of advice that will be useful to the future of the Avant Group. I think it will be the biggest challenge for the next few years, so I hope you will continue to support us.

Dialog 1

Financial Thinking Creates Value for Future

Naoyoshi Kasuga
Director and Group CFO, AVANT Corporation

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Tetsuji Morikawa
President and Group CEO, AVANT Corporation



P&L Management Is First Step in Making Management Work

Morikawa: I would like to discuss the enhancement of the corporate value with Mr. Kasuga, Group CFO. It's been more than 10 years since we met, hasn't it?
Kasuga: I joined DIVA (now Avant) in October 2010, immediately after the Global Financial Crisis.
Morikawa: Since our founding in 1997, we have worked to increase sales by creating businesses and increasing the number of customers. And if we could match that wheel with the other wheel of cash flow, we would reach our goal "create a 100-year company" at the end of the line. That was the original idea. However, when I began to think about corporate value as we became listed on the stock market, I began to feel uncomfortable with my accounting-like thinking. At the end of our various thinking I ended up with the financial thinking. Corporate value is an assessment of the certainty of the expected value of "how much it can earn in the future." Within this context, market tend to value highly of the software companies who leverage their corporate value and invest in growth even if their operating cash flow is negative. When I began thinking about this, I met you, Mr. Kasuga, who was well experienced in the midst of financial community as corporate officer of the New York Stock Exchange in the U.S. I thought that if this person participate with us, we would be able to develop financial thinking more practically.
Kasuga: Immediately after joining the Company, Mr. Morikawa consulted with me that he would like to create a system in which he would divide his responsible business profit and loss as CEO into several units where the leaders





of each units should commit to P&L responsibility.
Morikawa: Before we start financial thinking, we had an issue where P&L management in the true sense was not practiced. I believe that it is necessary to have a system in which management is segmented, crystalize risks, and the bottom-line approach is taken into consideration while managing profitability. Thanks to your advice, our management began to work when P&L management began to take root as philosophy.

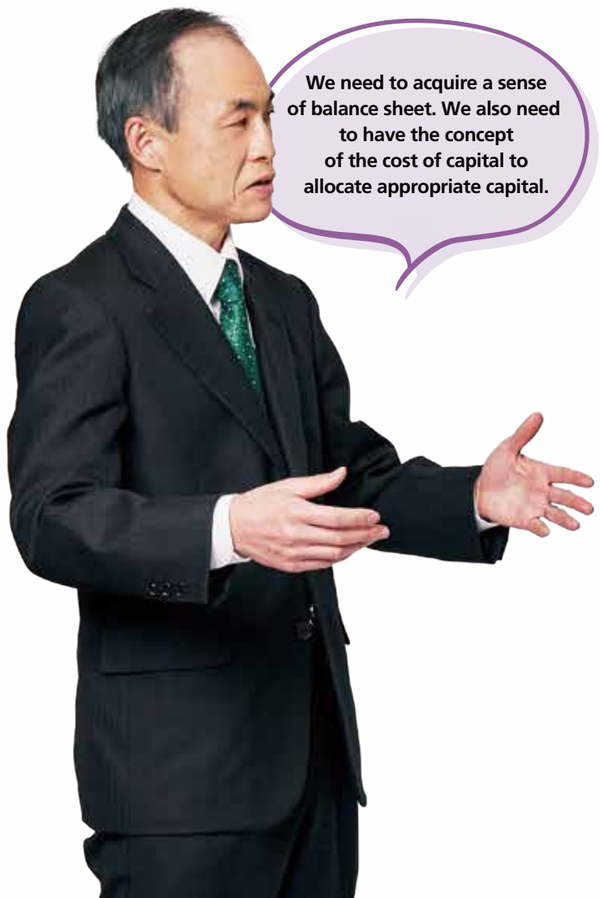
As CFO with Shared Vision and Values

Kasuga: Subsequently we have acquired ZEAL.
Morikawa: It was in 2012. How did you define that project in management of Avant?
Kasuga: That was the first transaction financing for DIVA using its balance sheet. We could have done it without borrowing, but the cost of finance was low, and we dared to borrow because we wanted to earn at least enough money to repay the loan. It was the same size as DIVA at that time, and it certainly turned out to be a very big turning point.
Morikawa: How do you evaluate the deal from CFO's perspective?
Kasuga: Honesty, at the time, I did not understand much of the implications of bringing ZEAL into the Group (lol). Later, I noticed that it would have the effect of stabilizing the sales and the income.
Morikawa: Some of the companies that started up as ventures and grew into global companies seem to have visions that cannot be immediately understood from outside as they engage in various businesses. Sometimes a

seemingly different business, such that makes us wonder why they start it, could be connected over a period of ten to twenty years and enhance the value of the group. That is the vision, or a world view of the management, and in my case too, it's organized in terms of vision. However, such an idea is difficult for the CFO to understand, isn't it?
Kasuga: Finance thinking is fundamentally inductive. You have a track record, and then we argue about the N+1 period. If you use such inductive thinking, you cannot see the future. Therefore, it is necessary for Avant's CEO to demonstrate the path based on the idea of what the future should be.

Capital Strategy: Increase DOE to Top Level of Companies Listed on First Section of Tokyo Stock Exchange

Morikawa: How do you perceive corporate value?
Kasuga: In textbook terms, it is the present value of projected cash flows. However, as the Avant Group is shifting to SaaS model, we believe that the traditional concepts of P&L and the concepts of valuation (company value assessment) cannot apply. We need an approach to evaluate what amount of sales per customer is, how much costs are for it, and what value per customer is. I think that we are going to go on a very different dimension that has not often been talked about in finance theory so far.
Morikawa: Finance means investment return. What is your benchmark of investment return at the Avant Group?
Kasuga: In terms of the cost of capital, it is around 8%.
Morikawa: Are you conscious of that?
Kasuga: I'm conscious of it, and I hope that more people will be aware of it in the future. For us, the cost of capital is the cost of equity, but how to lower the cost of equity is important, and one is to increase liquidity and increase volume. Another is to reduce business risk as much as possible. In this sense, I believe that the transition to a SaaS will certainly lead to a reduction in the cost of capital in the future.
Morikawa: In terms of shareholder returns, I think there are discussion of whether it is capital gains or income gains. What are your thoughts on the balance between these?
Kasuga: Since we cannot guarantee capital gains, we should pay attention to the minimum income gains. Our policy is to increase dividends per share to long-term investors in a steady manner so that the benefits of holding our shares will be reasonable. In terms of stability, I would like to basically raise the dividend on equity (DOE) to a certain level and, if possible, in the top level for companies listed on the First Section of the Tokyo Stock Exchange.
Morikawa: If you base it on DOE, we naturally have to earn resources, so ROE will also become important. Assuming the top DOE level at 8%, the ROE to support this should be quite high.
Kasuga: I would say no less than 20% at least. ROE has multiple elements such as return on sales and asset turnover, and finally financial leverage. I don't think it is a righteous way to use financial leverage only (lol), I would like to pursue it in core business: how to increase profits and increase asset turnover.
Morikawa: If the average funding cost for listed Japanese companies is 5-7%, our cost of capital is not that high.
Kasuga: Certainly so, but I think I can lower it.
Morikawa: Do you have a guide?
Kasuga: I think that if we leverage the balance sheet based on business needs, we may be able to lower it by 1 or 2 points.
Morikawa: We can see our ROE by making solid profits if we extend organic growth with our current capital structure. On the other hand, when it comes to effective use of funds, I think M&A will be a very important means of growth, at this interest rates. Please tell us your thoughts on this M&A from the CFO's perspective.
Kasuga: We now have a decent amount of cash, so there is no doubt that this will be one of the options for effective use.
Morikawa: There is a large market for management information systems, so in order to maximize our growth potential, we should focus on how to accelerate our core business while using capital resources.





For Each Company's Managers to Communicate with Investors

Morikawa: Value creation requires investment, and I believe that having rules for diversifying investment will make a huge difference in the next phase. What do you think?
Kasuga: What I want to do is to create the segment balance sheets. People here have assumed the P&L management. As a next step, we need to acquire a sense of balance sheet. We also need to have the concept of the cost of capital to allocate appropriate capital.
Morikawa: How can we share this sense in business units and maximize medium-to long-term corporate value? I think that will be our major theme in the future. On the other hand, it is also important to create synergies as a group while autonomously dispersing risk management and other matters. As these interact closely with each other to enable balanced management, we are approaching the creation of a 100-year company.
Kasuga: Exactly.
Morikawa: Ultimately, we must be motivated to contribute to the society, that's the vision. But it is also true that corporate activities based on that vision are evaluated in terms of financial returns. With this in mind, I would like to see the managers of each operating company broaden the scope of their conversations not only within the company but also to the entire group, and make a major shift in direction so that they can create value from their respective perspectives. In order to realize sustainable growth through dialog with such diverse stakeholders, we still need knowledge and advice based on your achievements.
Kasuga: I'll help you as much as I can.
Morikawa: Thank you for your continued cooperation.

Transformation by DX

Consolidated Accounting-Related Business



Dialog 2

Pursue business while enhancing your own business sensitivity based on objective data

Tetsuji Morikawa
President and Group CEO,
AVANT Corporation

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Teppei Terashima
Director,
DIVA Corporation

Hiroshi Takizawa
President and CEO,
Internet Disclosure Co., Ltd.

Hiroki Takemura
Vice President and
Representative Director,
DIVA Corporation

Hiroshi Iwasa
Director,
DIVA Corporation





Corona has brought **major changes in the environment and working styles.** You guys must be facing various issues while acting responsible for each operation. In light of this, I would like to talk about a broad range of areas such as **"I want to make this," and "I want to develop this."**



Over the past year, **everything went virtual due to COVID-19 and the evolution of technology.** Various challenges also arose. Mr. Takizawa, do you have any message as a senior in life?

I tried to **talk with every staff in a week,** and that was the most effective thing.



What worried me most about starting remote work was how to maintain communication. **In fact, through that communication I found one after another that this person had this kind of skill.** And solved five or six things that had been issues, very efficient.



It's not face to face. You're looking at the screen. **You need something creative, don't you?**

Comparing the amount of information the real face with mask and the face on the screen without mask can convey, I think the latter will be better communicate with each other.



After several months, I became confident that we will be completely virtual next year.

Especially, the one that get left out the most: useless talk. **You must do wasteful talk.**



At first, we only talk about what is needed, no idle talk. But actually, several breakthroughs in product development originates from idle talk on and off the meeting, like "hey, we should do this."





Consolidated Accounting-Related Business

The consolidated accounting-related business develops, sells and offers related consulting services on consolidated accounting systems for customer to convert management information the parent company gathers from group companies into information "usable" for management decisions. This business is handled by DIVA Corporation and Internet Disclosure Co., Ltd., which became Avant Group in 2009.

DivaSystem offered by DIVA Corporation is the number 1 consolidated accounting system in Japan and has been installed by more than 1,100 companies. In addition to the consolidated accounting system, we offer products such as "DivaSystem SMD" , a multi-axis group management accounting system based on products, customers, and locations, and "Compass," which provides management indicators analyses and corporate value analyses for each business and group such as benchmarks from other companies. We are working to support Group corporate management.

The "Kaiji-Net" provided by Internet Disclosure Co., Ltd. contains securities reports and timely disclosure documents in real time and can be searched according to customer needs. It is used by about 20,000 people in charge of preparing financial reports at listed companies and certified public accountants involved in audit operations, and we continue to generate stable sales and profits.

DIVA®

DIVA CORPORATION
Established: October 2013 (Founded May 1997)
Representative: Tetsuji Morikawa, President and Representative Director
Address: Shinagawa Intercity B-13F, 15-2, Konan 2-chome, Minato-ku, Tokyo 108-6113

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Established: April 2000
Representative: Hiroshi Takizawa, President and CEO
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In terms of this change in communication, you have to think properly about who you are communicating with and what the purpose of that communication is. I feel that **the need for a more data-driven understanding has really increased.**



How about Mr. Terashima, a digital native?

I am instructing people to **look for a work style that would increase speed.**



The amount of work is a multiple of quality, amount, and speed. And you can control the speed. You can't improve quality immediately, but if you increase the speed, the quantity will surely increase, and then the repetition will lead to quality.



You must be fully aware with whom and on what purpose you are communicating.

OK!



I began to give clear directions with a purpose. That's what's changed.



By the way, Mr. Takemura is now **visualizing our business KPI**. I would like to see everything move in a data-driven fashion.

The numbers are quite powerful, **but they should lead to voluntary actions only when they connect various ideas, such as the strategies behind the numbers and the way individuals work.**



That's the point. I am quantifying business process because we want to concentrate on yielding actions.



We shouldn't be worried by the numbers in KPI, but **that numbers should lead to actions to create something useful.** I think **that is the essence of DX.**

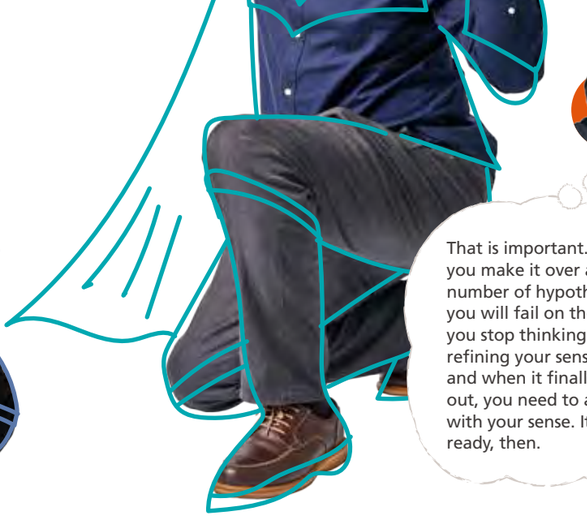
Environment has changed so much that the KPIs shared at discussions in business units cannot be meaningful unless you think of the combinations, what to read from that, what meanings should be communicated to whom.



There's a big difference between running a marathon knowing your health condition and not knowing it. I think management is the same.

Good!





There are limitations even if we try to do our best to fulfill the customer's demands. Point is, how can we combine this with our daily experience to make it like "This!"



The first step toward making something useful is to take in problems on your own.

So the hardest part is making it personal. It's not something you understand with your head, it's something you understand with your feelings. But the moment the customer's perception of the issue sinks in, it becomes something you can use.

I agree. **When the data is thrusted to you like a sign, it suddenly falls into your own.** That data is often in line with your business sense.



And the issues that everybody knew but haven't try can be moved up by a week or a month. **Data has that power.**



Certainly! I'm making data after various trials, but there's quite a lot of cases that "doesn't match my business sense," and I trust my business sense.



I know exactly what you mean. I usually do it myself. But you're always wrong. The hypothesis is wrong.



It is important to be empathetic. If you can empathize, you can take action.

You have to adjust to your business sense.



That's important.



I think that business sense stem from how you sense a problem. It is important to continue thinking about what to do to make things better and to foster the sensitivity. **Make it your own.**

That is important. Even if you make it over a number of hypotheses, you will fail on the second you stop thinking. Keep refining your sensitivity, and when it finally come out, you need to adjust it with your sense. It is ready, then.

Yes we do!





What I see when I listen to Mr. Takizawa's explanation is that he has experience in auditing and has firsthand experience as a party to the project. His awareness of the problem has not changed. **It's clear that you are trying to be useful for someone else.** It's amazing how they try **to contribute 100% to their customers.**



Looking at Mr. Takizawa, I feel that we should aim for it.

He has a way of life that condenses the essence of making things worthwhile and creating things.

I'm just doing what I like.

What Mr. Takizawa likes **contributes to society**, and is appreciated by the world, isn't it?

It means a lot to me to be thanked for.

It is a great idea to make a 100% contribution to customers.
He always looks things from a different point of view, that represents his sensitivity. I respect him very much.

I want each of us to be able to talk about things that we can make our own, and I want to make these things happen. If we can get to that point, **it will be a company that everyone is passionate about.**

The first and foremost thing is for each manager to properly create value and increase creativity. While making good use of remote work and other environments, they can find time to increase their creativity through creative dialog.



In light of this background, I hope you will explain to me **what you want to dig into one by one.**





Hey it's creative dialog, isn't it!

