

AVANT
GROUP

September 25, 2025

To whom it may concern,

Company name:	AVANT GROUP CORPORATION
Name of representative:	Tetsuji Morikawa Founder, Chairman & Group CEO (Securities code: 3836; TSE PRIME Market)
Inquiries:	Naoyoshi Kasuga Director and Group CFO (Telephone: +81-3-6388-6739)

Actions to achieve cost of capital and share price conscious management

We hereby announce that, we have analyzed and evaluated the current status of our actions to achieve cost of capital and stock price conscious management and have updated our policy for future efforts toward improvement from which was disclosed on September 26, 2024, as set forth in the attached document.

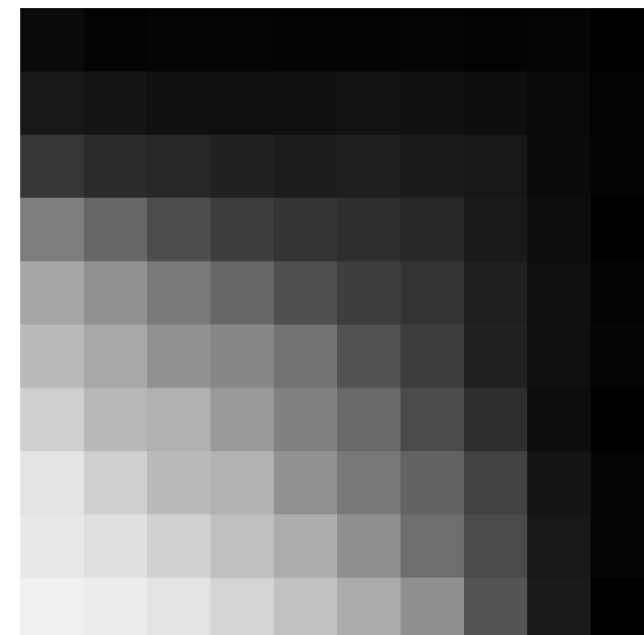
End

3836 TSE Prime

AVANT GROUP CORPORATION

Action to achieve cost of capital and share price conscious management

September 25, 2025



This is an unofficial translation. In the event of any discrepancy between the original Japanese text and this English translation, the Japanese text shall prevail.

| Executive Summary

The regular agenda of the Avant Group's Board of Directors includes stock price analysis, and the following content is continuously discussed.

■ Evaluation of the current situation

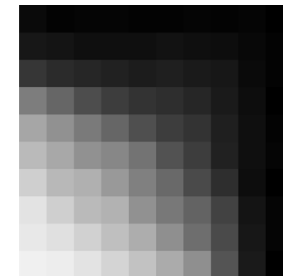
- Compared to the target PBR of 8 x and its components, P/E ratio of 40x and ROE of 20%, the P/E ratio is below 20x, creating a gap with the target. We believe that the P/E ratio of 40 times, even when compared to domestic software companies, needs to be revised
- ROE has been around 20% against our assumed range of cost of equity (4-11%), and the equity spread has been generated sufficiently

■ Policy and Targets

- The medium-term plan "BE GLOBAL 2028" aims for a 3x net income growth rate and an average growth rate of 25%. Aim for PBR of 6 times, PER of 30 times, and ROE of 20% as a discipline by realizing a business model transformation that promotes higher growth expectations and lower cost of capital, with software gross profit as the driver
- We plan to invest ¥20 billion in growth to realize our strategy, and will optimize the level of shareholders' equity through capital allocation optimization

■ Initiatives and implementation schedule

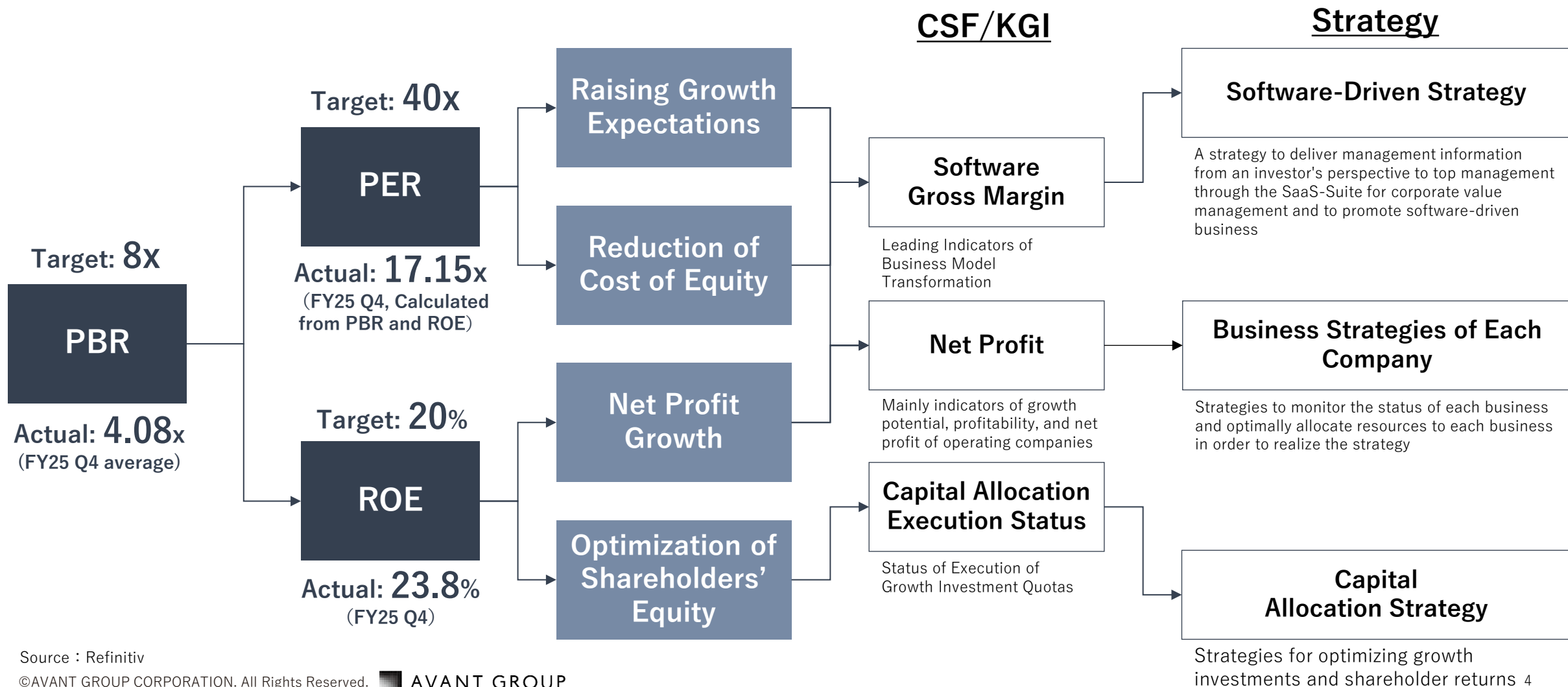
- Through creative dialogue with investors, we will recognize areas where disclosure is insufficient and work to improve disclosure going forward
- With the aim of strengthening the overall momentum of the value-creation spiral—by expanding to all employees a structure that enables them to benefit from the results of the spiral from human capital value creation to corporate value creation—we introduced equity compensation tailored to employees, Group Executive Officers, and Group Directors starting in FY2024. Specifically, equity compensation was newly introduced for employees from FY2024, the schemes for Group Executive Officers and Group Directors were revised, and for Group Directors, the scheme will be shifted to restricted stock from FY2025



