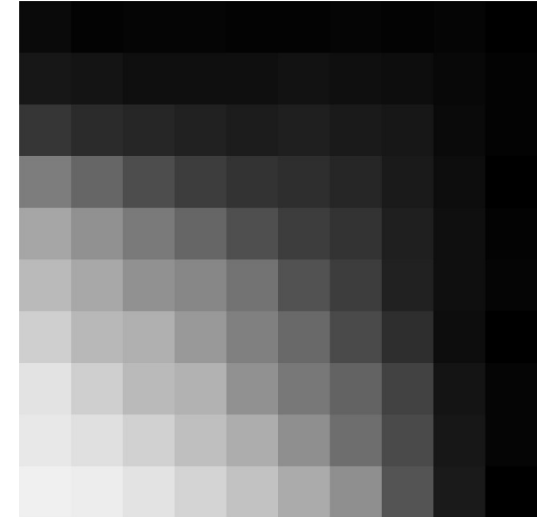


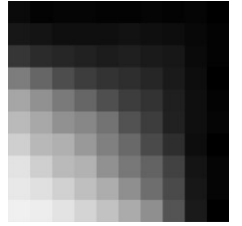
3836 TSE Prime

# AVANT GROUP CORPORATION

Financial results for the year ended 30  
June 2023

August 20, 2023





# Medium Term Management Plan "BE GLOBAL 2028"

# Review of Medium Term Management Plan BE GLOBAL 23

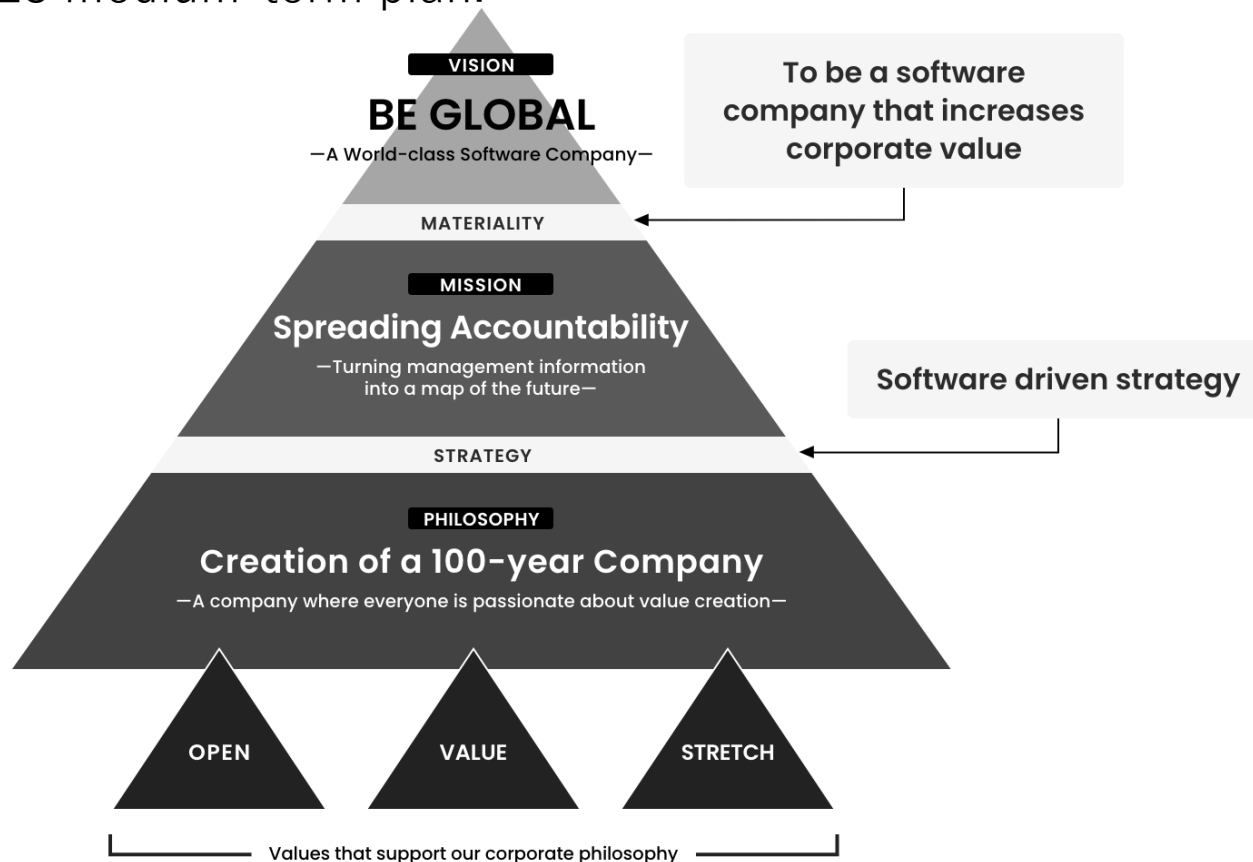
- Sales and profits continued to increase during the mid-term plan period (13 consecutive years of revenue growth and 8 consecutive years of profit growth), both operational and financial KPIs were achieved, and sales and operating profit nearly doubled during the mid-term plan period.
- However, the business model transformation targeted in the strategic KPIs was not achieved.

