



DX for Japanese corporate management.  
The Avant Group will contribute  
to the enhancement of corporate value  
through SaaS Suites.

**TETSUJI MORIKAWA**  
Founder, Chairman & Group CEO

# GROUP CEO MESSAGE



## The Meaning of “Management”

On September 29, 2024, there was an executive camp for the company for which I serve as an Outside Director. At the dinner table, amidst a flurry of topics far removed from management discussions, I was asked, “Mr. Morikawa, are you still going to run a business?” The question came up not as a heavy subject like a succession, but in a light-hearted exchange, to which he replied, “Well, I’m finally starting to understand a little about management.” I gave such a reply.

However, it is not as if I have found some kind of license to do so, but rather that I have come to understand how to deal with management.

The more I have talked and listened to various managers, the more I realized that management is a very holistic activity. Although there are references and a common language of management techniques, no one person has the same management.

I have more than 12 years of experience as an outside director at multiple companies, but when I started, I was quite confused. I was surprised at the difference between my own style of management and theirs, and I don’t know how to help them in their management from my position as an outsider. I was repeatedly frustrated when I tried to communicate my ideas and they did not resonate.

The same is true for our own group management. Even after promoting the division of labor in management and a significant delegation of authority to create autonomous growth potential for the business, something did not mesh. I wonder why. My own answer is that management is not something that can be molded. Rather, it is one that maximizes individual freedom and creates free and vigorous action. That’s how it was.

Nowadays, my style is my own, and **the first thing is to understand each manager’s head as it is. This has been my way of dealing with management.** This change in perspective has made dialogues with other managers much more interesting. I have learned an overwhelming amount. Of course, the other party was not limited to managers, but I believe that the pride of being a manager created an unconscious barrier like aversion to one’s own family.



### Currently in My Head

Now, here is what is currently in my head, and if I were to visualize it, it would look something like this (Figure 1). It is not something I use officially within the company, but only to organize my thoughts. It's pretty busy. The original material, including duplicates, is in the hundreds of pieces annually.

Figure1: Group CEO Morikawa's current image in his mind



The actual mind is much fuzzier, but the level of importance and priority in conducting day-to-day management actions generally moves back and forth within the structure shown in the figure. Are the KPIs and basic policies we have set for each of them really good enough? We are looking at this with an awareness of the issues so that we do not stop thinking and delay adapting to change. As such, it is constantly being updated, and while it is not appropriate as a general management reporting document, it has a significant impact on what I do by disclosing what is in my head without being boxed in.

So how do you organize this constantly changing and ambiguous mind to talk with others? Here, we are utilizing the concept of "Analects and Abacus" updated in a modern style (Figure 2).

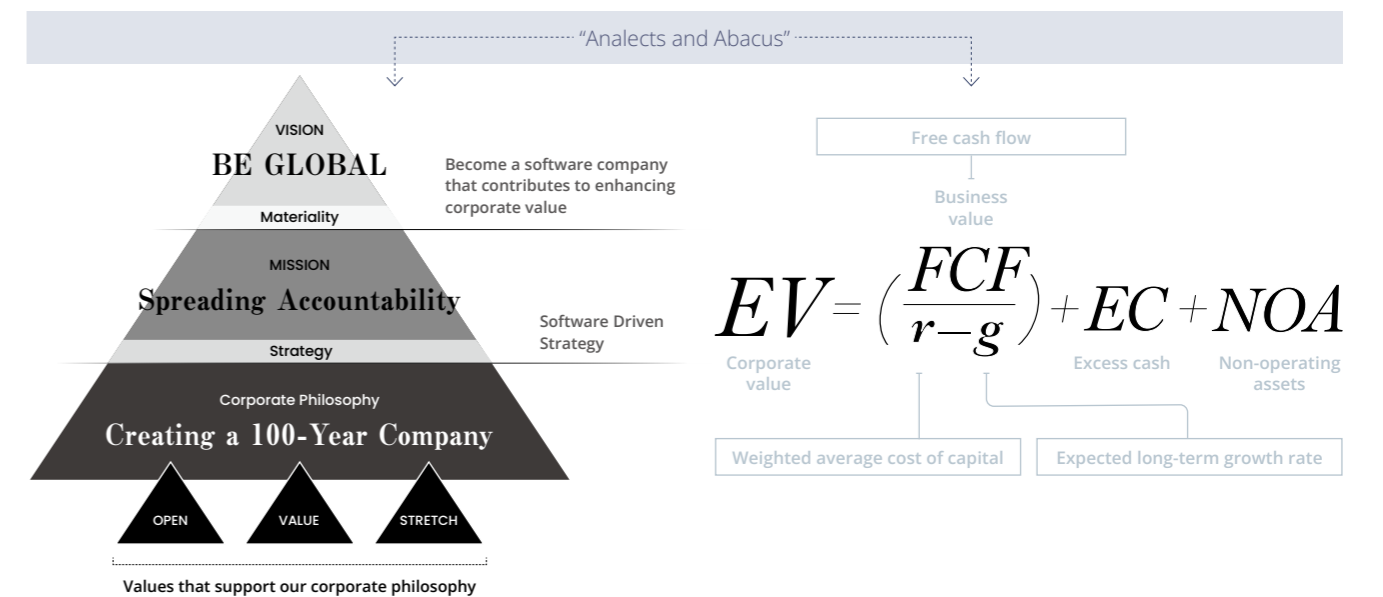
Business activities begin with being useful to someone else. The value of the activity is then expressed in financial results. Our company vision is "BE GLOBAL," which means to conduct world-class business activities. To this end, we are updating the current "Analects and Abacus" in management so that it can be used in conversations with managers and investors around the world.