My passion is still a visualization.
New themes is to approach individuals.

I joined this company, clarifying what I want to do with passion. You make it portable a "track record" of what you have done so far and interact with others based on that. If an organizational change occurs, the information will be handed over next, and ideally, we can also provide information on what our previous job was.

That's interesting. I think it's an interesting subject to delve into with a sense of entitlement.

It's simple. I want to **create products that management can use the most when thinking about strategy.**
I don't see the shape yet.

I think the best way for managers to show off their skills is to think about strategy. So, instead of going to consulting or such domain, I want to create products that allow me to have fun and think about strategies with information and data.

Your vision is getting clearer, isn't it? The theme is management, so it will take some time.

I want to **showroom the Management Control Headquarters.** I'd like to be able to lead the change in our company and work to trigger something to happen.

Business support unit in many companies is regarded as back office. For us it's the core of our business. So I wish I could make the unit as a showroom.

You've got something in sight.

There are three things I want to do. Two are public, but the third is secret. I want to **somehow shape something that no one has ever thought of.** I have yet to get up in myself.

First is Kaiji-net. Currently only Japanese data are available, but the U.S. and other XBRL are becoming popular. We want to capture such trends. The second is the typo check system that has been well received by auditing firms. We would like to finish this with a general-purpose system that can be used in the general industry as well.

I would like to **allocate management resources appropriately in order to promote your ideas** without ending with today's story, and I would like to ask you for your continued support in the future.

I'll do my best!!!



Transformation by DX

Business Intelligence Business

Dialog 3

The need to transform businesses through data utilization is expanding the opportunity for ZEAL.



Takahiro Okabe
President and Representative Director, ZEAL Corporation

×

Tetsuji Morikawa
President and Group CEO, AVANT Corporation





In the current fiscal year, there was an spread of COVID-19.
We have anticipated **the impact comparable to Global Financial Crisis,** but what did you see from your viewpoint, Mr. Okabe?



When the transition to remote work was finally completed, I felt that the customer's side was becoming more active.

The trend toward creating an environment where people work seamlessly between offices and homes in a cloud environment has become positive for us ZEAL.



In terms of remote work, did ZEAL have many positive impacts from remote work?



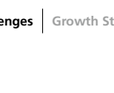
The bottleneck of booking a conference room has passed away, and communication among the team has improved dramatically.



Is there any change in customers demand?

Pressure on social evolution is rising sharply due to Corona, and customer's awareness is changing more than we feel, including in the technology portion.

With the remote environment, the issue of not being able to access internal data has surfaced. How to share the in-house data has became an issue and **there has been an acceleration in the movement to build common data analysis infrastructure in cloud environment!**









Business Intelligence Business

Business intelligence refers to a technology that helps management make decisions by organizing, integrating, and analyzing data useful for management inside and outside the company, and then reporting it in a "visible" state, such as reports and graphs.

ZEAL Corporation provides solutions through consulting system development to many corporate customers in the business intelligence domain. To date, more than 1,000 customers have built BI/DWH (DWH: a database that stores data such as transaction records incurred in the business operations of companies and other entities over time) systems. We have partner agreements with approximately 20 major domestic and overseas BI product manufacturers and DWH manufacturers to provide optimal products and solutions for our customers.

ZEAL®
BI EVANGELISTS

ZEAL CORPORATION

Established: July 2012 (Founded March 1991)
Representative: Takahiro Okabe, President and Representative Director
Location: 6F, Meguro Tokyu Bldg., 13-17, Kami-Osaki 2-chome, Shinagawa-ku, Tokyo 141-0021

Companies that want to have data scientists in-house are also increasing overwhelmingly!

A major trend is to use data to find out the strengths of the company.
Once you have explored it, software your business processes to strengthen your core business.
The software must be developed in-house.
The number of companies making this kind of decision should continue to grow.

The more people understand that they want such data to do this and try to deliver it, the more they accumulate business knowledge. There are a lot of hints here about how to change the business itself. If they do so from this perspective, they will be nurtured into software.

Obviously all industry is moving to software.

The time horizon over which we thought it would take more than 10 years to change the structure is about half.

When various departments voiced "I want to use this type of data," Japanese companies took about a month to provide it.

I feel managers are becoming serious under Corona.

Good job

"Spreading Accountability" is, in a very flat sense, "Let's use IT to make the managers happy." Managers are not limited to top management but is targeted at all people involved in corporate activities. Looking for what can contribute to that and increasing value at the same time is a major direction for the "Spreading Accountability."

I think that the major trend toward achieving digital transformation by **themselves will be a major business opportunity for ZEAL.**

I think ZEAL has a very high potential for the work that ZEAL is doing, which will become a bundle of IP, software.



Business reform is occurring with a sense of level of mining all business processes.

There is no limit on data accumulation, and it becomes 5G and data can be imported and exported in real time. As all business data is taken in real time, there are options for RPAs to apply, for improvements in workflow, and for eliminating operations. This is the concept of process mining.

I want to work together toward that goal!

In addition, **I think that the time will come in a year or two when AI will become popularized and democratized so that AI can be used without knowing Python.**

The era will come when AI itself can be used freely on the user side. I think that the very important model of learning model used there will be circulated in the world as open data.

How can we combine them? **ZEAL will support customers by utilizing data**. I want to think about the content of the service!



In five years it wouldn't sound strange when people say, **ZEAL is a software company.**

I think that the situation in which such a company is able to do so is a company that is useful in society as well.



We can take on challenges that **can contribute to customers by leveraging our own imagination and creativity.** Isn't it possible to do fun work in such a company?



Transformation by DX

Outsourcing Business

Dialog 4

Accounting operations present potential to change Japan's industrial restructuring.



Gen Nagata
President and Representative Director, FIERTE Corporation

×

Tetsuji Morikawa
President and Group CEO, AVANT Corporation





Expansion of COVID-19... Is there anything unexpected?



It's all expected. I'm seeing how to strike balance under Corona situation.

COVID-19 spread from the end of the previous fiscal year. In the first half of the current fiscal year, we have understood what kind of thing Corona is. So I'm seeing what form we should provide value to our customers, and how we should strike a balance between the security, safety, and economic security of our employees.



What are you doing to balance in these situations?



"Customer orientation" in the "Three orientations" Mr. Morikawa shares with us. **And the peace of mind and stable lives of the employees.**

POINT

Three Orientations

- **Customer orientation**
- **High profit orientation**
- **Specialist orientation**









What do you feel about recent changes in customers' actual demand?







Outsourcing Business

The roles required of the accounting department, such as the preparation and provision of information useful for management, are not limited to conventional bookkeeping and settlement operations. On the other hand, the number of employees in the accounting department does not increase, and it is also necessary to reduce overtime hours through work style reforms. Under these circumstances, each company has begun to respond "entrust" to external vendors for account settlement operations and other operations that had previously been conducted in-house.

Established in 2017 through a business split from DIVA's core business, FIELTE Corporation provides over 100 operating companies with services on behalf of customers to perform account settlement and other operations. We are also expanding the range of our services, such as providing fund management services that visualize the overall funds of Group companies and optimize funds.

FIERTE

FIERTE CORPORATION

Established: August 2017
Representative: Gen Nagata, President and Representative Director
Address: Shinjuku Island Tower 43F, 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1343

It is a “waviness” that is much larger than the effect of Corona.



In the process between the Global Financial Crisis and the economic recovery that followed, the problem of the declining birthrate and aging population has been added, and society continues to change dramatically in the world view of digital transformation.





Amid the spread of work home and remote work, it is difficult for employees to develop relationships, and **there is a major trend toward automation in which the work that has been assigned to specialists is dispersed and the work is systematized by software.**



I believe that we are riding the wave of a huge swell as the economy rises from the Global Financial Crisis.



From a macro perspective, **Corona has been viewed as an opportunity to promote a major transformation of the industrial structure**, and pressure is mounting so much to change.
I think this is the time for a new industry to emerge and change in response to these changes.
In this process, accounting operations seem to have a very different role.



Consolidated accounting information contains information about group companies that are not out there. We can make value out of it...

None of the other companies assume a part of the accounting operations of these well-known customers.

Yes we can. I think we can make a different proposal from other companies.
I want to lead customers with a variety of service lineups.





What I want to share the most is social significance. Rather than simply assuming customers operations, we are involved in the important area of supporting structural changes.



FIERTE has the potential to play an important role in society.
I want you to share these points firmly with everyone and **I hope that you will feel the significance and create interesting and useful work.**

I’m very hopeful!

Amid various environmental changes, it is becoming increasingly apparent that the Group’s collective efforts will be more useful to society.

I firmly extend the antennas for the possibility of conducting activities in the Avant Group and what we can do as FIERTE to accelerate those activities.

I’ll look for best practices!

DivaSystem SMD, Consolidated and Multi-Axis Managerial Accounting System That Is Essential for Decision-Making at Group Companies

As a CIFO accelerator to help streamline and sophisticate operations under CFO/CIO, the Avant Group provides a wide variety of solutions based on consolidated accounting systems. This section introduces the benefits and potential of DIVA Corporation's managerial accounting system "DivaSystem SMD." This system enables our customers to see sales of a group companies on a "consolidated × multi-axis" basis.

DivaSystem SMD

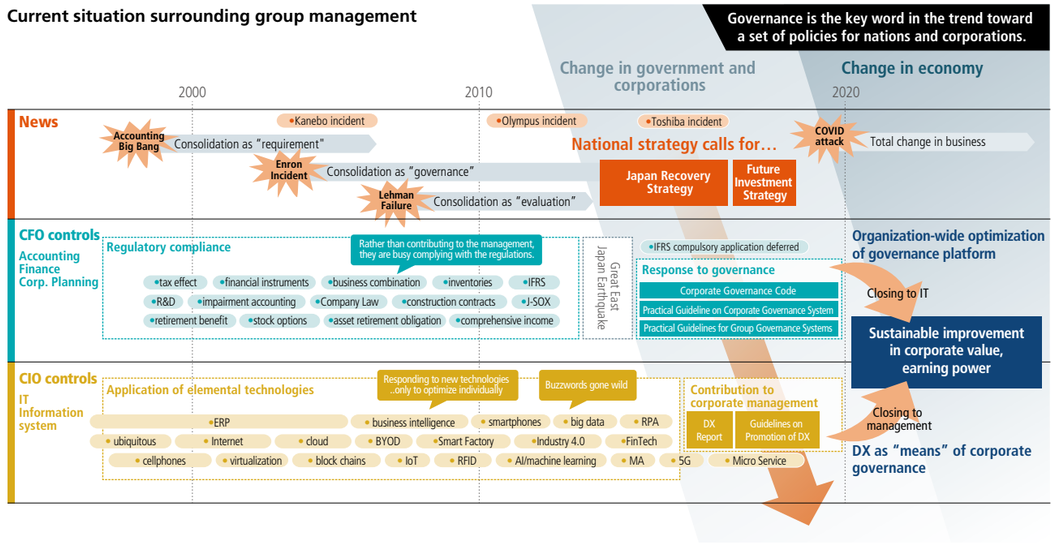
Viewpoint 1 Why Is DivaSystem SMD Needed?
Challenges Surrounding Managerial Accounting

Amid an uncertain business environment due to a series of events like the Heisei recession and the global financial crisis following the burst of economic bubble, the Great East Japan Earthquake, and the global pandemic stemming from the new coronavirus, corporations in Japan are accelerating their business portfolio reforms or selection and concentration of their businesses in order to survive.

On the other hand, since the introduction of the consolidated accounting system to Japanese companies in the 1990s as de-facto standard, following the introduction of the internal control reporting system in the 2000s and the formulation and several revisions of the Corporate Governance Code in the 2010s, these trends in governance reform have attracted the interest of global investors in Japanese companies. At the same time, those investors are asking listed companies to reform their business portfolios based on capital efficiency.

In light of this situation, many Japanese companies and CFOs have expanded the scope of their operations and have strengthened and enhanced the disclosure of consolidated financial information during the past 20 years. However, many of these are financial information that reflects past activities as earnings results and financial conditions. In order for managers **to draw up future growth strategies, it is important to conduct detailed and diversified analysis of profit and loss data such as "when," "where," "which products," "costs," "prices," and "how much profits were generated," and to use an approach of managerial accounting to assist in day-to-day decision making and maximization of future cash flows while responding to the annual budget.**

Current situation surrounding group management



Until now, each company has been working on the introduction and integration of ERP in line with worldwide trends (introduction of Big Bang), and on visualization using data warehouses for profit, loss, and budget management, and financial condition analysis. However, integration against frequent changes in the Group's corporate structure and business structure did not progress as expected, and these existing tools lacked the perspectives of information necessary for management decisions because of the **poor usability of output information on a corporate basis or on an area basis.** In the end, the staff had to work with spreadsheet software, requiring an enormous amount of time. Furthermore, because these spreadsheet data are basically information intended for management, that is, for internal use, they were not an accurate and convincing explanatory material for outside stakeholders.

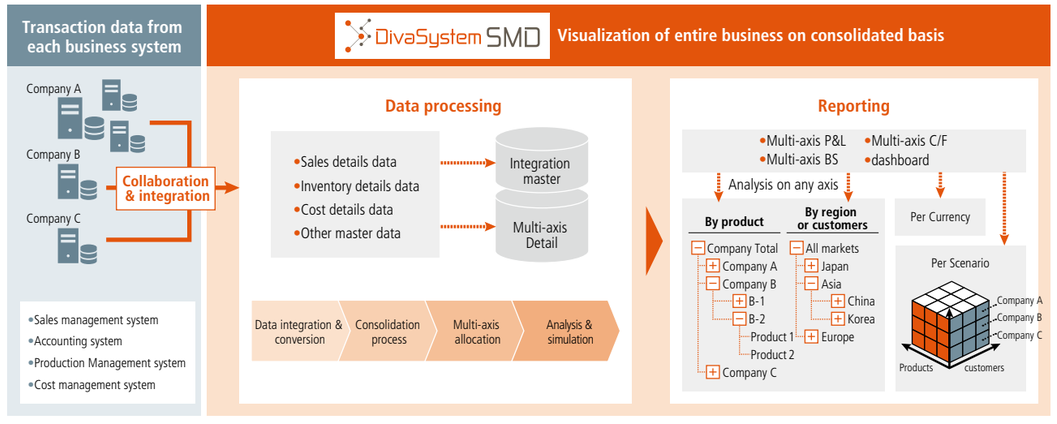
Viewpoint 2 How DivaSystem SMD Works?
Drafting Specific Guidelines for Growth

With more than 1,100 companies adopting the system and the No. 1 domestic market share in the consolidated accounting system*, DIVA, which has been engaged in daily dialog with many of Japan's leading companies, detected early on these issues related to management accounting. In around 2010, DIVA began developing a managerial accounting system that **enables customers to view the earnings on a "consolidated" and "multi-axis" basis.** Multi-axis is a mechanism that transcends business divisions and organizations within a group and enables speedy analysis of profitability, investment efficiency, variance analysis on results against plans, and forecasts from a variety of perspectives, including by product, brand, customer, sales channel, and region.

To achieve this goal, DIVA focused on making full use of the information on corporate activities that had been collected through consolidated accounting system "DivaSystem LCA." DivaSystem LCA enables customers to compile and verify their consolidated financial statements by aggregating their subsidiaries' financial data. However, in these financial statements data (consolidated packages), information such as sales, production, inventory, and cost was unnecessary for extracting financial accounting information based on accounting standards, and they were referred to as information that was discarded. DIVA tried to utilize that information and realize a function that generates information that contributes to the "improvement of earning power," the main objective of a managerial accounting system.