		FY6/18 Result	FY6/23 Target	FY6/23 Result	
Operational KPI	Net Sales (¥bn)	12.1	18~22	21.4	Achieved both net sales and operating income medium term targets, with net sales growing 1.8x, and operating income 2x during the plan.
	Operating Income (¥bn)	1.6	3.1~3.8	3.2	
Strategic KPI	Recurring Sales Ratio (%)	33	70	35	Recurring sales grew from ¥4.0bn in FY6/18 to ¥7.6b in FY6/23, but the recurring sales ratio failed to grow, and the business model was not transformed.
	Sales Growth + OPM (points)	28.5	40 or more	29.9	
Financial KPI	ROE (%)	24.5	20 or more	22.2*	Achieved medium term targets for both ROE and dividend.
	Dividend (¥)	12	15 or more	15	

\* FY6/19-FY6/23 average, new revenue recognition standard applied from FY6/22. FY6/23 actual 18.3%.

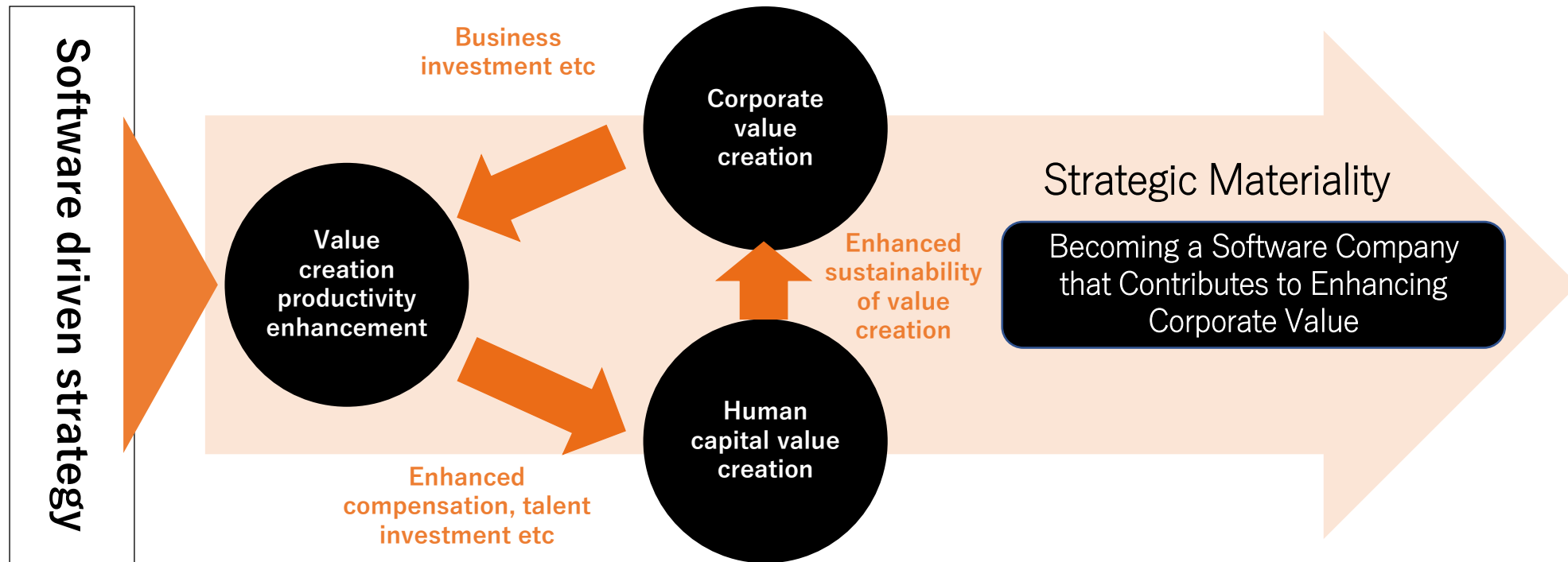
# | Avant Group Philosophy

- The policy change was made in the middle of the previous medium-term plan "BE GLOBAL 2023", in which the strategic materiality “Becoming a Software Company that Contributes to Enhancing Corporate Value” was verbalised.
- Software driven strategy developed in the process of considering the new BE GLOBAL 2028 medium-term plan.



