

Consolidated Financial Disclosure Business

DIVA



Products developed



Diva automates its clients' consolidated financial book closing operations by developing and maintaining products related to DivaSystem LCA, a software package that covers a series of operations from data collection to consolidated processing, reporting, and financial disclosure, and by providing an outsourcing business for financial book closing operations using these products.

Furthermore, by transferring the know-how gained from outsourcing to software development, we have realized a "BPO SaaS" that is difficult for other companies to follow. We have the largest client base in the Group and serves as a bridgehead in entering new markets.

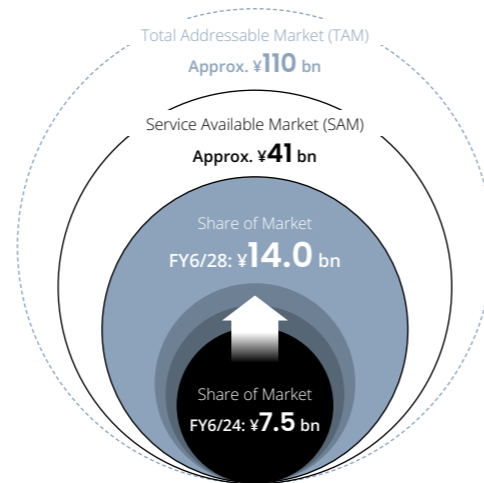
Internet Disclosure provides major audit firms with "Disclosure Net," a search service that stores comprehensive disclosure information on listed companies, and also supplies data for the products of Group companies.

Competitive Edge

- DivaSystem LCA is the No.1 consolidated accounting system product in Japan, and has a significant advantage because of its ability to expand functions by transferring business know-how acquired through the BPO business.
- We have established an outsourcing business for disclosure of consolidated financial results, which has been considered difficult due to the large difference between busy and slow periods, based on our unique know-how. With a client base of more than 300 companies, including top-range companies with numerous consolidated subsidiaries and affiliates, we have built an overwhelming barrier to entry and achieved high profit margins by accumulating extensive experience and knowledge.
- The business model that combines extremely competitive software and BPO is only feasible for our Group, and it is difficult for other companies to follow suit.

Market Environment Analysis

- The TAM for the consolidated financial disclosure market is approximately ¥110 bn, of which consolidated accounting systems account for approximately ¥10 bn and BPO approximately ¥40 bn, and excluding duplication, SAM is estimated to be approximately ¥41 bn.
- In response to the declining workforce and changes in work styles, there is a growing need for companies to outsource financial disclosure, a non-core routine task for companies, and the BPO market continues to realize expected growth of more than 25%. The consolidated accounting system market is growing at around 10%, thanks to the wide range of maintenance services that can be provided up to BPO and the software that transfers this know-how, and the cloud system market is expected to grow at around 20%.
- While there are several software competitors in the consolidated financial disclosure market, there are no competitors in BPO, nor are there any competitors that offer a combination of these services.



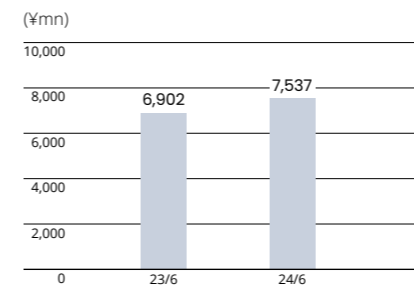
Targets in the Medium-Term Management Plan

Net sales: Growing at a 15.2% CAGR, driven by the expanding BPO market
Operating profit margin: Improve by increasing software sales by transferring know-how gained from outsourcing business

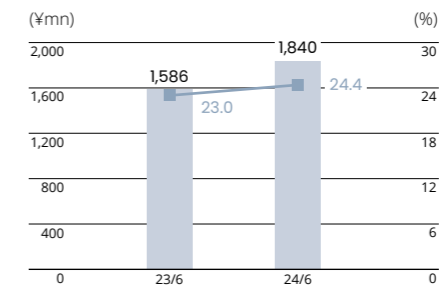
Progress in the First Year of the Medium-Term Management Plan

- In FY6/24, net sales rose 9.2% y-y and operating profit rose 16.0% y-y. Diva's outsourcing business remained strong and its software business also grew, with net sales growing 13.9% from the prior year and the operating profit margin improving 2.5 percentage points due to a review of pricing strategies and other factors. Internet Disclosure maintains stable sales and profits.
- The company has set a goal of achieving a 70% market share for DivaSystem LCA, the de facto standard in the consolidated accounting system market, and is aggressively investing in software development. We assess that the development is progressing well, with BPO productivity steadily increasing as software functionality is expanded. We intend to continue to accelerate the cycle of transferring the consolidated financial statement disclosure operations know-how gained through BPO to software to enhance product capabilities, which will then be used in BPO to improve efficiency.

