

The corporate governance of Avex Inc. (hereinafter “Avex” or the “Company”) is described below:

I. Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters

1. Basic Views Updated

In the Medium-term Management Plan, “avex vision 2027” announced on May 12, 2022, Avex Group defined a new corporate philosophy with the aim of clarifying the purpose of its corporate activities and the significance of its existence in society. The new philosophy is to “Continue to pursue the potential of entertainment. Believe in the infinite creativity of people and deliver a variety of talent and excitement to the world. And create an enriched future.” Based on this corporate philosophy, in order to “Seek to discover and develop “beloved” intellectual property in many different regions and fields,” which is a key strategy under the plan, Avex Group will implement key initiatives such as “Develop proprietary intellectual property that is rich in continuity, while seeking exits by type of culture;” “Improve talent development in line with the distribution market and discover many different kinds of intellectual property;” “Develop festivals and events valuable as intellectual property;” and “Develop and acquire intellectual property for animation and video works that will be loved for a long time.”

To push forward with this Medium-term Management Plan, Avex Group recognizes that it is essential to build a more robust corporate governance framework in order to properly meet the expectations and trust placed in it by its shareholders and all other stakeholders.

Avex Group’s basic philosophy of corporate governance is to build a management framework that provides the functions of accurate managerial decision-making, and prompt and appropriate business execution, and the adequate monitoring of these functions, while at the same time working to maintain and improve corporate ethics.

Avex is a Company with Audit and Supervisory Committee and has an Audit and Supervisory Committee, the majority of which is composed of Independent Outside Directors. By including members of the Audit and Supervisory Committee in its Board of Directors, Avex seeks to ensure the effectiveness of the supervisory function of the Board of Directors and further strengthen the corporate governance framework, and by delegating some of the decision-making authority for business execution of the Board of Directors to Directors, Avex seeks to separate the supervisory function and business execution, with the aim of speeding up management decision-making and increasing the flexibility of business execution.

[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code] Updated

[Supplementary Principle 3-1 (3): Initiatives on Sustainability]

Avex Group engages in sustainability activities through the entertainment business itself. The Group discloses details of its sustainability activities on its homepage. In addition, Avex will continue to identify issues and implement countermeasures and will consider disclosure in line with TCFD.

[Supplementary Principle 4-1 (3): Succession Planning of the CEO, etc.]

Avex transitioned to a management structure led by a new president from 2018. In June 2021, the Company made changes to its executive officer system, actively appointed new human resources to the senior management team and actively focused on the development of next-generation management. Going forward, the Company will evaluate these activities and also supervise the nature of succession planning.

[Supplementary Principle 4-10 (1): Use of Optional Systems]

The Company established a Compensation Committee chaired by an Independent Outside Director and comprising a majority of Independent Outside Directors. The Committee formulates the method for determining executive compensation and verifies the appropriateness of the Company’s executive compensation from an objective viewpoint. The Company will continue considering the establishment of a Nomination Committee and an environment that allows the Company to receive appropriate involvement and advice from the Committee.

[Principle 4-11: Preconditions for Ensuring Effectiveness of the Board of Directors and the Audit and Supervisory Committee]

The Company’s Board of Directors consists of individuals with specialist knowledge and extensive experience of the Company’s business domains and each market and is composed in a way that achieves both the diversity necessary to effectively fulfill its role and responsibilities as the Board of Directors and an appropriate size to enable swift decision-making. The Company will continue to consider the diversity of the board, including in terms of gender and nationality. As Outside Directors who are Audit and Supervisory Board Members, Avex appoints individuals with extensive knowledge of law, finance and accounting. The Company works to improve the effectiveness of the Board of Directors as a whole through the active utilization of Outside Directors and other measures.

[Supplementary Principle 4-11 (3): Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

Avex is a Company with an Audit and Supervisory Committee. The Audit and Supervisory Committee, which meets once a month, in principle, assesses the functioning of the Board of Directors. The Company will continue to consider evaluation of the effectiveness of the Board of Directors as a whole.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code] Updated

[Principle 1-4: Cross-Shareholdings]

The Company currently does not hold any listed shares as cross-shareholdings nor does it plan to do so in the future.

[Principle 1-7: Related Party Transactions]

In accordance with the accounting standards, the Company regularly confirms the existence of related party transactions and the importance of such transactions. Transactions subject to disclosure are disclosed in accordance with laws and regulations. Related party transactions are approved at the meeting of the Board of Directors in accordance with the Board of Directors’ Regulations, and such approvals are reported on a regular basis.