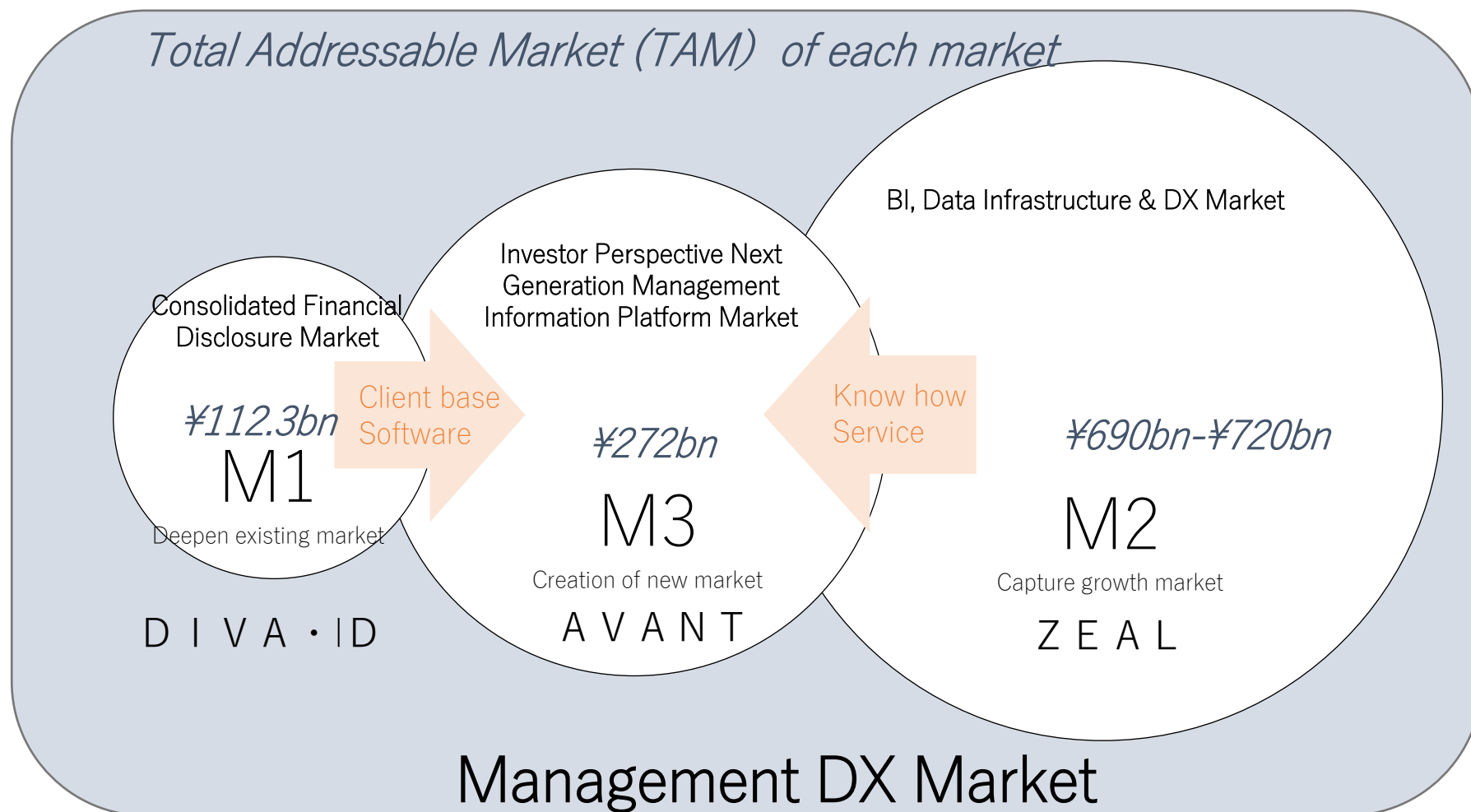
# Value Creation Spiral Targeted in BG28 (BE GLOBAL 2028)

- Realize the strategic materiality of "**Becoming a Software Company that Contributes to Enhancing Corporate Value**" through a value creation spiral starting from the improvement of value creation productivity (measured by operating profit per employee) brought about by the software-driven strategy that leads to the creation of human capital value and corporate value



# BG28 Focus Markets

- Positioning in the management digital transformation (DX) market for companies where enhancing corporate value is a serious issue.



# | BG28 Outlook

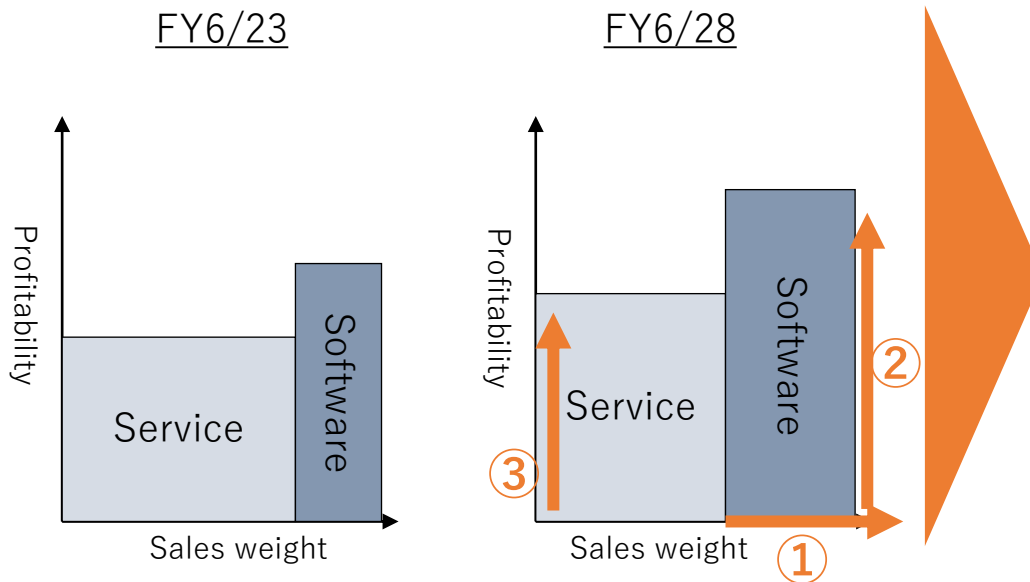
- As a B2B software growth company, grow the business by increasing value creation productivity, tripling net income on a doubling of sales, for a net income CAGR of at least 25%.
- The business plan is based on the plans of each operating company and aims to achieve this through organic growth.