Thus, in 2012, we released the pioneering consolidated managerial accounting software the CEO, the CFO, and the heads of the operation wanted. The software visualizes "consolidated" and "multi-axis" results, plans, and forecasts across all group companies, and reveals the true consolidated sales, consolidated costs, consolidated SG&A, and other profit and loss structures (break-even points) for each segment, business, product, area, and customer. Thus, it would support correct business decisions and decision-making. At the same time, since it would free up the workforce from the busyness of operating a vast array of spreadsheets, and management could receive the benefits of returning to the core business of business analysis, we have gained overwhelming support not only from existing customers who do business with DIVA, but also from customers who do not use DIVA. In 2015, DIVA unveiled DivaSystem SMD SX, which dramatically increased processing speed and enabled flexible, non-programming responses and extensions to a variety of managerial accounting requirements and core systems at various partner vendors, while also adding information stored in DivaSystem SMD as a functional platform that can be used for forecasts and advanced data analytics. The new products, based on the multi-axis consolidated profit and loss structure defined by DivaSystem SMD, **designed various KPIs as a variable and a calculable data structure, customers could simulate the financial impact of changes in KPIs.** In 2018, we released a DivaSystem SMD Cloud that can be used in a cloud environment. DIVA has been expanding the areas of contribution brought about by managerial accounting year by year.

*Fuji Chimera Research Institute "Software Business New Market 2012-2020 Version" Consolidated Accounting Software (Package) Fiscal Year 2011-2019 Results



Viewpoint 3

Why Customers Chose DivaSystem SMD?

Leveraging Its Accumulated Accounting Know-how and Advanced Technologies

There are two major reasons why "DivaSystem SMD" is supported by many customers.

The first is **this software brings together the knowledge related to consolidated accounting, group governance, and business management that has been accumulated as the No. 1 platform for the consolidated accounting system.**

Management information are important for a CFO organization with expanding responsibilities, that includes regulatory accounting as an obligation to be accountable to external stakeholders such as investors, managerial accounting necessary for decision making in group management and business operations. DIVA, with knowledge in financial accounting since business was founded, understood these challenges. DIVA knew what information was needed for what purpose, at what time, and with what accuracy, both for regulatory and managerial accounting. This is why DIVA were able to create managerial accounting software that met the expectations of CFO organizations while meeting their expanding responsibilities and actual demands.

The reputation for DIVA's expertise in consolidated accounting that stretch over regulatory and managerial accounting system, was proven by the fact that many companies that have adopted "DivaSystem SMD" as their managerial accounting system have changed their regulatory accounting system from other company's software to "DivaSystem LCA" in order to upgrade group management.

The other reason is the **overwhelming speed** of utilizing the technology of SAS in the U.S., a software company that has established itself as an analytics and AI platform company. As an example, data processing time, such as consolidation, conversion, and allocation, which had taken several hours for a data warehouse within a customer, has been reduced by several times or tens of times, and so on. Overwhelming performance to support customized and complex data processing continues to evolve today.

Interview with Developer

Past and Future of DivaSystem SMD

What Are Competitiveness and Appeal Points of DivaSystem SMD?

The strengths stems from real demand, which was the basis for developing DivaSystem SMD. In the 2010s, the U.S. Gartner Group defined CPMs (Corporate Performance Management) as five broad areas of solutions. (1:Consolidated Financial Results), (2: Budget and Forecast Management), (3: Disclosure Reporting), (4: Strategy Management), (5: Earnings Management and Optimization); Of these, (1:Consolidated Financial Results) is the original business of DIVA and DIVA is the leading company in Japan. On the other hand, other financial accounting software companies focused on the functions of business management and managerial accounting (2: Budget and Forecast Management). In this context, we identified the most important issues is (5: Earnings Management and Optimization) for customer companies that promote group management.

For group companies, when making management decisions based on the current conditions and outlook of the business, that is, people, goods, and financial information, the consolidated accounting system, which uses only the conventional non-consolidated accounting information as the original data, ignores information that serves as the basis for decisions, such as products, customers, production processes, and bases. As a result, they are unable to handle the "consolidated cost" of products manufactured across multiple corporations and locations, as well as the indicators required for management decisions and optimization, such as the volume, unit price, and the actual exchange rate in international transactions.

On the other hand, the products of other companies (2: Budget and Forecast Management) mainly employ the technology called "Multi-dimensional Database (MDDB: Cube)." These products also cannot handle transaction data (details) on a large amount of mono-information that goes beyond the thresholds of pre-established accounts, corporations, and product groups. In addition, since it was difficult to change the set perspectives flexibly, they were unable to follow the business format, products and services, and subsidiaries and organizations that change from time to time, and there was a common tendency for them to become obsolete and no longer used.

DivaSystem SMD was created by focusing on this reality. Our greatest strength is that we create information that contributes to management decision-making from a consolidated and diverse perspective (multi-axis) without compromising large volumes of transactional (detailed) information. While taking advantage of DIVA's expertise cultivated in consolidated accounting, I am confident that we will broaden the scope of our application to include management information analysis, and contribute as an information source that connects information on goods and money, performance information (past) and future prospects, the frontline of our business and management, and leads to optimal solutions for maximizing corporate value across Group companies.

In terms of its competitive advantage in terms of functionality, it has the so-called Input, Process, Output (I,P,O) of linking data with a variety of information from each location and system, on-line incorporating information such as undifferentiated spreadsheets into a database, data processing that converts large volumes of data into management information at a high speed, and reporting that provides information that contributes to management decisions. In addition, in terms of data processing, it has a number of accounting calculation models, such as conversion, consolidation, allocation, and difference adjustment, that meet diverse needs. It is also easy to customize.

What Is Future Direction of Development Based on the Customer's Business Environment?

As I will talk only from a development perspective, amid the declining relative presence of Japanese companies in the real economy and the financial economy, awareness of corporate value management is growing, including the introduction of digital transformation (DX) and the Group Governance Practical Guidelines. Corporate value is a function of the future earning power, growth potential, and risks determined by management strategies. By multiplying DivaSystem SMD's massive management information by its techniques for forecasting and analyzing future risks, we believe that we can achieve the verification of precise and realistic strategies that were not suitable for the formulation of management plans and due diligence thus far, or backcasting management.

What Do You Keep in Mind As You Proceed with Development?

DIVA's products have very unique characteristics that are used by various stakeholders within customer companies. For this reason, we not only develop products based on the actual demand of diverse users, but also constantly keep in mind that we will be able to respond to the demands of management, who is the ultimate user.

There is no goal in upgrading management. The true initiative begins when DivaSystem SMD mechanism has been implemented within the customer company. We have introduced a system and have shifted to stable operations. Rather, we intend to continue to be a system that can support continuous expansion so that we can always follow the advancement of management information utilization in order to solve new management themes.

Any Message to Stakeholders?

It has been 10 years since DivaSystem SMD was released to the world, and we feel that the reputation and expectations of our customers have changed from "DIVA of Consolidated Accounting" to "DIVA of Business Administration" and "DIVA of Group Governance." We hope that DivaSystem SMD features will be highly evaluated, and that our customers will be interested in how the products we currently offer are helping them. We would also like to hear your opinions on what information is available for each customer to make their own business decisions and what they would like to see sophisticated products in the future.

We intend to continue contributing to the enhancement of the competitiveness of Group companies originating in Japan through continuous development of products, project support, and collaborative innovation, including through challenges that we believe are difficult to realize solely through our current software.

Wataru Izumisawa
General Manager,
East Japan Busines Division 2,
Business Development Unit,
DIVA Corporation



Avant Group's Growth Strategy

BE GLOBAL
To become a globally competitive software company from Japan.

**The digital transformation of management is finally in full swing.
We will contribute to the sustainable growth of our customers by providing them with the foundation to prepare the information they need to envision their future while engaging in creative conversations with various stakeholders. Through this cycle of value creation, we will enhance our own growth, profitability, and capital efficiency, and establish our position as a company that can compete in the global market. This is the agenda of our medium-term management plan BE GLOBAL 2023.**

Connection with Shareholders

IR meeting:	120
No. of shareholders:	2,675
Attendance at AGM:	36
Live viewing of AGM:	29

Connection with Customers

DIVA :	1,100 Cos
ZEAL :	1,000 Cos
FIERTE :	130 Cos

AVANT

Solutions Group Offers

DivaSystem LCA | DivaSystem SMD | DivaSystem FBX | DIVA Compass | ZEUSCloud

Connection with Partners

Powered by Aptitude Software | BELLIN | SAP Silver Partner | SAS | ORACLE Gold Partner

SAP Japan, SAS Institute Japan, Oracle Japan, Microsoft Japan, and IBM Japan are partners of ZEAL Corporation

Excellence in Talent

employees:	1,055
Engineers:	476
Vendor Certifications:	312
National test qualifiers:	245
Certified Public Accountants:	14

Long-Term Management Strategy, Medium-Term Management Plan and Its Progress

While pursuing growth opportunities in Japan, we aim to maximize the corporate value of the Group by growing both in terms of business expansion and improving capital efficiency in order to establish a position as a company that can compete in the global market, which is the goal of our medium- to long-term management strategy.

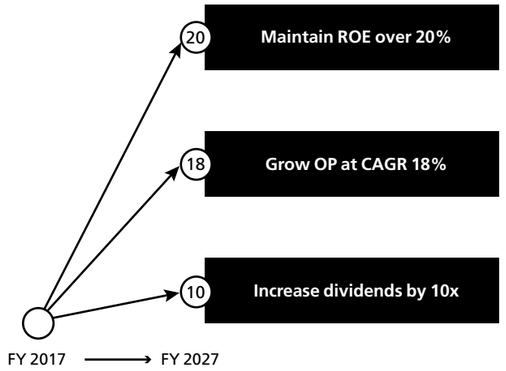
Long-Term Management Strategy

For more than 20 years since the establishment of DIVA Corporation in 1997, which mainly engages in consolidated accounting related business, Avant Group has been helping to resolve management-related issues at customer companies while providing services that make management information visible, usable, and entrustable.

Along the way, Avant Group has transformed and evolved its business in every 10 years as a milestone. First 10 years since our founding, we have secured the top share of the domestic market in the consolidated accounting-related business, and in the next 10 years, we have expanded the scale of our business by shifting to group management that incorporates different businesses, in order to accumulate intellectual property.

In the current 10 years, we set our vision as "BE GLOBAL," aiming to become a globally competitive company by encouraging all members of the Group to have global mindsets in order to create a company with a corporate philosophy of creating a 100-year company. To that end the Group have set three KPIs: "maintaining ROE over 20%," "Grow operating profit at 18% CAGR," and "Increase dividends 10 times or more."

Avant Group's Long-Term Management Goals



Medium-Term Management Plan BE GLOBAL 2023

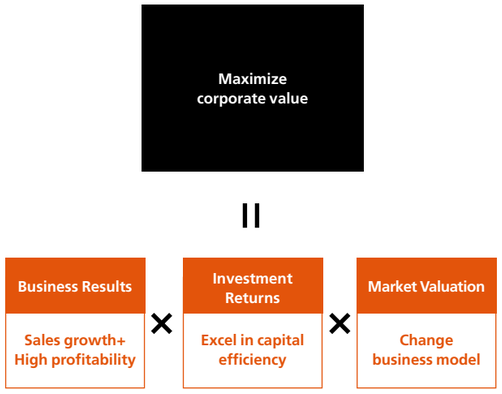
Companies in Japan face number of obstacles, the decline in the birthrate and aging population and most recently the COVID-19 disaster. Traditional efficiency improvements through IT investments now makes limited success to overcome these obstacles. Therefore, they are required to make decisive business decisions such as business restructuring through digital transformation, while realizing diverse work styles and creating new business models. At the same time, in order to continue sustainable development while tackling global issues such as global warming and economic disparities, corporate managers must communicate closely with not only shareholders, but also customers, employees, local communities, etc. and also consider the balance of the economy, society, and the environment. In addition to asking for a greater ability to organize and analyze information than in the past, there is an urgent need to strengthen compliance systems and risk management systems and improve management transparency.

As a result of these changes in the business environment, the role of the Avant Group's businesses in helping to resolve issues faced by customer companies through the visualization, use, and entrustment of management information has become more important. For the time being, the Avant Group must pursue growth opportunities in Japan while aiming to maximize the corporate value of the Group by growing both in terms of business expansion and improvement of capital efficiency in order to establish its position as a globally competitive company, which is targeted in the medium-to long-term management strategy.

BE GLOBAL 2023 medium-term management program, announced in September 2018, aims to maximize corporate value throughout the 5-year period from the fiscal year ended June 2019 to the fiscal year ending June 2023.

To maximize corporate value, we will strive to realize these goals on three axes.

What We Plan to Achieve through Medium-Term Management Plan "BE GLOBAL 2023"



1. Business Results
Taking advantage of market opportunities, we will focus on expanding the number of customers by cultivating new customers in each business and on sales growth through the development and sale of new products. To resolve issues faced by customer companies, if needed, we will strive to grow sales and achieve high profitability by proposing and selling products based on the collective strengths of Avant Group that transcend the boundaries of individual operating companies. To this end, we will further improve the quality and productivity of our products and improve efficiency in order to achieve high profitability.

In addition, for the medium-to long-term growth of our Group, it is extremely important to strengthen our system for product development that accurately reflects the needs of customer companies and changes in the surrounding environment. Therefore, we will continue to implement development investments that will be necessary from a medium-to long-term perspective, without limiting ourselves to improving profitability in the short-term.

2. Investment Results
The main focus of this plan is to maximize the value of existing businesses. In addition to growth through the creation of value in existing businesses, we aim to conduct M&A with companies that are in line with the Group's growth areas in order to further accelerate this growth.

We see this M&A not only as a means of achieving our goal of a scale of sales, but also as 1 means of encouraging a change in our business model.

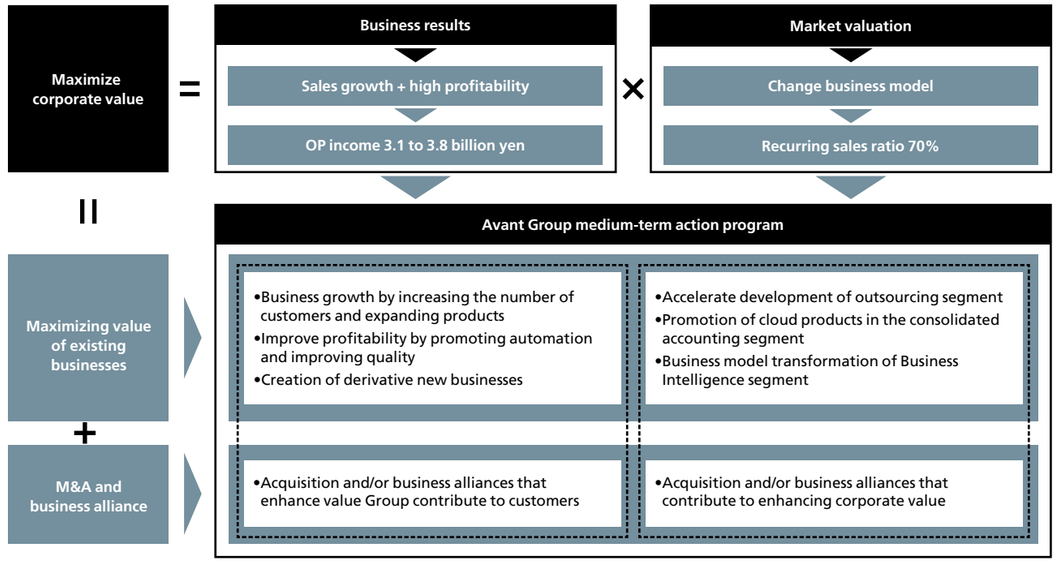
In the event of an M&A opportunity, we will carefully determine whether it will contribute to the enhancement of the Group's corporate value and actively promote it while ensuring that M&A does not become the objective.

3. Market Evaluation
In order to increase its corporate value, Avant Group focuses on generating stable and continuous earnings. The medium-term management plan sets a goal of increasing recurring sales ratio (the ratio of maintenance fees and other ongoing sales to net sales). To achieve this, we will promote the transformation of our business model.

Recurring sales ratio is mainly engaged in maintenance after the introduction of packaged software in the Consolidated Accounting-related segment, as well as services outsourced to the Outsourcing segment, such as consolidated accounting and consolidated tax payments. With regard to other operations, contracts are centered on those invoiced to customers based on "man-hours × unit price." This is a business model that requires an increase in personnel in order to expand the scale of sales. By shifting this to value-based contracts that provide customers, we believe we can increase profitability and efficiency while expanding the scale of sales.

In the future, in addition to sales of existing products, we will develop and sell cloud products that generate a fee as a right of use for a certain period. In the Outsourcing segment, we will expand the scale of sales as recurring sales ratio is already strong. We recognize that the development of new products and services, as well as their achievement, will involve difficulties, but our employees will work together to take on challenges.