[Supplementary Principle 2-4 (1): Ensuring Diversity at the Company, including the Empowerment of Women]

Avex Group actively promotes both graduate recruitment and mid-career recruitment, regardless of gender and nationality, to ensure diversity and appoints individuals to managerial positions based on their ability. Looking at the Group's recruitment track record, years in which more than half of new graduate hires are women are not uncommon and, at overseas subsidiaries, foreign nationals account for more than 90% of all hires. The Group has formulated an action plan to enable female employees to demonstrate their individuality and fulfil their potential and aims to increase the share of women in management roles, which stood at 15.3% in March 2022, by a further 5% by March 2027. Going forward, the Group will continue to develop a working environment that facilitates employees' active participation regardless of gender, form of employment and working hours.

[Principle 2-6: The Company's Responsibility as Asset Owner of Corporate Pension]

The Company has adopted a defined benefit pension plan, and receives a performance report once a year from the financial institution entrusted with its management. The Company has not established a specialist organization at the present time but those in charge in the HR and accounting departments undergo training delivered by the managing institution to increase their expertise, the two departments have periodical meetings and the Company has established an appropriate monitoring structure including timely reports to management.

[Principle 3-1: Full Disclosure]

(1) Corporate philosophy and management strategy are disclosed in the consolidated financial statements in addition to the Company's website.

(2) Basic views and basic policies of corporate governance are disclosed in the Annual Securities Reports and annual reports, in addition to the Company's website.

(3) The Compensation Committee, a discretionary committee chaired by an independent outside director and a majority of which consists of independent outside directors/Audit and Supervisory Committee Members, defines the content and decision-making process of executive compensation system according to a policy approved as fair and appropriate at the Compensation Committee. The Board of Directors decides the amount of remuneration for officers in accordance with the predetermined executive compensation system and its process.

(4) The Company's basic policy for the appointment of senior management is to appoint individuals who understand its corporate philosophy and have a high level of execution capability to be able realize management strategies. The Company's basic policy on the dismissal of senior management is to dismiss members of the senior management if, objectively speaking, dismissal is judged to be appropriate such as violations of laws and regulations, or the articles of incorporation. Based on the above basic policies and after discussion by the three Representative Directors, the Board of Directors selects candidates for Directors (who are not Audit and Supervisory Board Members) and Directors who are Audit and Supervisory Board Members and appoints and dismisses senior management.

(5) In the Notice of Convocation of Annual General Meeting, the Company discloses the career histories and other details of candidates for Directors (who are not Audit and Supervisory Board Members) and Directors who are Audit and Supervisory Board Members and reasons for the selection of candidates.

[Supplementary Principle 4-1 (1): Scope and Content of the Matters Delegated to the Management]

Matters to be resolved at the Board of Directors are stipulated in the Board of Directors' Regulations. Regulations of administrative authority are set by the Board of Directors and the scope of decision-making is clarified by the decision-making bodies such as the Management Meetings in order to enhance the speed and efficiency of business execution.

[Principle 4-9: Independence Standards and Qualification for Independent Outside Directors]The Company sets forth the Independence Standards as follows.

The Company deems that the outside officer (outside director and outside Audit and Supervisory Committee Member) is independent if he/she does not meet any of the following criteria.

- a. Executive of the Company or its subsidiary (hereinafter the "Group")
- b. Major client or supplier of the Group (client or supplier with annual total amount of transactions exceeding 1% of the Group's consolidated net sales) or an executive thereof, or a party whose major client or supplier is the Group (a party with total amount of transactions exceeding 1% of their consolidated net sales) or an executive thereof
- c. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property (annual total amount of transactions exceeding 10 million yen or 1% of their consolidated net sales, whichever is higher) from the Group besides compensation as director/Audit and Supervisory Committee Member (or a person who belongs to such organization and is directly in charge of the Group if the entity receiving the assets is an organization such as a legal entity or an association)
- d. The major shareholder of the Company (*1) (or an executive of the said major shareholder if the shareholder is a legal entity)
- e. An executive of the Group's major lender (*2)
- f. Those that correspond to any of the items through a. to e. in the recent past
- g. Relatives (spouse or relatives within the second degree of kinship) of those who correspond to any of the items through a. to f. (excluding insignificant persons)

*1: A major shareholder is a shareholder who possesses more than 10% of the voting rights held by all shareholders, under his/her name or other's name.

