

3836 TSE Prime

# Avant Group Corporation

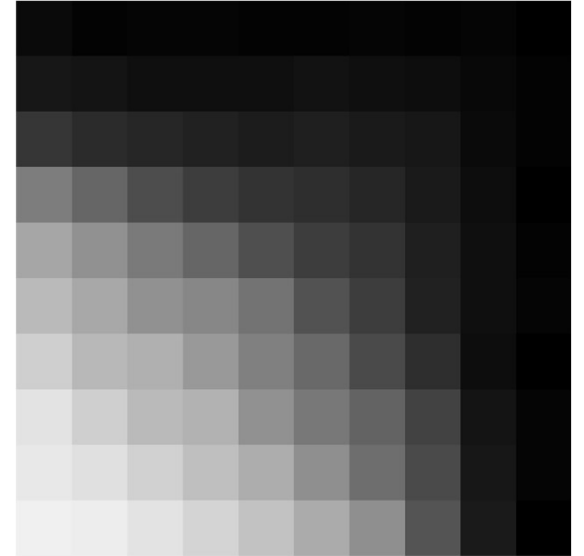
Financial Results Briefing  
for the first quarter of Fiscal Year June 2024

October 31, 2023

AVANT GROUP

AVANT GROUP CORPORATION

[www.avantgroup.com](http://www.avantgroup.com)



# Executive Summary

## ■ Summary of financial results for the first quarter of FY June 2024

- Net sales increased by 12.3% year-on-year to ¥ 5,646 million, as the significant growth of the Digital Transformation Promotion business contributed to the increase in sales.
- Operating profit increased by 10.8% year-on-year to ¥ 681 million, mainly due to a decrease in one-off costs incurred in the previous year as a result of the Group's reorganisation and the effect of increased revenues from the digital transformation promotion business, despite an increase in fixed personnel costs due to an increase in headcount and a continued high level of subcontract processing costs in response to an increase in orders.
- The previous method of classifying business segments was reviewed, the reportable segments were changed from "Group Governance Business", "Digital Transformation Promotion Business" and "Outsourcing Business" to, the new reportable segments are "Consolidated Financial Disclosure Business", "Digital Transformation Promotion Business" and "Management Solutions Business".

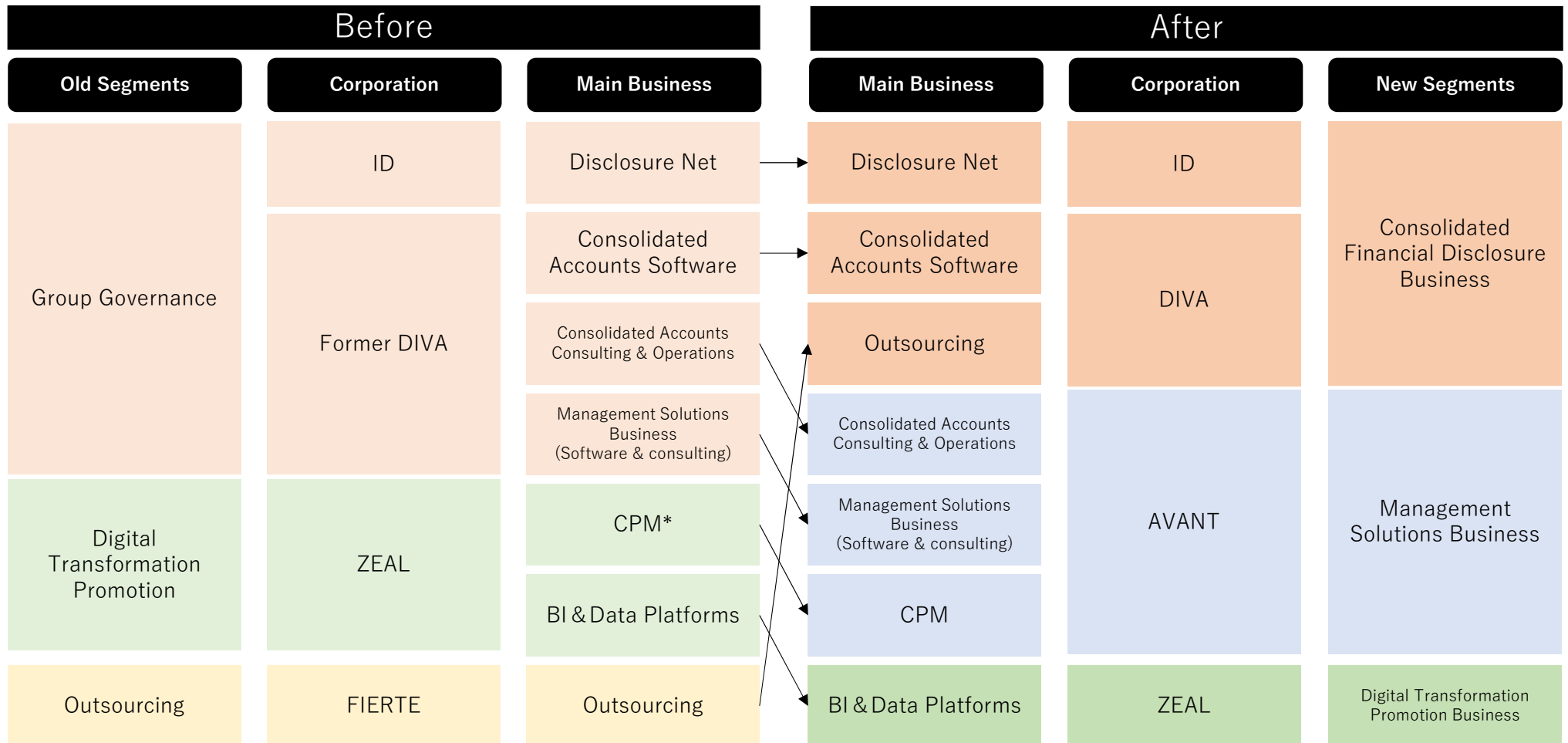
## ■ Earnings and Dividend Forecasts

- No changes are made to the forecast for the current financial year, which is expected to achieve sales of ¥ 24,000 million and operating profit of ¥ 3,850 million.
- The year-end dividend per share for FY2024 is expected to be 19 yen per share, with the aim of achieving the 8% ratio of dividends to net assets, which is the target for the period of the new medium-term management plan.

## ■ 'BE GLOBAL 2028' Actions to realise

- DIVA releases TRINITY BOARD (alpha version) to promote DX for Japanese boards of directors.
- DIVA and Ernst & Young ShinNihon LLC commercialise a jointly developed solution to improve efficiency in handling consolidated audits.
- AVANT updates its business management system AVANT Cruise. Standard package functionality for performance management (budget, actual and forecast)

# 【Reference】 Segment Reorganization



※CPM : Corporate Performance Management

## 【Reference】 New business segments

### 「Consolidated Financial Disclosure Business」

In addition to the development and maintenance of our own packaged software "DivaSystem" for consolidated management support and consolidated accounting, we also provide outsourcing of consolidated and non-consolidated financial statements using this software, supporting value creation through corporate information disclosure. As for our position within our group, we aim to establish a business model that combines the software business and outsourcing business.

The consolidated financial statement disclosure service also includes an information search service for disclosure documents provided by Internet Disclosure Co., Ltd. primarily for auditing firms.

### 「Digital Transformation Promotion Business」

Through consulting and system development, we provide AI and BI solutions that analyze, predict, and visualize data from a data platform that utilizes all kinds of data surrounding companies, and support companies in promoting digital transformation and data-driven management. From major cloud vendors to multi-cloud compatible software, you will learn about the latest information utilization methods and generation AI specializing in data utilization, as well as train engineers and develop your own data utilization platform products. We also aim to expand our group's products.

### 「Management Solutions Business」

Focusing on group management, consolidated accounting, and business management, we aim to visualize and maximize a company's "invisible value," and provide one-stop support from consulting to system planning, construction, implementation, operation, and maintenance. In addition to in-house development, it is also possible to develop in combination with software developed by other companies. In this segment, we will continue to create solutions that make the most of the group's assets and provide solutions that provide management information that will improve corporate value.

# INDEX

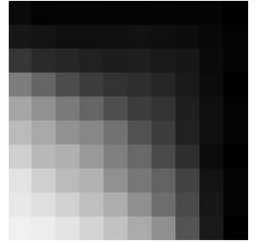
I . Summary of financial results for the first quarter of FY June 2024

II . Earnings and Dividend Forecast

III . 'BE GLOBAL 2028' Actions to realise

\* Figures in this presentation are rounded down to the unit of display.

The information contained in this material regarding the business outlook and other forecasts and strategies etc. are forward-looking statements and are determined within the range that could normally be predicted based on the information reasonably available to the Company at the time of preparation of this material. Investors should be aware of the risks, however, that actual results may differ from the business prospects described in the material due to the occurrence of extraordinary circumstances that cannot usually be predicted or the occurrence of results that cannot usually be predicted. The Company will proactively disclose information that is considered material to investors, but investors should be advised not to make judgment based entirely on only the business prospects described in this material. This material should not be copied or transferred for any purpose without permission of the Company.



# I. Summary of financial results for the first quarter of FY June 2024

# Results Highlights

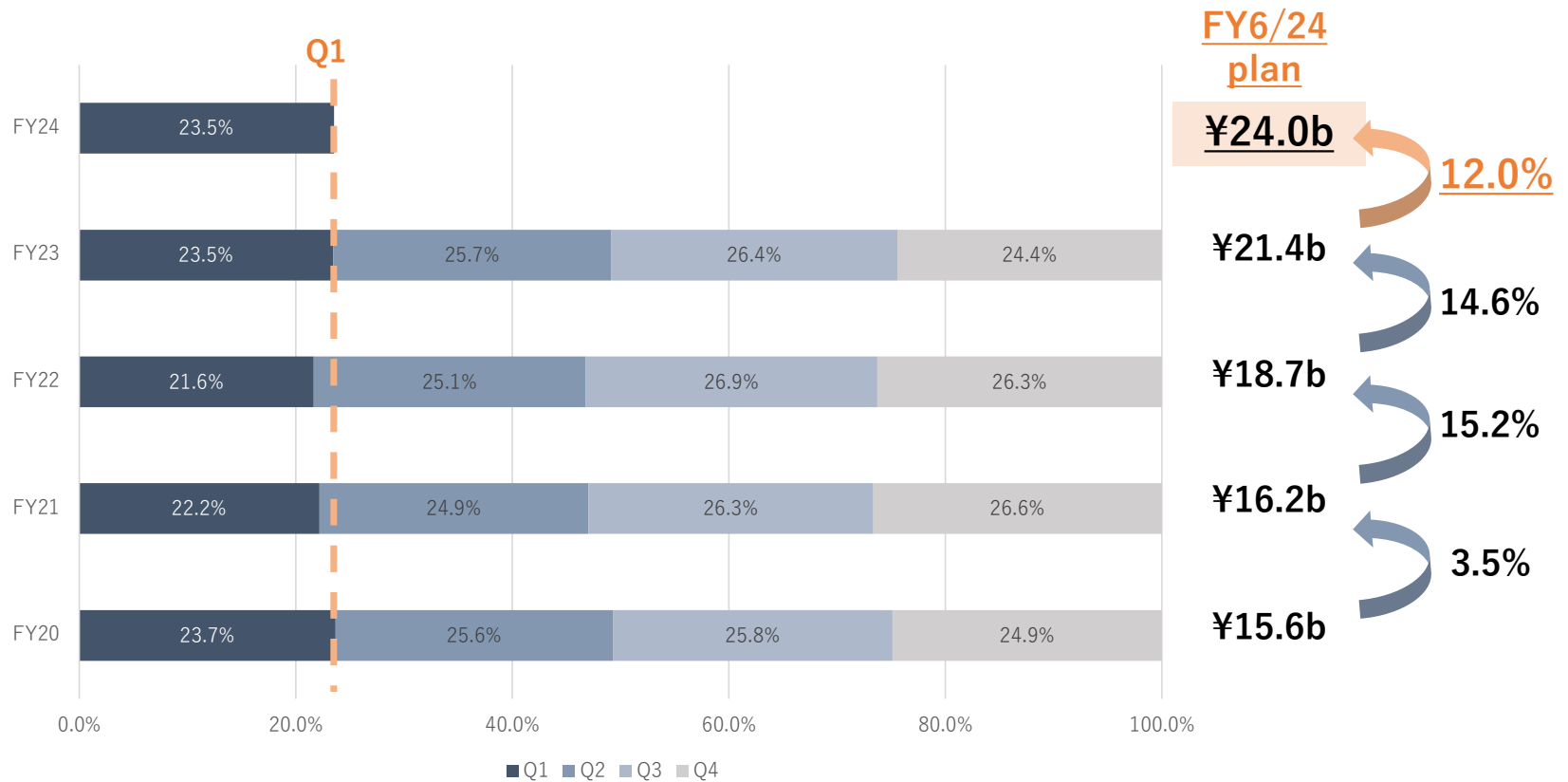
- Net sales increased 12.3% year on year to 5,646 million yen, as the digital transformation promotion business contributed significantly to the increase in sales.
- Fixed personnel costs increased due to an increase in the number of employees, and outsourcing costs remained at a high level due to an increase in orders. On the other hand, one-time expenses associated with group reorganization in the previous fiscal year decreased, and net sales of the digital transformation promotion business increased. As a result, sales amounted to 681 million yen (10.8% increase compared to the same period last year).