Objectives and Action Programs



Long-Term Management Strategy, Medium-Term Management Plan and Its Progress

Concept of BE GLOBAL 2023 KPI

KPIs Avant Group Focuses On

GPP 40, ROE 20, RSR 70

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

The combined sales growth rate and operating income margin (GPP) are indicators set to expand sales with profit growth in order to expand corporate value rather than pursue scale expansion at the expense of profit. Since the number of SaaS companies worldwide is 40% or more, our Avant Group has set a target of 40% or more of this total.

Avant Group's Medium-Term Targets

	FY23
Net sales	18 to 22 billion yen
Recurring sales ratio	70%
Operating income	3.1 to 3.8 billion yen
Sales growth + OP margin	Over 40 pt
ROE	20% or more
Dividends	15 yen or more

Progress of the Medium-Term Management Plan

- Achieved sales and profit growth for the fifth consecutive year and recorded record-high profits
- Recurring sales ratio remains almost unchanged. Profit margin improved, but GPP declined due to slower sales growth rate
- Maintain ROE above 20%

BE GLOBAL 2023 (Fiscal Years from ended June 2019 to ending June 2023) medium-term management plan marked its second year in Fiscal Year ended June 2020.

Looking back at our business results in Fiscal Year ended June 2020, from April to June, we saw some orders being postponed or withheld by customer companies due to the impact of the spread of COVID-19, but net sales were higher than expected due in part to additional orders for large-scale projects in the Consolidated Accounting-related segment. The operating income margin improved as a result of efforts to curb fixed costs in the Consolidated Accounting-related segment and a reaction to the allowance for losses on orders received booked in the previous fiscal year. As a result, we achieved an increase in both sales and profits for the fifth consecutive fiscal year and recorded a record high in profits.

Net sales
Recurring sales ratio, which is emphasized in this plan, saw growth in the outsourcing business and increased cloud sales in the consolidated accounting-related business. However, sales rose 15.9% year on year due to strong non-stock sales in the business intelligence business and other businesses. However, sales rose 32.6%, which is still a challenge.

Growth rate of net sales + Operating income margin
In Fiscal Year ended June 2020, the sales growth rate was steady at 11.5%, and the operating income margin improved 0.5 of a percentage point to 14.5%, resulting in an operating income margin of 26.0%. This is 4.2 percentage points lower than the previous fiscal year, and is still a divergence from the target value. We recognize that we need to make efforts to further accelerate sales growth or improve profitability.

ROE
In Fiscal Year ended June 2020, ROE was 23.5%, which exceeded the 20% target set in the medium-term management plan, but declined 1.1 percentage points from the previous fiscal year. As the business environment became increasingly uncertain due to COVID-19, we worked to collect funds in order to increase liquidity on hand. We recognize that we are making steady progress in the medium-to long-term trend.

Dividends
In Fiscal Year ended June 2020, we increased the dividend by 1.5 yen per share, for the fifth consecutive year, to 9 yen, based on our basic policy of paying stable dividends on a continuous basis. The ratio of dividends to net assets was approximately 5.2%, well above the average for companies listed on the Tokyo Stock Exchange.

Looking at the current business environment, amidst a sense of uncertainty in economic and social activities due to the prolonged spread of the new Corona contagious disease, there have been moves by customer companies to curtail investment and reduce costs in our business domains. Even under these circumstances, however, we intend to strengthen our efforts with the aspiration of achieving "the popularization of management information" through the creation, sharing, and effective use of management information through products and services that solve social issues.

Progress of the Medium-Term Management Plan

	FY19 Actual	FY20 Actual
Net sales	14.07 billion yen	15.69 billion yen
Recurring sales ratio	31.4%	32.6%
Operating income	1.96 billion yen	2.27 billion yen
Sales growth + OP margin	30.2 pts	26.0 pts
ROE	24.6%	23.5%
Dividends	7.5 yen	9 yen

(Note) The weather chart shows the degree of progress toward achieving the FY23 KPIs.

Management Discussion & Analysis on Business

Business Environment

In the fiscal year ended June 2020, the Japanese economy slowed down gradually due to the effects of the U.S.-China trade negotiations and the increase in the consumption tax rate.

Early in 2020, due to the spread of new coronavirus infectious disease (COVID-19) travel beyond borders was restricted, and in April, the declaration of emergencies led to a rapid degradation in domestic demand and inbound demand.

Against this backdrop, IT investment by domestic companies has been steady growing, and sales of information services in the Survey on the Statistics of Specified Services Industries, published by the Ministry of Economy, Trade and Industry, have increased 3.8% over the previous year in 12 months until June, which is on par with the previous year's growth.

It is estimated that this was driven by investments to improve efficiency through digital transformation, which has continued over the past few years, and investments to establish remote work environment.

In addition, trends such as the penetration of corporate governance (consolidation accounting-related business), Society5.0 implementation recommendation through digital transformation promoted by the Japan Federation of Economic Organizations (business intelligence business), and the acceleration of "work style reform," including remote work (outsourcing business), are bringing a tailwind to each of our segments.

On the other hand, in the fourth quarter, some domestic companies began to postpone IT investment or freeze some industries that are significantly affected by the expansion of the new coronavirus infectious disease, which partially affected our Group's orders, but the impact on our operating results for the fiscal year under review was limited.

Consolidated Results

In terms of consolidated net sales, the Business Intelligence Business and the Outsourcing Business grew significantly, and in the Consolidated Accounting Related Business, we were able to achieve double-digit growth of 15.691 billion yen (up 11.5% from the previous year), mainly due to the continuation of large-scale projects that were scheduled to converge in the fiscal year under review with additional sales.

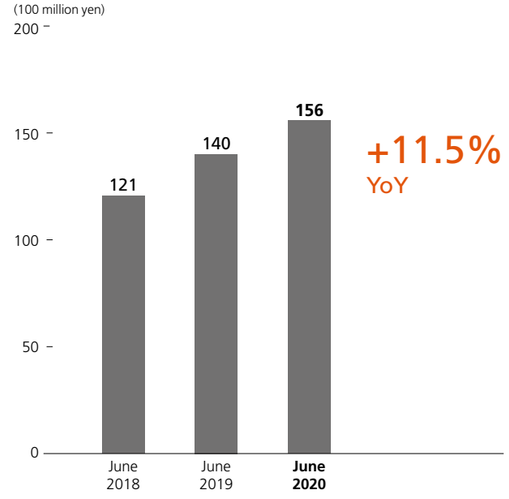
In the medium-term management plan announced in September 2018, the Company began to see results in part from the improvement in the ratio of recurring sales (e.g. software maintenance fees, etc.), which is one of its management targets. These include growth in the outsourcing business and an increase in cloud sales in the consolidated accounting-related business. On the other hand, the business intelligence business and other non-recurring sales businesses were favorable. As a result, although the total sales increased 15.9% compared with the previous fiscal year, the ratio to total sales remained almost unchanged at 32.6%.

Profits rose for the fifth consecutive year, with operating income of 2,278 million yen (up 15.9% year on year), ordinary income of 2,282 million yen (up 15.7%), and profit attributable to owners of parent of 1,537 million yen (up 16.8%). This was the result of an increase in compensation levels to improve competitiveness and in expenses associated with the opening and expansion of offices. However, in addition to the impact of higher sales, efforts to win orders for highly profitable projects and improve project quality and productivity, as well as efforts to reduce unnecessary and non-urgent expenses in preparation for the future uncertain situation since the outbreak of COVID-19 began to expand. Both figures were record highs.

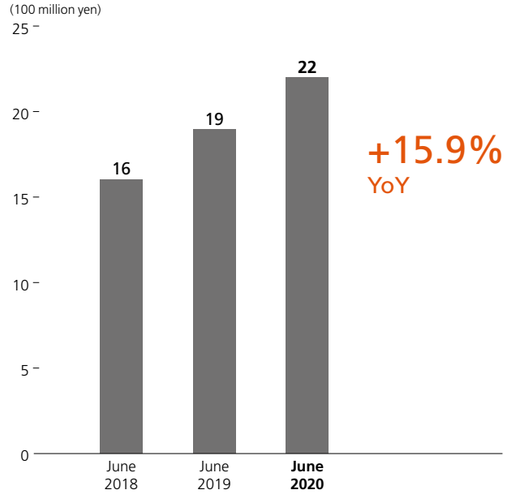
Due to the impact of COVID-19, the operating environment for the fiscal year ending June 2021 became somewhat uncertain. Thus the Company made efforts to collect funds in addition to cost reductions from the fiscal year ended June 2020, and free cash flow for the fiscal year reached a record high level of 1,470 million yen.

We have accumulated liquidity on hand in preparation for M&A, and with the addition of such measures, net assets expanded. As a result, ROE declined slightly year on year to 23.5%.

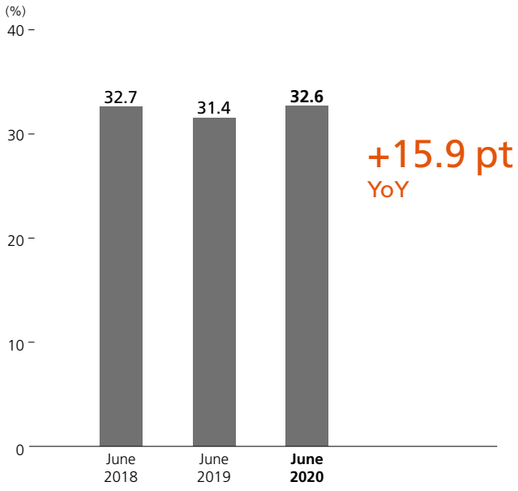
Consolidated Net Sales



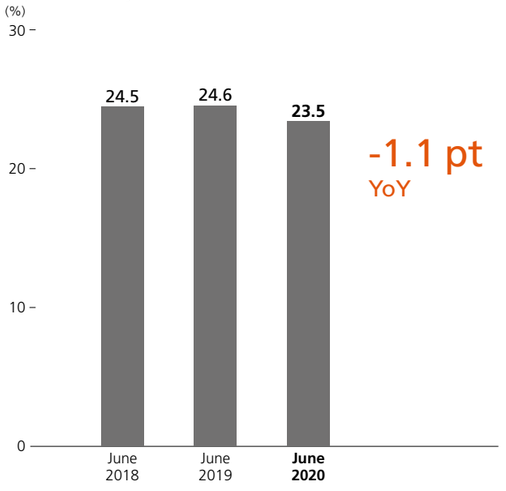
Operating Income



Recurring Sales Ratios



Capital Efficiency



Management Discussion & Analysis on Business

Segment Results

Consolidated Accounting-Related Businesses

In the consolidated accounting-related business, at the beginning of the fiscal year we assumed that large-scale projects, which had contributed significantly to sales up to the previous consolidated fiscal year, would head toward convergence, but we were able to continue with additional sales in the fiscal year under review as well. Net sales increased 5.6% year on year to 8,485 million yen due to steady sales of products other than large-scale projects. In addition, while we incurred increased costs due to an increase in personnel costs resulting from an increase in the number of employees and increased costs associated with the construction and renovation of offices, we worked to improve project quality and productivity. In particular, after the outbreak of the new coronavirus infectious disease began to expand, we were able to improve overall profitability as a result of our efforts to reduce unnecessary and non-urgent costs in preparation for future uncertainties. As a result, operating income increased to 1,616 million yen (up 25.0% year on year), and the operating income margin improved.

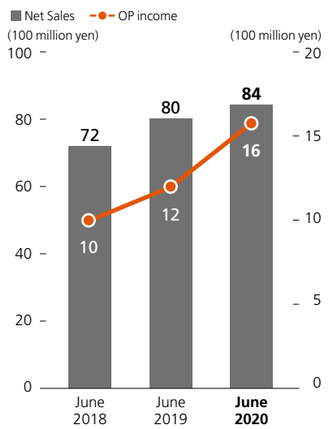
Business Intelligence Business

In the Business Intelligence segment, as part of efforts to promote digital transformation, market trends remained robust, with companies' willingness to invest in visualizing management information. As a result, net sales increased significantly to 5,767 million yen (up 15.6% year on year). On the other hand, operating income increased 8.8% to 692 million yen, reflecting an increase in personnel expenses due to an increase in compensation levels and an increase in the number of employees, as well as an increase in expenses related to the opening of a new office.

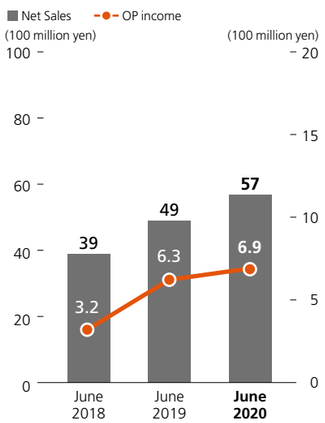
Outsourcing Business

In the Outsourcing Business, net sales increased significantly to 2,062 million yen (up 26.5% year on year) as a result of continuing strong demand on the back of the strengthening and examination of the Group Governance System and the accompanying revision of the role of the Accounting Division, as well as an increase in sales related to areas other than consolidated accounting and disclosure, such as fund management. Operating income rose 14.4%, to 364 million yen, despite an increase in office floor space due to an increase in the number of employees and an increase in expenses related to the establishment of an office environment to continue providing high-quality services to customers while ensuring the health and safety of employees, despite the expansion of the new coronavirus infectious disease.

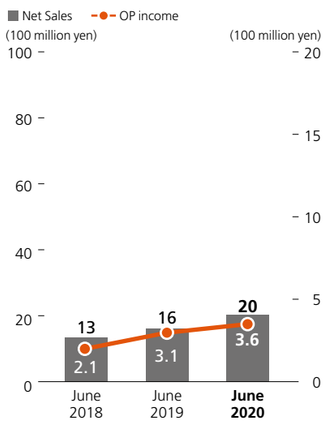
Consolidated Accounting-Related
Net Sales (left scale) / OP income (right scale)



Business Intelligence
Net Sales (left scale) / OP income (right scale)



Outsourcing
Net Sales (left scale) / OP income (right scale)

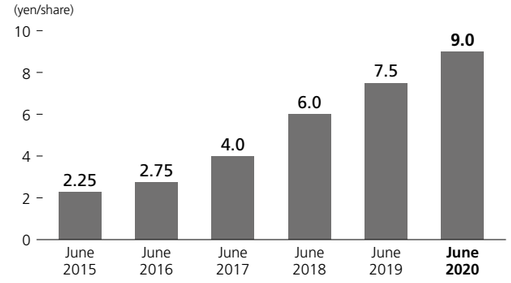


Shareholder Return Policy

The Company places dividends from surplus as an important part of its shareholder return policy. The Company aims to improve dividends steadily, rather than changing the amount according to the fluctuation in earnings by paying attention to such indicator as the dividend on equity (DOE). We will gradually increase DOE and aim to constantly exceed the average value of all listed companies on the Tokyo Stock Exchange.

In order to respond to anticipated changes in the business environment in the future, we would like to make effective use of retained earnings to develop and deploy competitive and attractive products and services that meet market needs.

