

AVANT

AVANT CORPORATION

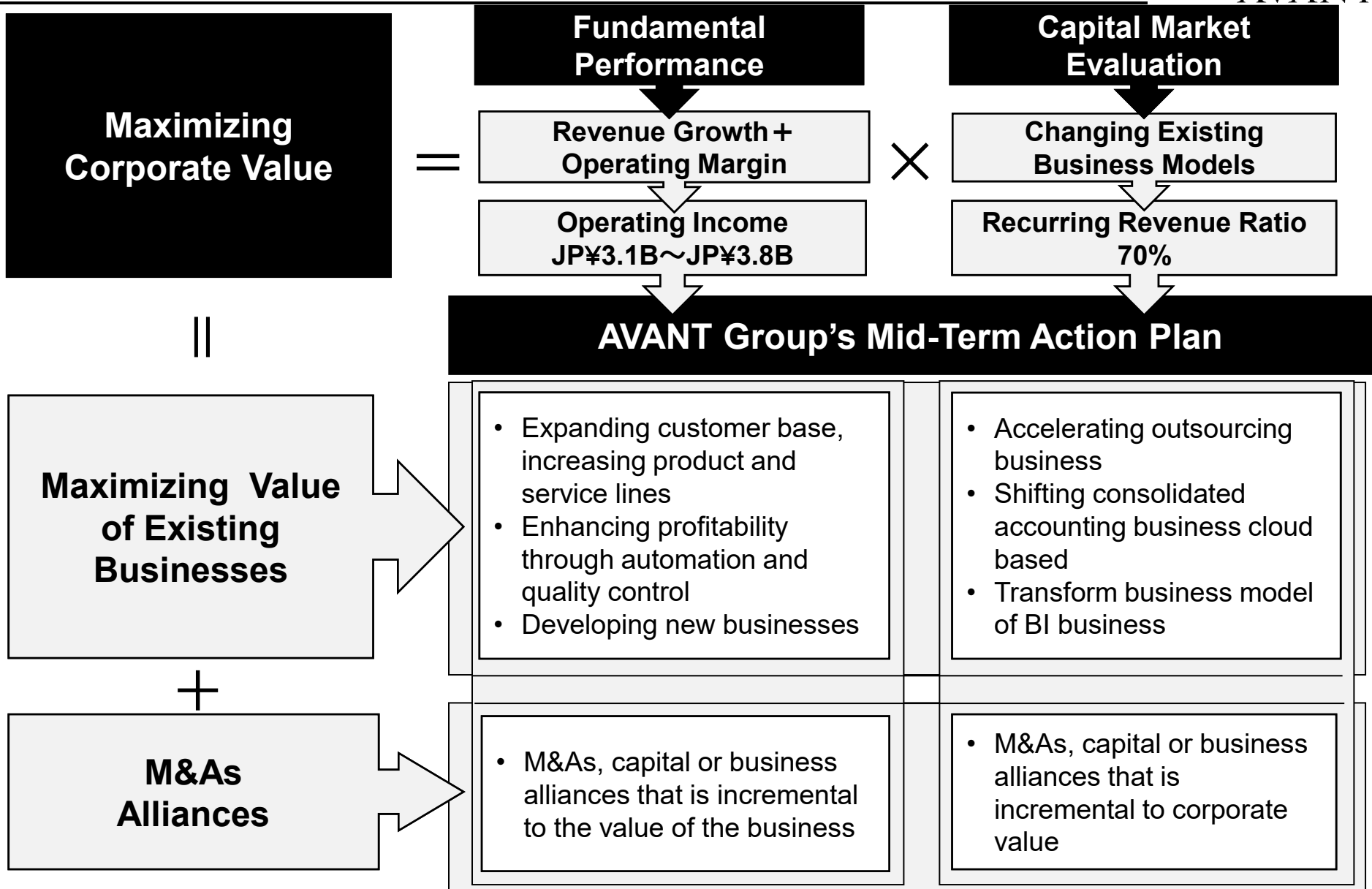
Analyst Meeting

AVANT CORPORATION
(Code: 3836 TSE Prime)
August 22, 2022

Update on Mid-term Business Plan

The delay in structural reform was a result of problems with software business development investments

		FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Target
Operational KPI	Net Sales (¥B)	140.7	156.9	162.4	187.0	180~220
	OP Income (¥B)	19.6	22.7	27.9	32.4	31~38
Strategic KPI	Recurring Sales Ratio (%)	31.4	32.7	36.0	34.6	70
	Sales Growth + OP Margins (Points)	30.2	26.0	20.8	32.6	40 or more
Financial KPI	ROE (%)	24.6	23.5	23.7	21.1	20 or more
	Dividends (yen)	7.5	9.0	11.0	13.0	15 or more



– Materiality (Strategy) of Avant Group –

Be a software company that helps increase corporate value

◆ Background ◆

Since its establishment, the Avant Group has been striving for the creation of high-quality management and employment with the mission of “spreading accountability. In particular, in the field of consolidated accounting systems that support consolidated management, the company has gained a high reputation in the market and has demonstrated an overwhelming presence. On the other hand, the business environment surrounding companies has changed drastically in recent years, and **it has become important for management information to be used not only for operations and disclosure obligations, but also to enhance corporate value.**

The background to this is the expansion of ESG investment and society's demand for sustainable corporate management; there is no future for the Avant Group without adapting to these changing needs, and we cannot be useful to society and customers if we remain complacent about the status quo. To move to the next stage of growth, the most important task of the Avant Group is to **"become a software company that helps increase corporate value.**

◆ Strategic Approach ◆

The target customers for the promotion of this materiality are **"any company that is expected to increase its corporate value.** In response to these customers, we will **shift the core business model of the Group to "software-based BPO that helps improve corporate value,"** and at the same time, we will **develop killer software that support numerous customers.**

◆ Our Goal ◆

The Avant Group aims to **establish a world-class software business** based on the **concept of "Software as a BPO"** by addressing this materiality. In order to contribute to the enhancement of corporate value of many customers, **it is essential to convert services into software.** By promoting the “spreading accountability” and becoming an entity that has an impact not only on corporate management but also on capital markets and society, we will take **a big step toward realizing our vision of "becoming a world-class software company.**

**Group's 1,400 customers ≡
Listed company that seriously considers the improvement of
corporate value as a management issue**

Avant Group Inc.