Management philosophy, vision, and mission, are the "Analects," which are combined with materiality, which is the identification of the problem to be solved and the strategy is a concrete path to realize it, to give specificity to the activities. **The performance mechanism, which is the "Abacus," is not only based on accounting that focuses on the evaluation of activity results, but also on the abacus from a finance perspective that focuses on the cash flows that will be generated in the future.**

While we have had the concept of "Analects and Abacus" since our founding, this update has greatly enhanced our future arrangements and has allowed us to organize our previously disjointed minds.

Our Group management is based on the division of responsibilities between the CxOs. Therefore, in order to have a balanced understanding of the entire group, it would be desirable for all CxOs who are managers to devote the same amount of time to explain their minds, but it can also be difficult for the reader. This time, I provide only myself, Tetsuji Morikawa, as an example. LOL!

Figure 2: The appropriateness of business activities can be measured by long-term corporate value growth.



Now, my immediate priority in my position is to evolve into a software company that can contribute to enhancing corporate value by promoting a Software Driven Strategy. From the perspective of market creation, this means launching the corporate value management market, which we call the M3 market. To achieve this, we restructured our business and carved out new markets from the traditional ones.

**Because we ourselves are in Japan, we strongly want to help Japanese corporate management by promoting a software suite defined by the theme of contributing to corporate value enhancement.**

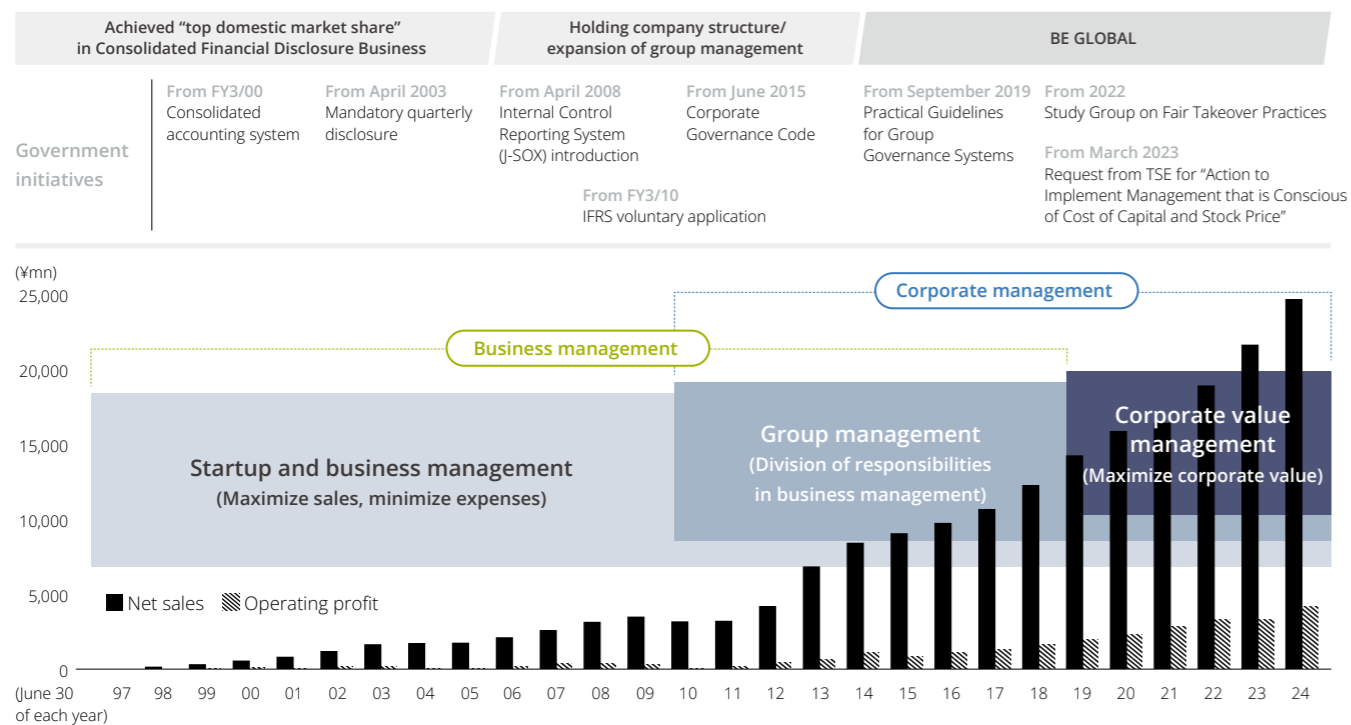
This is due to the fact that in our own management experience, as we had been subject to discontinuous management reskilling (Figure 3), we were not been able to shift to corporate value-conscious management on our own.