(millions of yen)

	FY6/24 Q1	YoY Variance	
		Yr earlier	% chg
Net Sales	5,646	5,025	12.3%
Cost of Sales	3,273	2,776	17.9%
Gross Profit	2,373	2,249	5.5%
GPM	42.0%	44.8%	▲2.7pt
SG&A	1,692	1,634	3.5%
Operating Income	681	614	10.8%
OPM	12.1%	12.2%	▲0.2pt
Net Income	482	370	30.2%
NPM	8.6%	7.4%	1.2pt
EBITDA	798	709	12.5%
EBITDA margin	14.1%	14.1%	0.0pt

# Progress to Full-Year Sales Targets

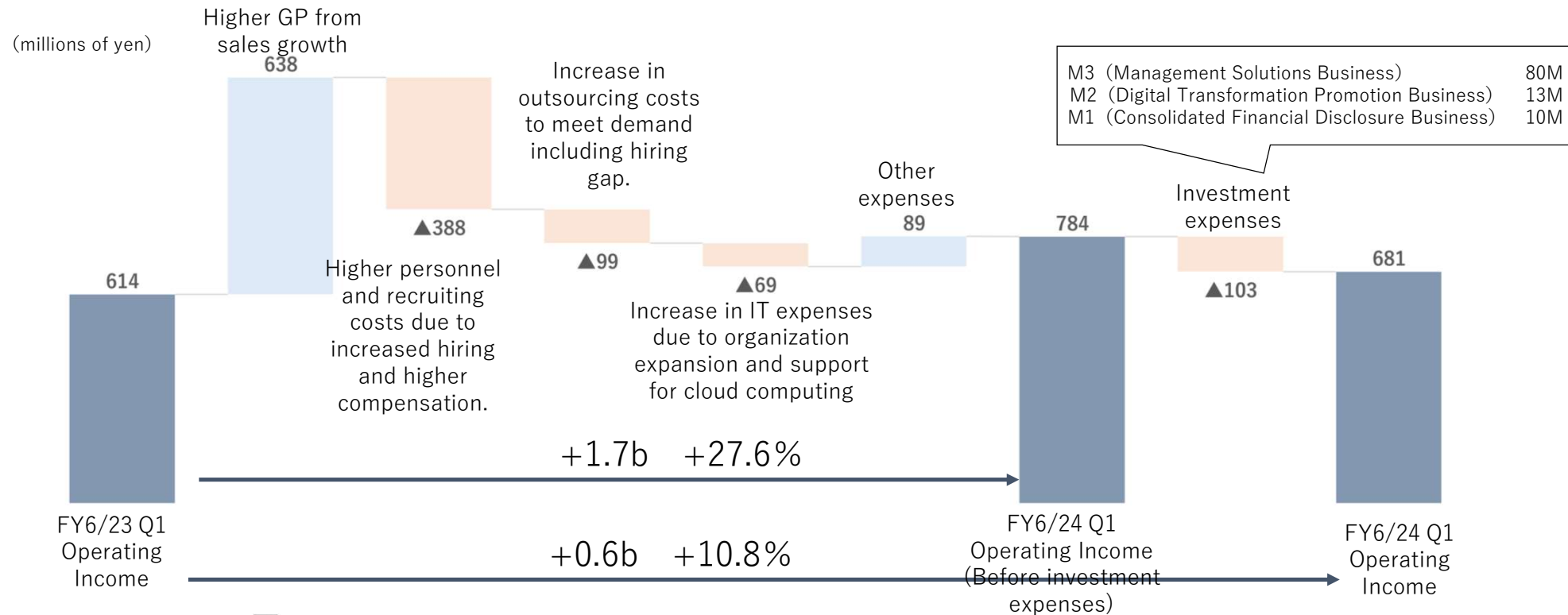
- FY6/24 Q1 cumulative sales reached 23.5% of the full-year plan, which is a high progress rate compared to the last 3 years.





# FY6/24 Q1 Operating Income Bridge (YoY)

- Although profits increased due to the effect of increased sales, the rate of increase in recruitment costs and IT costs due to business expansion exceeded the rate of increase in sales. Other expenses decreased due to a decrease in structural reform costs incurred in the previous fiscal year.
- Investment expenses to realize the software-driven strategy were approximately 100 million yen.



## Results by Business Segment

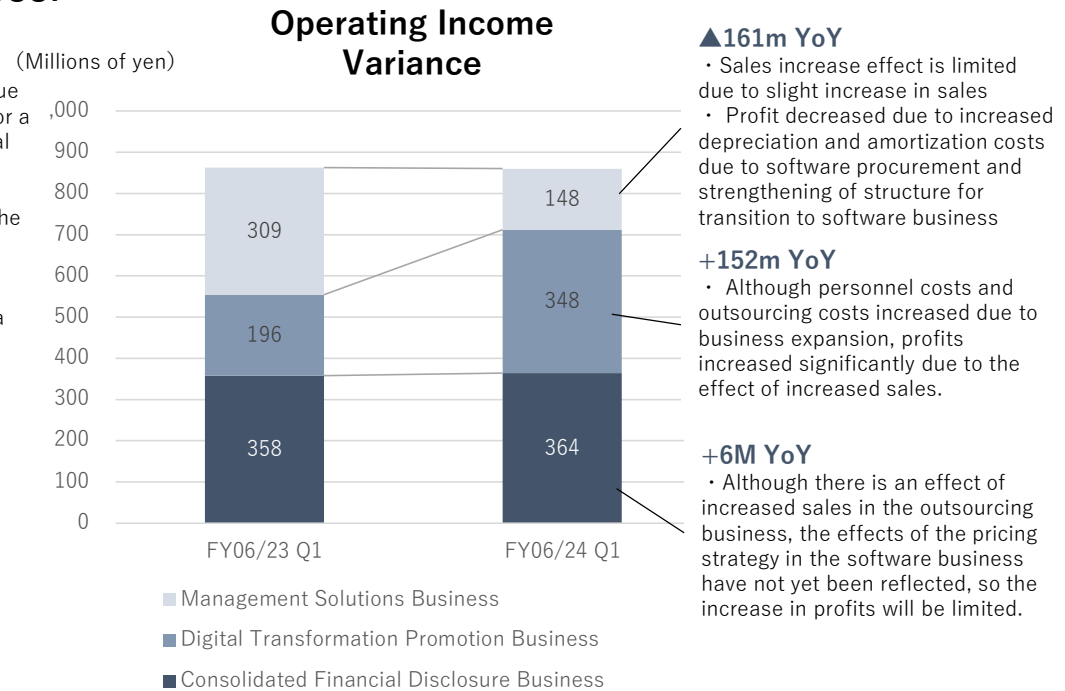
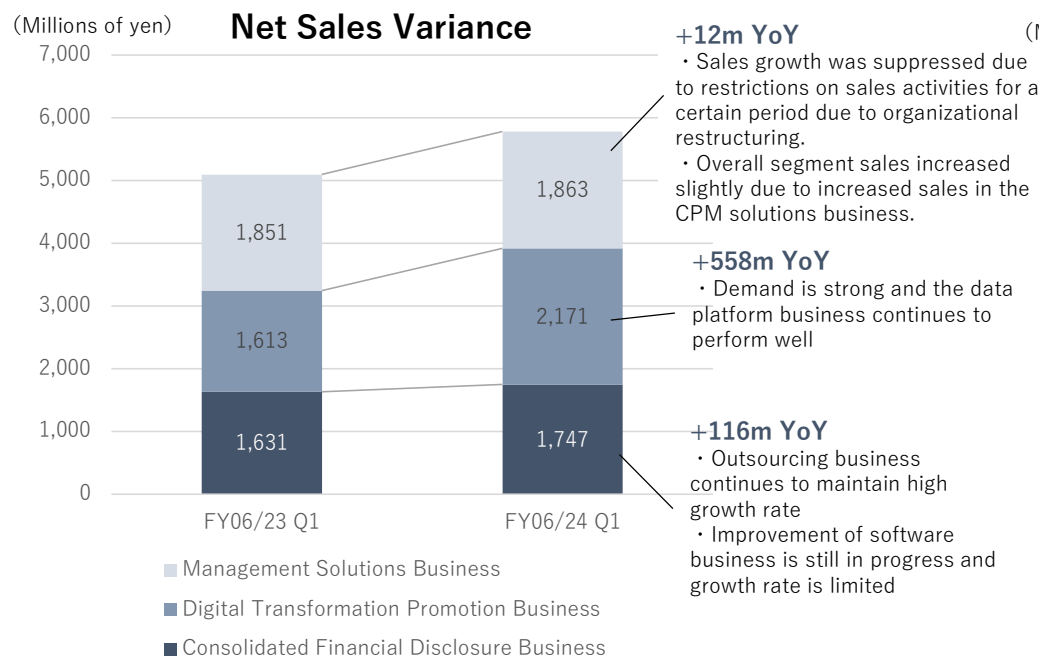
- Although sales increased in all segments, the digital transformation promotion business was the overall driver.
- Regarding operating income, profits increased in the digital transformation promotion business and consolidated financial results disclosure business, but profits decreased in the business management solutions business.
- Orders and order backlog increased year on year in all segments

(millions of yen)

		FY6/24 Q1	YoY Variance	
			Yr earlier	% chg
Consolidated Financial Disclosure Business	Net Sales	1,747	1,631	7.1%
	Operating Income	364	358	1.7%
	OPM	20.8%	22.0%	▲1.1pt
	Orders	1,821	1,697	7.3%
	Order Backlog	4,023	3,482	15.5%
Digital Transformation Promotion Business	Net Sales	2,171	1,613	34.6%
	Operating Income	348	196	76.9%
	OPM	16.0%	12.2%	3.8pt
	Orders	2,026	1,676	20.9%
	Order Backlog	1,560	1,121	39.2%
Management Solutions Business	Net Sales	1,863	1,851	0.6%
	Operating Income	148	309	▲52.0%
	OPM	8.0%	16.7%	▲8.7pt
	Orders	1,623	1,492	8.7%
	Order Backlog	2,873	2,638	8.9%