To be a company that helps increase corporate value

Diva

Internet Disclosure, Inc.

**Creative Disclosure
Business**

Promoting Creative
Disclosure with Software
and BPO Services

Avant

**Value Visualization
Business**

Promoting Visualization of
Corporate Value by Mobilizing
the Group's Strengths

Zeal

DX Business

Create an organization
that can capture new
growth and promote DX

**Creating software that is lacking in all business companies through the
solution of social issues.**

A Step to “Be a software company that helps increase corporate value”

AVANT

1. Optimize group structure and rebrand in pursuit of the vision (from 1H FY23)

Develop a framework to realize a software company that helps increase corporate value through reorganization of the organization.

2. Develop an environment to create people and organizations that enhance corporate value (throughout FY23)

1. Invest in human resources and establish an executive organization to promote human resource development.
2. Visualize the business value chain through dialogue with investors and formulate medium-term targets and business plans for the next period.
3. Promote the acquisition of critical business assets by utilizing capital (JV/MA) as well.

3. Develop products that drive the vision (throughout FY23)

Utilize all commercial products handled by the group, develop in-house what is not available in the market, and systematize software that will help increase corporate value.

Governance Structure of Avant Group (Planned after Oct 2022)

AVANT

Avant Group Corporation

(Trade name to be changed from Avant Corporation)

President Tetsuji Morikawa Group CEO
Director Naoyoshi Kasuga Group CFO
Director Naohisa Fukutani
Director Jon Robertson
Director (Audit Committee) Tsuyoshi Noshiro
Director (Audit Committee) Chie Goto
Director (Audit Committee) Makoto Nakano

CDO (Chief Digital-Transformation Officer) Takahiro Okabe
CRO (Chief Risk-Management Officer) Hiroki Takemura
CBO (Chief Business-Development Officer) Gen Nagata
CIO (Chief Information Officer) Tatsuru Nakayama
CLO (Chief Legal Officer) Masamitsu Suzuki
CHRO (Chief Human Resources Officer) Eriko Satonaka

Diva Corporation

(Trade name to be changed from Fierte Corporation)

President Gen Nagata
Director Hiroki Takemura
Director Tetsuya Kawamura
Director Shuichi Fukayama
Director Yoko Hosokawa

Avant Corporation

(Trade name to be changed from Diva Corporation)

President Takahiro Okabe
Director Teppei Terashima
Director Tatsuru Nakayama
Director Shingo Moroi

Zeal Corporation

President Takahiro Okabe
Director Kunihiro Nakamura
Director Yoshiyuki Numata
Director Hiroyuki Morita

Updates on Financials

Earnings forecast for the FY ending June 30, 2023

AVANT

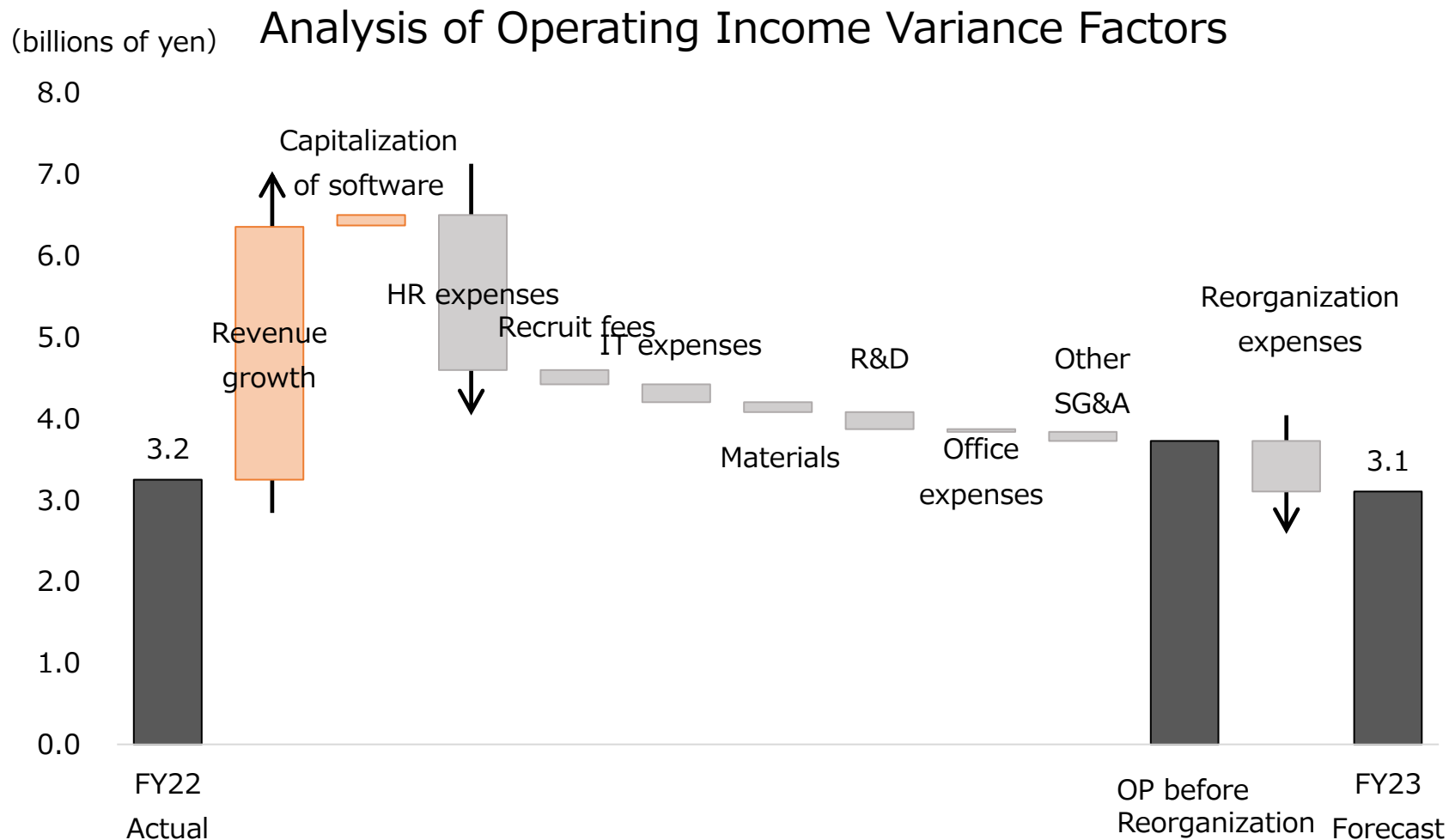
Expect to maintain the pace of revenue growth, but income will decline due to upfront investments