	FY6/23	FY6/24	FY6/28	5yr chg/avg
Net Sales	¥21.4bn	¥24bn	¥40-45bn	2x
Operating Income (OI)	¥3.28bn	¥3.85bn	¥9-11bn	3x
OPM	15.4%	16.0%	20-24%	+5-9pts
Net Income	¥2.09bn	¥2.5bn	¥6-7bn	3x/CAGR 25%
OI/person	¥2.4mn	¥2.4mn	¥3.5-4.3mn	1.5x
Software Gross Profit	¥2.13bn	¥2.17bn	¥6.0-6.5bn	3.0x
ROE	18.3%	19.3%	20% or more	Avg 20%
DOE	4.9%	5.3%	8% or more	Avg 7%
Dividend	¥15	¥19	¥51 or more	3.4x

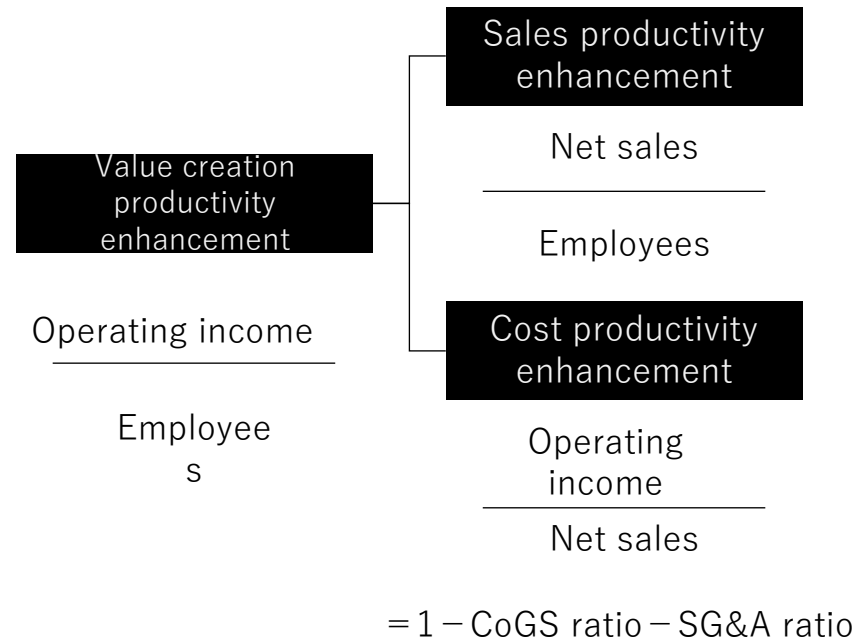
# Software Driven Strategy Benefits and Value Creation Productivity Enhancement

- 3 benefits of software driven strategy (1. Greater sales portion from high margin software, 2. enhanced software margins and 3. higher service profit margins) enhance value creation productivity and drive profit growth.

## Software Driven Strategy Benefits



## Value Creation Productivity Enhancement





# | Main In-house Software

## DIVA LCA related



Top domestic share for consolidated accounting and consolidated settlement systems



Strengthening governance and automating consolidated accounts settlement by visualizing detailed data of group companies.



Application for group budget management, forecast management, etc.

## AVANT Cruise & other



Integrated financial and non-financial management platform to enhance corporate value



Consolidated cost and multi-axis revenue management system that supports earning power