Evaluation of the current situation

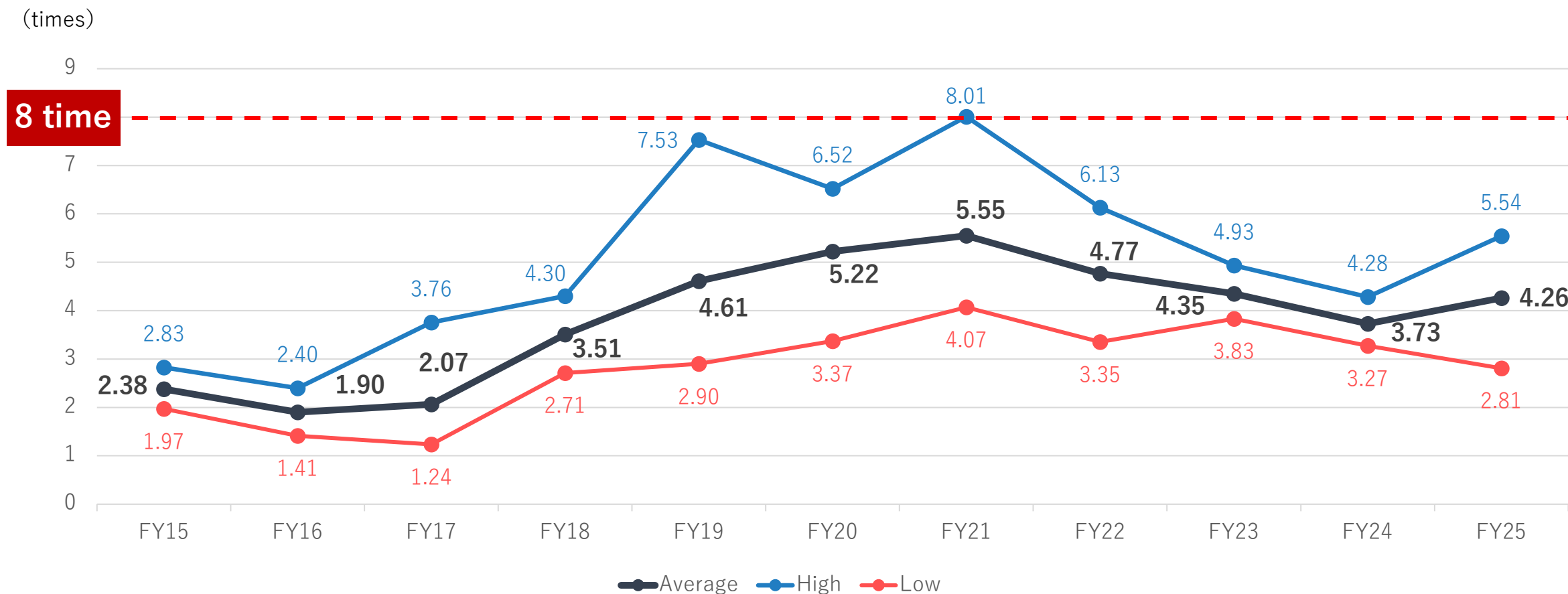
Corporate Value Targets and Overview of the Current Status

- The target for corporate value is a P/B ratio of 8, but there is currently a significant gap with the target P/E ratio of 40



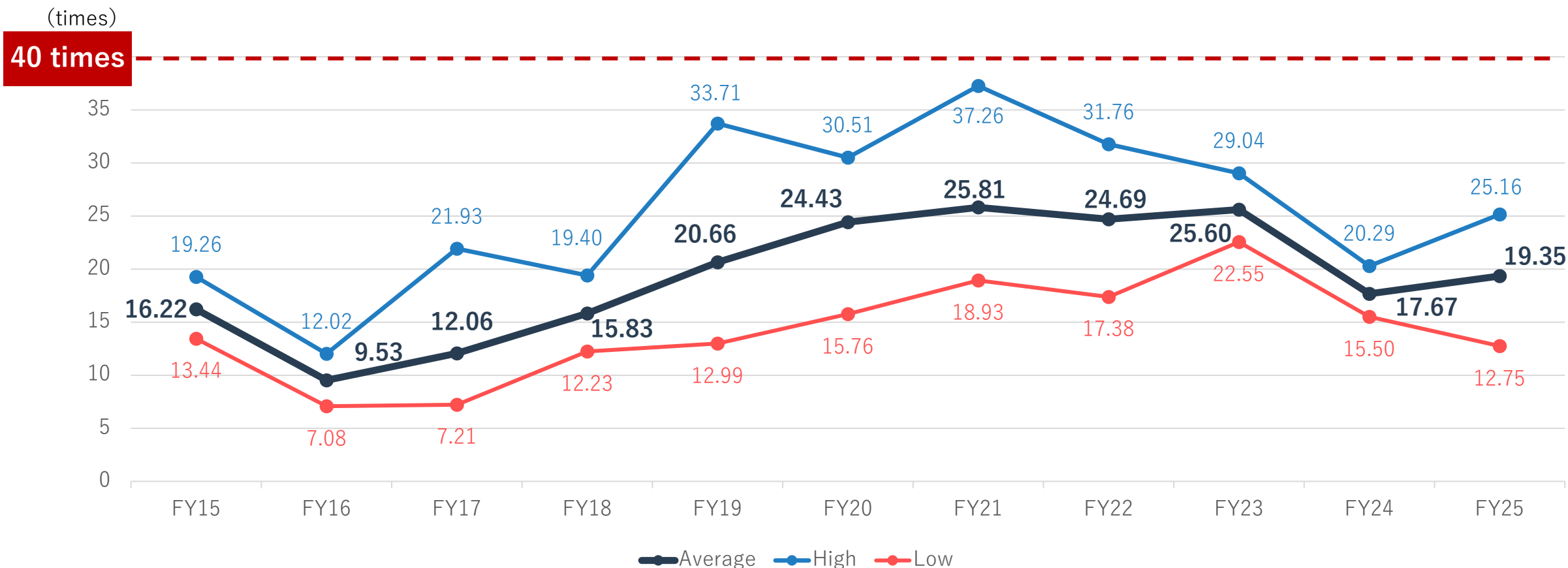
Evaluation of the current situation – PBR -