- The company positions the fiscal year ending June 30, 2023 as a preparation for the start of the next medium-term management plan, and the upfront investment phase will continue.
- Although the company expects to maintain the pace of sales growth in all segments, it forecasts a decrease in profit due to an increase in personnel expenses resulting from aggressive hiring, an increase in expenses accompanying organizational restructuring, and expenses to prepare the environment for accelerating the shift to cloud, including discontinuation of low-margin products and projects in existing businesses.

(millions of yen)

	2022 June (Actual)	2023 June (Forecast)	Variance	% CHG
Net Sales	18,703	21,800	+ 3,096	+ 16.6%
Operating Income	3,247	3,100	△ 147	△ 4.5%
OP Margin	17.4%	14.2%	—	—
Net Income	2,045	2,030	△ 15	△ 0.7%

Assumptions for FY June 2023 Forecasts



Operating companies and market under the new structure

	Business	Market environment
<p>DIVA</p>	<p>In addition to developing, implementing, and maintaining the DivaSystem consolidated accounting system and related products such as DivaSystem Dx3-Advance and DivaSystem FBX, the company is also involved in the outsourcing of consolidated and non-consolidated financial closing operations using DivaSystem. The company also provides comprehensive support for corporate value creation processes through information disclosure.</p>	<ul style="list-style-type: none"> ■ For Japanese companies, group management is inevitable for efficiency improvement, industry restructuring, and overseas expansion. The consolidated accounting system market is growing at around 6%, due in part to the need to accelerate the settlement of accounts and strengthen disclosure. With the rapid shift of systems to the cloud, cloud systems are growing at about 20%. The outsourcing market is expected to grow by 20-25%, supported by needs for DX reforms, addressing gerrymandering, changing work styles, and strengthening governance.
<p>AVANT</p>	<p>In addition to the introduction and maintenance of the DivaSystem consolidated accounting system and related products, and the development of group management support systems such as DivaSystem SMD, DIVA Compass, and DIVA Empower, the company also develops and implements systems that combine software developed by other companies to meet the needs of its customers and help them create corporate value.</p>	<ul style="list-style-type: none"> ■ The Corporate Governance Code requires companies to make decisive management decisions based on management information and to realize corporate value enhancement, and companies need solutions (DX of management) to integrate and analyze various types of information to make management decisions, execution, and reporting. The DX solutions and consulting market is expected to grow 30%.
<p>ZEAL</p>	<p>Through digital transformation, we provide data platforms and BI solutions that organize, integrate, and analyze internal and external data, make it "visible" in the form of reports and graphs, and provide information that is useful for management decision-making. We provide support through consulting and system development. The company also offers ZEUSCloud, a cloud-based analysis platform developed in-house, and ZEAL DX Learning Room, an e-learning service.</p>	<ul style="list-style-type: none"> ■ Leading companies that view management reform through DX as the foundation of their competitiveness are actively introducing systems. The base of DX is also expected to expand in the future, and the DX system integration market is expected to grow by 30%.

Strategy

- Contribute to clients seeking to improve their corporate value through " Management DX".
- Clarify the direction of operating companies, consolidate low-margin products, and actively hire to develop future core products and strengthen the implementation-based consulting business.
- Strengthen relationships with 1,400 customers, mainly listed companies, and provide products and services that meet customer needs, regardless of the company's own products. Accelerate the shift to cloud computing and aim to accelerate top-line growth by increasing sales per customer and the number of customers.