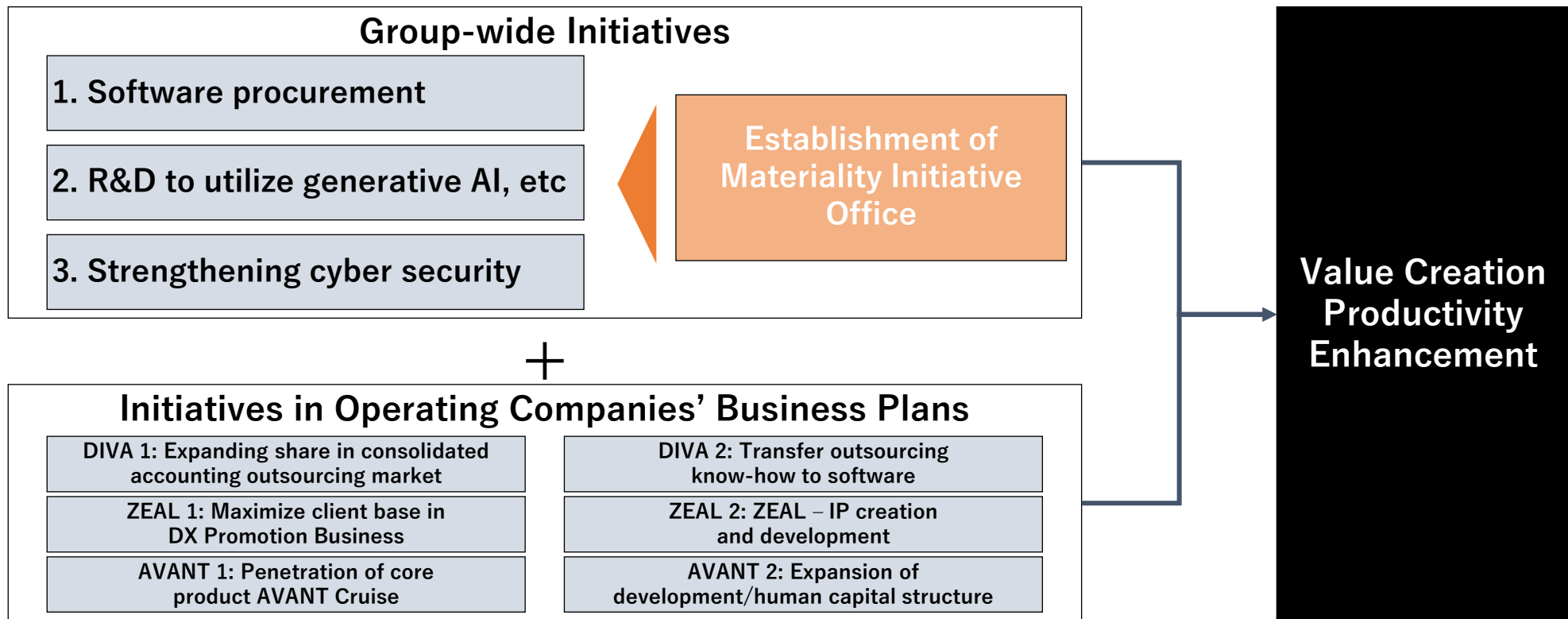
Business Management BI for immediate use of management information of your and other companies



Group management dashboard for strategy and scenario development

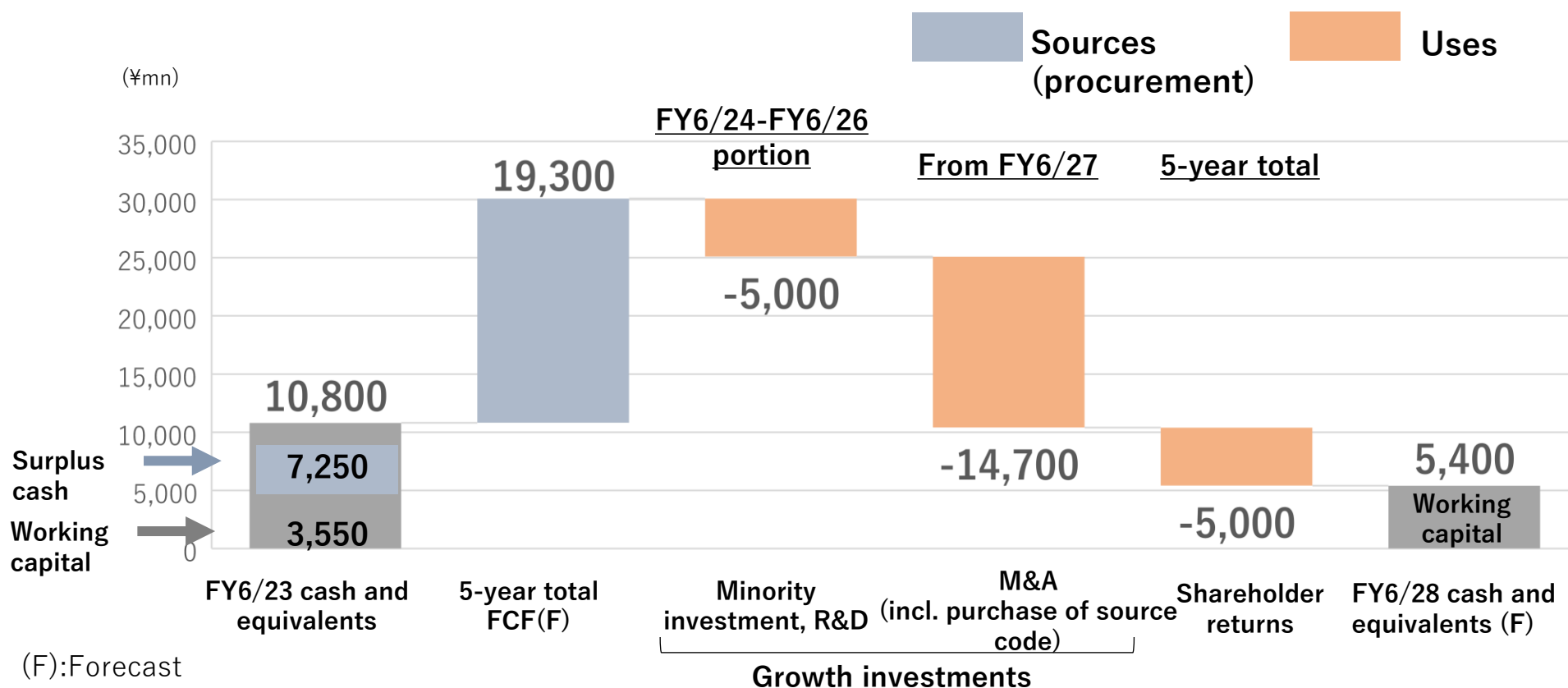
# Initiatives for Value Creation Productivity Enhancement