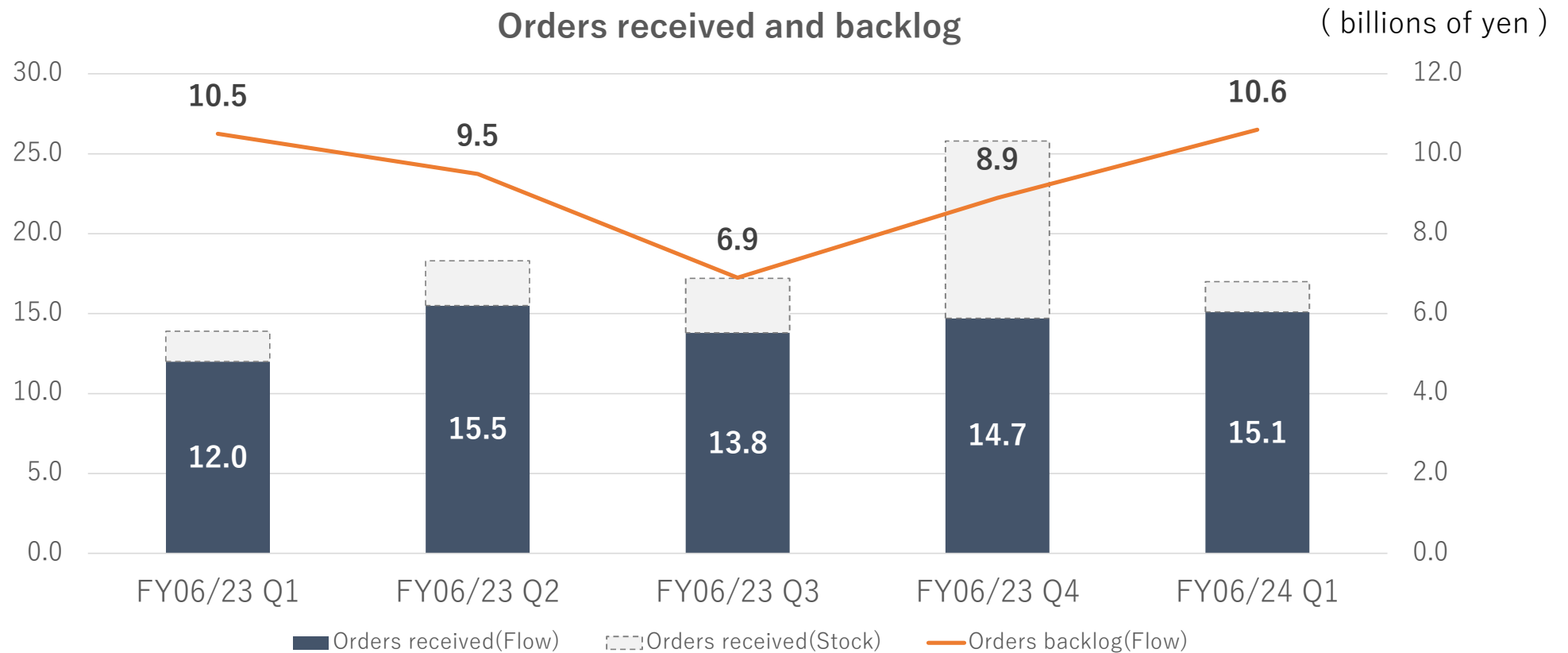
# Results by Business Segment (Factors)

- The digital transformation promotion business drove the increase in profits due to the effect of increased sales. In the consolidated financial disclosure business, sales increased due to strong outsourcing business, but profit increase is limited as software business is still improving. In the business management solutions business, sales growth was limited due to restrictions on sales activities for a certain period of time due to business restructuring, and profits decreased due to investments aimed at shifting to the software business.



# Results by Business Segment (Business management solutions)

- Until now, business activities have been restricted for a certain period due to business restructuring, but trends in flow orders and order backlog excluding stock orders are on a recovery trend.



# Group Cost Structure

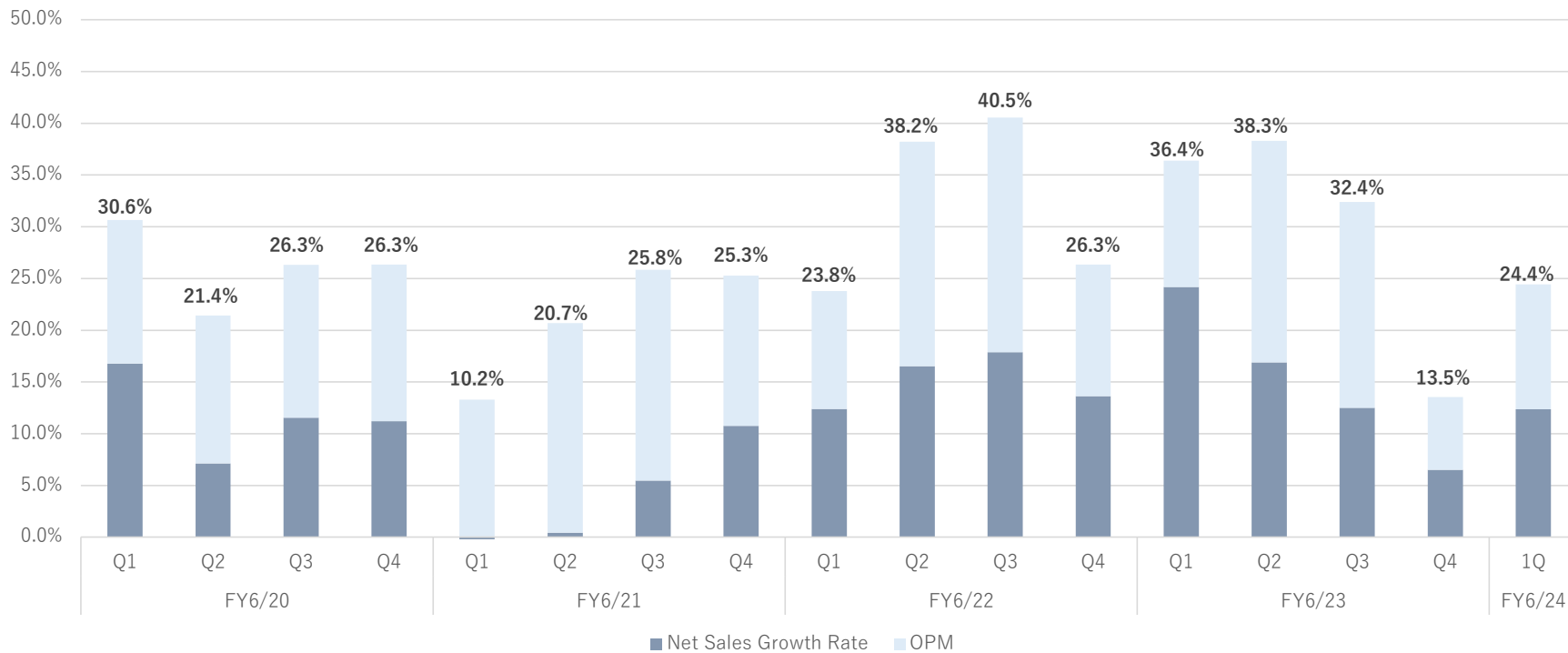
- Recruitment costs are increasing due to active recruitment activities, but outsourcing costs are increasing due to the gap between demand and the number of employees alone.
- IT costs increased due to increased headcount and support for cloud computing (for customers and internal environment).
- Other costs decreased due to lower restructuring costs incurred in the previous year.

(millions of yen)

	FY6/24 Q1	YoY Variance	
		Yr earlier	% chg
Net Sales	5,646	5,025	12.3%
Personnel expenses	2,883	2,518	14.5%
Recruitment expenses	130	90	44.7%
Outsourcing expenses	1,025	862	18.9%
IT expenses	314	221	41.9%
Office expenses	211	221	▲4.7%
Other expenses	399	496	▲19.5%
Total expenses	4,965	4,411	12.6%
Operating Income	681	614	10.8%
OPM	12.1%	12.2%	▲0.2pt

# Quarterly GPP (Net Sales Growth + OPM) Trends

- Although the GPP declined in the immediately preceding quarter, it is on an upward trend again in the first quarter of the current financial year due to the recovery of the sales growth rate.



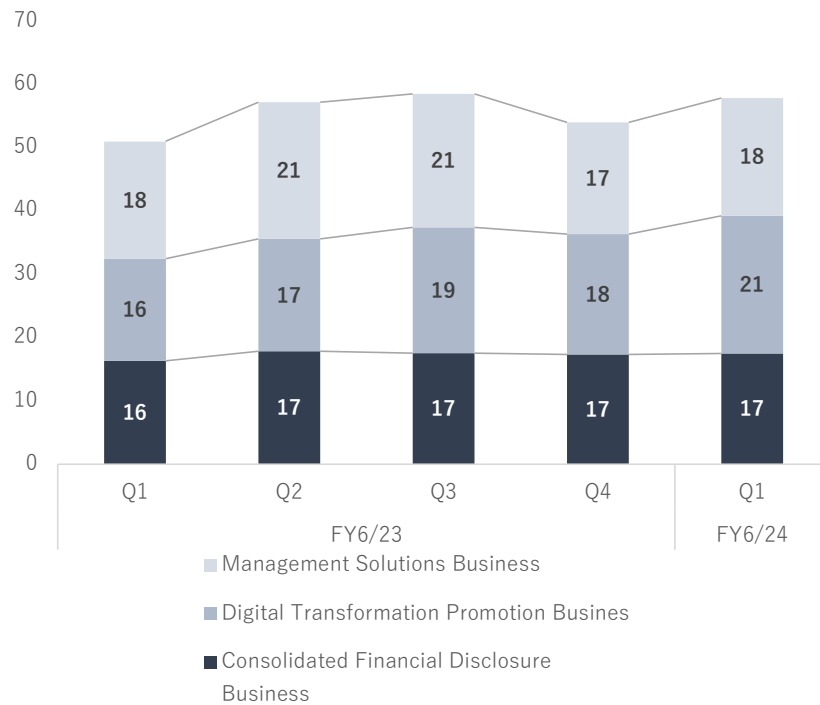
Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.

# Quarterly Net Sales by Segment

- Transient effects of business restructuring have been seen in the 4Q of the previous year and 1Q of the current year in Business Management Solutions, but profitability tends to increase in the 2Q and 3Q.

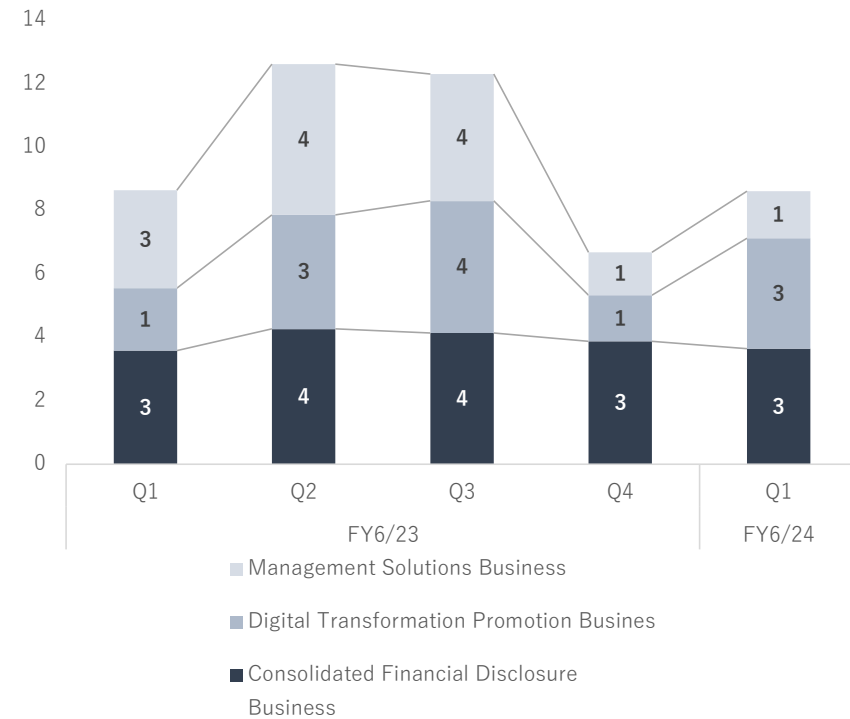
( billions of yen )