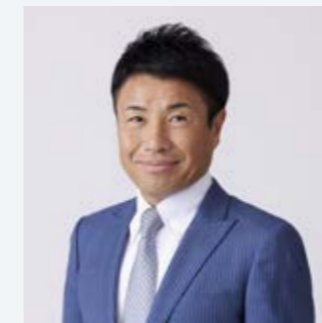
Net sales



Operating profit



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



Gen Nagata
 President and Representative Director, Diva corporation

Business Owner Message

Pursuing further growth with a one-of-a-kind business model that fuses two businesses

The medium-term management plan is progressing well. Not only is the outsourcing business maintaining a high growth rate of more than 25%, but the software business, whose market is maturing, is about to return to a growth trajectory under a new structure after the reorganization of group companies in October 2022. Even with the increasing number of corporate delistings due to M&A and MBOs, we have continued to grow without major impact by steadily acquiring sales of ¥100 bn or more.

The main reason for the strong performance is that the outsourcing business and the software business are working together in unison under the current structure to focus on the wisdom of the business. In addition to the focus on cross-selling by the outsourcing business to DivaSystem LCA

clients, both businesses are being re-enforced through a virtuous cycle of utilizing the know-how of the outsourcing business for software development and utilizing the software with enhanced functions for the outsourcing business.

We believe that most of the tasks that humans can perform in consolidated financial disclosures can be reproduced by software development, and that there is still room for further evolution of DivaSystem LCA. The outsourcing business is expected to continue to grow in the market, and we are making steady progress in securing personnel through hiring, and we intend to continue to maintain a growth rate of about 25%, which will ensure the quality of our services.

Digital Transformation Promotion Business



This segment follows a business model similar to that of Slers and consulting firms, providing one-stop support from organizing the client's business situation to proposing a solution, building it, and supporting its operation and establishment.

Among these, the company is unique in its focus on "data utilization," which is indispensable for DX promotion.

We are developing a system that aggregates data generated in business processes using data platforms from major vendors in Japan and overseas, which can be used to visualize current conditions and predict the future.

The group also plays a role in expanding the group's commercial offerings by promoting the training of engineers specializing in data utilization and the in-house development of data utilization infrastructure products.

Products developed

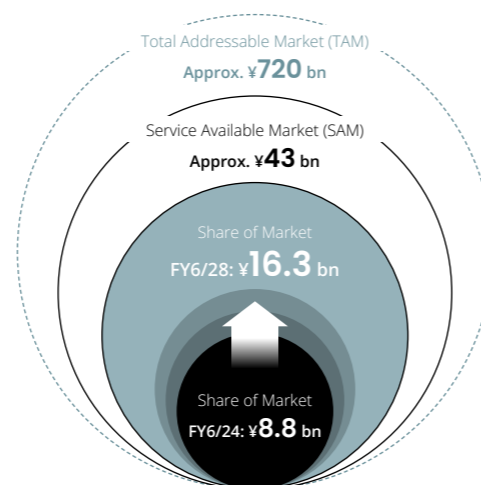


Competitive Edge

- Zeal, the operating company in this segment, was one of the first to recognize the potential of BI and has led the industry as a solution vendor specializing in BI and DWH (Data Warehouse) for about 30 years since the dawn of BI in Japan. Our greatest advantage is our accumulated know-how in data utilization.
- We have partner agreements with many vendors, and we have built a particularly strong relationship with Microsoft, even before the move to cloud computing began. Currently, as the number one partner in the data platform field, we have quickly mastered the technology and are supporting many customers' DX with the cloud service "Microsoft Azure."

Market Environment Analysis

- We are aware that the DX market is worth approximately ¥720 bn for TAM and over ¥43 bn for SAM, but we are certain that the market will expand further as investment in data utilization is expanding, especially among large companies, and there is a marked trend toward promoting DX not only in specific businesses but also throughout the entire group. The market is certain to expand further.
- In the past year or two, companies have reaffirmed the importance of data essential to the functioning of generative AI, and the market for the area of data utilization infrastructure has expanded markedly. The Group will focus on this area, which has been the mainstay of its business development for many years, to capture the growth of the market.