*2: A major lender is a group of financial institution from which the Group receives loans (those related to the consolidated group to which the actual lender belongs to), where the total amount of loan made by the Group to the said group of financial institution as of the end of the previous fiscal year exceeds 5% of the Group's total consolidated assets.

For the current independent outside directors, the Company has appointed those who are qualified as an accountant or an attorney-at-law, in addition to satisfying the above standards. The Company believes that this will further improve the Company's management and corporate governance system.

[Supplementary Principle 4-11 (2): Status of Concurrent Posts When Executives Assume Executive Posts at Other Listed Companies]

Status of concurrent posts assumed by directors and Audit and Supervisory Committee Members of the Company and status of attendance by outside directors and outside Audit and Supervisory Committee Members at the meetings of the Board of Directors and the Audit and Supervisory Committee are disclosed in the Notice of the Ordinary General Meeting of Shareholders for each fiscal year (business report), Annual Securities Reports, and the Corporate Governance Reports.

[Supplementary Principle 4-14 (2): Training Policy for Directors and Audit and Supervisory Committee Members]

The Company provides information on corporate governance and revision of laws required for directors and Audit and Supervisory Committee Members to serve their duties and responsibilities. Each director and Audit and Supervisory Committee Members shall strive to acquire knowledge and renew such knowledge in a timely manner based on their own decision. The costs associated with such activities may be requested to the Company in accordance with internal regulations.

[Principle 5-1: Policy for Constructive Dialogue with Shareholders]

The Company has developed an IR structure to improve its sustainable growth and corporate value over the medium- to long-term and actively provides opportunities for dialogues with its shareholders and investors to gain their understanding on the management strategies and business performance of the Company. The contents of such dialogues are disclosed in the Corporate Governance Reports.

2. Capital Structure

Foreign Shareholder Ratio	From 20% to less than 30%
---------------------------	---------------------------

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
CyberAgent, Inc.	5,500,000	12.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,538,000	10.08
T'S Capital Ltd.	2,300,000	5.11
Max 2000 Inc.	2,300,000	5.11
3D OPPORTUNITY MASTER FUND	1,361,200	3.02
SMBC Nikko Securities Inc.	1,155,800	2.57
Toshio Kobayashi	1,107,818	2.46
Daiichikosho Co., Ltd.	1,020,000	2.27
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	961,106	2.13
JPMorgan Securities Japan Co., Ltd.	852,359	1.89

Controlling Shareholder (except for Parent Company)	-----
---	-------

Existence of Parent Company	None
-----------------------------	------

Supplementary Explanations Updated

- Treasury stock was not included when calculating the shareholding ratio.
- Representative Director, Chairman Masato Matsuura serves as Representative Director of Max 2000 Inc.
- The Change Report Pertaining to Report of Possession of Large Volume made available for the public to view on December 3, 2020, reports that the total number of shares of the Company held by 3D Investment Partners Pte. Ltd. as of November 26, 2020 was 2,534,100 shares. However, the Company cannot confirm the number of shares that it actually held as of March 31, 2022, and therefore, it is not included in the above list of major shareholders.

3. Corporate Attributes

Listed Stock Exchange and Market Section Updated	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

There are currently no special conditions that may have material impact on corporate governance, since the Company is not owned by any parent, nor does it own any listed subsidiaries.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
-------------------	---

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors/Audit and Supervisory Committee Members	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Keiichi Okubo	Attorney-at-law													
Akihiro Tamaki	Certified Public Accountant													
Yoshihide Sugimoto	Attorney-at-law													

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category; “▲” when a close relative of the director fell under the category in the past

a Executive of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/Audit and Supervisory Committee Member

g Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i Executive of a company, between which and the Company outside directors/Audit and Supervisory Committee Members are mutually appointed (the director/Audit and Supervisory Committee Member himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the director/Audit and Supervisory Committee Member himself/herself only)