- Although not reaching the target PBR of 8x, the PBR has been in the range of 3-5x



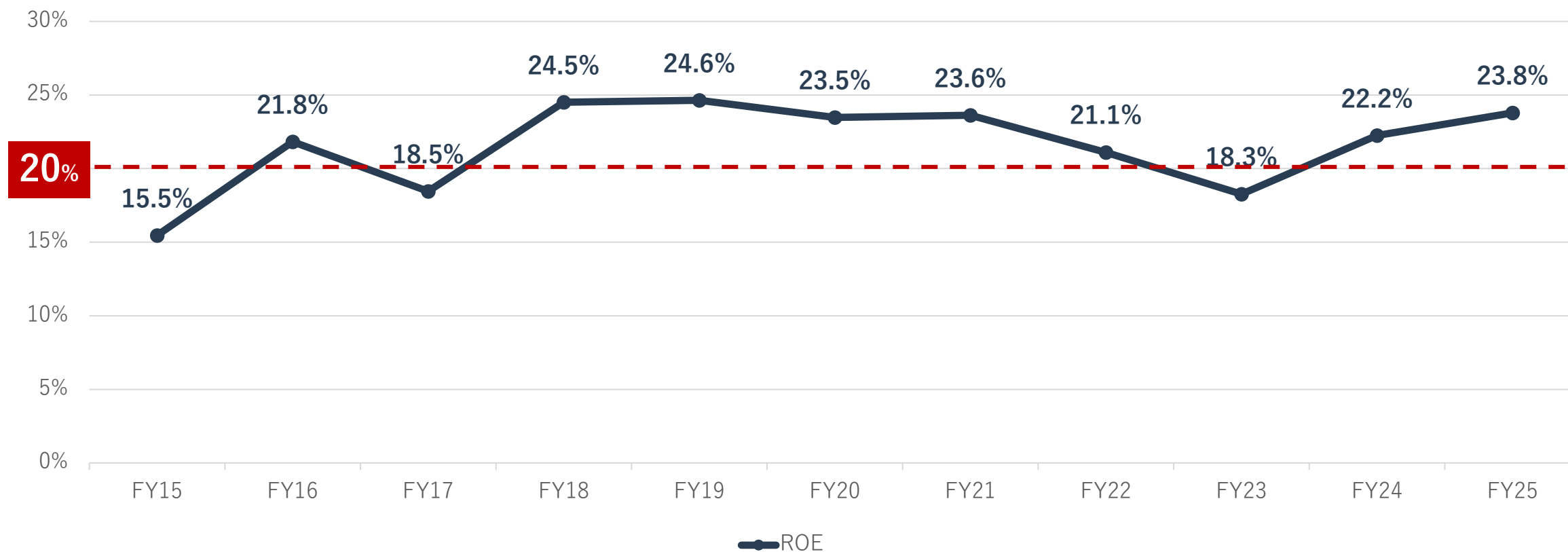
Evaluation of the current situation - PER -

- Although the multiple was at the 25x level at times during FY25, it is below 20x on average, and there is a large deviation from the target of 40x