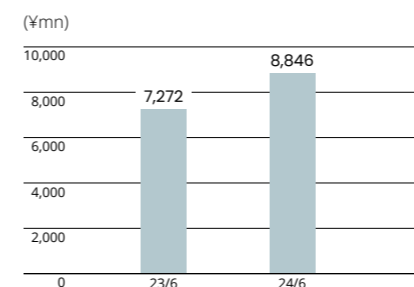
Targets in the Medium-Term Management Plan

Net sales: Growing at a 17.8% CAGR as the business scale expands in line with market growth
Operating profit margin: Improved to the same level as consulting firms

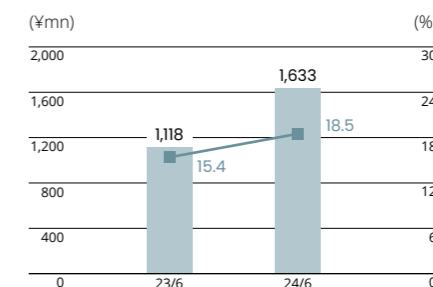
Progress in the First Year of the Medium-Term Management Plan

- In FY6/24, net sales rose 21.7% y-y and operating profit rose 46.1% y-y, a significant increase in both net sales and operating profit, due to a booming market in the area of data utilization and a successful revision of pricing to reflect personnel costs.
- Another major factor behind the increase in sales and profit is the "expansion of client contribution value," as stated in the CSF. In particular, for clients who are rebuilding their data utilization infrastructures, we have expanded the provision of consulting services in the conceptual phase, which is the upstream process, outsourcing of data utilization after the infrastructures are built, and AI-assisted support, resulting in a significant increase in the operating margin from 15.4% in the prior year to 18.5% in the fiscal year ended June 30, 2024. From FY6/25, we have set the expansion of our business portfolio in areas other than these data platforms as a new CSF and have changed our organizational structure.
- On the other hand, progress in "expansion of the number of employees" is slightly below the plan, as it has become increasingly difficult to hire IT personnel due to aggressive hiring by other companies. To this end, we are also investing heavily in human resources development, creating an environment in which employees can grow quickly, and strengthening collaboration with our business partners. Although the recruitment of consulting and AI personnel has been strengthened by fully explaining management policies and focus areas during the hiring process, securing human resources is expected to remain the biggest challenge for this segment in the future.

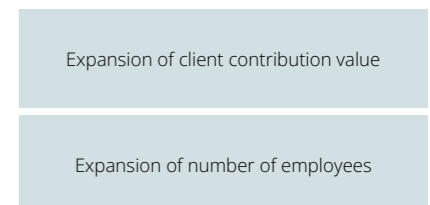
Net sales



Operating profit



CSF



Yoshiyuki Numata

President and Representative Director, Zeal Corporation

Business Owner Message

We are transforming to achieve sustainable high earnings growth

The first year of the medium-term management plan got off to a strong start, but it is precisely because we are now in a strong position that we need to make changes ourselves in order to respond to the situation in which the SI business is undergoing major changes. To this end, two organizational changes were implemented in July 2024.

The first is to create a structure in line with the business portfolio we are aiming for. In addition to data platform construction, which is the pillar of our business, we have clearly differentiated business areas such as consulting in the DX concept phase,

AI, software, and in-house production support, and have created a structure in which the person in charge committed to each area leads each business.

The other is to reform the sales department. We created a department dedicated to sales for existing clients, which conducts so-called account sales. We aim to bring long-term business success by working diligently with clients to provide optimal solutions. We are increasingly providing quality services and various proposals to each and every client, and we intend to make this a part of our culture.

Management Solutions Business



Products developed



Management Solutions, previously provided mainly through SI and consulting, are being converted to “Consulting SaaS,” a combination of SaaS and consulting, to establish a new business model.

In addition to providing customers with our own software, we also combine it with software developed by other companies. Our sales are comprised of software sales, consulting services related to the implementation of the software, and maintenance contracts that provide support in running the project.

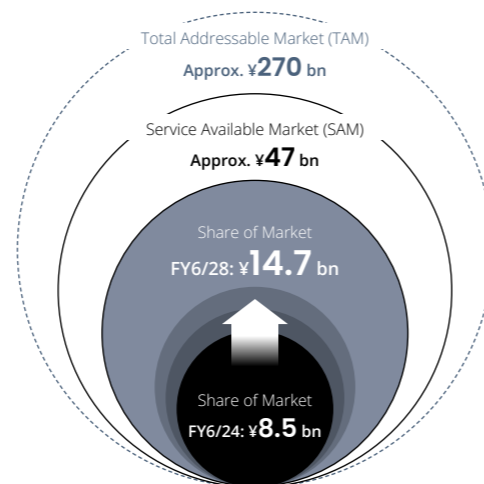
Within the Group, we are responsible for maximizing the use of Group assets and continuously creating solutions that provide management information useful for enhancing corporate value.

Competitive Edge

- “AVANT Cruise” is a fit-gap implementation model that utilizes best practices developed based on the business management of clients that the Group has supported over the years, and is equipped with data processing and computing functions to convert the client’s data for business management. Compared to the traditional SI model, man-hours are reduced and an optimal information environment can be provided to customers in a shorter period of time and at a lower cost.
- This is a competitive advantage in terms of sales, as it makes it easier to approach the Group’s client base of approximately 1,100 Diva clients (accounting department/CFO line) and 1,000 Zeal clients (IT department/CIO line).