k Others

Name	Audit and Supervisory Committee Member	Independent Director/Audit and Supervisory Committee Members	Supplementary Explanation of the Relationship	Reasons for Appointment
Keiichi Okubo	○	○	Attorney-at-law	Keiichi Okubo was appointed as Outside Director (Audit and Supervisory Committee Member) in the expectation that he will provide appropriate advice and oversight over the Company's management utilizing his years of experience and insight in the field of justice. The Company nominated him as Outside Directors because it believes that his independence as Outside Director is considered unquestionable in light of the "Independence Standards for Outside Directors" established by the Company on the grounds that there is no transaction between him and the Company.
Akihiro Tamaki	○	○	U.S. Certified Public Accountant Representative Director, PSY-fa Co., Ltd.	Akihiro Tamaki holds a U.S. CPA certificate and has years of experience in accounting audit and consulting services at major Japanese and American corporations. The Company appointed him as Outside Director (Audit and Supervisory Committee Member) in the expectation that he will provide appropriate advice, supervision, audits and oversight based on his deep insights cultivated through the aforementioned experiences. Although he was employed by Deloitte Touche Tohmatsu LLC (then Deloitte Touche Tohmatsu), which is the Accounting Auditor of the Company, the Company believes that he is fully independent from the management of the Company due to the following reasons: i) He was not engaged in the audit of the Company while he was with Deloitte Touche Tohmatsu. ii) It has been 20 years and 6 months since he left Deloitte Touche Tohmatsu, as of June this year.
Yoshihide Sugimoto	○	○	Attorney-at-law	Yoshihide Sugimoto has great achievements related to corporate legal affairs and compliance as an attorney-at-law, in addition to abundant experience and insight related to protection of overseas contents as an Advisor of Chinese corporations. He was appointed as an Outside Director (Audit and Supervisory Committee Member) in the expectation that he will contribute to the enhancement of the Company's management and governance from an independent standpoint. The Company nominated him as Outside Directors because it believes that his independence as Outside Director is considered unquestionable in light of the "Independence Standards for Outside Directors" established by the Company on the grounds that there is no transaction between him and the Company.

[Audit and Supervisory Committee]

Structure of the Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members (Persons)	Full-time Members (Persons)	Inside Director (Persons)	Outside Directors (Persons)	Chairperson
Audit and Supervisory Committee	4	1	1	3	Inside Director
Existence of Directors and employees to assist the duties of the members of the Audit and Supervisory Committee	Yes				

Matters concerning the independence of said directors and employees from executive directors

The Audit and Supervisory Committee shall appoint staff members in consultation with Directors when it needs to appoint employees to assist it in its duties. Staff who assist the Audit and Supervisory Committee in its duties shall not receive directions and orders from Directors, etc. regarding such assistance, and such staff shall make reports to the Audit and Supervisory Committee on a regular basis or when necessary, and exchange opinions and share information with the committee. The Company shall seek the opinion of the Audit and Supervisory Committee on any performance appraisals, personnel changes or disciplinary action involving such staff.

Cooperation Between the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Office

Reporting directly to the representative director and President, the Internal Affairs Department is responsible for the Company's internal audits. This department is made up of three staff including the department general manager. Department members comprise personnel with experience in business operations including key positions at the Company and Group subsidiaries. The Internal Affairs Department oversees operational audits of the Company and Group subsidiaries. After detailed deliberations with departments responsible for putting in place Avex Group's internal control structure and systems, the Internal Affairs Department checks the status of control for each operation. In the event that an issue is identified, the Department puts forward recommendations for remedial action and improvement while also engaging in the necessary follow-up. Moreover, the Internal Affairs Department exchanges opinions with the accounting auditor on a timely basis and submits reports to the Representative Director and President as well as Audit and Supervisory Committee. In addition to ensuring that information is shared among all relevant parties, the Department is actively engaged in bringing about an early resolution to any issues.

The audits of the Audit and Supervisory Committee are carried out by 1 full-time Audit & Supervisory Committee Member and 3 Outside Audit & Supervisory Committee Members. The full-time Audit and Supervisory Committee Members boasts considerable knowledge in the conduct of business operations having held key management positions at either the Company or its Group subsidiaries as well as the positions of director at Group subsidiaries. Moreover, Audit and Supervisory Board Members consistently attend meetings of the Board of Directors of the Company as well as other important meetings while monitoring management from a fair and objective perspective.

In principle, the Audit and Supervisory Committee meets once a month and also works diligently to enhance auditing operations with the vigorous exchange of information with the accounting auditor.

[Voluntary committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee

Yes

Voluntary Establishment of Committee(s), Composition of Committee Members and Attributes of Committee Chairpersons

	Committee Name	All Committee Members (Persons)	Full-time Members (Persons)	Inside Director (Persons)	Outside Directors (Persons)	Outside Experts (Persons)	Others (Persons)	Chairperson
Voluntary committee corresponding to a Nomination Committee	—	—	—	—	—	—	—	—
Voluntary committee corresponding to a Remuneration Committee	Compensation Committee	3	0	1	2	0	0	Outside Directors

Supplementary Explanations

The Company has positioned executive compensation as a driver to achieve sustained growth that will bring about greater corporate value. For the system to function properly from this perspective, decisions associated with the specific design and operation of the Company's system of executive compensation should take into account objective viewpoints from outside the Company. To this end, Avex has established a 3-person Compensation Committee chaired by an Independent Outside Director and with an additional Independent Outside Director and a Director as members. The Compensation Committee considers the compensation, etc. of individual Directors and reports its findings to the Board of Directors, which then comes to a decision.