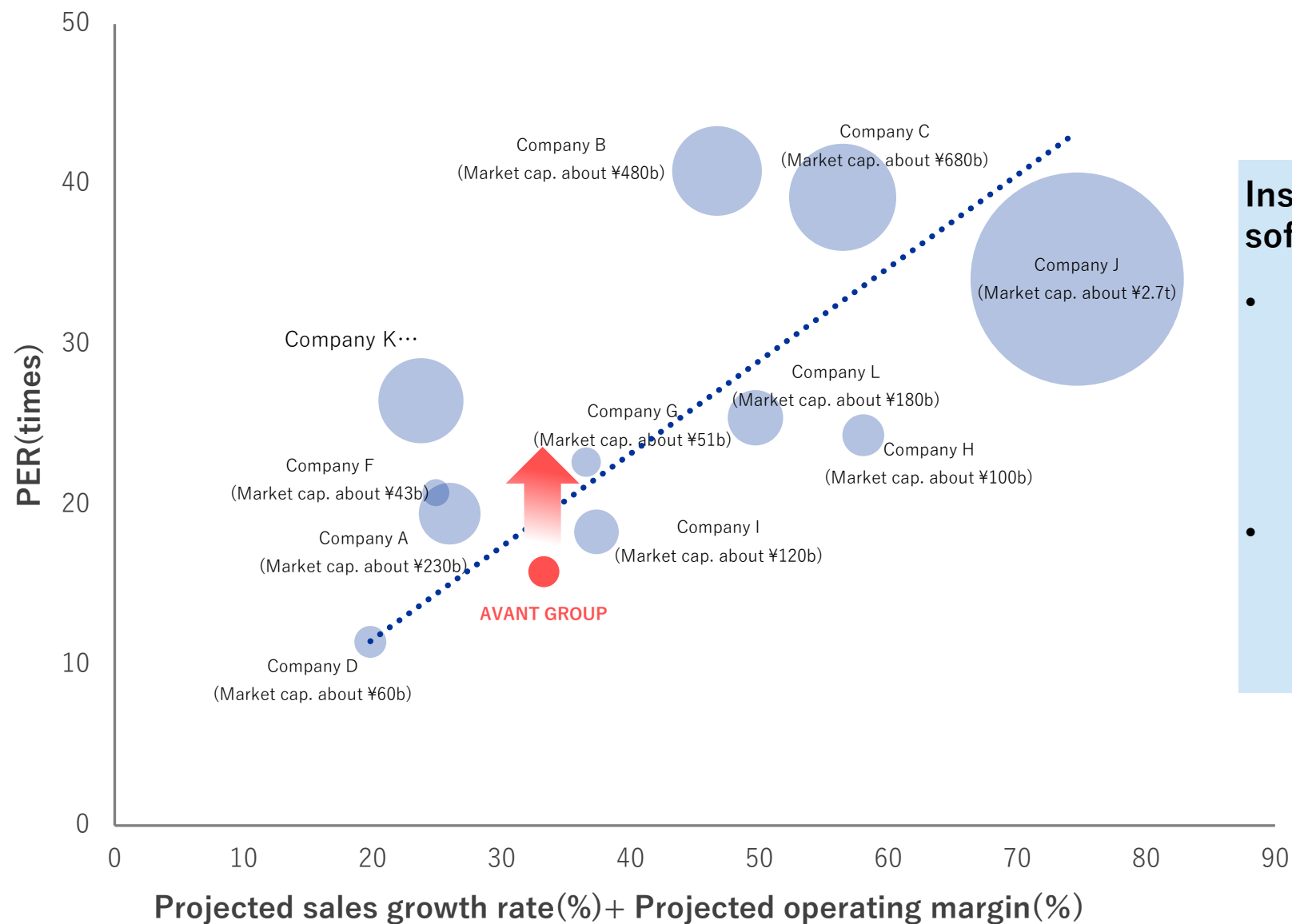


Evaluation of the current situation - ROE -

- The ratio exceeds the 20% target level as a discipline



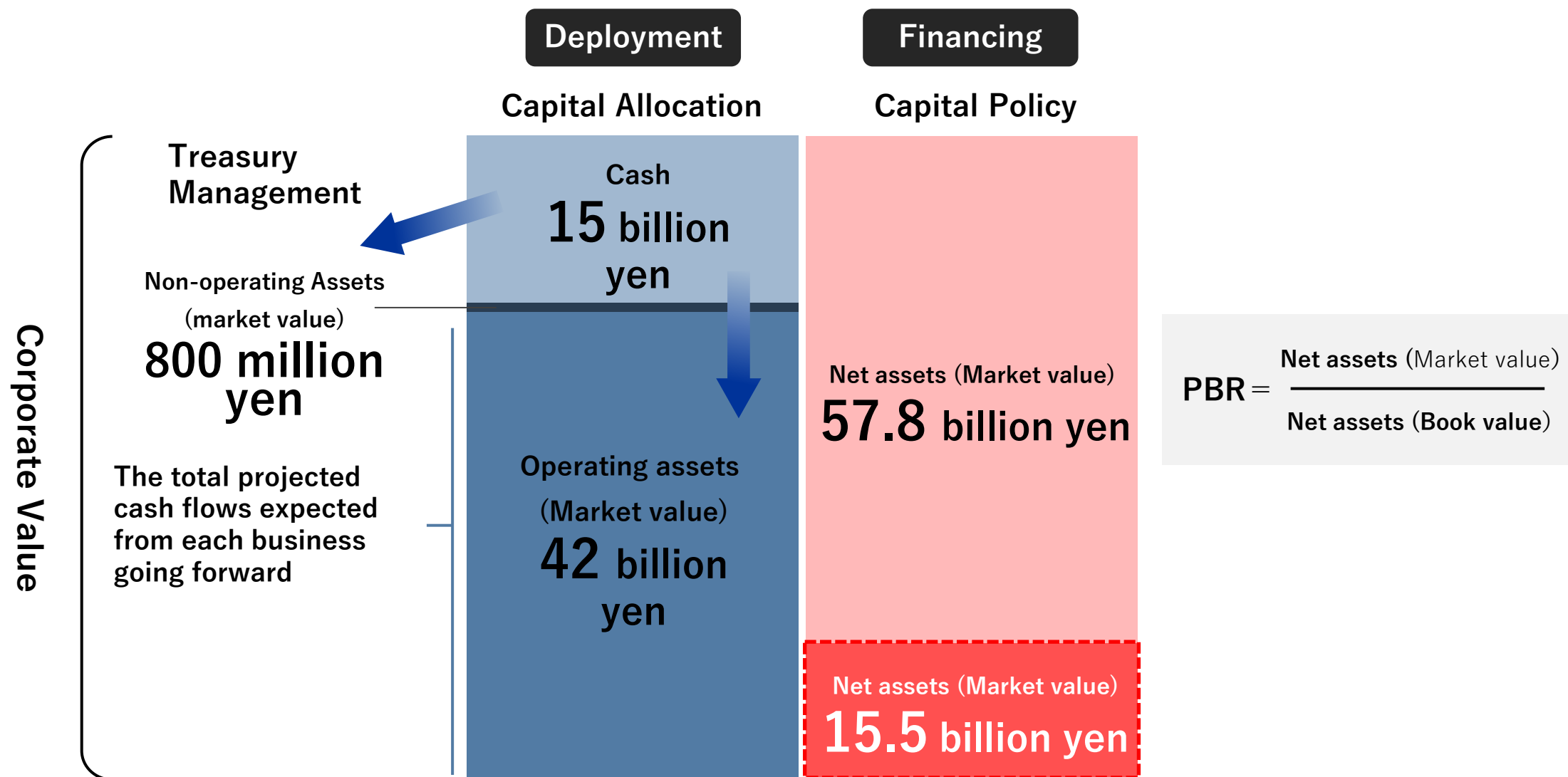
Comparison with domestic software companies



Insights from a comparison with domestic software companies

- Considering the level of the sales growth rate and the operating margin, the Group's valuation is expected to be at a PER of around 20 times, but is currently below the level
- Achieving a P/E ratio of 40x is assumed to require fundamentals that bring the sum of the sales growth rate and the operating margin to the 60-70% level