In our case, as we have mentioned in previous integrated reports, dialogue with external parties such as foreign outside directors and foreign institutional

investors was very useful, but the information needed for such dialogue was insufficient beyond the conventional management information required for dialogue with the company's internal parties. Therefore, we have developed a new management information environment for dialogue with the outside world, and we believe that information systems and services, perhaps through this experience, are useful for publicly listed companies that are required to manage their business with an awareness of stock prices, as well as for companies that raise funds even if they are privately held.

However, it is a small start. The financial results to be realized from the Software Driven Strategy in the current medium-term management plan, BE GLOBAL 2028, are approximately ¥6 bn on a software gross profit basis, which is not a large percentage of overall sales. However, the content to be realized there involves the creation of new markets. We regard this as an important action that is essential for creating the future.

Figure 3: Experienced discontinuous "management reskilling"



### Corporate Value Management SaaS Suite

What software can contribute to enhancing corporate value? Since establishing the strategic materiality of the medium-term management plan, we have gone through various trials and errors. The concept of enterprise resource planning (ERP), which has been popularized since the 1990s and orders the state of enterprise information systems, does somehow does not fully cover it. There are also different mechanisms for digitizing business-to-business transactions, such as supply chains. Digital transformation covers a very wide range of areas. In the midst of all this, we found a map that clearly shows our areas of focus (Figure 4). The Ministry of Economy, Trade and Industry (METI) has compiled the following information.

The bottom right segment is defined as software that contributes to enhancing corporate value.

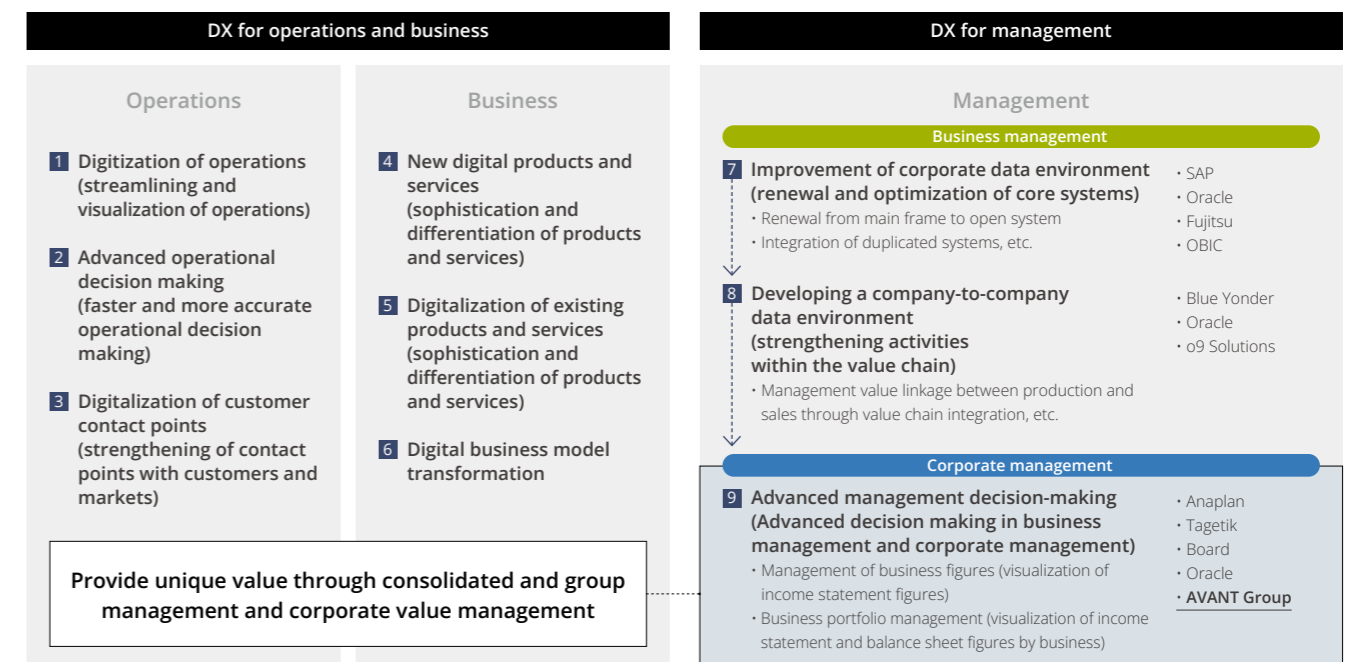
Traditionally, companies offering products such as Business Intelligence (BI) as an area for utilizing data