[Independent Directors/Audit and Supervisory Committee Members]

Number of Independent Directors/Audit and Supervisory Committee Members

3

Matters Related to Independent Directors/Audit and Supervisory Committee Members

Avex designates all Outside Directors who meet the criteria for independent outside directors as independent outside directors. The Company's basic policy to appoint at least one-third of its directors as independent outside directors.

[Incentives]

Implementation of Measures to Provide Incentives to Directors

Introduction of a Performance-linked Compensation System

Supplementary Explanation Updated

The Company has positioned executive compensation as a driver to achieve sustained growth that will bring about greater corporate value. For the system to function properly from this perspective, decisions associated with the specific design and operation of the Company's system of executive compensation should take into account objective viewpoints from outside the Company. To this end, Avex has adopted a three-person Compensation Committee chaired by an Independent Outside Director and with an additional Independent Outside Director and a Director as members. Decisions made at the Board of Directors are based on the findings of the Compensation Committee.

Avex has set forth the following basic policy regarding executive compensation. (Basic policy for compensation)

- To obtain the clear understanding of shareholders and other stakeholders, and to gain their trust, the Company will emphasize securing a high degree of objectivity and transparency in system design and operation, and will provide sufficient accountability in clearly demonstrating the basis for the amount of remuneration.
- With an emphasis on performance-linked compensation, and by having as our main pillars the principals of shareholder returns and assessment of corporate value, we will strongly advocate the concept of pay for performance.
- Having a grasp of the spirit of our founders, we at Avex have a keen awareness of both sustained and temporary growth.
- Together with the Avex corporate principles and a sufficient understanding of the entertainment industry's business characteristics, the Company will clearly articulate a vision for the organization so as to spark the spirit of challenge in members, and, both in and outside of the Company, appeal to the human talent that could become the leaders that transform and drive forward the ability to invigorate the overall organization.
- Executive compensation will be consistent with the role of strongly leading the transformation and overall optimization of the organization for the realization of business expansion and enhancement of corporate value in the medium and long term.
- We will have consideration for tax efficiencies, to the extent possible, to mitigate cash outflows with deductible expenses. (Compensation structure)

The ratio of performance-linked compensation to total compensation is essentially set at the same rate as the amount of basic remuneration paid at the time that performance is achieved on a medium-term standard basis. Moreover, the potential exists for the ratio to exceed the rate of basic remuneration payment in the event that the strategic targets for the fiscal year ending March 31, 2027 are achieved.

Compensation for non-executive Directors (who are not Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members shall consist of basic remuneration only in light of their role. (System of performance-linked compensation)

An annual bonus is paid to executive directors in line with the consolidated profit attributable to owners of the parent for each business term.

Restricted stock compensation encourages interest sharing with shareholders by inducing the holding of shares during the term of office. There is also the objective for management to gain an awareness for raising corporate value over the medium to long term by using a mechanism, in a uniform way, to lift restrictions on transfers 3 years following delivery of the shares.

PSU are intended to provide management with an incentive to drive growth above the fiscal year ending March 31, 2027 business result targets set out in the Medium-term Management Plan "avex vision 2027" and to further heighten interdependence with shareholder value.

Recipients of Stock Options

Supplementary Explanation

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration

Selected Directors

Supplementary Explanation

For directors who receive, in aggregate, individual annual remuneration of more than ¥100 million, the Company discloses the amount in the Annual Securities Report on an individual basis.

Policy on Determining Compensation Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

Aiming to expand its business through the realization of continuous growth and clarify directors' responsibilities as the business continues to grow, and to provide a stronger incentive for directors to achieve even better business results, Avex Group has decided to increase the ratio of performance-linked compensation to directors. To achieve this, Avex Group has subdivided the remuneration of directors (who are not Audit and Supervisory Committee Members) into basic remuneration as fixed remuneration for all directors (who are not Audit and Supervisory Committee Members), and performance-linked compensation as variable remuneration for executive directors.