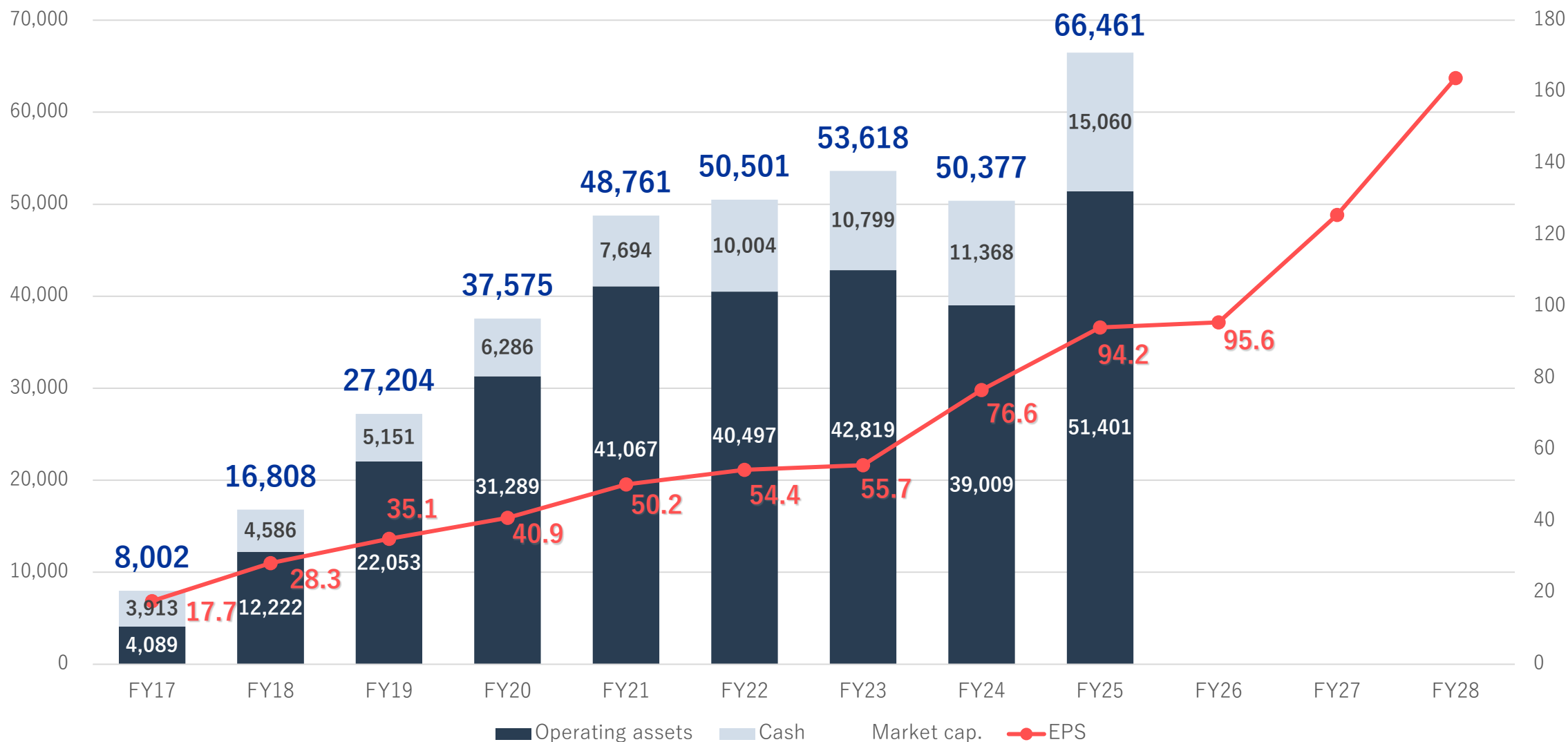
Visualization of corporate value



As of June 30, 2025

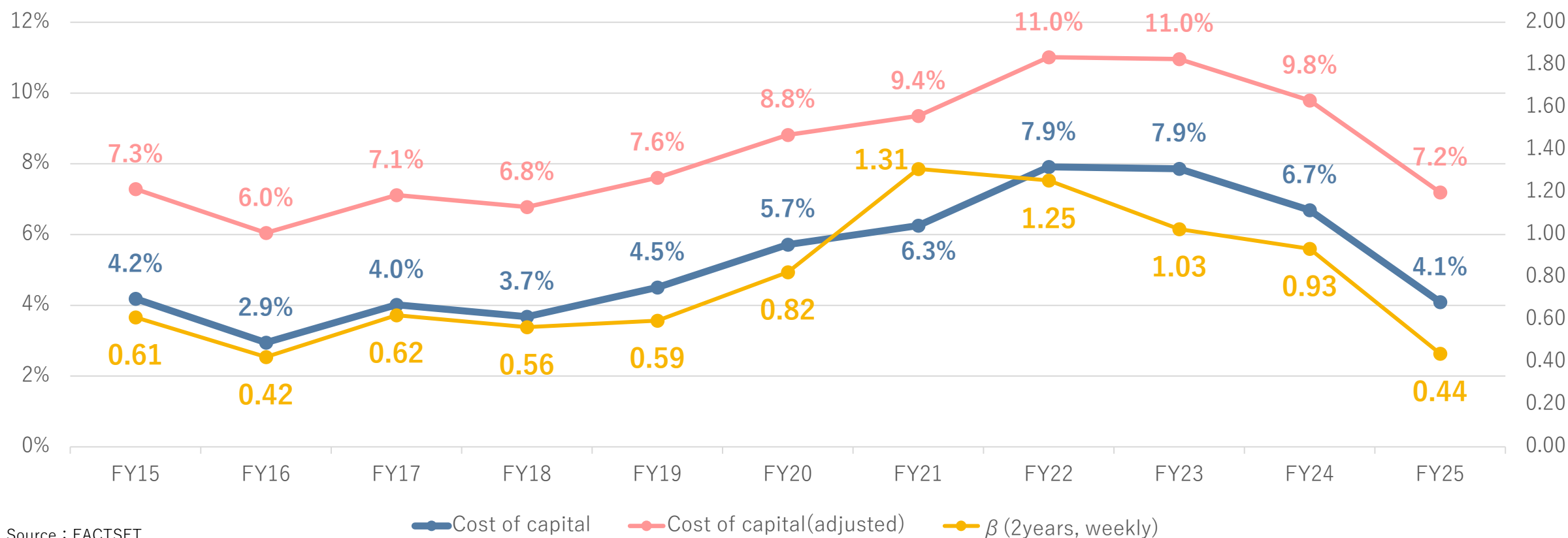
Trends in Business Assets (Market Value) and EPS

- EPS growth does not seem to be fully reflected in the market value of business assets, which may be partly attributable to the company's high level of cash holdings