Trends in Dividends per Share



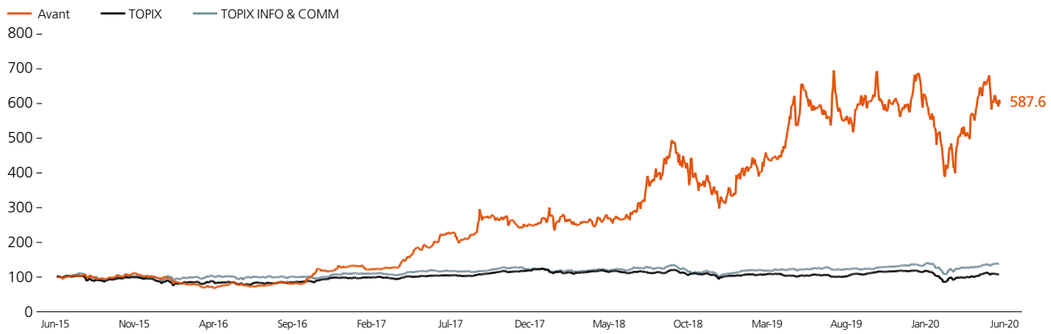
(Note) Adjusted for stock splits

Trends in Dividend Per Share and DOE

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual
Dividends per share (yen)	2.25	2.75	4.0	6.0	7.5	9.0
DOE (Avant)	3.25%	3.41%	4.18%	5.20%	5.27%	5.17%
DOE (TSE Average)	2.43%	2.64%	2.70%	2.86%	2.93%	2.94%

(Note) The average ratio of dividends on net assets of companies listed on the Tokyo Stock Exchange is a weighted average of monthly figures for companies published in the 12 months to June.
Source: JPX Group Statistics Monthly Report

Total Shareholder Return (TSR)



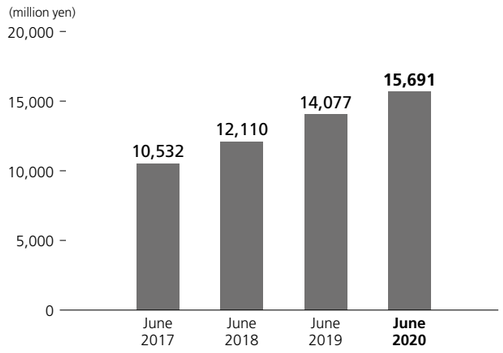
(Note) Five-year Index to June 2020
Source: Refinitiv

	One year	Three years	Five years
Avant	104.2%	297.5%	587.6%
TOPIX	103.1%	103.8%	107.1%
TOPIX INFO & COMM	115.7%	126.2%	152.9%

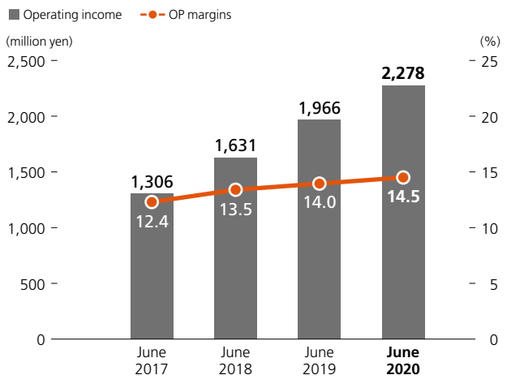
Financial and Non-Financial Highlights

Financial Highlights

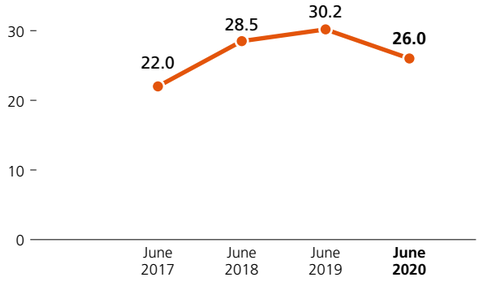
Net Sales



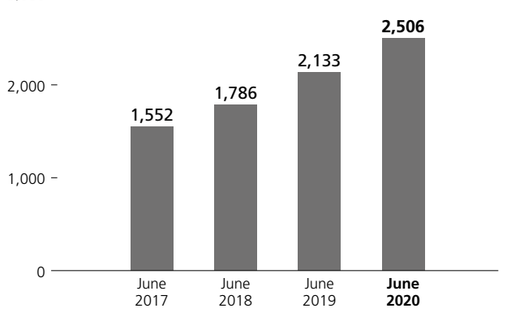
Operating Income / OP Margins



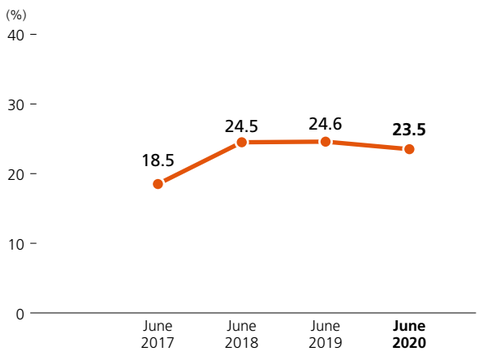
GPP



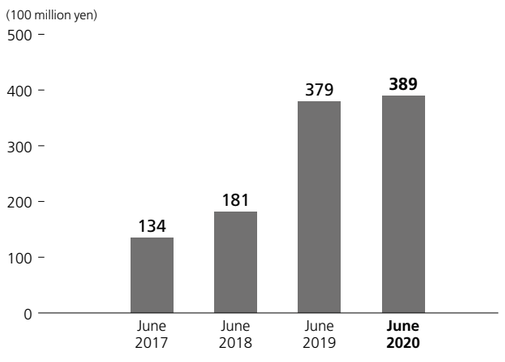
EBITDA



ROE

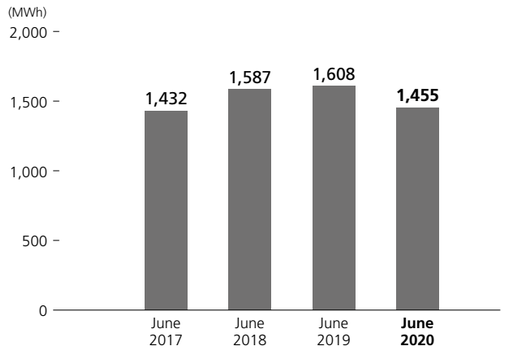


Market Capitalization

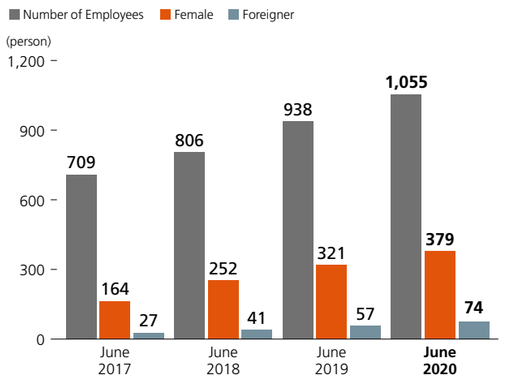


Non-Financial Highlights

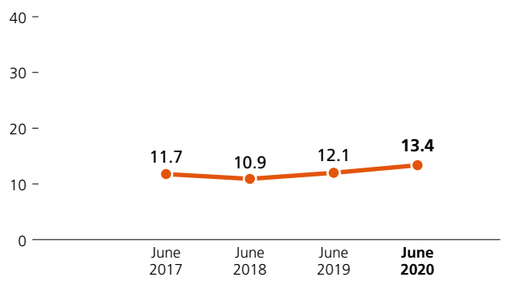
Electricity Usage



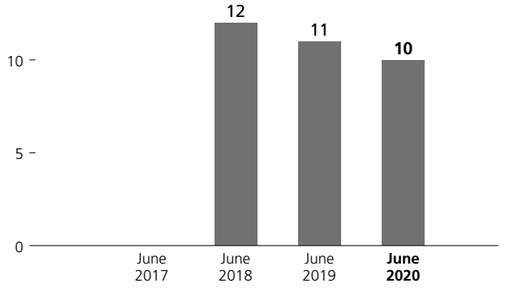
Number of Employees



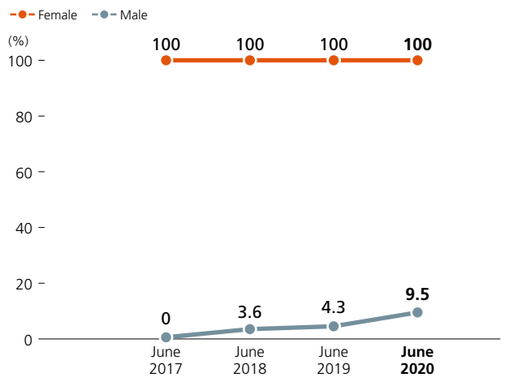
Employee Turnover Rates



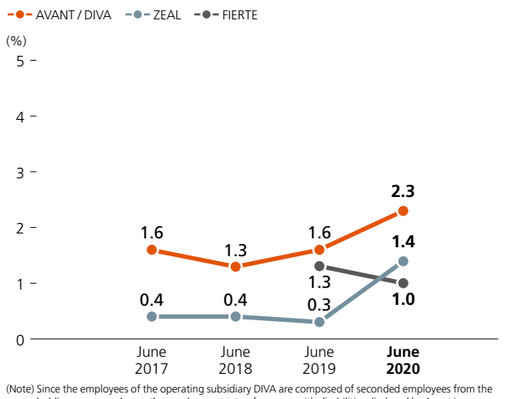
Average Days of Paid Vacations



Percentage of Employees Taking Parental Leave



Employment Rate of Persons with Disabilities



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

Avant Group's Sustainability

Sustainability Management and People

The creation of a 100-year company, our management philosophy, cannot be realized unless we ensure coexistence with the environment and society as well as governance, which is an important business domain of the Avant Group.

Approach to Sustainability Management Using the ESG Matrix

The Avant Group's management philosophy of "creating a 100-year company" reflects our sustainability philosophy of achieving continuous business growth through an independent organization that is highly adaptable to a rapidly changing market environment. In order to realize our management philosophy, the Avant Group carefully shares the following values: (1) Customer orientation, (2) High profit orientation, and (3) Specialist orientation. These are values that lead to a virtuous cycle that supports such growth: putting the customer first, growing as a person through creative conversations with various stakeholders in order to meet the needs and expectations of customers in the midst of various changes in the environment, creating new value that is second to none, and earning a high reputation. Since our activities shall involve with a variety of stakeholders, each and every person in the Group must act with due consideration for maintaining a balance between economic activities, environmental conservation, and social fairness, or else we will not be able to achieve sustainable development. The Avant Group signed the United Nations Global Compact on August 25, 2020, and we will take this opportunity to consider and implement what we can do as a group while conducting risk assessments to achieve sustainability.

Relation between ESG Risks and Avant Group Specific Risks

	Theme	Risk	Actions	Opportunities
Environment	**Biodiversity Conservation**	Little direct relationship with the Group's business activities		•General Data Visualization •Brand building through publication of owned media, etc. •Sales of templates for collecting and visualizing non-financial information, etc.
	Water Security			
	Waste and Recycling	A large number of PCs are disposed of every year, and recycling is necessary.	•Use of recyclers before ensuring data security	
	Climate Change	Although there is little direct relationship with business activities, the fact no effort is being made to reduce carbon dioxide emissions may be seen as a problem.	Declaration of commitment to reducing carbon dioxide emissions and implementation of the following measures •Consideration of purchasing green electricity •Consideration of carbon offsetting	
Social	**Human Rights and Local Communities**	If actions that do not respect human rights (e.g., discrimination) become the norm, or if a serious accident occurs as a result of such actions, the brand may be severely damaged.	Consider taking action based on the basic policy of respecting human rights as stated in the Avant Human Rights Policy •Conducting human rights assessments •Create a harassment prevention manual •Regularly hold philosophy and diversity education session	If the company is at the level of an international blue-chip company, its appeal could lead to increased brand value.
	Labor Standards	Regular violations of labor laws and regulations, or serious accidents resulting from such violations, may result in significant brand damage.	•Ensure compliance with labor laws •Improving the effectiveness of hotlines •Scrutinize the results of GPTW survey and develop an annual action plan	
	Responsibility to Customers	In the event of a major problem in the quality of products or services, or a serious accident in the process of providing services, the brand may be severely damaged. In addition, if the company does not continue to maintain its mission of contributing to society and sincerely meeting the needs of its customers, its long-term sustainability may be hindered.	•Strengthen quality control and implement the Quality Declaration •Conducting customer satisfaction surveys by Avant •Regularly hold philosophy training	There is a possibility of increasing the brand value of the social contributions listed in the mission by promoting the results of those contributions as well.
	Health and Safety	Same as labor standards	Same as labor standards	Same as labor standards
Governance	**Risk Management**	Sustainability may be jeopardized by the occurrence of major risks that are not recognized or understood, or for which measures (reduction or transfer) are insufficient.	•Strengthen disclosure of the Avant Group's risk management system •Improve the effectiveness of CRM committees	Consider products and services that contribute to improving customer governance.
	Corporate Governance	There is a possibility that proper corporate governance will not be implemented and the maximization of shareholders' interests will not be pursued.	•Strengthen the disclosure of the Avant Group's governance system •Organizational review, including transition to a company with committees	
	Compliance	There is a possibility that the brand will be severely damaged if it is revealed that a serious violation of law has occurred. Insider trading is particularly risky due to the nature of the business.	Strengthening the compliance system based on the Avant Group Code of Conduct •Implementation and reinforcement of insider training and other legal training •Improving the effectiveness of hotlines	

Human Resources Strategy of Avant

Each member of the Group shall act on a daily basis to "Create a 100-year company." While each member acts independently, we also need to share an axis of organizational action. We position a common ground for organizational action as values to share, consisting of "OPEN, VALUE and STRETCH." The concepts behind each are as follows.

OPEN, VALUE and STRECH

OPEN **Based on an open spirit.**

The environment is constantly changing. Society is formed by relationships among people. We therefore value an organizational culture that emphasizes honest and honest relationships with all stakeholders.

VALUE **Nurture an enthusiasm for value creation.**

The energy for action comes from passion. To generate this energy, we are constantly working to create new value and pursuing the highest level of customer satisfaction.

STRETCH **Continue to take on the best challenges.**

Tackling sound challenges leads to a rich life. That applies to business as well. One challenge for us is to make creative, long-term contributions to our customers. While we enjoy change and pursue growth to accomplish challenges, we believe that focusing on this challenge will foster the vitality in each of us.

KPIs Avant Group Focuses On

GPTW 70

At the root of this common understanding is the belief that the ideal organization is one in which people with sincerity and enthusiasm can work freely and openly. In order to realize such a positive spiral within the Group, each company has set a GPTW score of 70% as an important KPI, and management is responsible for the progress of the KPI.

What is Great Place to Work (GPTW)

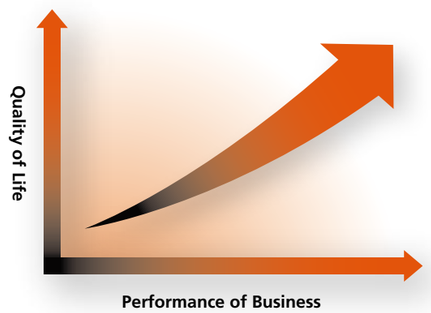
Purpose of work = **Ease of working** + **Worth doing**

Hygiene factors (Relationships, employment conditions, compensation, etc.)

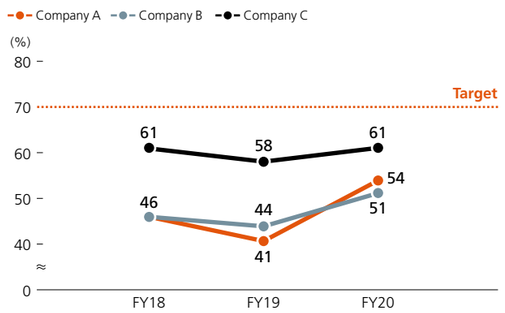
Motivation factors (Responsibility, achievement, growth, etc.)

We visualize job satisfaction and engagement through employee surveys and implement improvement actions to achieve 70% at each Group companies

Image of Purpose of Work



GPTW Scores at Group Companies



Avant Group's Sustainability
Stakeholder Dialog



How to Achieve Sustainable Growth through Diversity Management

Atsuko Fukushima
Journalist

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Tetsuji Morikawa
President and Group CEO, AVANT Corporation

Profile

As an anchorperson of news programs at NHK, TBS, etc., Ms. Fukushima had interviewed managers of more than 700 companies. She is also active in lectures and forums on topics such as economy and management, environment, diversity, and female participation. She also serves as an outside director and management advisor to several listed companies. She is also a member of the Council of the Ministry of Agriculture, Forestry and Fisheries.

Pursuing a Balance between ESG with People at the Center

Morikawa: We invited Ms. Atsuko Fukushima, a journalist with extensive coverage of corporations, who also serves as an outside director of companies, to speak on "people."

Fukushima: Nice to meet you. In terms of focusing on people, the importance of "ESG (Environment, Society, Governance)" in addition to business performance is now being emphasized as an indispensable factor for the sustainable growth of a company. Within this context, human resources are becoming increasingly important as capital essential for enhancing corporate value on top of business performance. What do you think of this?