Growth and Profitability

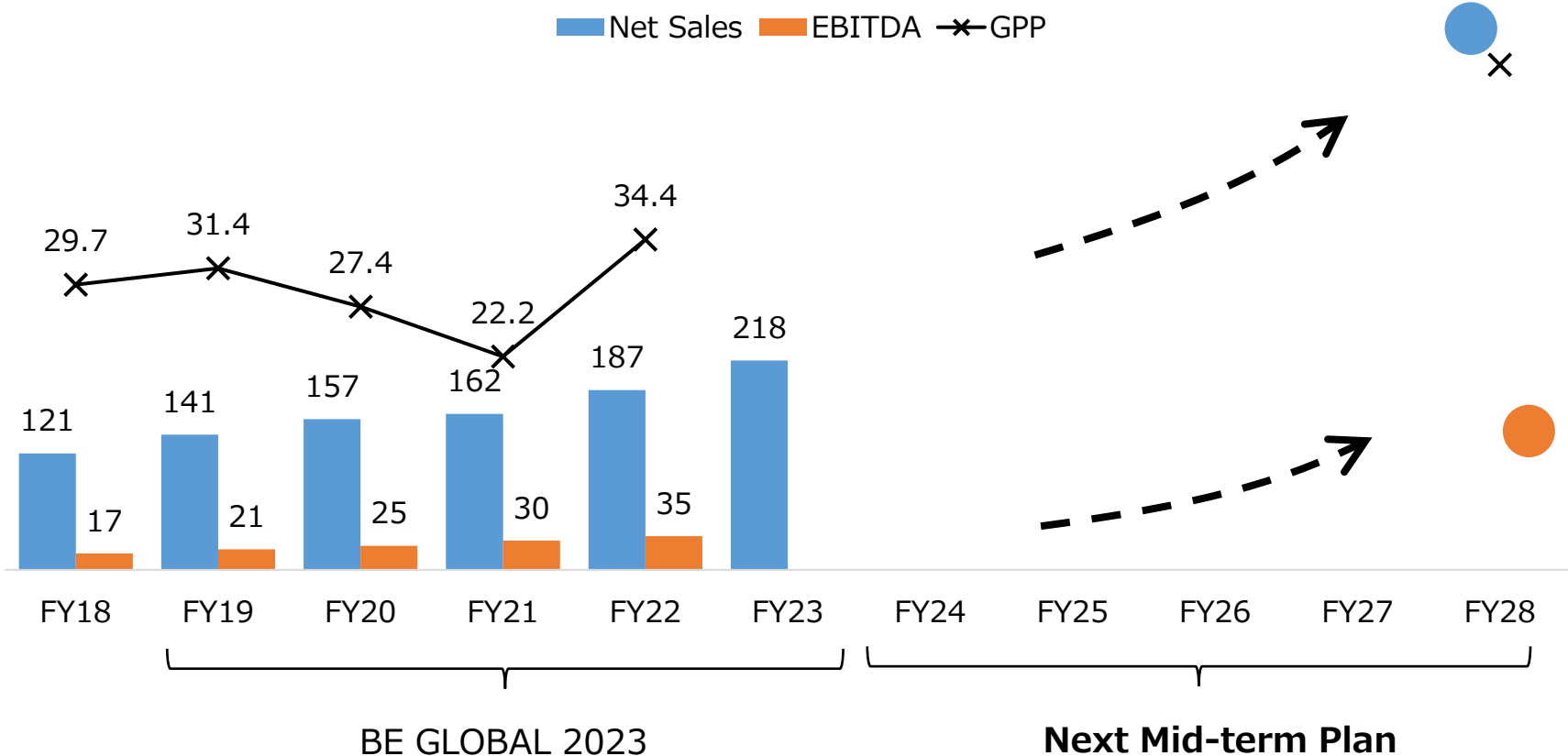
- Sales growth 20% or more (5-year CAGR)
- GPP 40 points or more (since FY27)

GPP=Net Sales Growth Rate + EBITDA Margin

Capital strategy

- ROE over 20%
- DOE over 8%

Aiming for 20% sales growth and 40 GPP points



GPP: 31.8 points
 Sales CAGR: 12.4
 Average EBITDA margin 16.4%

Financial Status

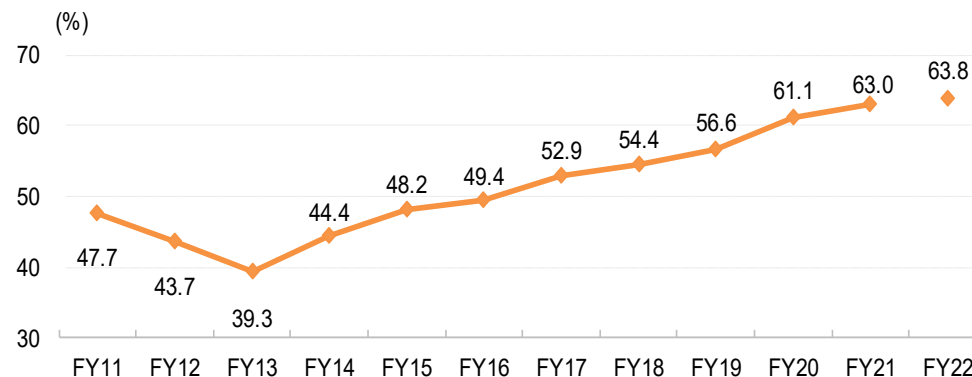
Jun 2022

Total Assets
16.6
billion yen

Total Liabilities
6.0
billion yen

Net Assets
10.5
billion yen

Equity Ratios



Cash Flows

(millions of yen)

FY21/06

FY22/06

Operating CF

2,561

3,026

Investment CF

(789)

(398)

Free CF

1,771

2,627

Financial CF

(359)

(433)

Key Factors for change

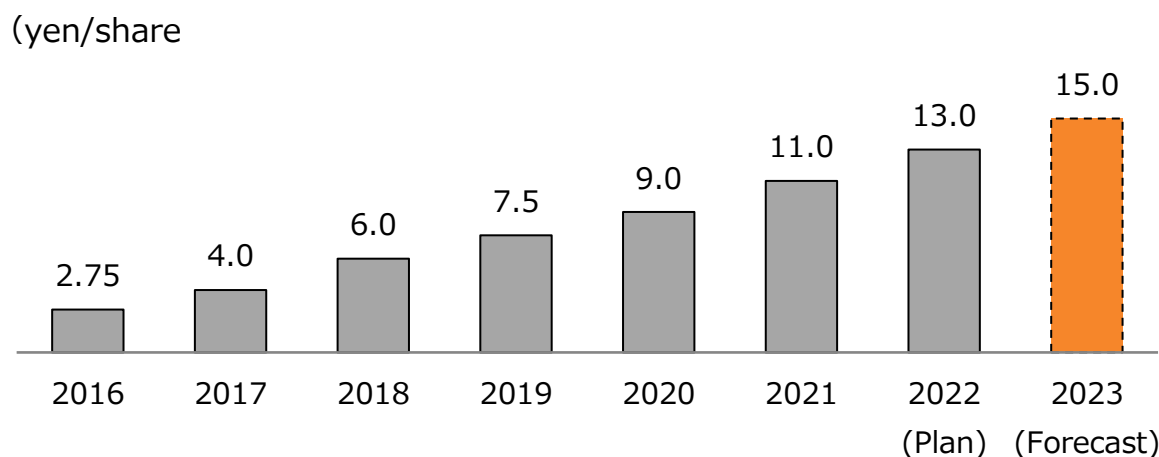
(millions of yen)