- In addition to the measures implemented by each operating company, establish a new Materiality Initiative Office to promote the enhancement of value creation productivity throughout the Group, and implement the Group's strategic investments.



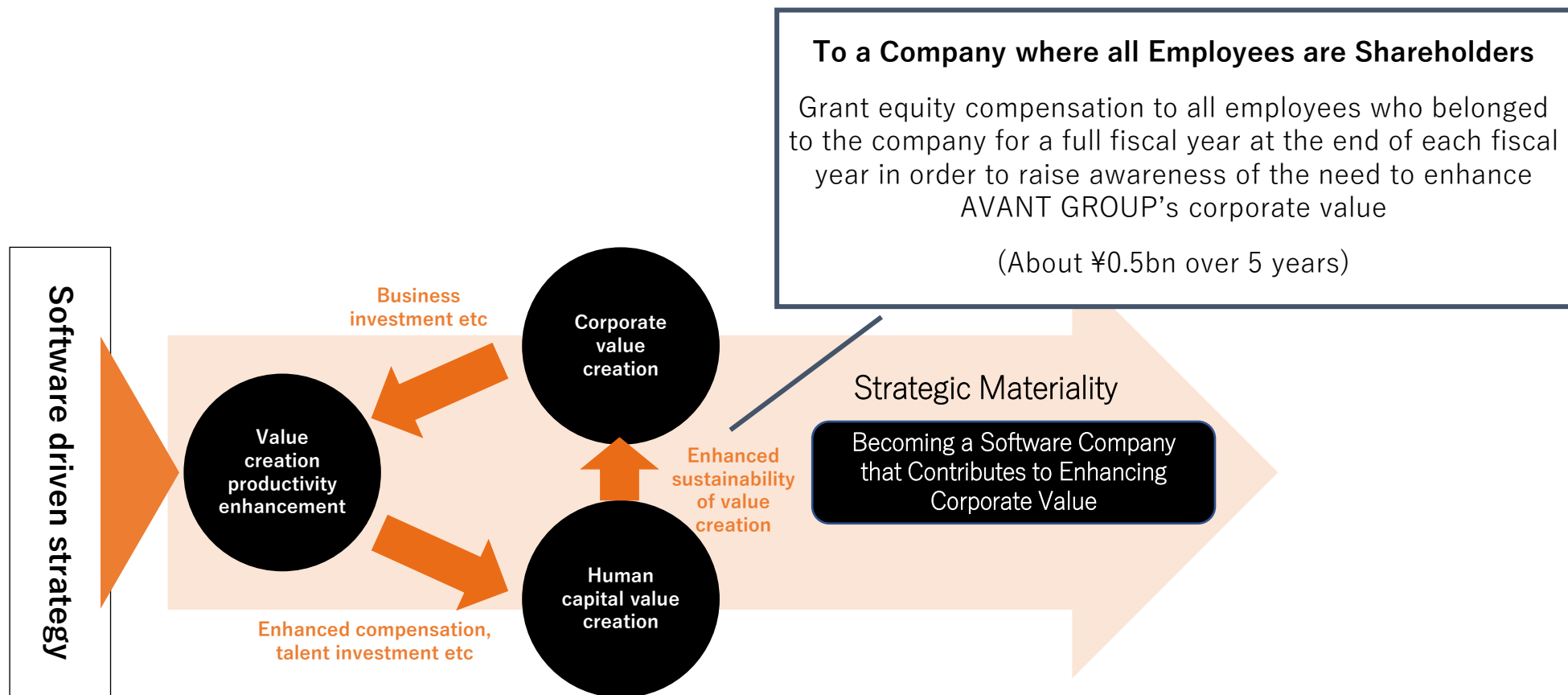
# Capital Allocation

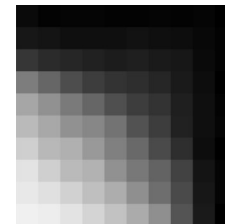
- Assuming ¥20bn for growth investments and ¥5bn for shareholder returns (dividends) over the 5-year period of the medium-term management plan.