Morikawa: "The company is for people," is the top priority in management for me. There is no doubt about this. I believe that the goal of increasing performance and growth is ultimately a means to make people happy, and that performance that does not achieve this goal is meaningless. Even if performance is good, I am not at all satisfied as a manager with the situation where members are exhausted.

Fukushima: Sustainable growth of a company cannot be achieved unless employees can work with vigor and vitality. I believe that human capital is the very cornerstone of management.

Morikawa: In the ESG perspective, firstly, people should enjoy working. It is not sustainable to make the earth scream in that process. People can work actively with goals only if they have an environment to live. In addition, governance maintain and develop E and S conscious businesses and organizations, and I understand this governance as demonstrating leadership. In other words, I think modern managers need to grow over the medium to long term while maintaining a balance between the three elements of ESG.



Fukushima: The world today is in transition and there is a growing debate around the world about whether global capitalism can be maintained to date, whether the gap between have and have not can continue to widen, and whether the pursuit of happiness for workers and sustainability with the global environment rather than that will lead to the well-being of humanity.

Morikawa: There is no single answer for ESG-related initiatives, as each era has its own key issues. This is why we need leadership that strikes a balance while being firmly aware of the current situation.

Fukushima: Exactly. Considering what kind of company is sustainable, even if business performance is good, if workers feel pain, the company will not be able to achieve sustainable growth and shareholders will not benefit. I think there is a need for leaders who can steer the ship with an emphasis on the medium- to long-term perspective.

It Is Important to Continue Stating Philosophy and Purpose

Fukushima: In terms of human resources, my concern is that employee engagement (attachment to the company and motivation to grow as one with the organization) is very low in Japanese companies. The results of various surveys are overwhelmingly lower than in other countries. Looking at the reasons, many people say that they cannot sympathize with the philosophy and raison d'etre of the company in which they work, and that they cannot feel that they themselves are growing through their work.



What do you think about this?

Morikawa: Engagement will increase when the growth of the company and people is integrated. I wanted to create a company like Sony and Honda, which had grown globally out of post-war ventures. It looked like a very fun company to me as a child. For me, Mr. Nagashima and Mr. Oh was Mr. Morita, Mr. Ibuka, and Mr. Honda. What is different between today and that era of rapid growth, to be a little subjective, but I think it is the management's will to achieve sustainable growth. In other words, each individual's willingness to "provide better products" and "contribute more to customers!" is ultimately linked to the growth of the company, and I think that a company with a clear sense of purpose and leadership is attractive to workers as well. However, if you are a management team that express the sense of giving up because the current business environment is an "era of uncertainty," naturally people's motivation won't increase.

Fukushima: I really feel that too. I feel that this Corona disaster has polarized the corporate landscape. It seemed to me that the farther a company was from its philosophy of own existence and its purpose of bringing value to society, the more the distrust hindered its business. Conversely, I felt that companies where each employee understands the philosophy and purpose of the company and cooperates with each other in their work, rather than just taking the philosophy and purpose in words, are relatively proactive and flexible.

Diversity
How to Achieve Sustainable Growth through Diversity Management



The accuracy of management decisions for the future is enhanced by engaging in inter-generational discussions, not to mention gender.

——— **Tetsuji Morikawa**

Diversity Generates High Level of Discussion

Fukushima: Could you tell me about your image of "ideal employee" when sharing your philosophy and purposes?
Morikawa: If I have to pick one, it will be thoroughly customer-oriented. I use the word customer, but the point is to think about others. Think about what you can do for someone, no matter how small. We want everyone to be sincere about that.
Fukushima: Customers differ by segment, so this consistent stance will lead to support from a diverse range of stakeholders. On the other hand, what do you think about the importance of diversity?
Morikawa: When I participated in this U.S. fund as an outside director, I was struck by the fact that six of the ten board members were female. They were actively speaking out and activating the debate. I see, I thought. Perhaps the reason why I was on this board also includes the concept of "Asian" diversity. I feel that the results have been sufficiently proven in terms of finance through the inclusion of female and minorities in the awareness of the question of how to exceed the limits that have been achieved solely by male and white people?
Fukushima: It's great that you were able to experience this for yourself.
Morikawa: I felt that I was doing my best while absorbing various things, such as polishing my own thoughts through dialog there. Diversity can be extremely effective in improving the quality of dialog. I was convinced of the importance of diversity by looking at a higher level of discussion that overcame not only gender but also age and racial differences.
Fukushima: I have been covering a variety of companies. Nowadays, every top management says diversity is important and promotes the active participation of female. However, the degree of seriousness varies from company to company and is often not accompanied by implementation. Whether or not diversity can be promoted is extremely important whether top executives truly understand the importance of diversity.
Morikawa: In Japan, people tend to question only the gender ratio, but it is important to take a broader view of diversity and invigorate dialog.
Fukushima: I agree. Nevertheless, there is no doubt that active participation by female is an important point in Japan at the moment. I believe that the first step in this era is to close the gender gap in various fields, and after that, the time will come when true individual and personal diversity, not attributes, will be required. I have been given opportunities to speak in various places, but I honestly feel uncomfortable when I am told, "Please make use of the viewpoint of female to express your valuable opinions."
Morikawa: If you were a male, you wouldn't be told like that. Female are different from each other, too.
Fukushima: That's right. We are in an era of complexity and uncertainty, and the global crisis, such as Corona, is likely to occur anytime in the future. What we need in a discussion forum is not people with similar viewpoints and backgrounds talking to each other, but a diverse group of people with various viewpoints and experiences arguing and debating with each other. Management decisions made in this way are more accurate, which is a plus in terms of risk aversion.

Discussion Among Generations with Different Values Is Also Important

Morikawa: In terms of diversity, generations in their 30s and 40s have quite different opinions from us. Regardless of gender, the worldview has clearly evolved. For our generation, I think there is a realistic sense of direction that diversity will be promoted by generational change.
Fukushima: If such a generation plays a central role, I think there is no doubt that the gender gap will decrease. The people of the Millennium and Generation Z have a strong desire to solve various issues in society and to help themselves in society. I believe that these people will change the company as well. Conversely, we are entering an age in which companies that fail to come up with a philosophy or raison d'etre that will empathize with such people will no longer be able to recruit outstanding young people. There are many younger employees in Avant Group as well, so I think that a variety of changes are being made.
Morikawa: This is a very important point of view. In order for a company to be a perpetual growth institution, we believe it is necessary to continue to maintain management with a certain level of youth. How to utilize the assets we have accumulated since the past and how to make use of them for future society will be left behind in the changing times unless we constantly update them while advancing generational changes. With this in mind, I intend to make the company that accelerates delegation of authority.
Fukushima: Creating discussions between generations with different values is an important factor in promoting diversity management.
Morikawa: I've been talking about a lot of great things, but at the end I'm worried about one thing (laughs). Actually, even in Avant Group, there are few female managers, and while we have foreign directors, there are no female.
The balance is by no means good.
Fukushima: I think you need a strong push. At this forum, where I acted as coordinator on the topic of "The Current Situation and Challenges of Female Corporate Officer," all four female panelists were the first corporate officers of the major listed companies on the First Section of the Tokyo Stock Exchange. When I first asked "How did you react when your boss told you to assume the role of the company's first female corporate officer" and they all said they declined it. They are all so talented, but "No, I don't deserve it, I can't do it!" they said. So the boss pushed their back, saying, "You say so, but you can do it!" and they agreed in anxiety.
And when I asked, "What do you feel like now?", they said, "I'm really glad I took it!" "The landscape looked quite different before and after becoming corporate officer. I find it more rewarding to be responsible for one team and deliver results than when I was doing it as an employee –" Everyone says it was really good that they pushed their back. So, I would like you to push the back of people you think "this is the person!" more and more, regardless of gender. Of course, female themselves also need to change their mindset.
Morikawa: There you have it! No matter what gender you are.
Fukushima: I believe that everyone should be able to demonstrate their abilities and experience growth through their work, which will lead to happiness, and this will also realize the growth of the company.
Morikawa: At the end of the day, what is required of leaders who promote diversity is whether or not they can gain a good understanding of others and push someone who believes "you are the one!"
Fukushima: It makes it worthwhile for me to talk to you.
Morikawa: I feel like I have been given a very effective acupoint for the Group's future. Thank you.

I realize that discussions will be revitalized by bringing together a diverse range of human resources.

——— **Atsuko Fukushima**



Avant Group's Sustainability

Group and Society

Avant Group Human Rights Policy

The Avant Group's corporate philosophy since its founding is to "create a 100-year company," which is based on the Japanese view that the company is a public entity of society. As a public entity of society, we recognize that any business activities of the executives and employees of AVANT Corporation and Group companies will affect human rights. We will support and respect the International Bill of Human Rights and the Declaration on the Principles and Rights at Labour of the International Labour Organization, as well as other international principles and conventions on human rights. We also sign the United Nations Global Compact, which summarizes universal principles on human rights, labor, the environment, and anti-corruption, and support and respect those ten principles.

Avant Group Human Rights Policy

1. Basic Policy on Respect for Human Rights

Everyone is free while born, and equals respect and rights. We must not participate in violations of human rights, either directly or indirectly. We prohibit discrimination on the basis of race, colour, sex, sexual orientation, language, religion, creed, political or other opinion, national or social origin, property, family origin or any other status, or any other similar grounds. We prohibit forced labor and child labor, and respect the right to work, such as freedom of association and the right to collective bargaining. We recognize the right of everyone to the enjoyment of fair and favourable working conditions, ensure safe and healthy working conditions, and guarantee fair and equitable remuneration for work.

2. Initiatives to Realize Respect for Human Rights

In order to respect human rights and realize a sustainable society, we will engage in human rights awareness through training and other means. Through discussions and conversations with all stakeholders involved in the Group's business activities, we understand human rights issues and their impacts, and discuss responses. We will disclose to stakeholders our efforts and progress in respect for human rights.

This policy was approved by the Board of Directors of AVANT Corporation on July 22, 2020.

Avant Group Environmental Policy

We value management philosophy based on Japanese culture to regard our company as a public organization as a cultural asset and aspire to develop as an organization that exists for the development of society, which we refer to as the "Creation of a 100-year company" and have been the Group's corporate philosophy since our founding.

The creation of a company in 100 can be achieved through sustainable development that balances economic activities, environmental conservation and social justice. To this end, the Avant Group has established the following environmental policies.

Avant Group Environmental Policy

Compliance with Environmental Laws and Regulations

We will comply with environmental laws and regulations as well as agreements with stakeholders and take appropriate actions.

Familiarizes with the Environmental Policies

We will conduct education and awareness-raising activities to foster each and every employee's awareness of the environment and to enable them to carry out their own environmental conservation activities.

Environmental Conservation

We will work closely with government agencies, local communities, and related organizations to actively support individual Group employees' efforts to address climate change, promote resource circulation, and conserve biodiversity.

Communication with Stakeholders

Aiming for the realization of a sustainable society, we will strive for mutual understanding with stakeholders and proactive information disclosure.

This policy was approved by the Board of Directors of AVANT Corporation on Jury 22, 2020.

TOPICS United Nations Global Compact

AVANT Corporation recently signed the United Nations Global Compact ("UNGC"), advocated by the United Nations, and was registered as a participating company on August 25, 2020. The Company have also joined Global Compact Network Japan, a local network in Japan.

UNGC's 10 Principles in the 4 Fields are essential elements in the realization of the Avant Group's Corporate Philosophy. The Avant Group supports the 10 principles of the United Nations Global Compact, which consist of the 4 fields of human rights, labor, the environment, and anti-corruption, and is actively working to resolve social issues in order to realize a sustainable society.

WE SUPPORT UN GLOBAL COMPACT

Communication with Shareholders

After the general Meeting of Shareholders, we devise the content of the shareholder newsletters that are enclosed with the voting notices so that the shareholders can enjoy reading them and understand the contents and performance of the company.

Feedback from the shareholder communication survey

About the company's strategy

- Times of change are opportunities. Please make it happen.
- I became a shareholder because I believe the company is responding to the DX era, and I am looking forward to DX-enabled business.
- I hope the company will continue to be needed by society. I will support you.
- I understand the recurring business, but I have concerns about the cloud business and whether it will be profitable. I would like to know how to deal with Microsoft, Google, and Amazon.

About Shareholders' Newsletter

- I look forward to the quiz in the annual shareholder newsletters. The quiz makes it possible for me to read through the shareholder newsletters with interest from corner to corner.
- Thank you for your always enjoyable shareholder newsletters.
- Compared to other companies, the design and layout of your company's shareholder newsletters are excellent and easy to understand.
- I have never seen this kind of device in other companies' shareholder newsletters. I think it is a successful attempt unique to your company.
- Every year, I look forward to reading the shareholder newsletters because they are so creative. This time, I read the four-frame cartoon as I twirled it around.







Avant Group and Society

The National Museum of Modern Art, Tokyo

WEB https://www.momat.go.jp/english/

The National Museum of Modern Art, Tokyo is the first national art museum in Japan, boasting more than 13,000 collections of modern Japanese art at its core. It is the only museum in Japan that can see the history of Japanese art from the Meiji period to the present day.

AVANT Corporation supports the activities of the National Museum of Modern Art, Tokyo, as a gold partner, by viewing national collections and holding various events and programs, aiming to enrich the lives of the people who have visited the museum or come into contact with art.



Fuji Mountain Race

WEB https://fujimountainrace.city.fujiyoshida.yamanashi.jp/

The race has a long history since 1948, and it boasts Japan's highest elevation of about 3 thousand meters between heights and lows.

The race is regarded as a top of a trail runs in Japan and is often referred to as "Grand Slam" after finishing the goal together with a sub-three for a full marathon and a sub-10 for a 100-kilometer ultra marathon. It attracts many challengers trying to reaching beyond their limits.

AVANT Corporation aims to be a company where all employees burn to achieve creation of a 100-year company. Many runners participate in the event, so we are supporting the event as a formal sponsor. (Pictures from Fujiyoshida City)





NIPPON IT Charity Ekiden

WEB http://www.nit-run.com/

While the IT industry is recognized as a vibrant industry, it is also the fact that its special business format has created unemployed people who are socially disadvantaged. "NIPPON IT Charity Ekiden" was designed in 2010 to support even one of these unemployed people back to society.

The sales from this event are donated to the non-profit organization, Future Dream Achievement, which provides employment support for people with "depression" and "social withdrawal." It will also be used to support the reconstruction of regions affected by the Great East Japan Earthquake, the Kumamoto Earthquake, and the Tottori Chubu Earthquake.

AVANT Corporation supports this initiative as a gold sponsor.



Avant Group's Governance

Enhancing Corporate Governance

The sustainable enhancement of corporate value through "spreading accountability" we provide to customers is governance itself. As a company that contributes to strengthening the governance of its customers, it is important for the Avant Group to always maintain an attitude of highly improving its own governance.

Corporate Governance System

Corporate Governance for Avant Group

We believe that the basis of the Japanese cultural-based management perspective is that the company is a public institution of society. Even in the globalized society, we respect this view of management as a cultural asset and aim to develop as an organization that exists for the benefit of society.

We describe our corporate activities based on this Japanese management perspective as "creating a 100-year company," and have positioned these activities as our corporate philosophy since our foundation. It is not simply the sustainment of the company or brand. A 100-year company shall pass down our management philosophy as a public entity across generations and that fuels the free and creative provision of value to society by all members. To achieve this, we are implementing group management to cultivate organizational independence and Group synergies.

For group management that contributes to the growth of people and the organization, we emphasize sophisticated corporate governance. By engaging in dialog and continuing to learn from various stakeholders, we aim to develop our business with an open perspective so that we can provide value to society without bias toward specific stakeholders.