• Profit before income taxes	2,988
• Depreciation	349
• Increase in provision for bonuses	273
• Share of loss (profit) of entities accounted for using equity m	269
• Increase in notes and A/R-trade and contract assets	(258)
• Increase in trade payables	202
• Income taxes paid	(925)

• Purchase of intangible assets	(317)
• Proceeds from refund of leasehold and guarantee deposits	216

• Dividend payments	(413)
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- Cash dividends are an important part of shareholder return policy. AVANT plans to maintain sustainable growth in dividends, and rely on dividends on equities (DoE) rather than cash income which could fluctuate and unpredictable.
- AVANT's ratio of dividends to net assets should be higher than the average of all companies listed on the Tokyo Stock Exchange, and over the long term, AVANT aims to reach 8%, which is the average of the top 10% of companies in terms of the ratio of dividends to net assets.



(Adjusted for stock splits)

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Plan	FY2023 Forecast
Dividends per share (yen)	2.75	4.0	6.0	7.5	9.0	11.0	13.0	15.0
DOE (AVANT)	3.41%	4.18%	5.20%	5.27%	5.17%	5.18%	5.05%	-
DOE (TSE Average)	2.64%	2.70%	2.86%	2.93%	2.94%	2.88%	3.18%	-

(Note) The average ratio of dividends to net assets for companies listed on the Tokyo Stock Exchange is a weighted average of the monthly figures of companies published for the 12 months through June.

Question and Answer

Reference

Holding company

Operating companies

AVANT

DIVA[®]

株式会社 インターネットディスクロージャー
Internet Disclosure Co.,Ltd.

ZEAL
BI EVANGELISTS

FIERTE

Group Governance

Digital Transformation

Outsourcing

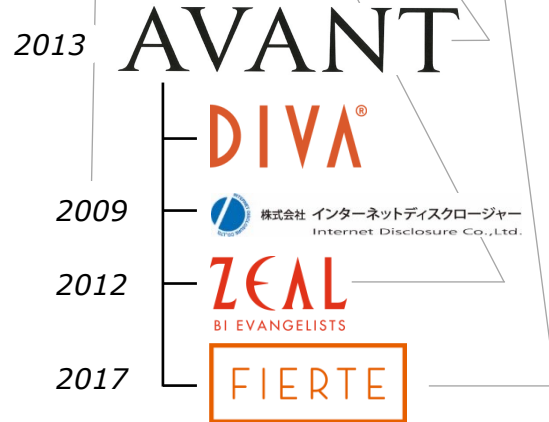
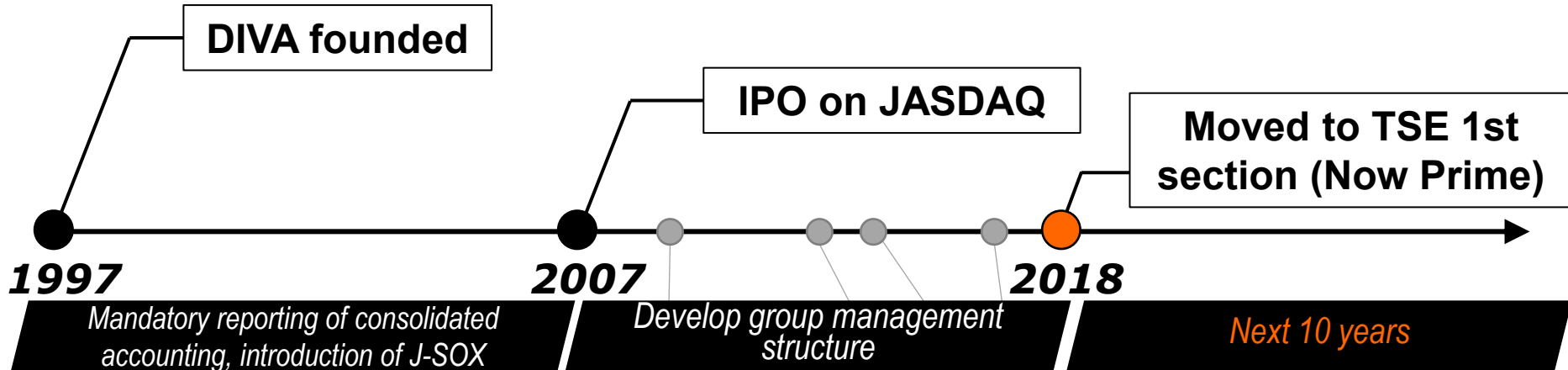
Maximizing corporate value of the Group

- Establish group governance
- Establish framework to generate group synergies
- Stay engaged with investment communities
- Take alternative actions supplementing existing business to achieve growth target
 - ✓ Incorporating external growth
 - ✓ Investment in new business

Maximizing business value of OpCo

- Focus on maximizing value proposition to clients
- Execute business plan
- Transform business model, if necessary, to achieve business plan
- Develop new products based on accumulated knowledge