Evaluation of the current situation - Cost of capital -

- While the cost of equity calculated using CAPM (risk-free rate + β × equity risk premium) has declined, the current β level is as low as 0.44, showing a significant divergence from overall market movements
- Therefore, we considered it necessary to apply a size premium adjustment, and, referring to Ibbotson data, added a 3.1% premium to calculate the cost of equity (risk-free rate + β × equity risk premium + size premium)



Source : FACTSET

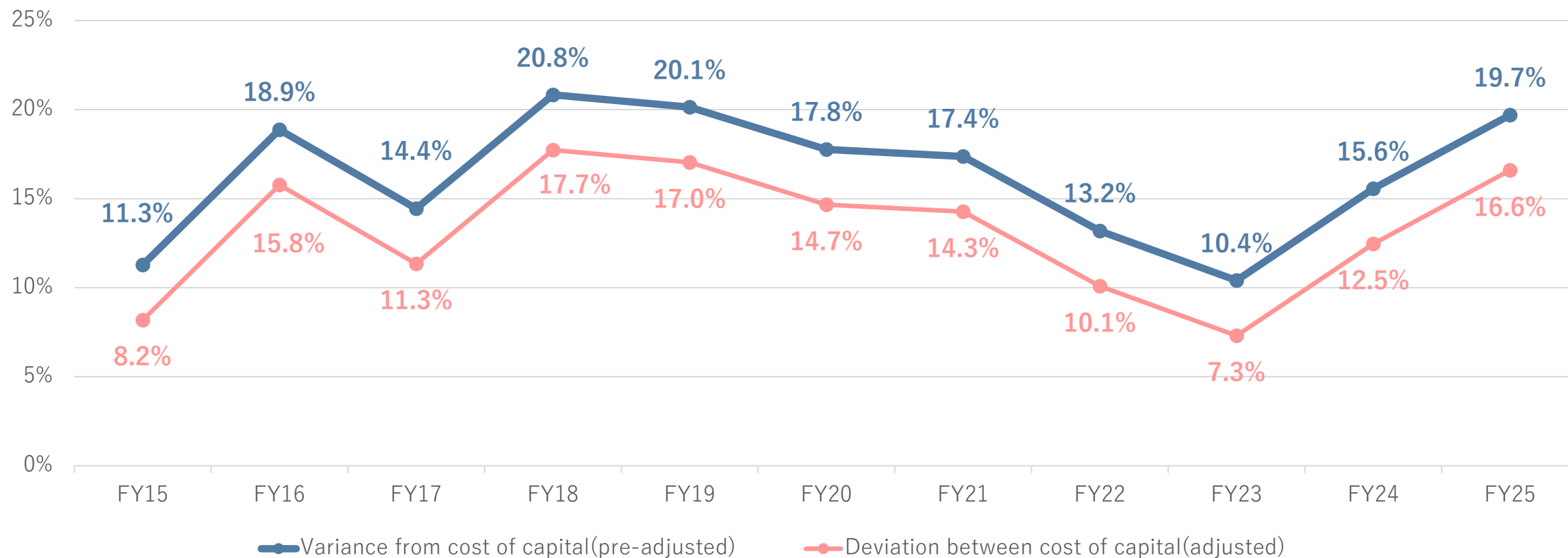
©AVANT GROUP CORPORATION. All Rights Reserved.

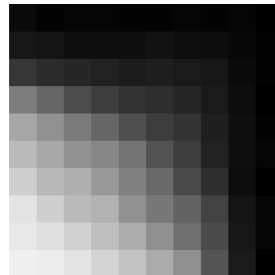


AVANT GROUP

Current status evaluation - Equity spread -

- The equity spread has remained positive when comparing ROE with either the cost of equity calculated using CAPM or the cost of equity adjusted by a 3.1% size premium





Policy and Targets

| Targets of the Medium-Term Management Plan BE GLOBAL 2028 (BG28)

- We have set financial targets of doubling revenue and tripling profit, with a strategic KPI of tripling software gross profit to ¥6.0 billion

	FY6/23 Results	FY6/24 Results	FY6/25 Results	FY6/28 Plan	5-year change /average
Net Sales	21,424M	24,419M	28,227M	40,000~ 45,000M	2x
Operating Profit (OP)	3,289M	4,099M	4,604M	9,000~ 11,000M	3x
OPM	15.4%	16.8%	16.3%	20~24%	+5~9pts
Net Profit	2,094M	2,850M	3,434M	6,000~ 7,000M	3x/CAGR 25%
OP / person	2.5M	2.8M	2.8M	3.9M	1.5x
Software Gross Profit	2,367M	2,442M	2,823M	5,500~ 6,000M	3x
ROE	18.3%	22.3%	23.8%	20% or more	AVG20%
DOE	4.9%	5.5%	6.3%	8.1% or more	AVG7%
Dividend	¥15	¥19	¥25	¥51 or more	3.4x

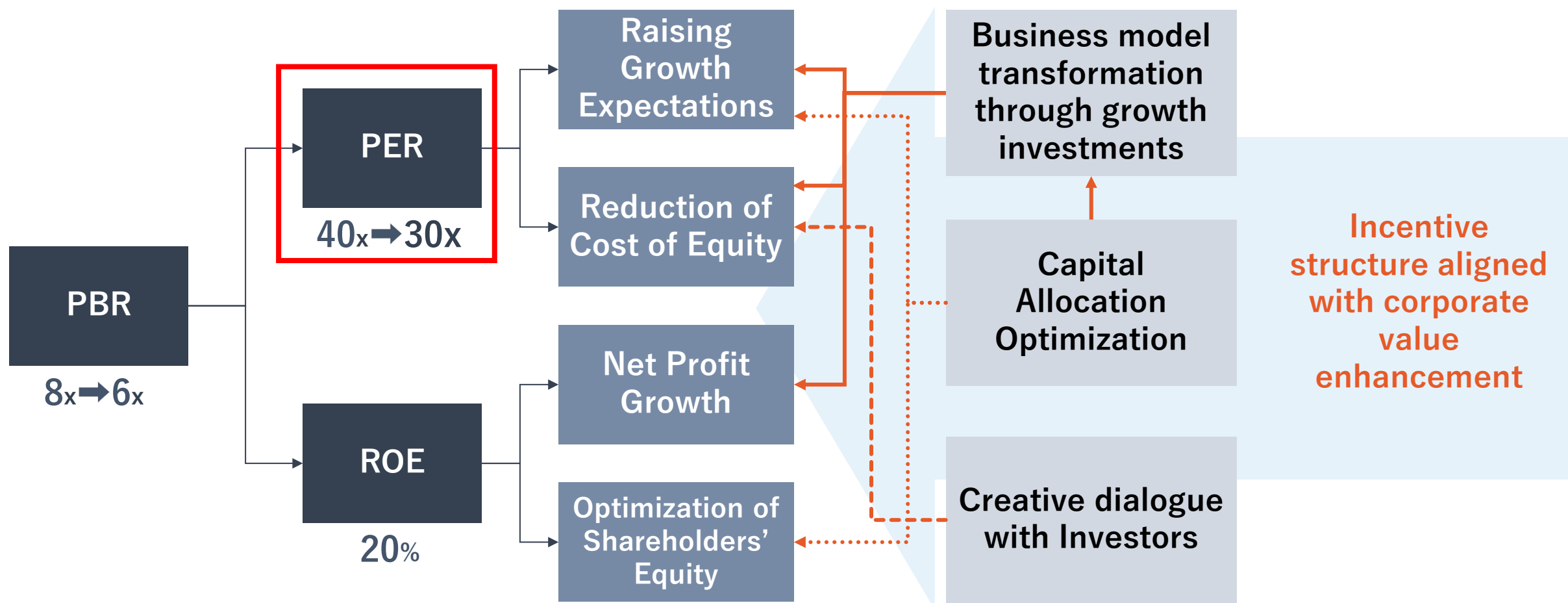
Objective of Positioning Software Gross Profit as a Strategic KPI