Approach to Organizational Design

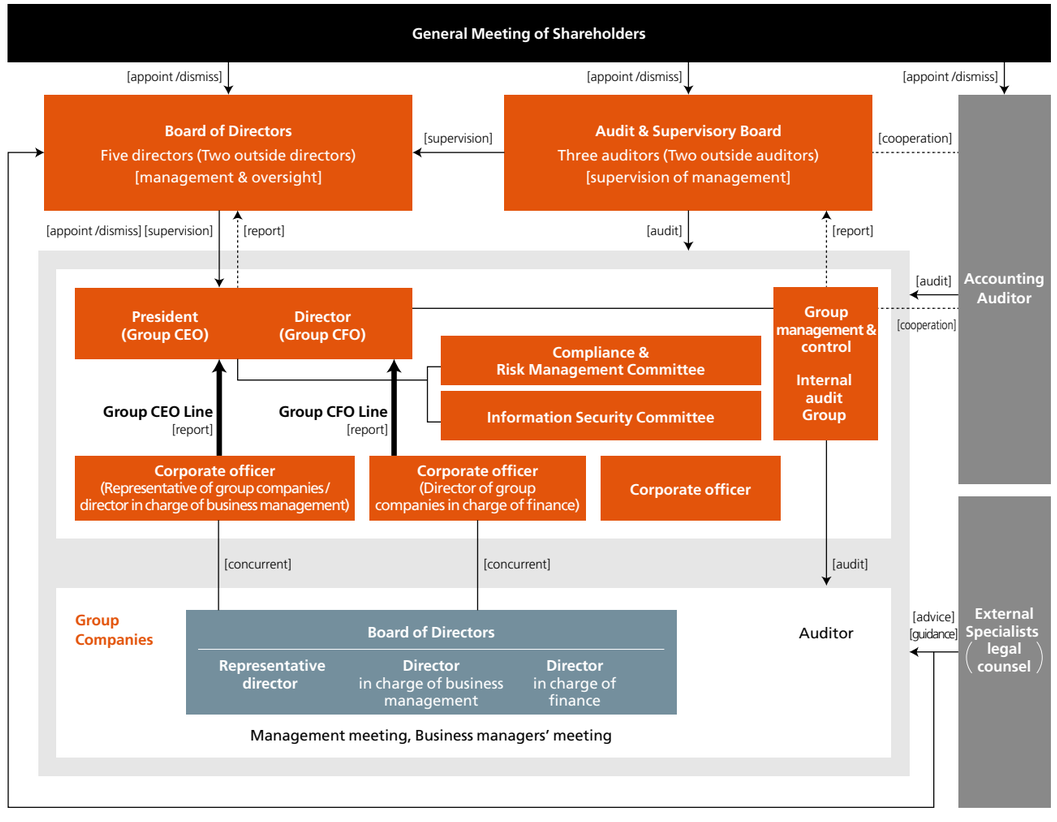
On October 1, 2013, AVANT Corporation was established as a holding company with business support functions to support the growth of Group operating companies and aims to develop the Group through consolidated management. Group operating companies aim to have an organizational structure that clarifies the functions, authorities and responsibilities of each group company. Directors, who are familiar with operations and organization, make decisions and execute operations promptly, and we are responsible for governance and control functions for each company. For this reason, our Board of Directors specializes in management functions, and at the same time, it aims to strengthen the oversight function of the Board of Directors by objectively judging the status of the Group's governance and controls from a fair and neutral standpoint, and establishing a system that ensures transparency in decision-making and its processes. For this reason, we have established the Audit & Supervisory Board, and we have adopted a corporate auditor system based on the belief that the auditing system of corporate auditors, including outside corporate auditors, is effective as a management monitoring function.

We strive to improve the efficiency of decision-making and reflect management policies in our business activities promptly. In order to respond swiftly to changes in the business environment and to clarify management responsibilities in each fiscal year, the term of office for directors is set at one year. The Articles of Incorporation stipulate that there are nine directors, but as of September 23, 2020, five directors (including three outside directors) and three Audit & Supervisory Board members (including two outside Audit & Supervisory Board members) have been appointed.

Corporate Officers

Our business execution system is composed of a representative director appointed by the Board of Directors, and a director in charge of finance and Corporate Officers, who are responsible for the execution of business operations. Representative directors of Group companies and directors in charge of business administration report the status of business execution to our representative directors (Group CEO Line), and finance directors of Group companies report to our finance directors (Group CFO Line). With the aim of achieving sustainable growth and enhancing corporate value through Group management, the Board of Directors discusses important issues and consults with the Board of Directors on important matters.

Overview of Corporate Governance System



Important Matters Discussed by the Board of Directors

Theme	Number of reports and proposals	Main topics
Management Strategy	7	Group capital strategy, strategic investment, impact of COVID-19, progress of the Medium-Term Management Plan
Financial accounting	8	Group budget and measures to ensure the Group's financial soundness
HR organization	12	Appointment of outside directors, selection of corporate officer, operation of restricted stock programs, and executive compensation scheme
Governance	9	Evaluating the effectiveness of the Board of Directors, conflicts of interest among officers, and setting the agenda to be discussed by the Board of Directors
Compliance and Risk Management	5	Reporting by the Compliance and Risk Management Committee, evaluation of internal control systems, ESG policies
IR	3	IR Policy and IR activity report

Attendance at Meetings of the Board of Directors and Audit & Supervisory Board, Shareholdings

Name of officer	Board of Directors	Audit & Supervisory Board	Shares in the Company
Tetsuji Morikawa	16/16	-	9,764,000
Naoyoshi Kasuga	16/16	-	6,500
Naohisa Fukutani	16/16	-	50,200
Georges Ugeux	15/16	-	2,000
Jon Robertson	-	-	0
Tsuyoshi Noshiro	16/16	15/15	1,868,800
Kunio Suzuki	15/16	14/15	588,000
Masanori Kobayashi	15/16	15/15	0

(Notes) Attendance at Board of Directors Meetings and Audit & Supervisory Board is for the period from July 1, 2019 to June 30, 2020.
Director John Robertson was appointed to the Board of Directors following approval at the 24th Annual General Meeting of Shareholders on September 23, 2020.
Shares in the Company as of June 30, 2020.
The number of shares held by Kunio Suzuki, Corporate Auditor, is the number of shares he actually owns, including 320,000 shares held by K.S. Management LLC, which is owned by him and his relatives.

Avant Group's Governance
Enhancing Corporate Governance

Our Approach to Election of Directors

Our Board of Directors has been appointed to increase corporate value from among candidates with diverse and specialized knowledge and expertise in legal affairs, compliance, finance and accounting, M&A/finance, IT business, global, governance, and human resources and organization, as well as from candidates with experience and expertise as management. At present, the Board of Directors is composed of 5 directors (3 outside and independent directors, 2 foreign nationals) and 3 corporate auditors (2 outside directors and 1 independent director). As a member of the Board of Directors, the Company considers the diversity of human resources and the balance of knowledge, experience, and abilities to be fully considered, and it is at a level that maintains a high level of decision-making ability.

Directors' Skill Matrix

	Management	Legal Affairs Compliance	Finance Accounting	M&A Finance	IT Business	Global	Governance	Personnel Affairs Organization
 **Tetsuji Morikawa** President Group CEO	●		●		●		●	●
 **Naoyoshi Kasuga** Director Group CFO			●	●		●	●	
 **Naohisa Fukutani** Director Lead outside director Independent officer	●		●	●		●	●	●
 **Georges Ugeux** Director Outside director Independent officer Foreign nationality	●		●	●		●	●	●
 **Jon Robertson** Director Outside director Independent officer Foreign nationality	●				●	●	●	●
 **Tsuyoshi Noshiro** Corporate Auditor		●	●				●	●
 **Kunio Suzuki** Outside auditor	●		●		●		●	●
 **Masanori Kobayashi** Outside auditor Independent officer		●	●				●	

Evaluation of the Effectiveness of the Board of Directors

We recognize issues and areas for improvement regarding the responsibilities, operation, composition, etc. of the Board of Directors with the aim of realizing sustainable increases in corporate value, and are working to make continuous improvements. The Board of Directors annually analyzes and evaluates the effectiveness of the Board of Directors based on each director's self-evaluation, etc. The effectiveness evaluation method and results of the board for the year ended June 31, 2020 are summarized below.

Evaluation method	In order to improve the independence and objectivity of analysis and evaluation, we conducted continuous evaluations with a third party view in fiscal year ended June 2018 and fiscal year ended June 2019. At the Board of Directors meeting held on July 17, 2019, the effectiveness of the Board of Directors was assessed by the use of a third party again, but the Board concluded the validity of the process for verifying the results of a questionnaire focusing on numerical values should be revised. For the fiscal year ended June 2020, the Company decided to conduct a questionnaire centering on free comments in accordance with the changes in important points and priorities for improving the effectiveness of the Board of Directors. In January 2020, the Company delivered the questionnaire to all directors and corporate auditors. The comments from the directors were broadly divided into 3 categories: issues to be discussed, points to be improved, and points to be improved in the future. The Board off Directors held discussions on August 3, 2020, and the assessment of the effectiveness of the comments was finalized.
Overview of evaluation results	In addition to the opinions that have been routinely discussed at the Board of Directors meetings, the Board of Directors evaluated the effectiveness of the Board of Directors meetings for the fiscal year ended June 2020 highly and appropriately, based on the exchange of opinions and questionnaires held in January 2020 with outside directors. Specifically, we judged that the effectiveness of the Board of Directors has been ensured appropriately and that improvements have been made in the following areas, which were recognized as issues in the previous year; (i) Regular IR reports, (ii) Scheduling and progress management of monthly meetings of the Board of Directors, (Comprehensiveness of matters to be discussed and understanding of the overall picture) (iii) Monthly management of the Board of Directors focused on key issues and time-focused, (Significant improvement of TV conferencing system utilizing ZOOM conferencing, etc.) (iv) We have set up informal exchanges between directors and Corporate Officer, and frankly exchanged views, (v) Invited experts to the Board of Directors as necessary to exchange opinions At the same time, it was recognized that the following issues need to be addressed on a regular and continuous basis in order to further enhance the effectiveness of the system; (i) Enhanced discussion of CEO succession plans, (ii) Consideration of Companies with Committees, (iii) The number and composition of the Board of Directors, which is also conscious of gender, (iv) Continuous improvement of the operating process
Future measures	Issues that need to be addressed on a regular and ongoing basis and that are recognized are scheduled to be discussed on the Board of Directors' schedule and will be discussed on a regular basis. We will focus on deepening substantial discussions on issues that still have a wide range of discussions among directors, starting with the hearing of each director and seeking further opinions from outside experts as necessary.

Avant Group's Governance
Enhancing Corporate Governance

Compensation for Directors and Audit & Supervisory Board Members

Policy and method for determining the amount of compensation, etc. for officers and the method for calculating such amount

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

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

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

The amount of compensation for corporate auditors is determined by discussions among corporate auditors within the limit of compensation approved at the general meeting of shareholders, taking into account the distinction between full-time and part-time corporate auditors, the distinction between internal and external corporate auditors, and the division of duties. At the extraordinary general meeting of shareholders held in December 2003, the maximum amount of compensation is set at 30,000 thousand yen per year.

Compensation calculation process

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

Compensation for Directors and Audit & Supervisory Board Members

Compensation for each director is not shown because there are no persons whose total amount of consolidated compensation, etc. is 100 million yen or more.

Directors and Auditors	Total amount of compensation, etc. (millions of yen)	Total compensation by type (millions of yen)		Number of board members to be covered (persons)
		Basic Compensation	Performance-based bonus	
Director (excluding Outside Directors)	112	81	30	2
Auditor (Excluding Outside Corporate Auditors)	10	10	-	1
Outside Directors	29	29	-	2
Corporate Auditor	7	7	-	2

Purpose of performance-based compensation and performance-based stock compensation, rationale for indicators, and specific calculation method

(1) Short-term performance-linked compensation

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

The incentive coefficient for short-term performance-based compensation is the current formula from the year ending June 2021. Previously, the short-term incentive coefficient was calculated by multiplying the change in the consolidated operating income margin by our share price increase rate. Since our share price increase rate is reflected in the medium-to long-term performance-based compensation, we decided at the Board of Directors meeting held on August 19, 2020 to determine the short-term performance-based compensation from the fiscal year ending June 2021 onward based on the rate of increase in consolidated operating income.

Short-term performance-based compensation for the year ended June 2020 was 129% of the base amount as calculated below.

(A) Consolidated operating income growth rate = 1 + 0.5 × (Operating income: 2.278 billion yen-(Operating income in the previous fiscal year: 1.966 billion yen × 112%) ÷ Operating income in the previous fiscal year: 1.966 billion yen × 6% = 1.32

(B) Rate of increase in our stock price = 1 + (Average stock price during the period: 1,003 yen ÷ Stock price at the beginning of the period: 1,032 yen)-(TOPIX average price during the period: 1,578 yen ÷ TOPIX at the beginning of the period: 1,585 yen) = 0.98

Short-term incentive coefficient =A×B=1.29

Formula for Short-Term Performance-Linked Compensation

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

Short-term incentive coefficient

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

(Note) The short-term incentive coefficient is limited to 2.0.

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

In the fiscal year ended June 2018, we introduced a medium-to long-term performance-based compensation system with the aim of providing incentives to directors to achieve sustainable improvement of their corporate value and promoting greater value sharing between directors and shareholders by clarifying the linkage system between director compensation and medium-to long-term corporate performance and the value of our shares over the medium to long-term. With regard to medium-to long-term performance-linked compensation from the fiscal year ended June 2019, the Company has changed to stock-based compensation, which gives the board members an incentive to improve our corporate value over the longer term, and delivers our common stock in accordance with the performance of the target period at the end of the target period, in order to further share value between the board members and the shareholder.

Stock-based compensation is a system that provides our directors (other than outside directors) with a period of 3 years commencing with the month in which the date of each of our annual general meeting of shareholders belongs and a number of shares of our common stock to be calculated in accordance with our stock growth rate during the applicable period. The number of shares of our common stock to be delivered to each director after the end of the applicable period will be determined by multiplying (i) the number of shares determined by our board of directors by (ii) the percentage of shares delivered, which will be determined based on our stock growth rate. Our equity growth rate is calculated by dividing our TSR (Total Shareholder Return (Total Stockholder Return)) for the period covered by the growth rate of the Tokyo Stock Price Index (TOPIX) for the period covered.

Specifically, after the end of the applicable period, we will pay monetary compensation claims to the eligible directors in accordance with the calculation method stipulated below. When we issue shares or dispose of treasury stock, we will issue our shares by having all of the monetary compensation claims contributed in kind. The amount of compensation related to monetary compensation claims to be paid under the Plan shall be no more than 100 million yen per year, and the number of shares to be delivered by us to the applicable directors under the Plan shall not exceed 60 thousand shares per year per director and not more than 0.1 million shares per year for all directors.

The target is 1.0, which is the standard payment level, but this consolidated fiscal year is not paid because it is prior to the passage of the applicable period.

Recurring sales ratio on which equity awards are granted at the end of the applicable term

In order to clarify the responsibilities of Representative Directors toward realizing the Medium-Term Management Plan "BE GLOBAL," the Board of Directors approved the decision to impose restrictions on the share compensation of the President for the respective periods based on the key quantitative indicator of the Medium-Term Management Plan, "recurring sales ratio," and it was resolved at the 24th General Meeting of Shareholders on September 23, 2020.

Fiscal Years	June 2019	June 2020	June 2021	June 2022	June 2023
recurring sales ratio	50% and over	60% and over	70% and over	70% and over	70% and over

Formula for Medium-to-Long-Term Performance-Linked Compensation

Medium-to long-term compensation (number of shares delivered) = Standard number of shares × Share issuance ratio

Share issuance ratio

(i) If our equity growth rate (A) is less than 100%: 0

Formula for calculating our stock price growth rate

A: Our stock price growth rate = TSR during the period ÷ Rate of increase in TOPIX

Our Total Shareholder Return/ total stockholder return (TSR)
Simple average of the closing prices of our shares for the month of the end of the applicable period (September in 3 years) plus the total amount of dividends per share related to dividends of surplus during the applicable period
÷ Simple average of the closing prices of our shares in the month of the beginning of the period covered (September)

TOPIX Growth Rate
Simple mean of TOPIX at the end of the period (September after 3 years)
÷ Simple averages of TOPIX for the beginning month (September of the year)

(ii) When A is between 100% and 112%: 33% × (A-100%) ÷ 12% (iii) When A is 112% to 150%: 33% + 67% × (A-112%) ÷ 38% (iv) When A exceeds 150%: 100%

Avant Group's Governance
Stakeholder Dialog



Governance

Achieved Sustainable Growth through Change Diversity Is the Next Growth Driver

Tetsuji Morikawa
President and Group CEO, AVANT Corporation

Naohisa Fukutani
Lead outside director Independent officer

Counted on When Foundation Is Shaken

Morikawa: Mr. Fukutani, you have been giving valuable opinions since before you became an outside director.
Fukutani: We have been acquainted for more than fifteen years.
Morikawa: In the beginning I asked for your advice on strategies almost every month.
Fukutani: It was like an extension of small talk, but it was important to you (lol).
Morikawa: I understand that a leader should remain true to its words no matter



what happened in the frontline, but I still care about the details. If you ignore it, you will have to pay for that later. So, I try not to change the roots, but when that foundation is shaken, Mr. Fukutani will ram it down, will you? I'm counting on it.