### Net Sales



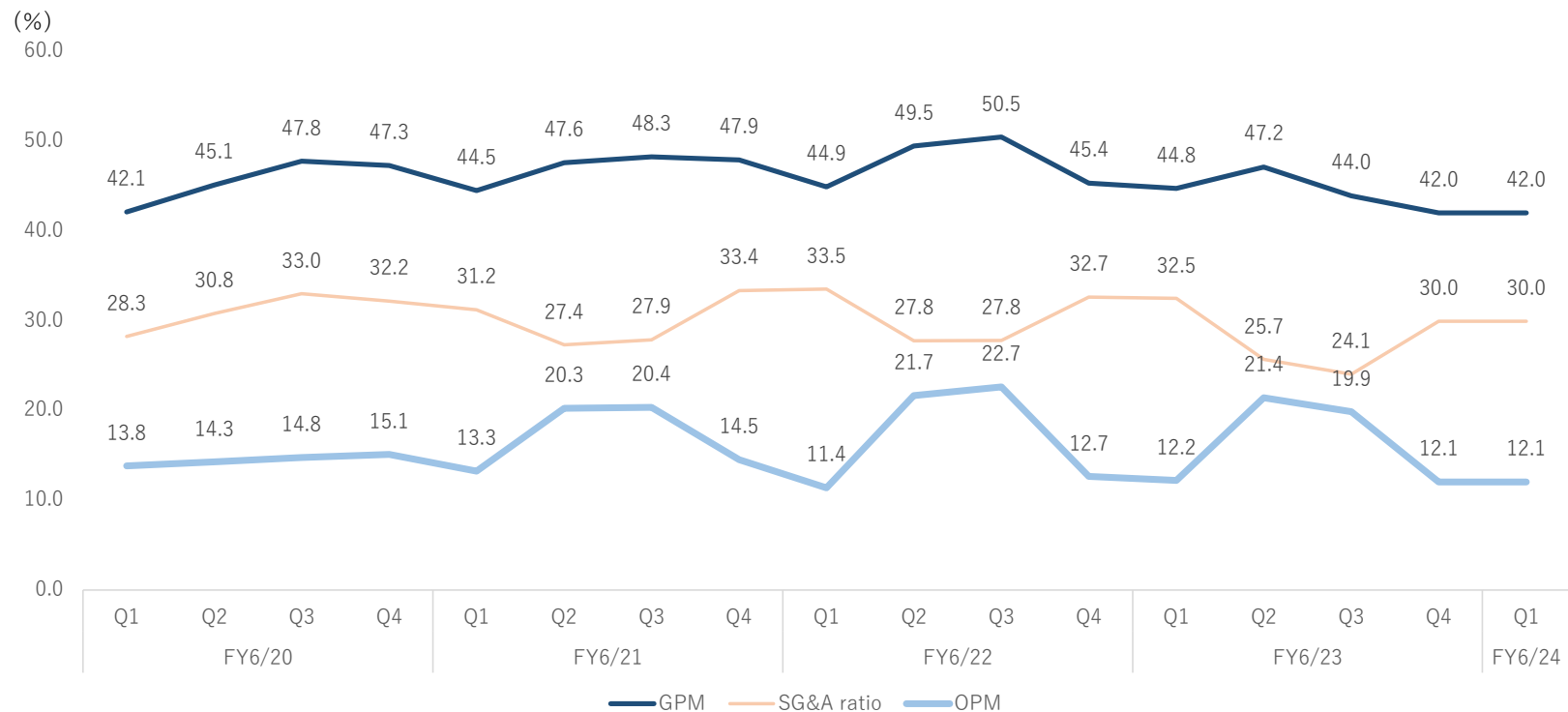
( billions of yen )

### Operating Income



# Quarterly Margin Trends

- Although the gross profit margin declined in the 4Q of the previous year, partly due to the impact of certain restrictions on sales activities related to business management solutions as a result of business restructuring, sales increased in the 1Q of the current year and the gross profit margin is on the road to recovery. As a result, the operating profit margin was at the same level as in the previous year.

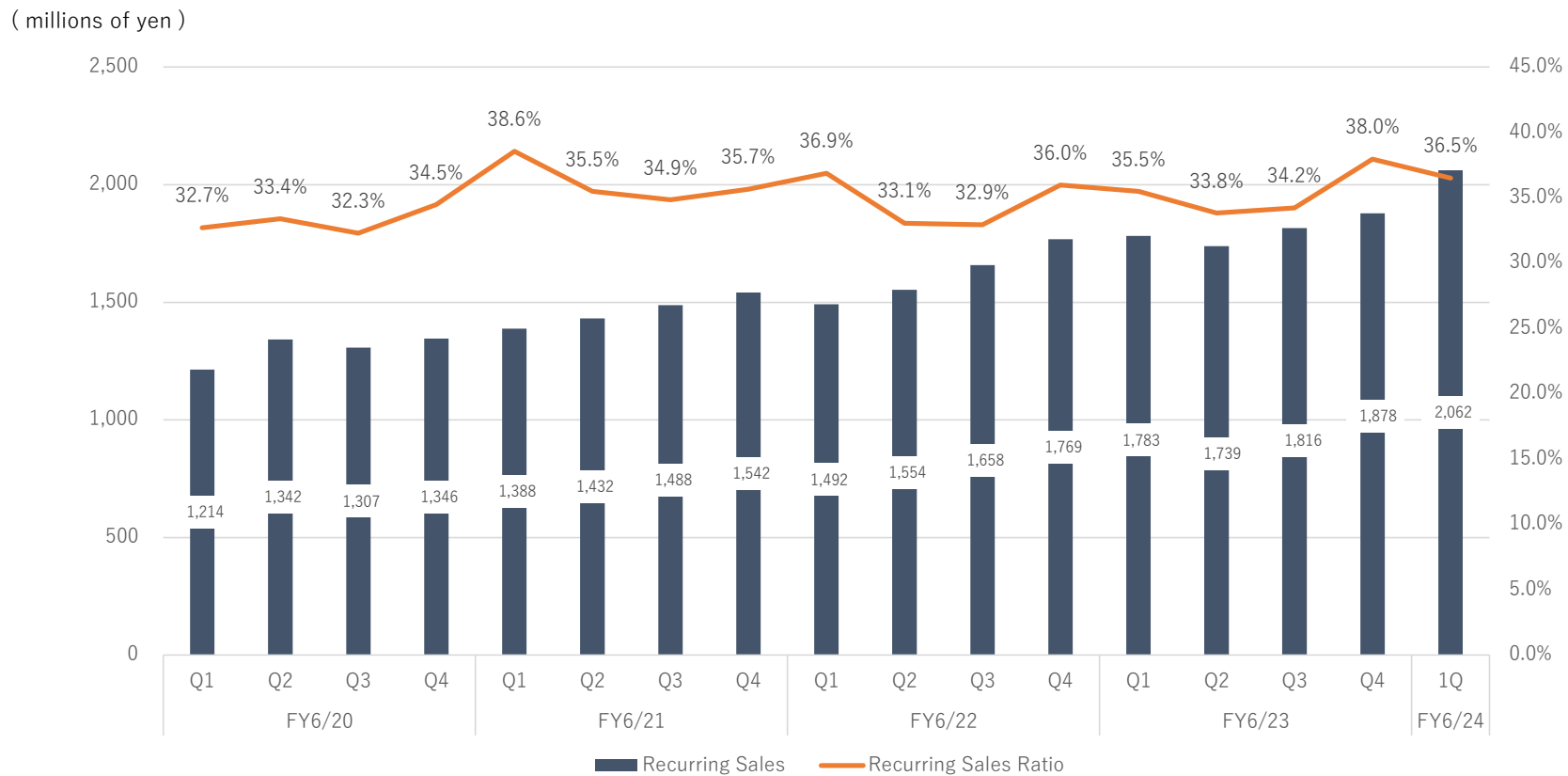


Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.



# Quarterly Recurring Sales and Recurring Sales Ratio

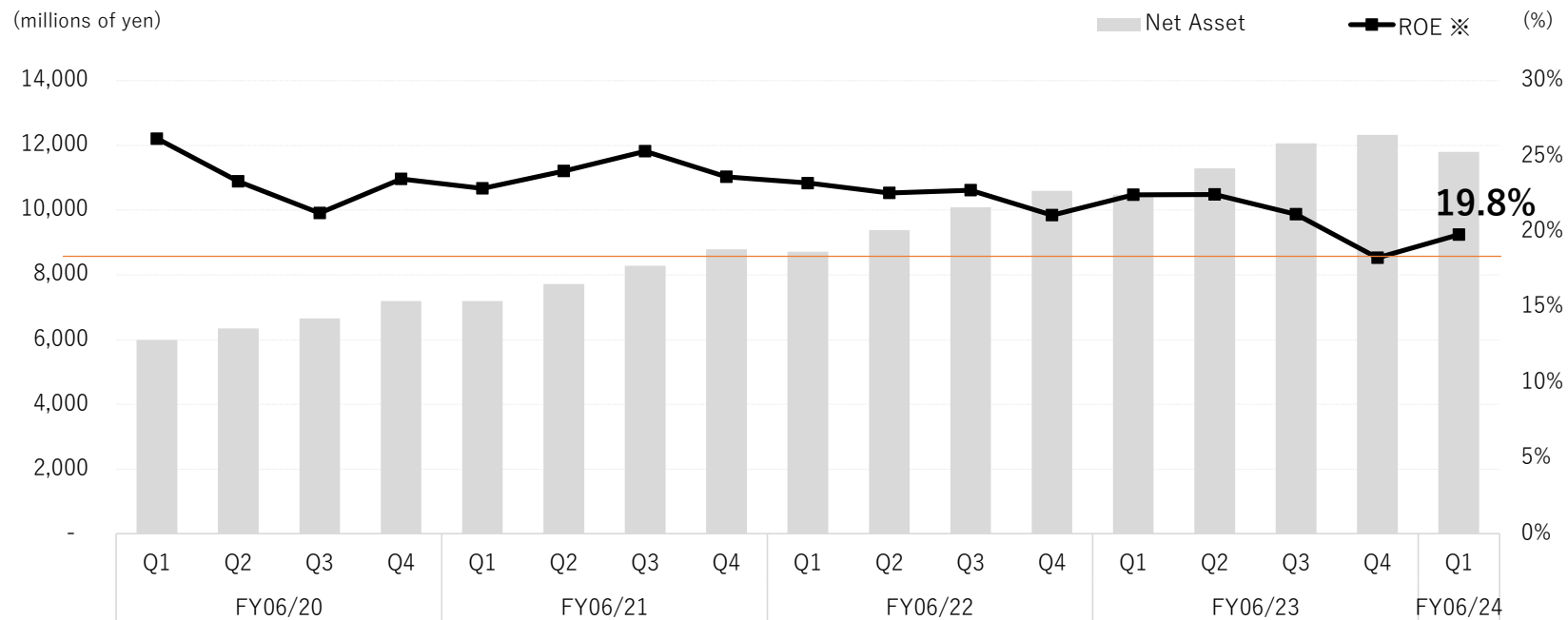
■ The ratio of stock sales is increasing, and the absolute amount of stock sales is steadily increasing



Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.

# ROE Trends

- ROE\* has recently been on a downward trend due to the impact of the build-up of net assets, but improved in the 1Q of the current year due to dividend payments and share buy-backs.
- We aim to maintain an average of at least 20% through adherence to the Group's management principles, by further enhancing profitability and managing assets more efficiently.