- By concentrating on software gross profit and evolving our software into a market leader in corporate value management, we aim to build a business that combines stable growth with high profitability



Revision of corporate value targets

- With respect to ROE, we have already achieved our target level. The current challenge is to raise our PER. Considering the current valuation level and the fundamental levels implied by comparisons with domestic software companies, it is appropriate to revise our PER target to 30x



Measures to improve the price-to-book ratio (PBR)

Improvement of ROE (return on equity)

- Target of an average of 20% or more during the period of the Medium-Term Management Plan
 - Targets achieved in the past two fiscal years
 - Increase in net income → Net assets (book value) also increased
- The diagram illustrates the components of the Return on Equity (ROE) formula. It features the formula $\frac{\text{Net income}}{\text{Net asset (Book value)}}$ in the center. An arrow points from the text 'Increase in net income' to the 'Net income' numerator. Another arrow points from the text 'Temporarily curb the increase in net assets' to the 'Net asset (Book value)' denominator.
- Temporarily curb the increase in net assets
 - ✓ *Share Buyback*
 - ✓ Increase in dividends

Measures to improve the price-to-book ratio (PBR)

Improvement of PER (Price-to-Earnings Ratio)

- Revised target to achieve 30 times during the period of the Medium-Term Management Plan
- The actual ratio at the end of the fiscal year ended June 30, 2025 was 16.9 times
- To enhance both growth and profitability of the business;
In other words, it is necessary to raise **the ability to earn sustainably**
- Strengthen earning power by investing in existing businesses
- To dramatically improve our ability to earn from the outside into the future, incorporate companies and businesses into the Group through M&A and other means
- Increase investor recognition as a company that can earn sustainably

Update on the Capital Allocation Plan

- Increase shareholder returns as a means of temporarily reducing net assets
- Consider borrowing as necessary to secure investment for growth

Even as we increase shareholder return allocation, we will secure and expand our growth investment capacity through borrowings

Cash Inflows



Cash Outflows

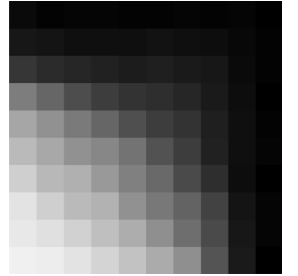
(Investment for growth 20billion yen,
Shareholders return 5billion yen)



- Increase in capital allocation for dividends and share buybacks
- Further increases depending on cash inflows and the use of growth investments

- Actions to realize M & As that are expected to generate software gross profit of ¥2.5 billion
- Positioned as a stepping stone for the future, we will make 2–3 startup investments per year, amounting to a total of JPY 1.5 billion (about ¥800 million including Beyond Square).

- Hiring Talent to Strengthen Sales and Development Capabilities
- Research and development investment
- Marketing investments, etc.



Initiatives and implementation schedule

Major IR activities (FY6/25)

- Our IR initiatives targeted institutional investors, aiming to facilitate constructive and value-oriented dialogue

Earnings Briefings

2 times

Analyst briefings
Conducted in the first half
and year-end

1 on 1 meeting with
institutional investors.

137 meetings
(+38)

Online and face-to-face
Individual interviews

Overseas Roadshow Meetings

5 meetings

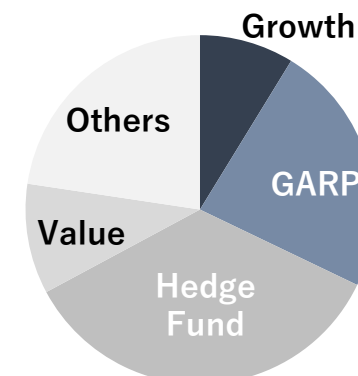
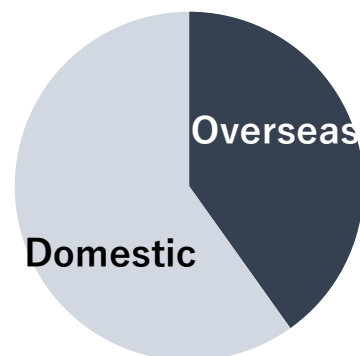
In Singapore,
Group CSO / Head of IR
conducted the sessions

Briefings for Individual Investors

2 times

held on Logmi Finance

Meetings: Domestic vs. Overseas / by Investment Style



Organizing issues through creative dialogue with investors

- Through dialogue with investors, the key issues have been clarified, and responses are required

- We received many questions regarding our view on the current share price and PER level
→ revised our PER target to 30x
- There were also frequent observations that our low multiples are related to our large cash position. In response
→ plan to implement additional shareholder return measures in FY26

Target: 6x
PBR
Actual: 4.08x
(FY25 Q4 average)

Target: 30x
PER
Actual: 17.15x
(FY25 Q4, Calculated from PBR and ROE)

Target: 20%
ROE
Actual: 23.8%
(FY25 Q4)