By the resolution at Avex Group's 33rd Ordinary General Meeting of Shareholders held on June 26, 2020, the maximum amount of basic remuneration shall be ¥800 million per year (including the maximum amount of ¥20 million per year for outside directors; excluding employee remuneration for directors concurrently serving as employees), and maximum amount of performance-linked compensation shall be within 10% of consolidated net income for the relative fiscal year. It was also resolved that the maximum amount of remuneration, etc. for Directors who are Audit and Supervisory Committee Members would be ¥100 million per year.

It was further resolved, apart from the amount of remuneration, etc. for Directors (who are not Audit and Supervisory Committee Members) approved at said shareholders' meeting, to set the total amount of monetary remuneration receivables to be paid to executive directors as remuneration, etc. related to restricted stock compensation plan within ¥120 million per year, and to set the total amount of monetary remuneration receivables to be paid as remuneration, etc. related to performance share unit plan as well as funds required to pay taxes within an amount obtained by multiplying 700,000 shares by the stock price at the time of delivery.

[System for Supporting Outside Directors]

Although the Company has not appointed staff dedicated to supporting outside directors, appropriate measures have been taken when necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)

Avex has adopted the system of a Company with Audit and Supervisory Committee, and the Audit and Supervisory Committee, which comprises four members including three Outside Directors, audits and supervises the business execution of Directors. The Board of Directors comprises four Directors (who are not Audit and Supervisory Committee Members) and four Directors who are Audit and Supervisory Committee Members and, out of a total of eight Board members, three are Outside Directors, which means that Outside Directors account for more than one-third of the Board of Directors. The Board of Directors meets once a month, as a general rule, to decide on the main issues facing the Company and its Group companies. The Management Meetings, comprised of executive directors, corporate executives and executives and charged with ensuring the control and flexibility of Group management, meets twice a month, as a general rule, to discuss and monitor significant matters related to management and business execution of Avex Group. Further, to ensure proper business operations by Avex Group, the Internal Affairs Department conducts monitoring in the form of operational audits in an effort to maintain and improve Avex Group's governance framework. In addition, with the aim of ensuring the effectiveness and soundness of business operations, Avex Group has established the following corporate governance units.

(Compliance Committee)

The Compliance Committee, which is chaired by an Independent Outside Director and counts lawyers and other outside members among its members, deliberates on the main compliance-related issues facing the Company. The Committee also strives to effect improvements by checking the content of the reports made to the internal Helpline system. Avex's basic policy is that this Committee should be chaired by an Independent Outside Director.

(Compensation Committee)

The Compensation Committee is chaired by an Independent Outside Directors and consists mainly of Independent Outside Directors, who examine the propriety of executive compensation from an objective standpoint.

3. Reasons for Adoption of Current Corporate Governance System

The Company believes that the current corporate governance structure allows it to ensure the control and flexibility of Group management, proper business operations of the Company and its Group companies, and the effectiveness and soundness of business management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling the General Meeting of Shareholders Avoiding the Peak Days	The Company schedules the Ordinary General Meeting of Shareholders for the last Friday of June. Depending on the calendar, the date sometimes falls on a peak day.
Allowing Electronic Exercise of Voting Rights	The Company has allowed the electronic exercise of voting rights through the voting site run by its transfer agent since 2008. The Company has also participated in the Electronic Voting Platform for institutional investors operated by ICJ Incorporated since 2008, providing an environment that ensures institutional investors can exercise their voting rights .
Participation in the Electronic Voting Platform and Other Efforts to Enhance the Environment for the Exercise of Voting Rights by Institutional Investors	The Company adopts the electronic means of exercising voting rights, utilizing the platform for the electronic exercise of voting rights operated by ICJ, Inc. for institutional investors.
Provision of the Convocation Notice (Summary) in English	The Company prepares the convocation notice of the General Meeting of Shareholders (summary) in English, further enhancing the environment for the exercise of voting rights by institutional investors.

2. IR Activities

	Supplementary Explanations	Presentation by Representatives
Preparation and Publication of Disclosure Policies	Avex Group has established a fundamental policy for timely disclosure, and is committed to providing shareholders and other investors with information that is timely and appropriate.	Available
Regular Investor Briefings for Analysts and Institutional Investors	As a rule, briefings for analysts and institutional investors are held in mid-May and mid-November, when the financial results of the fiscal year end (March) and the 2nd quarter (September) are released. Small meetings between the Chairman, President and those responsible for various businesses and analysts and institutional investors are also held as appropriate.	
Regular Investor Briefings for Overseas Investors	Although briefings for overseas investors are not held regularly, overseas briefings are held individually.	None
Posting of IR Materials on the Website	For investors to better understand the current status and management policies of Avex Group, consolidated financial materials, year-end and interim reports, and annual reports are posted on Avex Group's website, alongside with mandatory disclosure materials such as consolidated financial statements and securities reports. URL: https://avex.com/jp/en/	
Establishment of department and/or Manager in Charge of IR	IR staff members are assigned to Corporate Planning, and IR-related operations are carried out mainly by the Corporate Executive, Business Administration and two IR staff members.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities, etc.	All the employees at Avex Group fully understand the compliance policy and tackle the sustainability activities through the entertainment business. The details are published in the company's corporate web site.