generated by various information systems and Corporate Performance Management (CPM) as a tool specialized for business management operations by applying such technology have been players, but, none of them focus on enhancing corporate value. Let's contribute in this area with a different way of thinking from other companies. That is what it means to "become a software company that contributes to enhancing corporate value." We are organizing such an arrangement.

So what exactly will the product be? It will focus on software and services that support operations that impact corporate value. The traditional way of doing things is quite immature, with only a few operations being covered and a lack of business expertise and content.

To begin with, it is also necessary for the companies that actually need them to solve issues like management reskilling. Even in these early days of the market, little by little, the state of the product is taking shape.

Figure 4: Current Avant Group focus areas of contribution



Source: We applied NTT DATA's DX Framework to the companies selected for the Ministry of Economy, Trade and Industry's "DX Issues 2022-2020" and "Aggressive IT Management Issues 2015-2019."



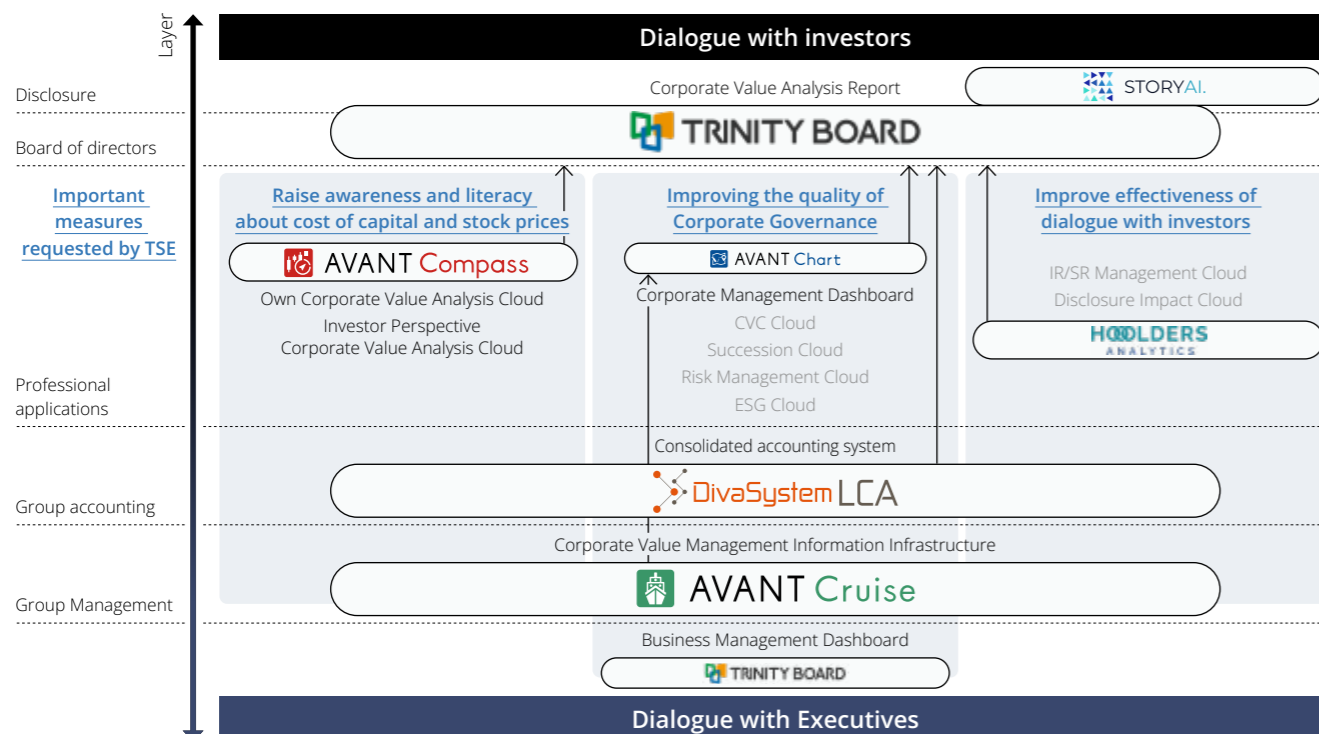
Figure 5: Corporate value management SaaS Suite concept