AVANT Group for the next 10 years



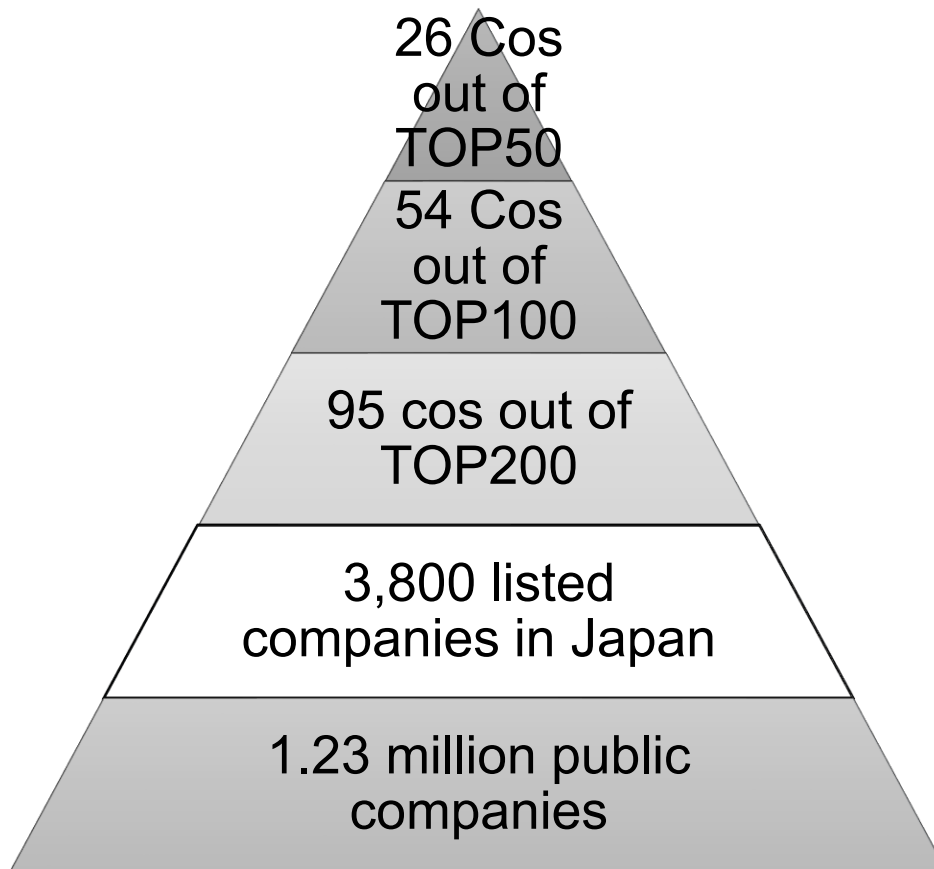
Established itself as top developer of consolidated accounting software

Shifted to a holding company and evolved its group management structure

Contribute to society and create good jobs as a center of industry that will support the Japanese economy in the future



- Sold to over 1,100 companies¹
- Leading market share of 43.2%² in FY2021. More than half of TSE listed top 100 companies
- Offers financial and managerial accounting, governance solutions



- Toyota Motor Corporation
- Nippon Telegraph and Telephone
- KDDI Corporation
- Daikin Industries, Ltd.
- Hitachi Group
- Chugai Pharmaceutical Co., Ltd.
- Denso Corporation
- Seven & i Holdings Co., Ltd.
- Astellas Pharma Inc.
- Fujifilm Holdings
- Bridgestone Corporation
- Mitsui Fudosan Co., Ltd.
- Mitsubishi Estate Co., Ltd.
- Panasonic Corporation
- Kao Corporation, etc. (June-2022 Market Cap.)

1 As of December 2020

2 Fuji-Keizai Management "2021 Software Business New Market" Consolidated Accounting Software (Package) Market Share



- Founded in 1991, acquired in 2012. More than 30 years of experience in business intelligence
- Installation of BI/DWH system to more than 1,000 clients
- Close relationship with Microsoft, Oracle, IBM, SAP and more

Recent cases

Asahi Kasei Corp. ~Data Utilization Infrastructure Development	PERSOL CAREER CO., LTD. ~Virtual Data Integration	Ricoh Company. Ltd. ~Data Utilization Infrastructure Development	Sumitomo Riko Company Limited ~e-Learning System
Reed Health Care, Inc. ~Sales support system	DOME Corporation ~Building a large-scale data integration and analysis platform	Selery ~Installation of ZEUSCloud	Trustbank, Inc. ~Data analysis environment
Yamato Contact Service Co., Ltd. ~Customer sentiment analysis environment	Sojitz Corporation ~Data application and analysis training	JGC Holdings Corporation ~Data application and analysis training	JGC Holdings Corporation ~Building Data Analysis Infrastructure
Goh Shoji Co., Inc. ~Inventory management templates	Nomura Real Estate Development Co., Ltd. ~Performance management system	Audio-Technica Corporation ~Sales force automation system	Kyorindo Drug Store Co., Ltd. ~Cloud ERP

Major Products

Amazon QuickSight/Amazon Redshift/Amazon Web Service/ASTERIA WARP/Birst/Board/BusinessSPECTRE/CCH Tagetik/Coracle Cloud Platform/Databricks/DataSpider Servista/Denodo/Dr.Sum/IBM InfoSphere DataStage/IBM Planning Analytics/IBM SPSS/IIJ GIO/IMB Cognos Analytics/Incora Enterprise Analytics/Infor d/EPM/Informatica PowerCenter/Intra-mart Accel Platform/Microsoft Azure Synapse Analytics/Microsoft Power BI/Microsoft SQL Server/MicroStrategy/MotionBoard/Oracle Analytics Cloud/Oracle Business Intelligence/Oracle Data Integrator/Oracle EPM Cloud/Oracle Essbase/Oracle Exadata/Oracle Exalytics/Oracle Hyperion Planning/QlikView/SAP Analytics Cloud/SAP BusinessObjects/SAS Analytics Cloud for Planning/SAS Visual Analytics/SAS Viya/SISENSE/Snowflake/Tableau/ThoughtSpot/Workday Adaptive Planning/Yellowfin/ZEAL CO-ODE/ZEAL DX-Leading Room/ZEUSCloud