IV. Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and the Progress of System Development

The Company develops the policies below (hereinafter the “Internal Control System”), which are prepared based on the Companies Act and the Ordinance for Enforcement of the Companies Act, as a system to ensure that directors of the Company and its subsidiaries are compliant with laws, regulations, and the Articles of Incorporation in the execution of their duties, and that other business operations are properly executed.

1. Systems to ensure that directors, executives, employees, staff of the Company and its Group subsidiaries whose responsibilities are stated in Article 598, Paragraph 1 of the Companies Act, and other equivalent posts (hereinafter “directors and other personnel”) comply with laws, regulations, and the Articles of Incorporation in the execution of their duties

(1) The Company shall establish its compliance policy, and the President of the Company shall persistently remind employees of the Company and its subsidiaries of these rules, in order to ensure business operations comply with laws, regulations, and social ethics.

(2) The Company shall appoint a director in charge of compliance-related matters, so as to develop the Company’s overall compliance system, as well as to identify and solve any issues arising from it.

(3) The Company shall establish a Compliance Committee which investigates and discusses any important issues regarding compliance in the Company and its Group subsidiaries. The Committee shall then seek for solutions and report the results to the Board of Directors.

(4) Directors shall immediately report any compliance issues to the Compliance Committee, had they discovered any. The Committee shall investigate the reported issue, decide on a set of prevention measures, and employ them within Avex Group.

(5) The Company and its Group subsidiaries shall establish an independent Internal Affairs Department from its department responsible for business operations, in order to monitor the Company and its Group subsidiaries, in terms of their compliance with laws and regulations, and report these results to the President and the Audit and Supervisory Committee.

(6) In order to detect violations of laws, regulations, and internal regulations in the Company and its Group subsidiaries, as well as problems arising in the Company, the Company shall establish a helpline separate from the usual line for business reporting, and make it known to all employees of the Company and its Group subsidiaries. In addition, information obtained via the helpline shall be reported to director in charge of compliance-related matters and the Compliance Committee, as well as shared with Audit and Supervisory Committee Members of the Company.

(7) Based on its compliance policy, the Company upholds the basic policy of eliminating any relationship with anti-social forces and organizations. The Company, as an organization, shall adopt a resolute attitude, however unreasonable the demands and however strong the pressure.

(8) The Company shall work to build and employ an internal control system for financial reporting, so as to ensure credibility of the reporting.

2. Systems concerning storage and management of information on the execution of duties by directors

(1) The President shall appoint from among the directors a person in charge of the Company’s storage and management of information on the execution of duties by directors. Information on business operations shall be then recorded and stored as documents or in electromagnetic mediums (hereinafter “documents and others”) in accordance with document management regulations and information security regulations.

(2) Directors may regularly browse the aforementioned documents and others.

3. Internal regulations and other systems concerning risks of loss in the Company and its Group subsidiaries

(1) As stated in the internal regulations, the Company shall increase the transparency of its risk management system by specifying divisions bearing executive responsibility for risks within the Company, and appointing directors with responsibility for risk control to manage the comprehensive risks that face Avex Group as a whole.

(2) Under the risk management system, the Company shall identify and evaluate risks according to their importance and the nature of the Company’s business, and implement suitable preventive measures. Company shall also establish a system that is capable of responding to various risk-related issues promptly and appropriately, should a risk materialize.

(3) The Company’s Internal Affairs Department shall audit the quality of risk management of the Company and its Group subsidiaries, and report the results to the President, and the Audit and Supervisory Committee. The President shall deliberate and decide on a set of preventive measures based on the results

4. Systems to ensure the efficient execution of duties by directors and other personnel of the Company and its Group subsidiaries

(1) As stated in the regulations of administrative authority, the Company shall establish a system in which the administrative authority and decision-making regulations of the Company and its Group subsidiaries are clarified, in order for directors to carry out their duties appropriately and effectively.

(2) The Board of Directors shall set the annual performance target and budget, and fully utilize IT equipment to manage business results. The Board shall also distribute human resources of the Company and its Group subsidiaries so as to achieve optimum effectiveness.