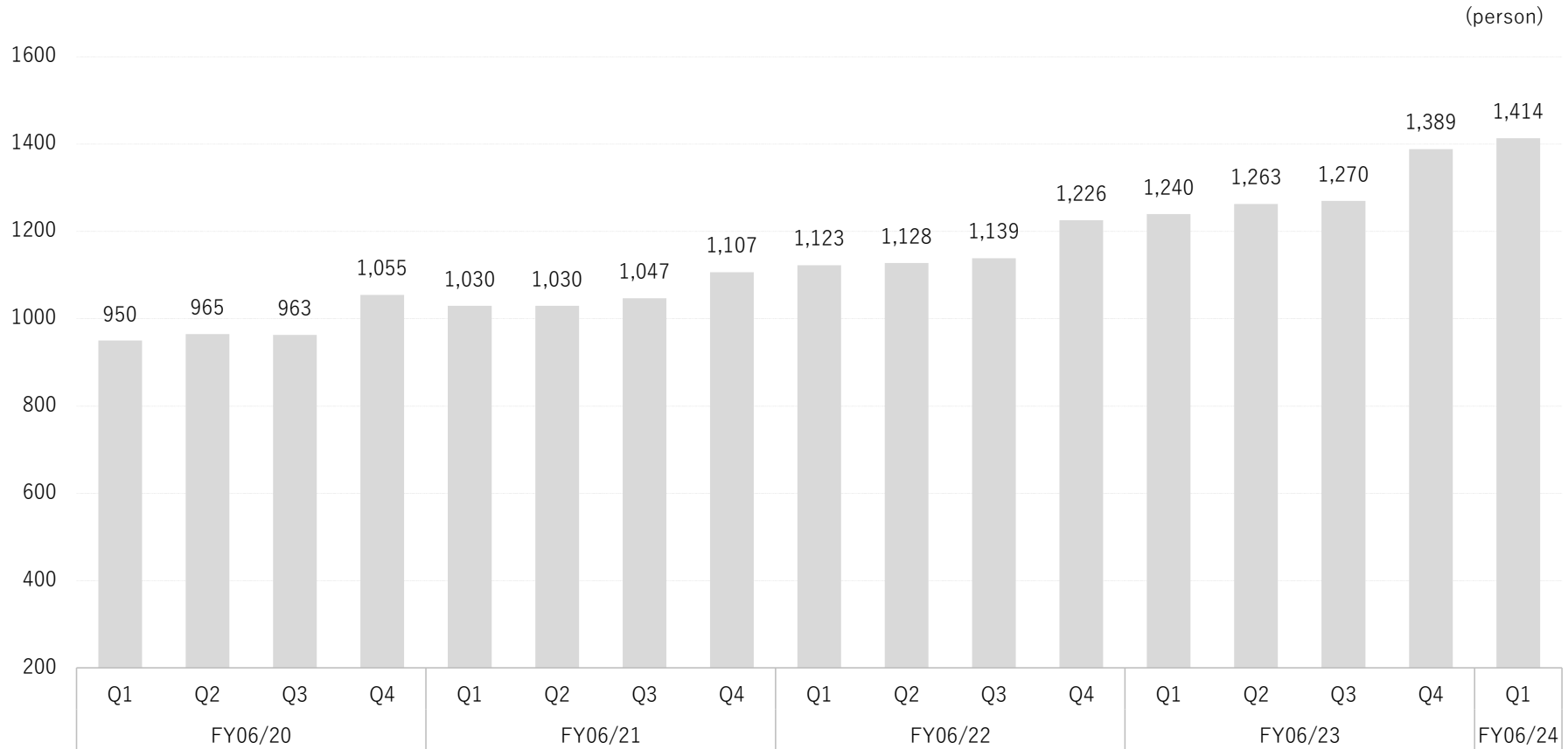


※Figures are calculated based on the past four quarters.

Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.

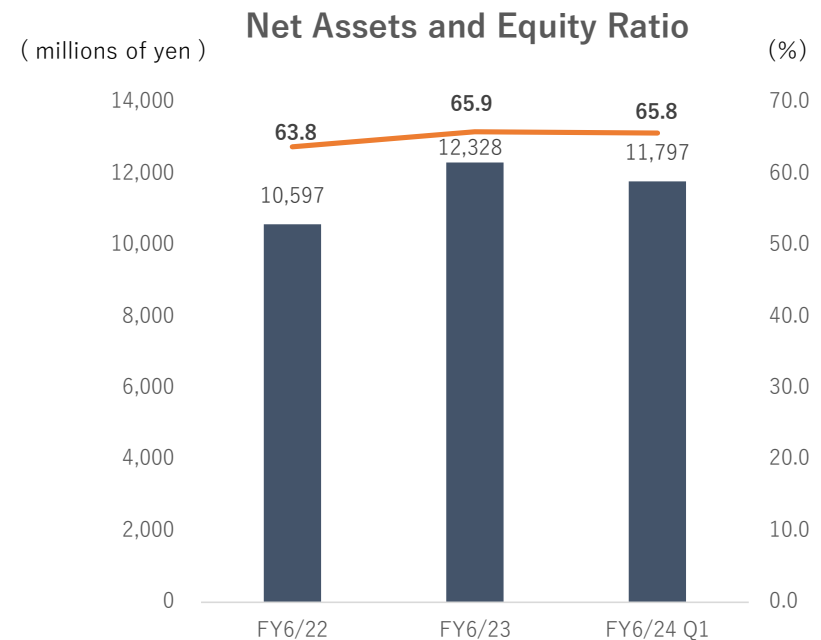
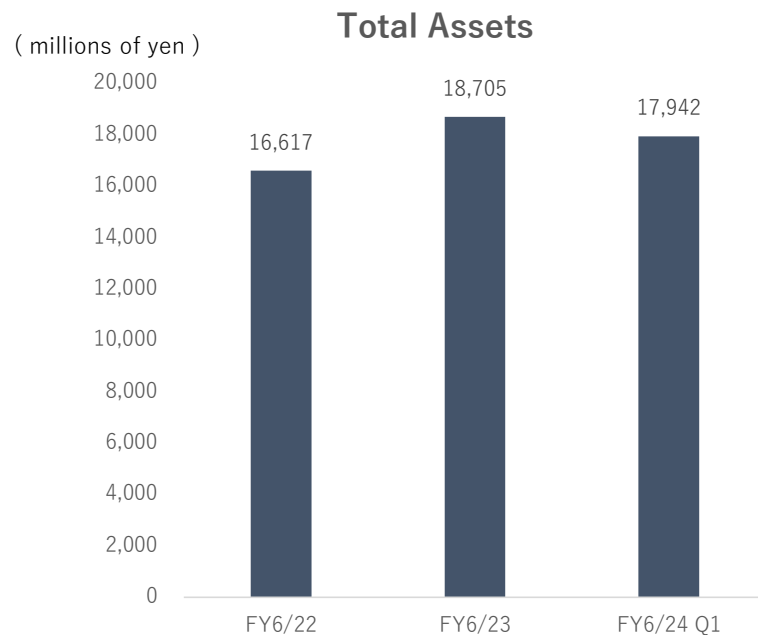
# Number of Group Employees

■ Growing headcount to achieve sustainable growth



# Financial Condition Trends

- In terms of total assets, cash and deposits decreased by ¥1,241 million due to payment of corporate taxes and acquisition of treasury stock, current assets decreased by ¥551 million, and total assets decreased. On the other hand, prepaid expenses increased by ¥189 million.
- Net assets decreased by ¥530 million to ¥11,797 million due to the acquisition of treasury shares of ¥449 million and the payment of dividends from retained earnings of ¥564 million, while net income attributable to owners of the parent of ¥483 million was recorded.
- The capital adequacy ratio has remained at a high level.

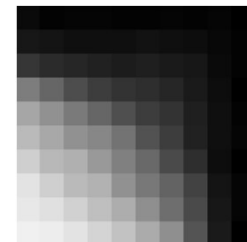


## Cashflow Trends

- Q1 Operating cash flow increased by ¥363 million year-on-year due to a decrease in income tax payments and other payments compared to the previous year.
- Q1 Financing cash flow decreased by ¥525 million year-on-year as a result of the acquisition of treasury shares of ¥449 million following the introduction of the RS Trust as an incentive scheme in anticipation of future share price increases.

( millions of yen )

	FY6/24 Q1	YoY Variance	
		Yr earlier	% chg
Operating CF	△ 128	△ 491	363
Investment CF	△ 93	△ 111	17
Free CF	△ 222	△ 603	381
Financial CF	△ 1,019	△ 493	△ 525



## II . Earnings and Dividend Forecast

## Earnings forecast for the fiscal year ending June 30, 2024

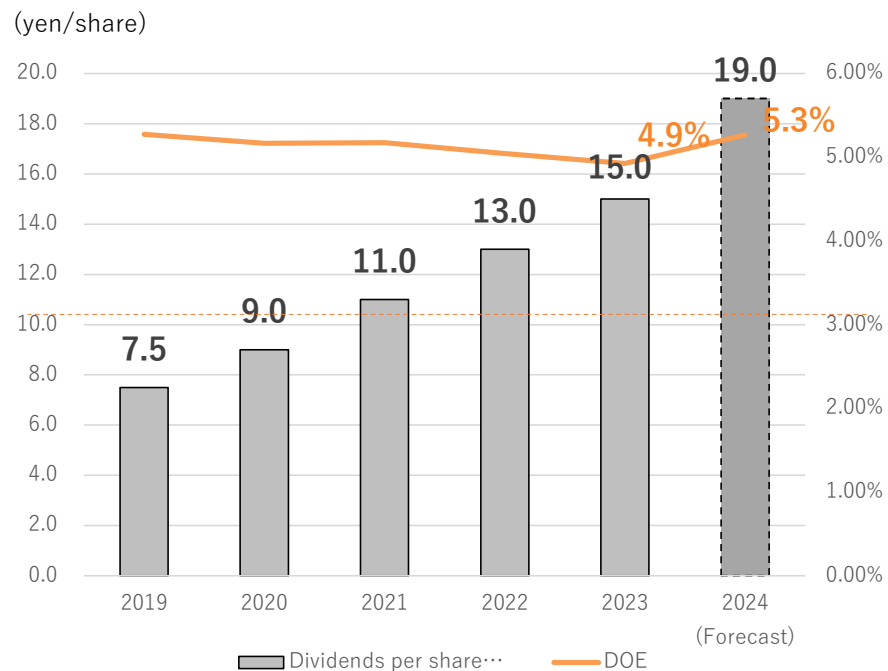
- For the fiscal year ending June 2024, sales are expected to increase by 12% year-on-year to 24,000 million yen. Operating income and net income are expected to increase at a rate greater than the rate of increase in sales due to the effect of increased sales and the reduction of the burden of restructuring costs incurred in the fiscal year ending June 2023.

(Millions of yen)

	<b>FY6/23 (Actual)</b>	<b>FY6/24 (Forecast)</b>	<b>Variance</b>	<b>Chg</b>
<b>Net Sales</b>	21,424	24,000	2,576	12.0%
<b>Operating Income</b>	3,289	3,850	561	17.1%
<b>OPM</b>	15.4%	16.0%	-	-
<b>Net Income</b>	2,094	2,500	406	19.4%

# Shareholder Returns

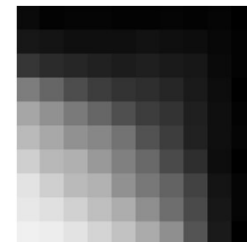
- In line with the policy of continuing to pay a stable dividend, the dividend per share for the year ending 30 June 2024 is expected to be 19 yen per share.
- DOE for the fiscal year ended June 30, 2023 was 4.9%, well above the TSE-listed company average (12 months) of 3.1%.



## < Our shareholder return policy >

- Dividends are an important part of our shareholder return policy
- Avant aims to maintain if not grow the dividend by focusing on indicators such as dividend on equity (DoE) which is less impacted by fluctuations in annual earnings.
- The Company's DOE will always exceed the average of all companies listed on the Tokyo Stock Exchange, and will aim to achieve 8% within the period of the new medium-term management plan.





### III. 'BE GLOBAL 2028' Actions to realise

# BG28 Outlook

- Increase corporate value by improving fundamentals through net income growth (3x) and by increasing future cashflow through a shift to a software focus