- Started as outsourcing department at DIVA in 2004, incorporated in August 2017
- More than 100 customers for various accounting process outsourcing and treasury management solutions

Outsourcing of accounting

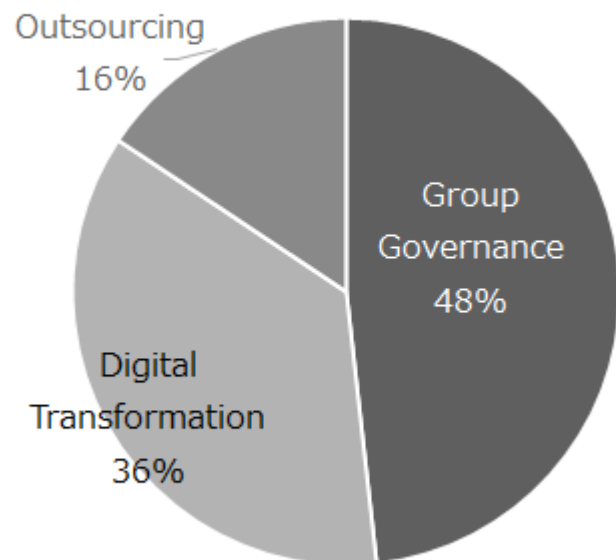
Ajinomoto Co., Inc.	APAMAN Co., Ltd.	AMADA Co., Ltd.	Ichishin Holdings Co., Ltd.	IDOM Inc.	IMAGICA Group Inc.
HIS Co., Ltd.	SMBC Nikko Securities Inc.	Tokyo FM Broadcasting Co., Ltd.	Kawasaki Heavy Industries, Ltd.	Qol Co., Ltd.	KUBOTA Corporation
Cosmo Energy Holdings Co., Ltd.	Japan Best Rescue System Co., Ltd.	JERA Co., Inc.	SystemSoft	Sojitz Corporation	Taisho Pharmaceutical Holdings Co., Ltd.
Tsumura & Co.	Trend Micro Inc.	Nitto Denko Corporation	Nifco Inc.	Punch Industry Co., Ltd.	PHC Holdings Corporation
Hitachi Metal Ltd.	Hitachi Ltd.	Hitachi Transport System, Ltd.	Fukoku Co., Ltd.	Benefit One Inc.	Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Financial Group	Mitsubishi Heavy Industries, Ltd.	Mitsubishi Estate Co., Ltd.	Yoshinoya Holdings Co., Ltd.	RISA Partners, Inc.	

Treasury management solution

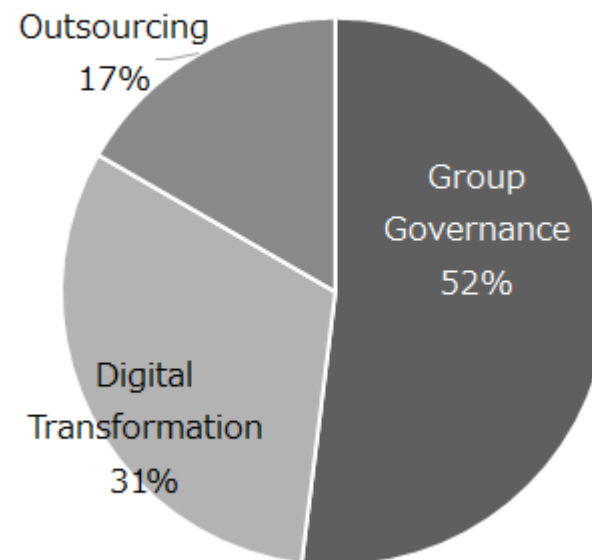
A&D Company, Limited	KDDI Corporation	Kobe Steel, Ltd.	THK Co., Ltd.	Toei Animation
Nifco Inc.	Mitsui Chemicals, Inc.	UACJ Corporation		

Segment Information (FY June 2022)