Raising Growth Expectations

Reduction of Cost of Equity

Net Profit Growth

Optimization of Shareholders' Equity

CSF/KGI

Software Gross Margin

Leading Indicators of Business Model Transformation

Net Profit

Mainly indicators of growth potential, profitability, and net profit of operating companies

Capital Allocation Execution Status

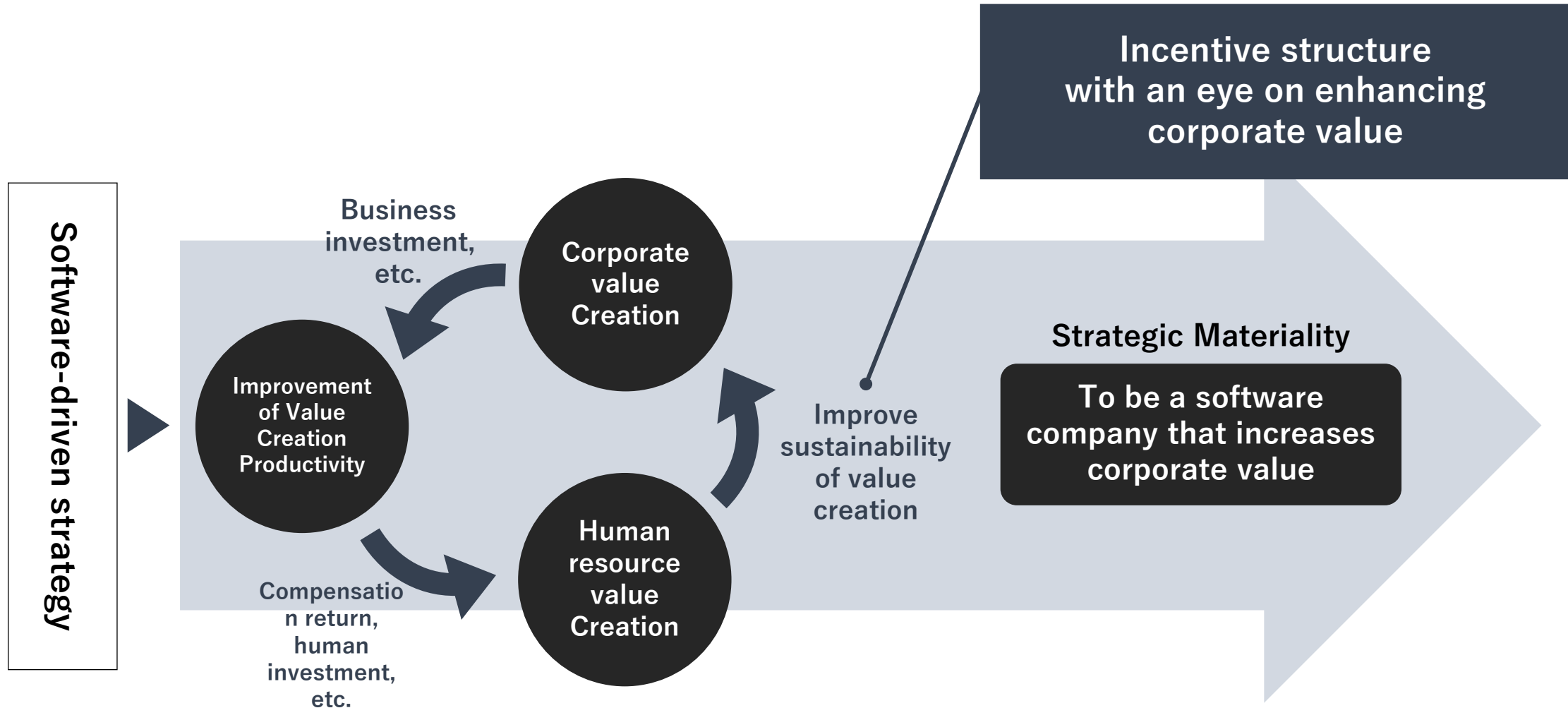
Status of Execution of Growth Investment Quotas

- We have positioned software gross profit as our most important strategic KPI; however, awareness and penetration remain limited
- Although its importance is recognized, many investors indicated that there is insufficient information to evaluate progress
→ To address this, we need to build a disclosure mechanism that clearly conveys software gross profit as our most important KPI and provides sufficient information for monitoring its progress.

- We received many comments that the details of our growth investment framework are unclear
- In particular, investors often pointed out the lack of visibility into the financial impact of growth investments, such as M&A.
→ It is therefore necessary to provide greater clarity regarding the content of our growth investments, as well as the expected timing and magnitude of their financial impact, and to disclose such information accordingly.

Background to introduce an incentive structure with an awareness of increasing corporate value

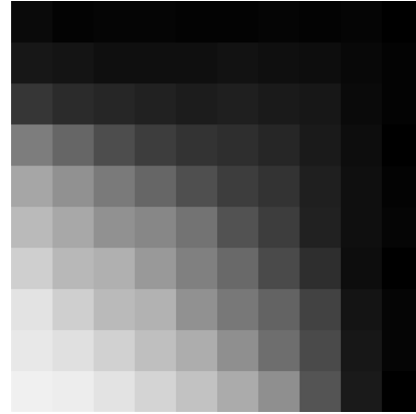
- Strengthen the momentum of the entire value creation spiral by extending the structure that allows all employees to enjoy the results of the spiral from human resource value creation to corporate value creation



Incentive structure with an eye toward enhancing corporate value

- Provide stock compensation to all layers to raise awareness of corporate value improvement

	Employees	Avant Group Corporate Officer	Avant Group Director
Deployment Status	Introduced in FY24	Scheme changed in FY24	Scheme changed in FY24, Shifted to Restricted Stock Award From FY25
Details of stock compensation	<ul style="list-style-type: none"> Grant of Restricted Stock worth ¥50,000 /year/person * Subject to one-year service (July–June) 	<ul style="list-style-type: none"> Grant of Restricted Stock equivalent to 15% of total remuneration * Subject to one-year service (October–September) 	<ul style="list-style-type: none"> Grant of shares equivalent to 35% of total remuneration 1. Presence or absence of Avant Group share price increase(50%) 2. Relative TSR (50%) *Both (1) and (2) are subject to YoY comparison and achievement of Avant Group share price growth targets
Restricted transfer at the time of retirement			



AVANT GROUP

SUSTAINABILITY IS VALUE