# Toward the Realization of a Value Creation Spiral

- Strengthening the spiral of human talent value creation to corporate value creation by making all employees shareholders





# Financial reports

# | Results Highlights

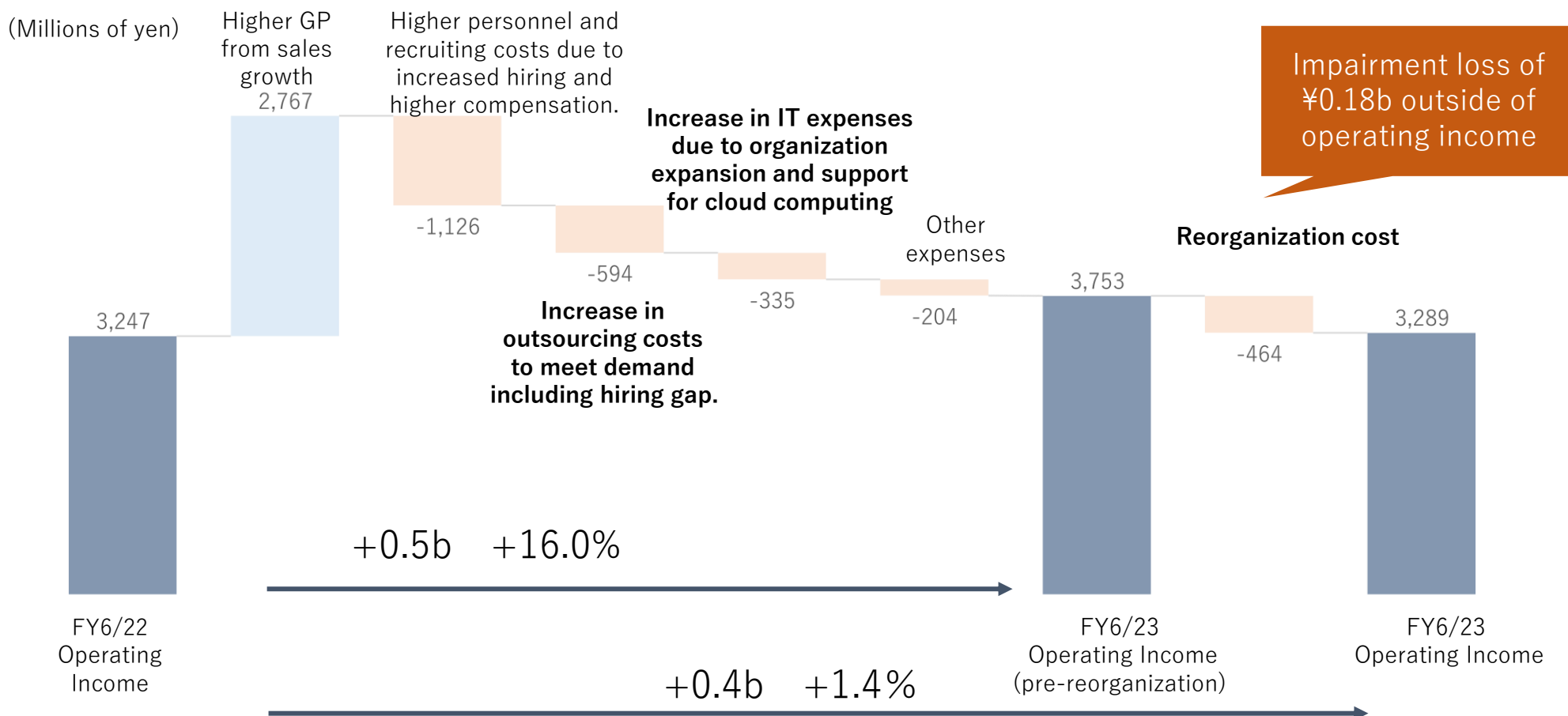
- Net sales increased 6.5% in the fourth quarter and 14.5% for the full year, despite a decline in the Group Governance business in the fourth quarter.
- Gross profit and operating income decreased in the fourth quarter on a non-consolidated basis due to a decline in gross profit margin due to additional personnel for growth and restructuring costs. Full-year increase rate is small, but profit growth is achieved.
- Net sales are below forecasts, but operating and net income exceed forecasts.