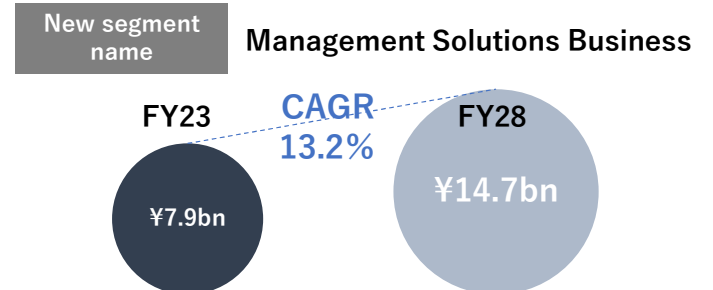
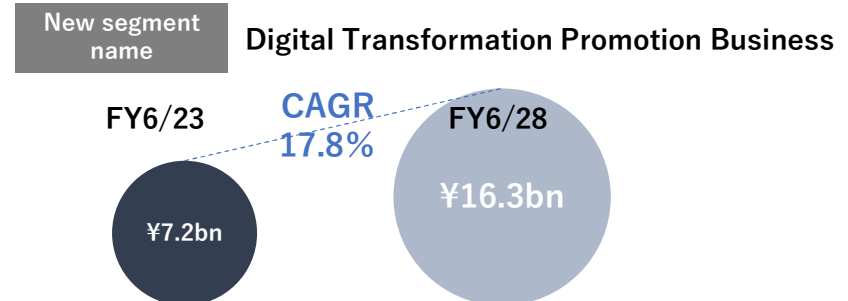
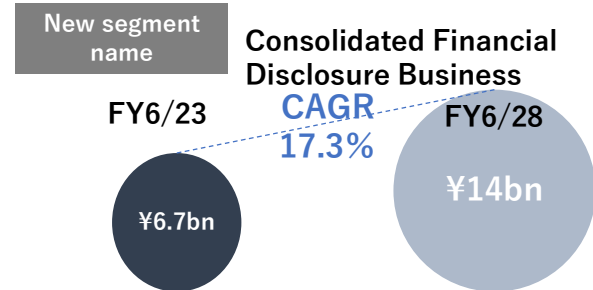
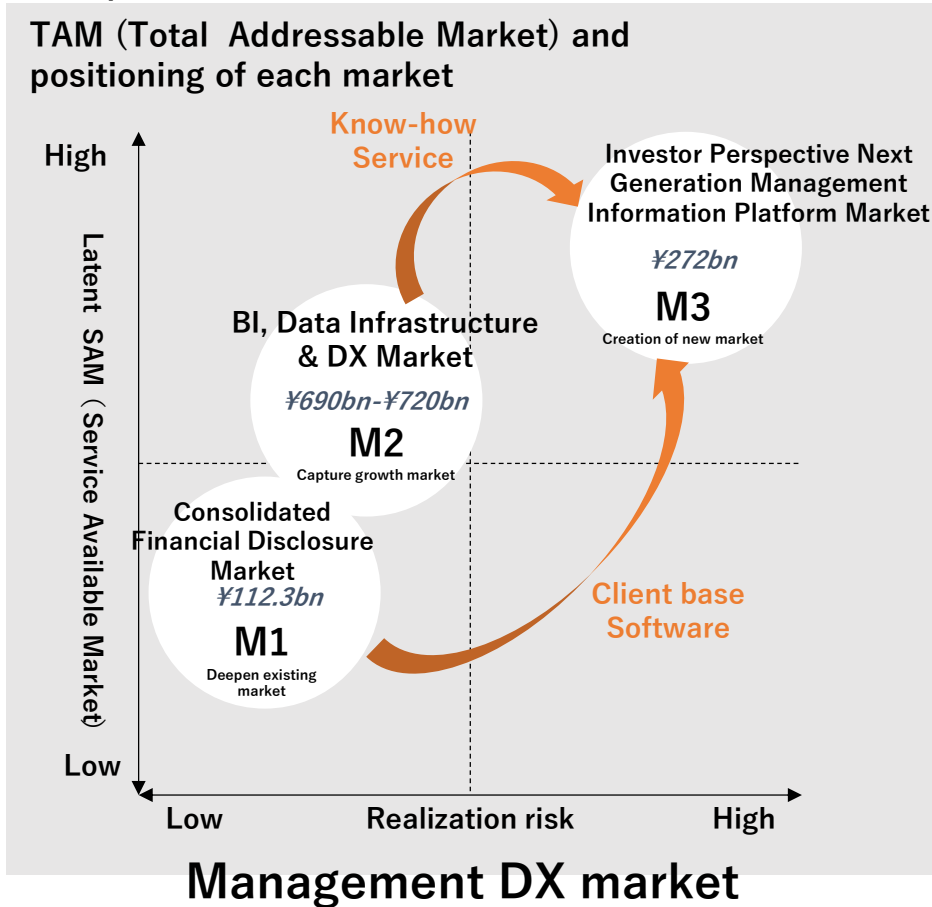
	FY6/23	FY6/24	FY6/28	5yr chg/avg
Net Sales	¥21.4bn	¥24bn	¥40-45bn	2x
Operating Income (OI)	¥3.28bn	¥3.85bn	¥9-11bn	3x
OPM	15.4%	16.0%	20-24%	+5-9pts
Net Income	¥2.09bn	¥2.5bn	¥6-7bn	3x/CAGR 25%
OI/person	¥2.4mn	¥2.4mn	¥3.5-4.3mn	1.5x
Software Gross Profit	¥2.13bn	¥2.17bn	¥6.0-6.5bn	3.0x
ROE	18.3%	19.3%	20% or more	Avg 20%
DOE	4.9%	5.3%	8% or more	Avg 7%
Dividend	¥15	¥19	¥51 or more	3.4x

**Most important critical success factor (CSF) for promotion of group strategy**

# BG28 Focus Markets

- Position self in management DX market for companies where enhancing corporate value is a serious

TAM (Total Addressable Market) and positioning of each market



## ■ DIVA releases TRINITY BOARD (alpha version) to promote DX for Japanese boards of directors.

- The sale of this product is the first step in the promotion of the 'Software Driven Strategy' and will contribute to software gross profit, which is the most important CSF in the promotion of the Group's strategy.
- Aiming to raise the Group's profile among board members, who are responsible for increasing corporate value, and also to strengthen the customer base.

### Development background

- The company and DIVA jointly initiated the development of this product to contribute to the DX of the Japanese board of directors by solving the problems faced by boards and their operation.
- The product was released after it was perfected through feedback from board members and operating departments while actually being used by the company's board of directors, and after the company itself realised its effectiveness and was convinced that the product could contribute to other listed companies.

### What's TRINITY BOARD

- Cloud software to drive DX for the board
- The consolidation of all information relating to the Board of Directors enables the Board of Directors to enhance discussion and decision-making, significantly reduce the operational burden on the departments in charge of running the Board of Directors, and improve efficiency and security.
- As it can also be applied to the boards of directors of group companies, it can also help to strengthen group governance by making the status and content of their board meetings more transparent when applied to major subsidiaries and overseas subsidiaries.

11 October 2023 Press release. <https://www.diva.co.jp/news/20231011/>

## DIVA releases TRINITY BOARD (alpha version) to promote DX for Japanese boards of directors.

- Extend software × BPO, which is DIVA's business model and one of the complete business models that the Group is aiming for, to the Board of Directors.



## DIVA and Ernst & Young ShinNihon LLC commercialise a jointly developed solution to improve efficiency in handling consolidated audits.

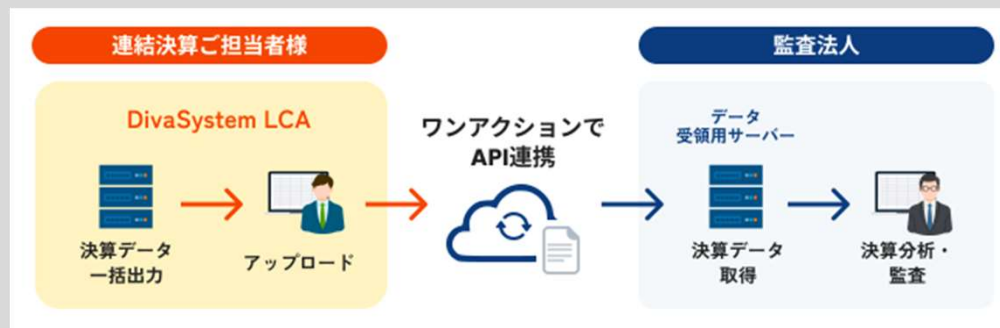
- This initiative will expand DIVA's client base to include audit firms and contribute to software gross profit, the most important CSF for promoting the Group's strategy.

### Development background

- DIVA and Ernst & Young ShinNihon LLC focus on automation of audit work through digital technology.
- A joint development project was launched in 2022 to reduce the burden on the consolidated accounts process of companies, which is a series of tasks up to the completion of the audit by the auditing firm, and to improve the work efficiency of those involved in the audit.
- Promoting pilot operations and enhancing solutions for practical use as a pilot project.

### Functions and benefits of this solution

- Eliminates the need to pass data back and forth between companies and auditors via email and web storage, and enables seamless data linkage even for multiple updates of closing data during the tight schedule of the closing period, reducing man-hours and time.



31 October 2023 Press release. <https://www.diva.co.jp/news/20231031/>

## AVANT updates its business management system AVANT Cruise. Standard package functionality for performance management (budget, actual and forecast) - Next generation business management system that connects data, aligns management information and reaches all people -.

- Standard package functions to optimise performance management processes and enable the system to respond continuously to changes in business management, thereby increasing software gross profit, which is the most important CSF for promoting the Group's strategy.

### Development background

- Modern group business management increasingly requires diverse information, not just financial information, to increase corporate value and ensure sustainable corporate growth.
- An increasing number of companies are systemising performance management to solve the problems of this complexity and huge workload, and are aiming to improve the efficiency and sophistication of their operations, but users in the accounting and corporate planning departments themselves are unable to expand system functions, and the resulting cost burden is increasing, making it difficult for them to keep up with changes in business management in a speedy manner.

### Functions and benefits of this solution

- Based on examples of performance management systems that our company, which specialises in the area of business management, has supported the introduction of in the past, we provide the performance management package functions that customers require.

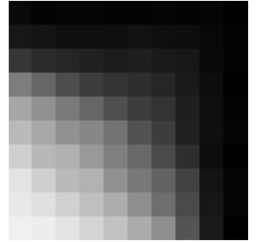
#### ■ Management function

1. P/L input screen
  2. Rolling forecasting function
  3. Standard business management report
  4. Organisational change function
  5. Multi-currency conversion support
- etc.

#### ■ Data collaboration infrastructure

1. data linkage function
  2. mapping function (code conversion function)
  3. Layout conversion function
  4. Extension functions
- etc.

