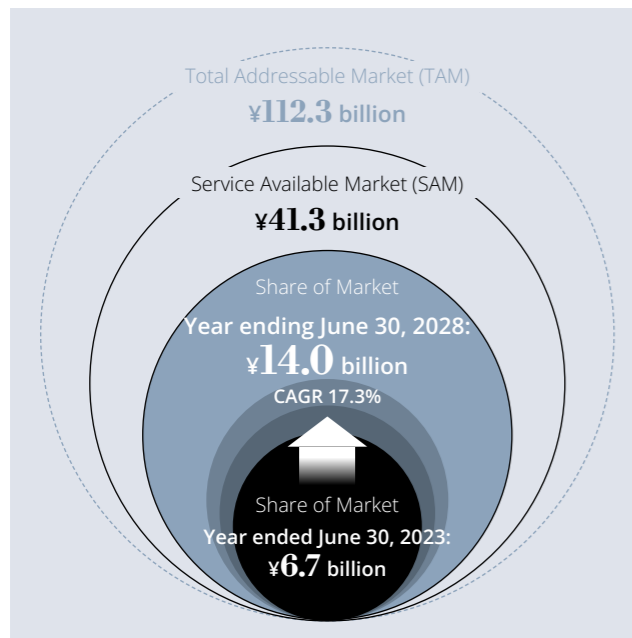


# Consolidated Financial Disclosure Business

M1

Through the provision of consolidated accounting systems and BPO services, we break down and reconstruct value units within our clients' businesses and support the disclosure of financial results to facilitate dialogue with investors.



## Market Environment Analysis

- The TAM for the consolidated financial disclosure market is estimated at ¥112.3 billion, of which consolidated accounting systems account for about ¥10 billion, BPO about ¥40 billion, and SAM ¥41.3 billion, excluding duplication.
- The BPO market is expected to grow by 20-25% as the need to outsource financial disclosure, a non-core routine task for companies, grows in response to a declining workforce and the need to reform work styles. The consolidated accounting system market is growing at around 9% due to an increasing need for earlier settlement of accounts and enhanced disclosure, with the cloud system market in particular expected to grow at around 20%.
- While there are several software competitors in the consolidated financial disclosure market, none of these also offer BPO solutions. We therefore believe there are no competitors offering a combination of software and BPO services.

## Growth Drivers and Competitive Advantages

- In this expanding market, we aim to achieve an average annual growth rate of 17.3% in sales during the period covered by the new medium-term management plan, centered on one BPO business. At the same time, by leveraging know-how gained from the BPO business, we will increase the competitiveness of our software to boost sales and improve the profit margin of the business.
- The Group has established an outsourcing business for disclosure of consolidated financial results, which has been considered difficult due to significant differences between busy and slow periods, on the back of our unique position. With a client base of more than 200 companies, including leading companies that already have numerous consolidated subsidiaries and affiliates, including overseas, we have established an unparalleled barrier to entry through our extensive experiences and knowledge. As a result, we have been able to secure high profit margins, a key point of difference to a typical outsourcing business.
- DivaSystem LCA is the No. 1\* product in terms of market share, with 43.1% of the domestic market for consolidated accounting systems. It has a significant edge because of an ability to expand functions through incremental additions of functionality acquired through the BPO business.
- The business model combining highly competitive software and BPO services is only feasible for our group, and we regard this as difficult for other companies to try and implement.

\* Source: Fuji Chimera Research Institute, "Software Business New Market 2023," Consolidated Accounting Management Software Market Share Trends (Package) FY2022 Results

## CSFs and Focus Points

- **We will increase the market share of DivaSystem LCA for large companies with sales of ¥100 billion or more to 70%, a level at which it can be considered the de facto standard, by the end of the fiscal year ending June 30, 2028. To this end, our primary investment will be in software development over the next three years.**
- In recent years, market share expansion for DivaSystem LCA has stalled. However, the reorganization of group companies in 2022 will enable the company to combine the BPO business with DivaSystem LCA, creating a structure that can generate synergies. We recognize that the biggest key and challenge is whether we can create a cycle to transfer consolidated disclosure business know-how gained through BPO processes to software development to further enhance our product capabilities.
- On the sales front, we will further cultivate customers in the strong BPO business and strengthen cross-selling of DivaSystem LCA.
- However, by accumulating operational know-how through BPO, we believe that it will be possible to develop software that fully automates consolidated closing operations for companies with sales of ¥100 billion or less in future. We also expect the development of software that fully automates consolidated closing operations will be achievable for companies with sales of ¥100 billion or less.
- Internet Disclosure, which provides major audit firms with "Disclosure Net," a search service that stores comprehensive disclosure information on listed companies, also supplies data to Group companies for their products, taking advantage of its outstanding expertise in collecting and managing disclosure information.

## CSF

Become the de facto standard with a 70% share of the consolidated accounting system market

## INSIGHTS FROM BUSINESS OWNER



**GEN NAGATA**

President and Representative Director, Diva Corporation

### Re-enforce DivaSystem LCA through Synergies with BPO and Get Back on a Growth Trajectory

Our operating company Diva utilizes software and BPO to automate consolidated financial disclosures for its clients. The key strength of the company is an ability to combine these two seemingly completely different business models and processes, while maintaining high profit margins in both services. Being the only BPO provider in this field also allows us to transfer and develop software based on our expertise as professionals in consolidated financial disclosure operations.

Since launch, the BPO business focused on client development, based on a belief that knowledge of consolidated financial disclosure operations is concentrated in large, complex companies with a large number of consolidated entities. By acquiring know-how accumulated in this way and embedding within DivaSystem LCA, we aim

to develop software that raises the productivity of our customers and further expand our market share.

Beyond that, we are looking at two new developments. One is to develop software that fully automates operations for companies in the mid-range and below by reflecting common features of the consolidated financial disclosure operations of the more than 200 large companies that we have as customers. The other is global expansion. The nature of BPO, as well as language barriers, make this difficult. However, we believe that we will be able to overcome these challenges as workflow transcription progresses further and the scope of what can be automated with software expands. This will be a major step toward realizing the Group's vision "BE GLOBAL."