Net sales ¥18.70B



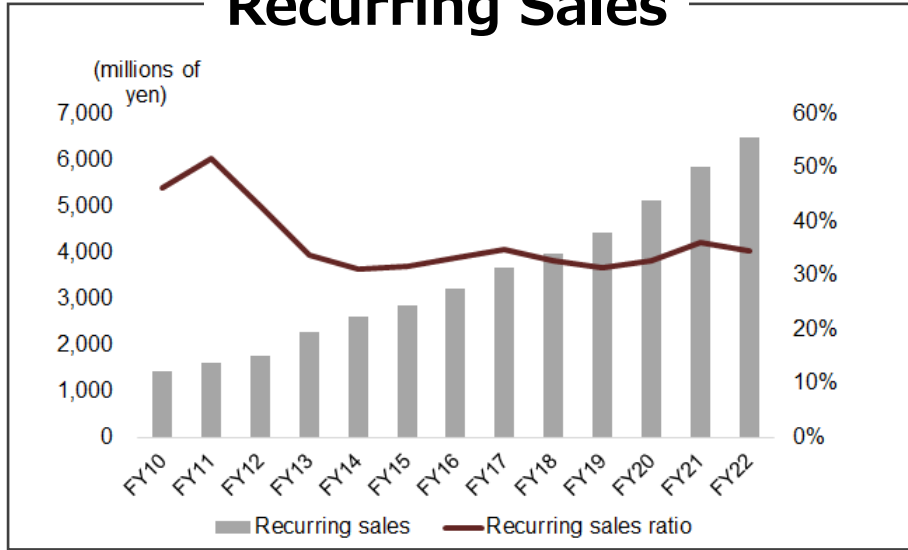
OP income ¥3.24B



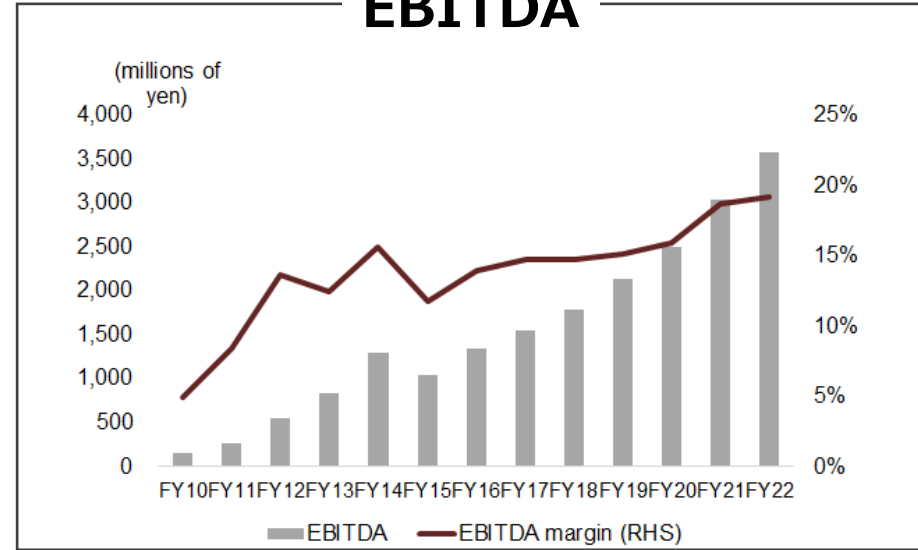
Segment	YoY
Group Governance	+14.9%
Digital Transformation	+12.2%
Outsourcing	+22.8%
Consolidated	+15.2%

Segment	OP Margins
Group Governance	22.0%
Digital Transformation	17.7%
Outsourcing	21.7%
Consolidated	17.4%

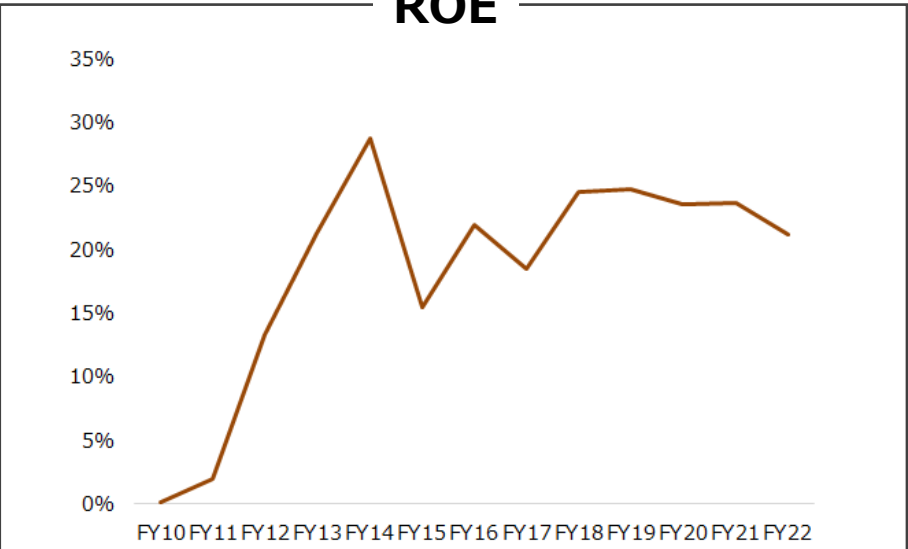
Recurring Sales



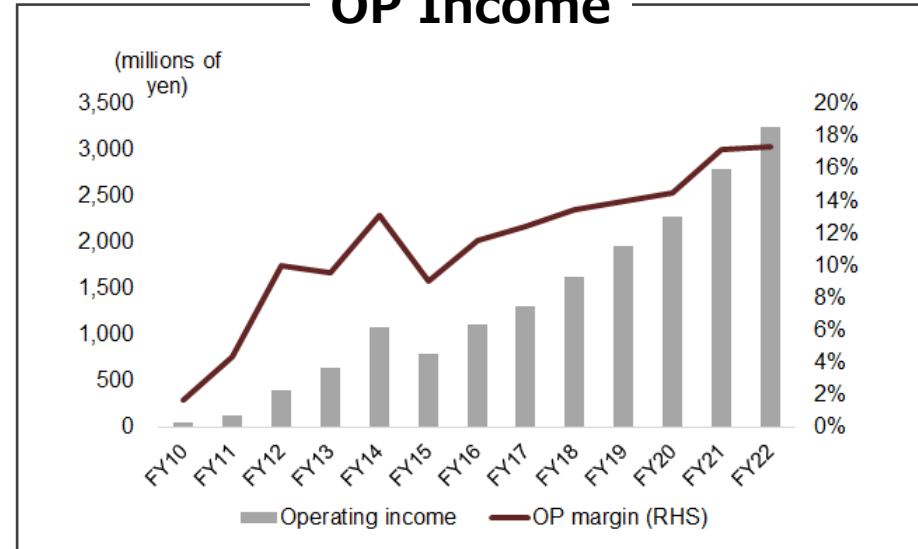
EBITDA



ROE



OP Income



AVANT TSR vs TOPIX

AVANT

	One year	Three years	Five years
AVANT	82.4%	136.6%	389.0%
TOPIX	98.6%	129.4%	130.3%
TOPIX INFO & COMM	95.9%	139.1%	151.7%

As of June 2022



Source: Thomson Reuters

AVANT

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