31 October 2023 Press release. <https://www.avantcorp.com/news/2023/10/31/11238/>



## Reference : Company overview



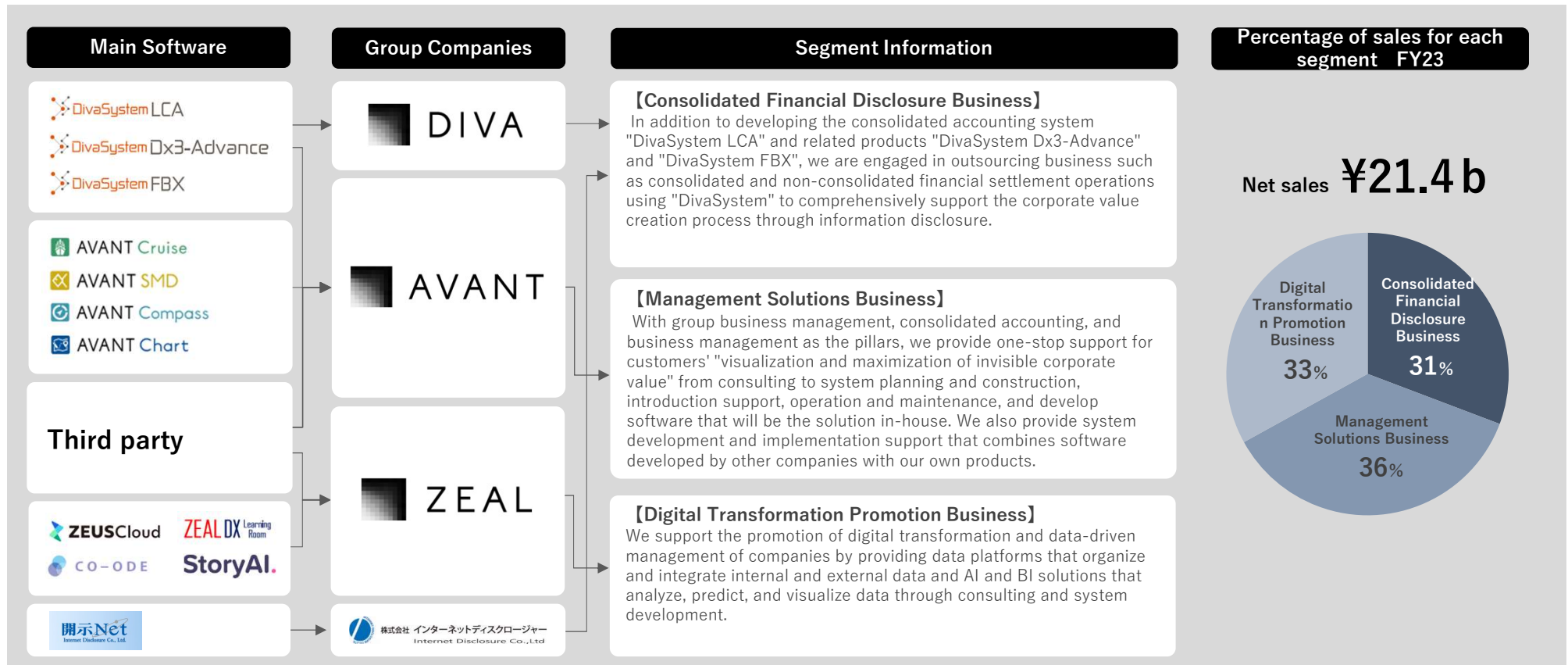
# Company Introduction

**Name** : AVANT GROUP CORPORATION

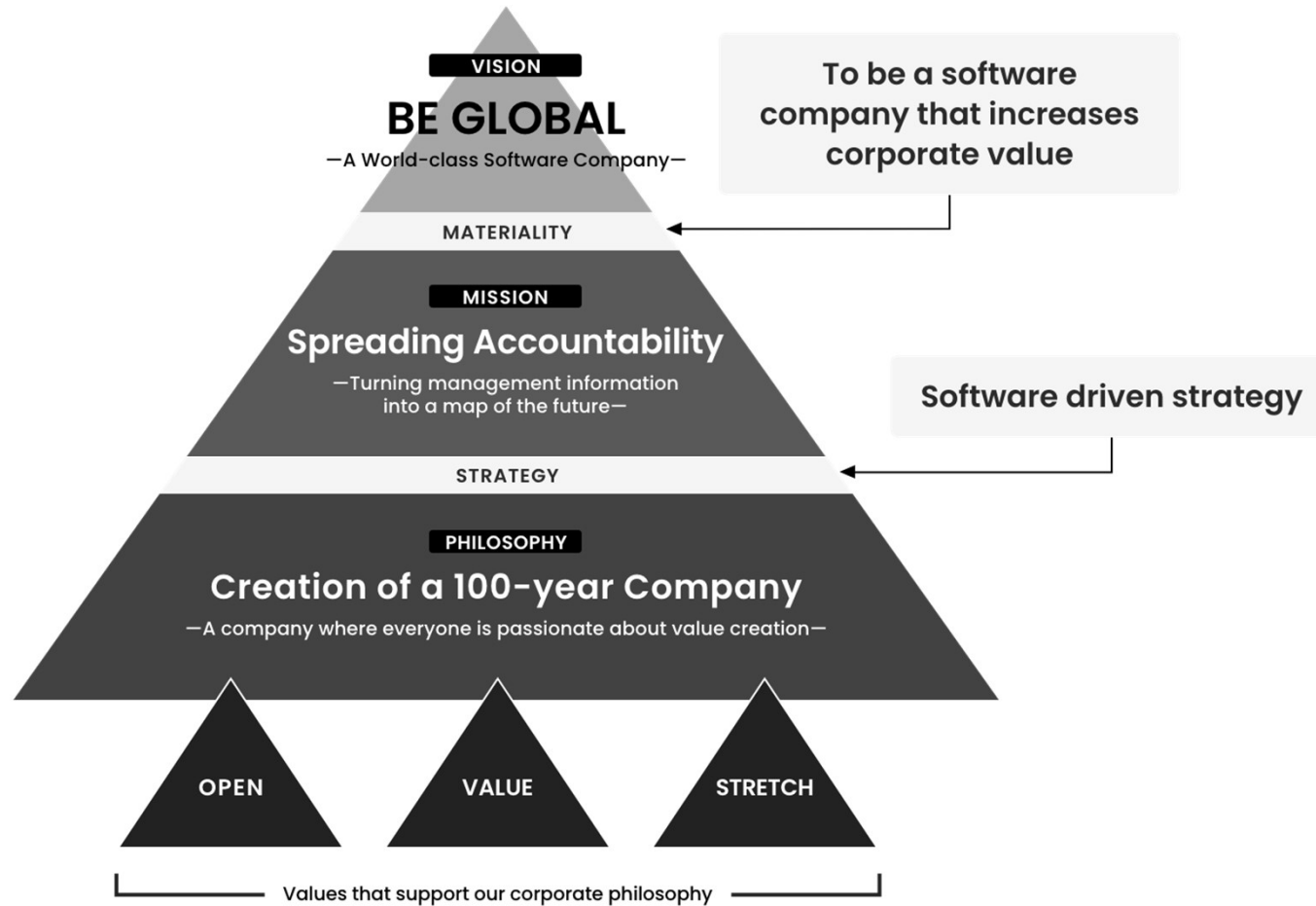
**Inception** : May 26, 1997

**Representative** : Tetsuji Morikawa, President and Group CEO

**Market Cap** : Approximately 55 billion yen ( TSE Prime, 3836 )



# Avant Group Philosophy



# The Avant Group Moves to the Next Five Years to Realize BE GLOBAL

Established the top share in Japan in the consolidated accounting business

Introduction of holding company system and expansion of group management

BE GLOBAL

Government-led initiatives

■ Start of reporting in consolidated accounting (FY Mar. 2000~)

■ Mandatory quarterly reporting (FY Apr. 2003~)

■ Introduction of Internal Control Reporting System (J-SOX) (Apr.2008~)

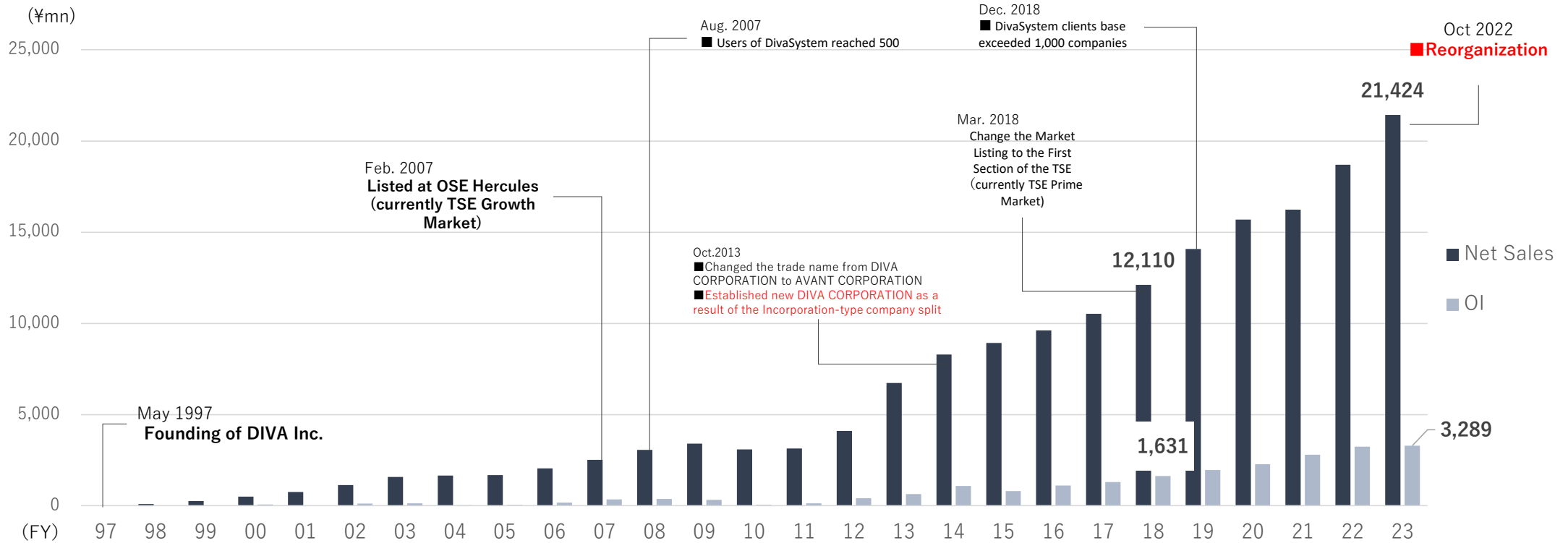
■ Voluntary Application of Disclosure under IFRS (FY Mar. 2010~)

■ Corporate Governance Code (Jun. 2015~)

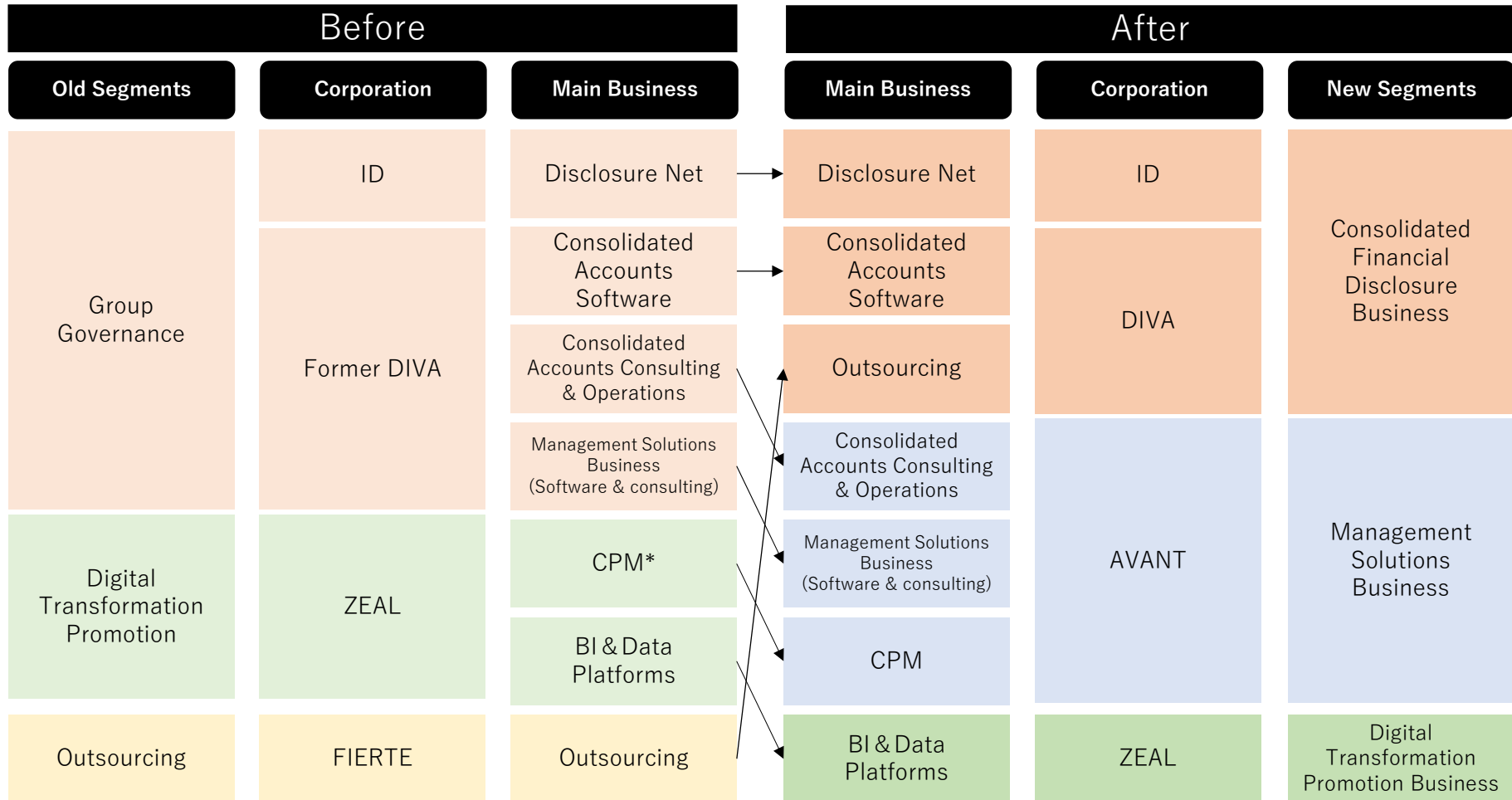
■ Group Governance Practice Guidelines (Sep. 2019~)

■ Establishment of a study group on fair acquisition (2022~)

■ Publication of Business Restructuring Practice Guidelines (Jul. 2020~)