Provide integrated SaaS services that help companies with multiple business value units enhance their corporate value.

$$EV = \left( \frac{FCF}{r-g} \right) + EC + NOA$$

<p><b>1 SaaS's to measure, compare, and discuss prices of businesses in various units for corporate value management.</b></p> <ul style="list-style-type: none"> <li>Corporate value management (investors and price)</li> <li>AVANT Compass</li> <li>Management Council Management TRINITY BOARD</li> </ul>	<p><b>2 SaaS's to manage budget and results for even the smallest units of business value</b></p> <ul style="list-style-type: none"> <li>Group Performance Management DivaSystem LCA</li> <li>Group Performance Management</li> <li>AVANT Cruise + AVANT Chart</li> </ul>	<p><b>3 SaaS's to prevent credit damage affecting corporate value</b></p> <ul style="list-style-type: none"> <li>Risk Management (GRC)</li> <li>Disclosure (EGS)</li> </ul> <p><b>4 SaaS's to support sustainable growth</b></p> <ul style="list-style-type: none"> <li>Business portfolio management (M&amp;A strategy)</li> <li>Group Succession Management</li> </ul>	<p><b>5 SaaS's to support the use of excess cash</b></p> <ul style="list-style-type: none"> <li>Investment Management</li> </ul> <p><b>6 SaaS's to support the use of non-operating assets</b></p> <ul style="list-style-type: none"> <li>Business Asset Management</li> </ul>
--	---	--	--

Figure 6: Visualizing enterprise value management SaaS



\*Products indicated by gray letters will be developed or procured in the future.



Our basic policy is to organize the necessary operations and systems using a formula that represents corporate value (Figure 5). In the case of ERP, software modules are designed for each business process, such as accounting, payroll, human resources, production management, etc. However, Enterprise Value Management (EVM) is specialized for management decision making, so it can be organized as a business system for each component of corporate value, such as decision making for increasing free cash flow, risk management, and sustainability. EVM can be organized as a business system for each component of corporate value, such as for decision making to increase free cash flow, for risk management, and for sustainability.

We call these the Corporate Value Management SaaS Suite, but this Suite is not composed solely of our own products. We are trying to achieve this in cooperation with companies with various specialties. This is because the target areas need to cover niche but highly specialized areas ranging from ESG to management succession.

Over the past year or so, we finally have a base from which to think about what a software company should look like to help enhance corporate value.

### Reflections and Future Prospects

Although I wrote this with a slight bias toward the software concept, BE GLOBAL 2028, now in its second year, has been able to move forward quite successfully, albeit through a process of trial and error.

The plan revolves around the not-so-easy challenge of creating a market, but it is a very rewarding subject. We will continue to focus on contributing to the enhancement of corporate value, including our own.

This can be reconstructed using the four measures identified as important in the "Discussion Paper for the Follow-up Conference on the Revision of Market Segmentation" released by the TSE in 2023, as shown in Figure 6 on the left. In the TSE request, the four elements include English disclosure, but since English disclosure is in a different context from the corporate value formula, it can be organized in the other three.

In this way, we are reorganizing the way software should help improve corporate value, repositioning our commercial products, and beginning to develop products and service systems accordingly.

*Tetsuji Morikawa*

Tetsuji Morikawa  
Founder, Chairman & Group CEO