Market Environment Analysis

- We estimate that the TAM for next-generation management information infrastructure market is approximately ¥270 bn and that the SAM is approximately ¥47 bn. In recent years, an increasing number of companies have been seeking to manage their businesses from an investor’s perspective, and the next-generation management information infrastructure market is expected to expand accordingly.
- In response to the request announced by the Tokyo Stock Exchange (TSE) in March 2023 to “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” an increasing number of listed companies are reviewing their management, for example by setting new KPIs such as business ROIC in their medium-term management plans. In addition, with the TSE starting to publicly announce companies disclosing information regarding this requirement in January 2024, this trend is expected to intensify and expand business opportunities for this segment.



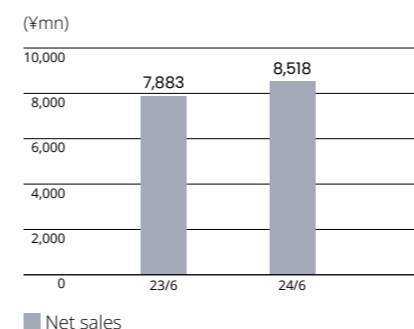
Targets in the Medium-Term Management Plan

Net sales: Growing at a 13.2% CAGR, expanding to meet demand
Operating profit margin: Improve by expanding software sales composition

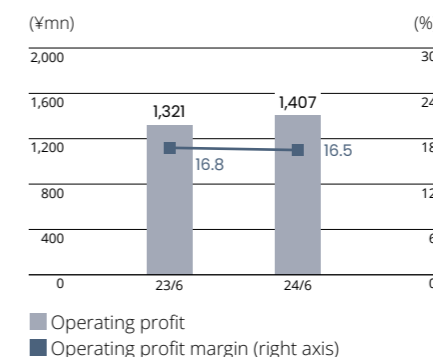
Progress in the First Year of the Medium-Term Management Plan

- Net sales for FY6/24 rose 8.1% y-y, and operating profit rose 6.6% y-y, showing a solid result compared to the plan. The start of disclosure by the TSE in January 2024 triggered an increase in the number of companies interested in cost of capital and ROIC initiatives, and especially in the fourth quarter, sales of “AVANT Cruise” and other products led to increased performance.
- The introduction of “AVANT Cruise” is progressing as planned. For high-end customers, we offer a consulting-based implementation, while for those who prefer to start small, we promote a fit-gap approach with packages that can be implemented in as little as one week. We believe that the development and sales of packages, especially those that enable the calculation of ROIC by business segment, will be the biggest key to achieving the medium-term management plan, since the introduction of packages is relatively more profitable and enables the swift training of human resources capable of handling it. Through FY6/25, the company plans to focus primarily on development investments and identifying customer targets, after which it aims to introduce the system to dozens of companies annually. In the first half of the year, we received more than three times as many inquiries in FY6/25 as we did in the same period of the prior year, and we believe that our goal of introducing 300 companies by FY6/28 is fully feasible.
- The number of project managers is increasing as planned, partly because we have switched to a policy of training newly hired graduates. On the other hand, it has been difficult to hire the development personnel that are required to be immediately effective, and there has been some delay in increasing the number of employees, so we are also making efforts to utilize outside partners.

Net sales



Operating profit



CSF

- AVANT Cruise (including peripheral products) installed base: **300 companies** (FY6/28 target)
- Expanding the number of software development personnel
- Increase in the number of business leads
- Expanding the number of project manager personnel



Takahiro Okabe

President and Representative Director, Avant Corporation
 Chairman and Director, Zeal Corporation

Business Owner Message

We aim to increase the number of companies introducing “AVANT Cruise,” starting with “AVANT Compass.”

In order to achieve the target for the number of companies to install AVANT Cruise, our top-tier CSF, it is essential to secure the pipeline, and we are focusing on marketing. This is where “AVANT Compass” is a great weapon. “AVANT Compass” is structured in line with the current situation analysis and measures recommended by the TSE in “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” and features easy benchmarking with other companies in the industry and no consulting fees at the time of introduction. We aim to use this introduction as an opportunity to make our clients aware of the importance of business portfolio management and to propose “AVANT Cruise” to them.

At the same time, now that we have narrowed down our client target, Kunihiro Nakamura, who took over as Chief Customer Officer (CCO) of the Avant group in October 2024, and I are working together to focus on top sales to potential client CxOs. We believe this approach is particularly effective because “AVANT Cruise” needs to be proposed to those in charge of corporate planning and finance departments rather than to those in the field. Since awareness of AVANT Cruise among clients of DivaSystemLCA, the product with the largest market share in our Group, has become widespread, we will further strengthen our marketing efforts to new markets and companies.

Please refer to page 35 for details on “AVANT Compass.”