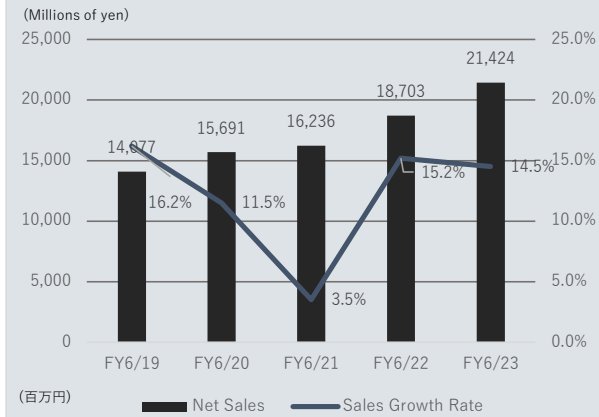
# Segment Reorganization



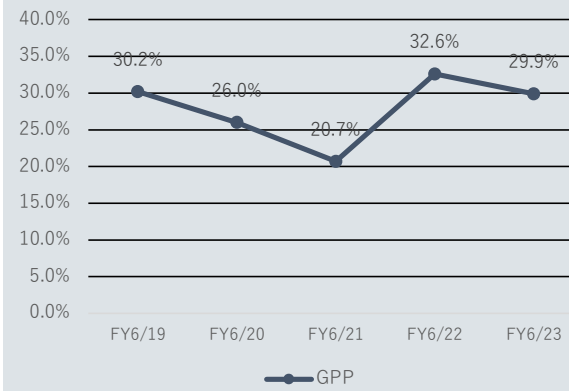
※CPM : Corporate Performance Management

# Numerical Summary

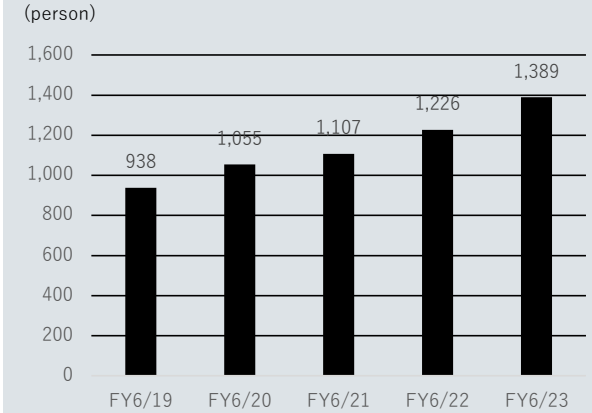
### Net Sales/Sales Growth Rate



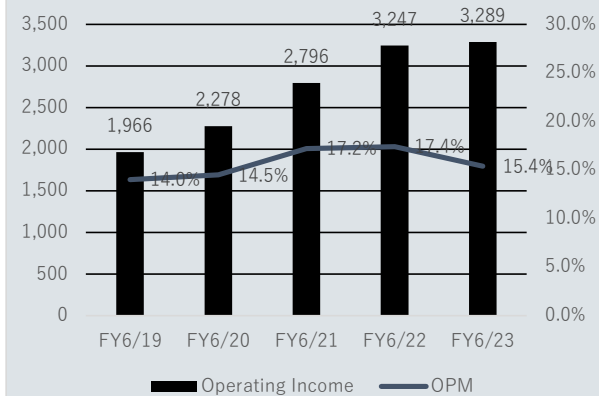
### GPP (Sales Growth Rate + OPM)



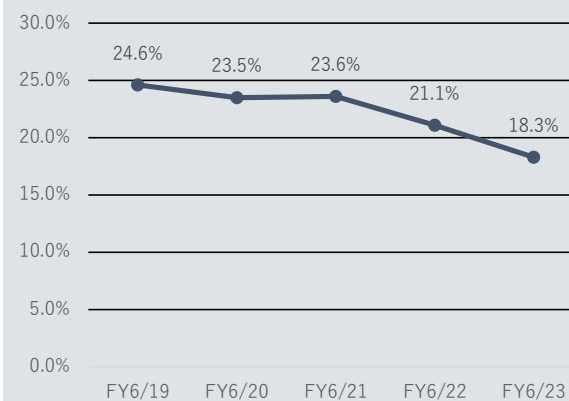
### Number of employees



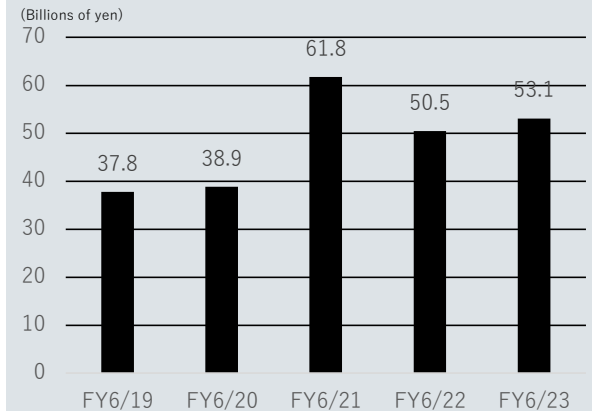
### Operating Income/OPM



### ROE

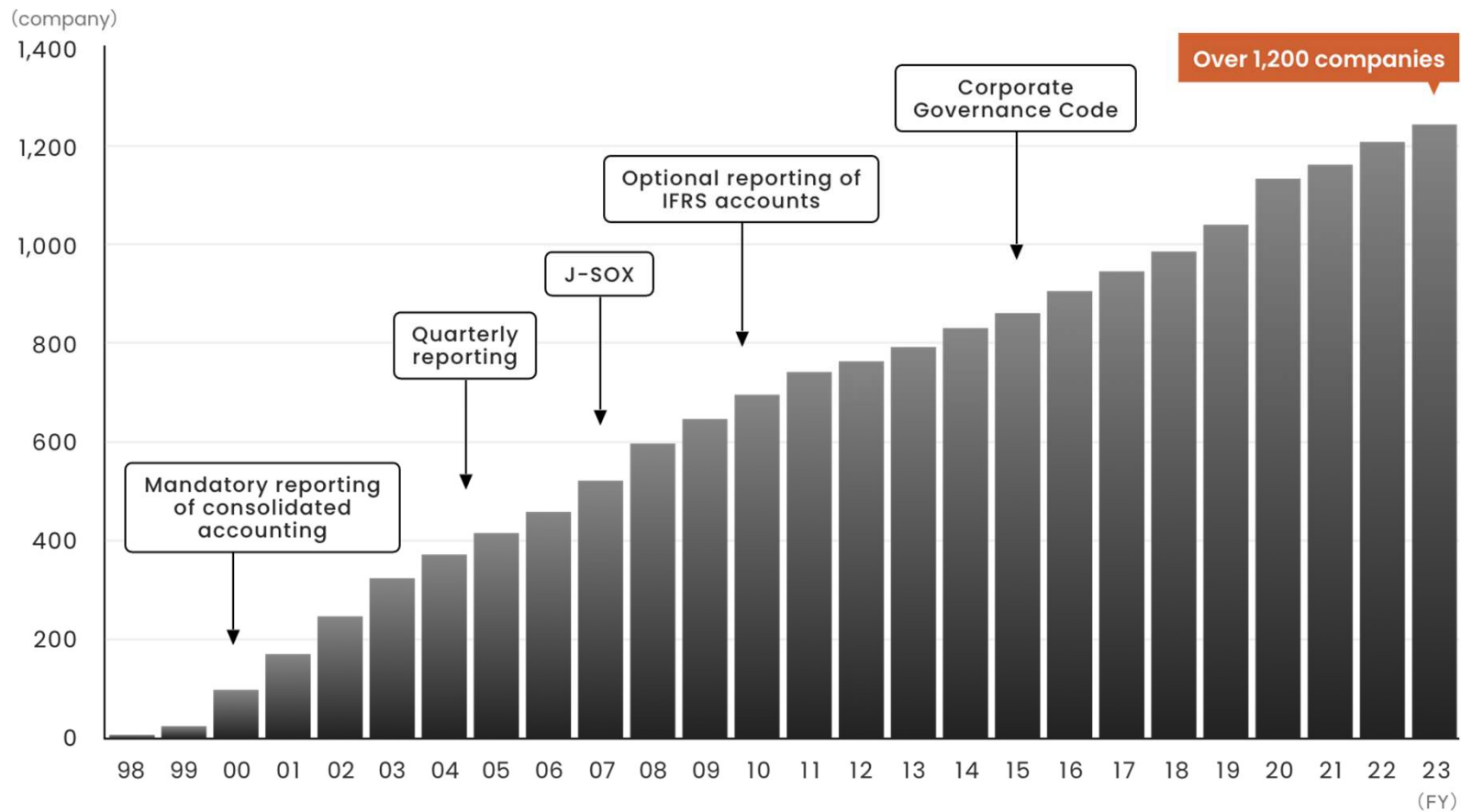


### Market Cap



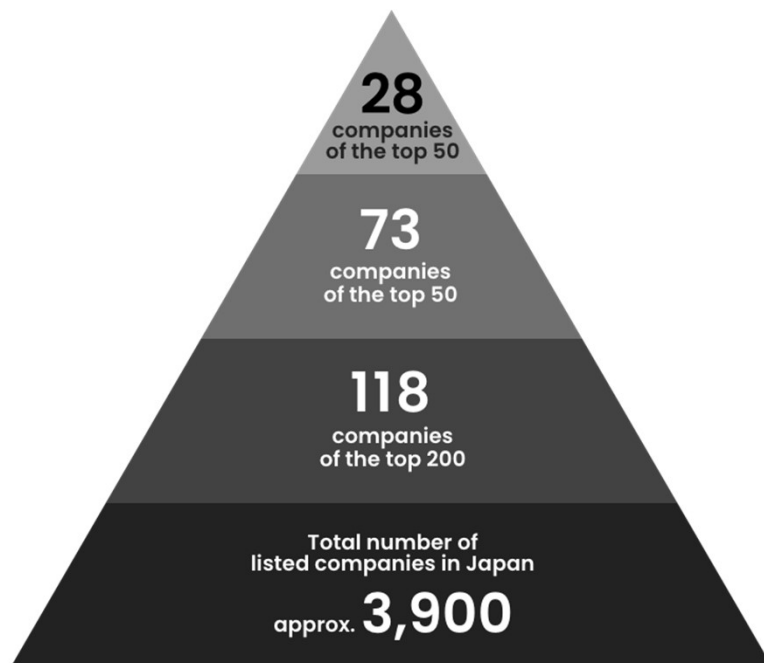
# Trends in companies that have introduced Avant Group Software Product

- With the tightening of disclosure regulations, consolidated accounting system LCA leads the number of introductions.



# Customer base of consolidated accounting system “LCA”

- More than 1,100 companies have sold ※1
- FY2023 consolidated accounting software market share is 43.5% ※2
- From institutional accounting to budget and management accounting, we support the strengthening of corporate governance



TOYOTA MOTOR CORPORATION  
 Tokyo Electron Ltd.  
 KDDI CORPORATION  
 NIPPON TELEGRAPH AND TELEPHONE CORPORATION  
 DAIKIN INDUSTRIES, LTD.  
 DENSO CORPORATION  
 Hitachi, Ltd.  
 CHUGAI PHARMACEUTICAL CO., LTD.  
 Seven & i Holdings Co., Ltd.  
 Mizuho Financial Group, Inc.  
 FUJIFILM Holdings Corporation  
 Astellas Pharma Inc.  
 Japan Tobacco Inc.  
 Bridgestone Corporation  
 Unicharm Corporation  
 (Market cap order as end of June 2023)

※1 As of the end of June 2023

※2 Fuji Chimera Research Institute "Software Business New Market 2023 Edition" Consolidated Accounting Management Software Market Share

## Cautionary Statement Concerning Forward-Looking Statements

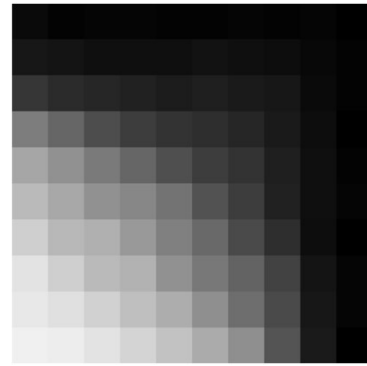
The information in this document regarding business forecasts and other future projections and strategies is based on judgments made by the Company based on information reasonably available to it at the time this document was prepared and within the scope of what is normally expected. However, actual results may differ materially from those discussed in the forward-looking statements due to the occurrence of extraordinary circumstances or unforeseeable results that could not be foreseen in the normal course of events. While we endeavor to actively disclose information that we believe is important to investors, we urge you not to base your decisions solely on the earnings forecasts contained in this document. Please do not reproduce or transmit this material for any purpose without permission.

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AVANT GROUP

SUSTAINABILITY IS VALUE