The Avant Group Has Been Changing for Growth. Appropriate Advice at Each Milestone

"Is That Level of Commitment You're Willing to Make?"

Morikawa: Certainly around 2003, we felt that we had hit the wall. We have done what we wanted to do with founding members, but we wanted to keep it that way? **I was troubled to build an organization as a "public institution," an ideal that we have held since our foundation. That was when I met you, Mr. Fukutani.**
Fukutani: By discussing the matter, you were finding your own answers, weren't you? **While being a timid in a way, you cannot make a manager without passion.** Every time we met, you would bring up a different version of "Shouldn't we do this?" and at first, I felt uncomfortable. Looking back, however, it was your passion, and in fact, they were thought of in a neat and orderly manner, and I am impressed by the fact that all is connected up to the present.
Morikawa: There was also a story of an alliance with this foreign-affiliated company. When we developed our business as a global software vendor, we focused on "made in Japan." However, while we saw a variety of limitations, including strength and culture, I thought that it would be a growth opportunity to do it together with foreign capital. **It was your first iron hammer (smile) when you said, "Is that the level of commitment you're willing to make?"**
Fukutani: You were a little bearish at the time, weren't you? The moment you took the words, I felt that you had been open to your eyes.

Judgment as Management of Group Companies

Morikawa: When we subsequently joined with Internet Disclosure (ID), I received another accurate advice.
Fukutani: I think the reason why the advice worked was that you were so organized that you "wanted to do it in this way" for a company that would last for 100 years, rather than going with a single spear of economic rationality. You said you welcome this company because you needed it. Looking at this stance, **I saw you grown as a manager of a group company, not an owner of a start-up company anymore.**

Time for Diversity. The Avant Group Set Diversity a Driver for Further Growth

Creating a Platform for Co-Creating Value with Customers

Fukutani: I just mentioned Passion. Could you once again tell us your thoughts on management?
Morikawa: You spend a long time building a trusted relationship and **propose solutions through creative dialog to address the issues that customers face, I think the organization can also create sustainable value.** In this context, we believe that the management information platform can serve as the platform for creative dialog. From this perspective, we have adopted the management philosophy of "spreading accountability."
Fukutani: That philosophy is connected to the current group management.

Toward a Phase That Leverages Group Synergies

Morikawa: Starting with the consolidated accounting system venture DIVA, the number of Group companies has increased including ID, ZEAL, and FIERTE, and the scope of business has expanded. Currently,



Avant takes the form of a pure holding company. Rather than expanding its business with the concept of investment, we have done our utmost to draw out the potential of each company by looking at each business on an equal footing. Our customers not only highly evaluate individual proposals from Group companies, but recently they also say that it would be more useful if Avant could contribute its collective strength of their various solutions. In other words, **at present we have entered a phase in which we can consider the types of services that can be used to respond to these**

Governance

Achieved Sustainable Growth through Change
Diversity is the Next Growth Driver

opinions and adapt to the changing business environment for the Group as a whole to make a concerted effort, as well as synergistic effects. Since we have been working on the theme of group management for a long time, we would like to create our original business model.

Fukutani: There are many hurdles that we must clear, such as further strengthening governance and sustainability management. First, it is very reliable that we have a spirit of creating a model that incorporates the various elements and strengths of the company as Avant.

Responding to an Era in which Dialog Is Important

Morikawa: In the age of diversity, if creative discussions with a wide range of stakeholders are expanded more, it will be positive for society. To this end, if we share management information appropriately together with people with various ideas, what we have never thought of before will increasingly arise. With this in mind, I am convinced that the context of management that emphasizes current sustainability and dialog will be stronger in the context of the popularization of management information, which has been advocated since the Company's founding. In other words, **I strongly feel that we have come to a position where we can enhance our customers' economic, social, and environmental value by having the businesses that the Avant Group as a whole function well,** and I am proud that we have created that frontier.

Fukutani: Toward a group management that responds to the demands of the times, do you feel that "it's time!"

Morikawa: It's just like "My time has come!"

As a Holding Company, There Is No Tolerance for Runaway or Negligent Management

Fukutani: In this process of growth, how do you evaluate the role of outside directors, including myself?

Morikawa: Outside directors always make me aware of something with various but frank opinion.

Fukutani: I believe that **the significance of the existence of outside directors is to state tough things while understanding the nature of the company's business and the thoughts of its management.** Meanwhile, I feel that the quality of conversations has changed considerably over the past six to seven years.

Morikawa: What do you think has changed?

Fukutani: Instead of "What shall we do about this problem?" and "Please approve it," more fundamental arguments **based on the so-called purpose, such as "Where should the company go from now on?" and "What are we doing for?", have increased, haven't we?**

Morikawa: I think we are rightly positioned to tackle what kind of business model should we develop to realize our management philosophy, in other words, mission-driven management. We have adopted a holding company structure that does not expand through investment. Rather, we are doing our utmost to increase the potential of each company, and we have set the environment that does not allow for runaway or negligent management.

Human Resources is Essence of Strengthening Governance

Fukutani: What matters do you consider important in order to adhere to the management philosophy at the Board of Directors meeting?

Morikawa: "Human resources" and "Growth investment" have the greatest impact on management, so I often consult with them in order to fulfill our accountability to them. In fact, at the outset, I thought it was the role of the CEO to determine such a focus. Demonstrate leadership, set on a policy, and lead discussions with my own explanation. The most important thing, however, is to decide what should be done, and then decide how to place people. Then backs them up. **I realized that the CEO's role is to continue to communicate that he or she never cease to be committed to support subordinates until they succeed so that they won't discouraged.** The story jumps a little, but at the moment I learned that this is the succession plan. Founders tend to be too influential, and the next person tends to be hard to make. Accordingly, we have decided to adopt the form of a holding company. If there is an environment in which a new business can be launched or spun off, it is possible to develop human resources with the potential as managers while reducing my own areas of responsibility.

Fukutani: You are matured as a director of the board if you think in the form of assignment or authorization of power rather than the role of "I have to be a frontrunner." As the company grows larger in the future, we must consider whether it is good for the current form of a board of directors and what to do with the shareholder part of capital policy.

Morikawa: The Board of Directors has always given me the opportunity to think about what we should be, but I look forward to the evolution of our position that we must constantly change our perspective, saying that "it's not an extension of the present time, and something is different."

Grow Together with a Diverse Range of Stakeholders

Continue to Pursue Growth as Public Entity of Society

Fukutani: Governance does not have a formula or definition. It is where each company will tighten in its respective business environment. You have a soul from the outset and are determined like "I am doing this with my own company," I believe that you should set your own governance objectives based on this as a pillar. In this context, **I believe that your company's greatest strength is its stance of working together to grow the Group's businesses and strengthen governance.**

Morikawa: Recently, I was asked to speak to the people who want to go public, so I talked about a variety of topics. When I was told "What does it mean by going public?" I answered, "Perpetual commitment to growth, that's the only point." I think the biggest difference between listed and unlisted companies is the spread of stakeholders. Considering how to contribute to a diversity of stakeholders, there is no choice but to sustain growth.

Fukutani: Originally, it does not relate to listing or unlisted companies, but listed companies need to give consideration to a diverse range of stakeholders, thereby enhancing their public responsibility. In my hearing today, I was convinced that we will grow together with our stakeholders from the growth of the Group. We will start management with a view to sustainable growth.

Morikawa: Thank you for all the stories. Finally, I would like to hear your expectations for Avant in the future.

Fukutani: The company is still growing, and the CEO, Mr. Morikawa, and all of our employees still have room to grow, so I don't think you will ever feel that it has grown any longer, but I hope you will believe in it and grow steadily. I think you all have the power and potential to do that, so I would like to expect that most.

Morikawa: They are encouraging words. Thank you.



If creative discussions with a wide range of stakeholders are expanded more, it will be positive for society

——— **Tetsuji Morikawa**



Your company's greatest strength is its stance of working together to grow the Group's businesses and strengthen governance

——— **Naohisa Fukutani**

Avant Group's Governance
Leadership

Directors



Tetsuji Morikawa

President
Group CEO

[Status of concurrent position]
President and Representative Director, DIVA Corporation
CEO, DIVA Corporation of America
Outside director, KAYAC Inc.



Naoyoshi Kasuga

Director
Group CFO

[Status of concurrent position]
None



Naohisa Fukutani

Director

Lead outside director | Independent officer

[Status of concurrent position]
Partner, PwC Advisory LLC



Georges Ugeux

Director

Outside director | Independent officer | Foreign nationality

[Status of concurrent position]
Chairman and CEO, Galileo Global Advisors LLC



Jon Robertson

Director

Outside director | Independent officer | Foreign nationality

[Status of concurrent position]
President, VMware K.K.

(Note) In March 2021, Mr. Jon Robertson joined Snowflake Inc. as President, Asia Pacific & Japan.

Auditors



Tsuyoshi Noshiro

Corporate Auditor

[Status of concurrent position]
None



Kunio Suzuki

Outside auditor

[Status of concurrent position]
President, KS Management LLC



Masanori Kobayashi

Outside auditor | Independent officer

[Status of concurrent position]
Principal, Kobayashi Law & Accounting Office

Corporate officers



Takahiro Okabe

President and Representative Director, ZEAL Corporation
Director, DIVA Corporation



Hiroshi Takizawa

President and CEO, Internet Disclosure Co., Ltd.



Hiroki Takemura

Vice President and Representative Director, DIVA Corporation
Director, FIERTE Corporation



Gen Nagata

President and Representative Director, FIERTE Corporation
Director, DIVA Corporation



Teppei Terashima

Director, DIVA Corporation
Director, ZEAL Corporation



Hiroshi Iwasa

Director, DIVA Corporation
Director, ZEAL Corporation



Yoshiyuki Numata

Director, ZEAL Corporation
Director, FIERTE Corporation



Hiroyuki Morita

Director and Business Administration Manager, ZEAL Corporation



Tetsuya Kawamura

Director, FIERTE Corporation



Shuichi Fukayama

Director, FIERTE Corporation



Masaoki Kobayashi

CTO



Tatsuru Nakayama

Auditor, DIVA Corporation
Director, Internet Disclosure Co., Ltd.

Senior advisers



Chieko Matsuda

Doctor of Economics
Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Graduate School of Management
Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University



Jacqueline de Rojas

CBE
President, techUK, Digital Leaders,
Non-executive director, Rightmove plc, Costain Group plc, and FDM plc

Avant Group Philosophy

Avant Group Corporate Philosophy

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

Avant Group Corporate Philosophy

Creating a 100-Year Company ~Go all the way to generate value to society~

Respect for Japanese Culture

We believe that the foundation of our management philosophy, which is based on Japanese culture, is to regard our company as a public organization. Even in a globalized society, we value this management philosophy as a cultural asset and aspire to develop as an organization that exists for the development of society.

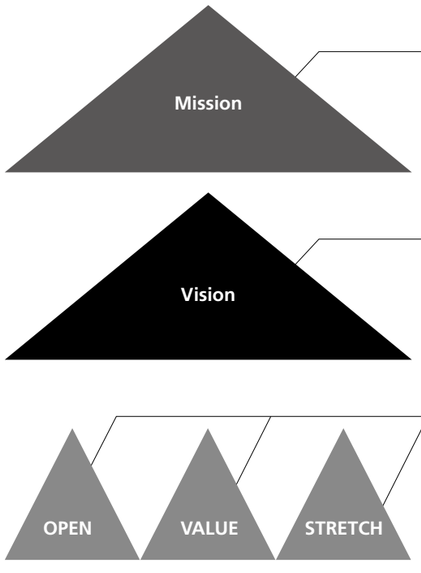
To create a 100-year company that stands for people together with organizations that grow beyond generations

This corporate activity based on Japanese management is described as "the creation of a 100-year company" and it has been our corporate philosophy since our founding. A 100-year company is not merely the existence of a company or brand; it is an organization that goes on to convey the values of a public entity beyond generation and its members are willing to go all the way to generate free and creative value to society. To this end, our group management style encourages the independence of business units and the synergies between them.

Emphasizing Corporate Governance

In managing a group that contributes to the growth of people and organizations, we need to take our governance to a higher level. We value dialog with the full cross-section of our stakeholders and learn from them, and develop our business with an open perspective in order to bring value to society.

Mission, Vision, and Value



Spreading Accountability

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

BE GLOBAL

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

OPEN, VALUE and STRETCH

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

Company Information / Investor Information

Company Information

Company name	AVANT CORPORATION
Founded	May 26, 1997
Address	Shinagawa Intercity Tower B-13F, 2-15-2 Konan, Shinagawa-ku, Tokyo 108-6113, Japan
Employees (consolidated)	1,055 (as of June 2020)
Capital	303,271,382 yen (as of June 2020)
Issued shares outstanding	37,586,982 shares (as of June 2020)
Number of shares per unit	100 shares
Number of shareholders	2,675 (as of June 2020)
Listing	Tokyo Stock Exchange First Section
Stock code	3836
Fiscal year end	June 30
General Meeting of Shareholders	Within 3 months after fiscal year end
Shareholder registry administrator	Sumitomo Mitsui Trust Banking Corporation
Auditor	Deloitte Touche Tohmatsu LLC

Investor Information

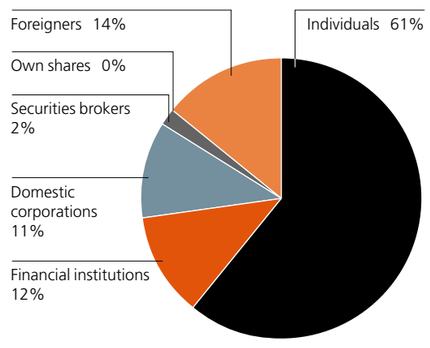
Major Shareholders (top 10)

As of June 30, 2020

Name of Shareholders	Number of shares held	Percentage
Tetsuji Morikawa	9,764,000	25.98
Avant employee stock ownership association	3,195,300	8.50
Japan Trustee Services Bank, Ltd. (trust account)*	2,248,500	5.98
Tsuyoshi Noshiro	1,868,800	4.97
Obic Business Consultants Co., Ltd.	1,600,000	4.26
PCA Corporation	1,556,800	4.14
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	1,426,200	3.79
The Master Trust Bank of Japan, Ltd. (trust account)	983,500	2.62
FCP SEXTANT AUTOUR DU MONDE (Standing proxy: Hong Kong Shanghai Bank, Tokyo Branch)	811,600	2.16
BBH/DESTINATIONS INTERNATIONAL EQUITY FUND/WASATCH ADVISORS (Standing proxy: Sumitomo Mitsui Banking Corporation)	653,640	1.74

* Japan Trustee Services Bank, Ltd. was renamed as Custody Bank of Japan, Ltd. as at July 27, 2020.

Shareholder Distribution by Type



Wasatch Advisors Inc. announced in the Report of Possession of Large Volume published for public inspection as of January 20, 2020, that it owns the following shares as of January 15, 2020. However, as we are not able to confirm the actual number of shares owned as of March 31, 2020, it is not included in the above-mentioned major shareholders. The content of the Report of Possession of Large volume, as amended on December 3, 2020, is as follows.

Name or registration	Address	Shares owned	Percentage held (%)
WASATCH ADVISORS INC	1-4-1 Kasumigaseki, Chiyoda-ku, Tokyo Nittochi Bldg., 4F Blakemore & Mitsuki	2,378,200	6.32

AVANT

https://www.avantcorp.com/en/