5. Systems to ensure the appropriateness of business operations in the corporate group consisting of the Company and its Group subsidiaries

(1) Aiming to establish an internal control system for the Company and its Group subsidiaries as a whole, the Company shall set up a unit in charge of internal control, and implement a system which ensures the efficiency of meetings on related matters in the Company and its Group subsidiaries, the sharing of information, the transmission of instructions and requests, etc.

(2) As the persons in charge of their respective internal control systems, the Presidents of the Company and its Group subsidiaries have the authority and are responsible for upholding and utilizing the internal control systems, ensuring the proper execution of duties in their respective companies.

(3) The Internal Affairs Department audits the internal operations of the Company and its Group subsidiaries, reports the results to the persons in charge of the respective internal control systems at the Company and its Group subsidiaries and provides them with guidance on remedial measures for internal control as well as support and advice on their implementation.

(4) In order to confirm information such as the status of operations in the Company and its Group subsidiaries, a report meeting shall be established. The report meetings shall be organized regularly, monitoring the quality of reports relating to business operations and the execution of duties by directors and other personnel of Avex Group subsidiaries, encouraging the sharing of information, as well as the efficiency and appropriateness of business operations.

6. Matters concerning employees assigned to assist the Audit and Supervisory Committee Members in their duties, effectiveness of instructions to said employees, and the independence of said employees from directors

(1) The Company shall appoint full-time assistants to the Audit and Supervisory Committee at a director’s approval, should the Audit and Supervisory Committee requests the appointment of employees to assist with their duties. These assistants shall not be under the orders of directors and other personnel regarding their responsibilities, and shall report to their respective Audit and Supervisory Committee regularly or upon request, as well as exchange opinions and information.

(2) The Audit and Supervisory Committee shall be consulted regarding selection, change, or disciplinary measures in the operations of these assistants.

7. System for Reporting by Directors (Excluding Directors are Audit and Supervisory Committee Members) and Employees of the Company and each Group Company to the Audit and Supervisory Committee, and Other Systems Concerning Reporting to the Audit and Supervisory Committee

(1) Executives and employees must report immediately to the Audit and Supervisory Committee should they discover or receive reports of any information that threatens to violate any major laws, regulations or the Articles of Incorporation, or that may jeopardize the Company and its Group subsidiaries.

(2) Executives and employees shall call a meeting at the orders of the Audit and Supervisory Committee, exchange information, and report on significant matters such as the status of the execution of their duties.

(3) As stated in the internal audit regulations, employees of the Internal Affairs Department shall establish a system in which internal audit results can be immediately reported to the Audit and Supervisory Committee.

8. Systems to prevent employees from being subject to unfair treatment as a result of their reporting to the Audit and Supervisory Committee of information that threatens to violate any major laws, regulations or the Articles of Incorporation, or that may jeopardize the Company and its Group subsidiaries

Executives and employees of the Company and its Group subsidiaries shall not be subject to unfair treatment such as dismissal, demotion, or pay cuts, as a result of their reporting to the Audit and Supervisory Committee.

9. Matters concerning procedures for advance payment or reimbursement of expenses incurred in connection with the execution of duties of the Audit and Supervisory Committee, or other expenses or obligations resulting from the execution of the aforementioned duties

With respect to transactions relating to the execution of duties of the Audit and Supervisory Committee, the Company shall respond to requests for advance payment of expenses, paid expenses, and payment of any obligation incurred to the creditor (excluding situations in which it is proved that said expenses or obligations are not necessary for the execution of the Audit and Supervisory Committee's duties).

10. Other systems to ensure the effectiveness of audits by the Audit and Supervisory Committee

(1) The Audit and Supervisory Committee Members may attend important meetings, such as that of the Board of Directors, and state their opinions.

(2) The Audit and Supervisory Committee shall receive reports from accounting auditors, regularly or when necessary, and may exchange opinions and information with them.

(3) The Audit and Supervisory Committee may consult outside experts when needed.

(4) The Audit and Supervisory Committee may browse the internal information system at any time.

2. Basic Views on Eliminating Anti-Social Forces

Based on its compliance policy, the Company upholds the basic policy of eliminating any relationship with anti-social forces and organizations. The Company, as an organization, shall adopt a resolute attitude, however unreasonable the demands and however strong the pressure.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation

2. Other Matters concerning the Corporate Governance System

Not applicable.

<<Structure of Internal System Concerning Timely Disclosure>>