(Millions of yen)

	FY6/23 Q4	YoY Variance		FY6/23	YoY Variance		vs Forecast	
		Yr earlier	% chg		Yr earlier	% chg	Forecast	% Achieve
Net Sales	5,236	4,916	6.5%	21,424	18,703	14.5%	21,800	-1.7%
Cost of Sales	3,173	2,686	18.1%	12,028	9,782	23.0%	—	—
Gross Profit	2,063	2,230	-7.5%	9,395	8,921	5.3%	—	—
GPM	39.4%	45.4%	-6.0pt	43.9%	47.7%	-3.8pt	—	—
SG&A	1,695	1,606	5.5%	6,106	5,674	7.6%	—	—
Operating Income	368	624	-41.0%	3,289	3,247	1.3%	3,100	6.1%
OPM	7.0%	12.7%	-5.7pt	15.4%	17.4%	-2.0pt	14.2%	1.1pt
Net Income	223	472	-52.8%	2,094	2,045	2.4%	2,030	3.2%
NPM	4.3%	9.6%	-5.4pt	9.8%	10.9%	-1.2pt	9.3%	0.5pt
EBITDA	492	711	-30.8%	3,737	3,582	4.3%	—	—
EBITDA margin	9.4%	14.5%	-5.1pt	17.4%	19.2%	-1.7pt	—	—

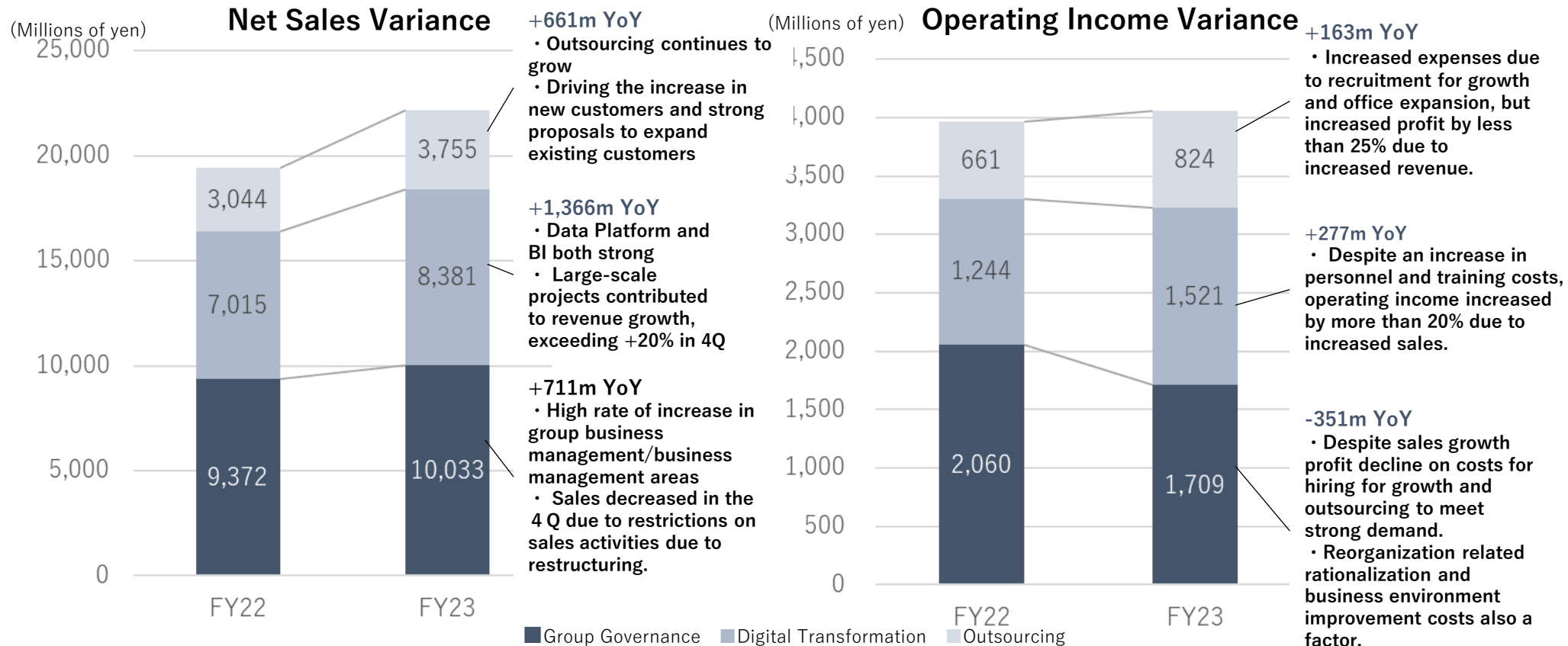
# FY6/23 Operating Income Bridge (YoY)

- Despite an increase in recruitment-related expenses, outsourcing expenses, and IT expenses, the rate of increase in operating income before restructuring costs exceeded the rate of increase in sales.
- Operating income and net income increased only slightly due to the impact of restructuring costs of ¥0.46b in cost and SG&A expenses and ¥0.18b in impairment losses.



# Results by Business Segment (Factors)

- Net sales increased in each segment. Group governance saw a decrease in sales in the fourth quarter due to restrictions on sales activities due to organizational restructuring, resulting in limited full-year revenue growth.
- Group governance includes an increase in personnel and outsourcing costs, as well as product restructuring triggered by restructuring. Although profit decreased due to increased costs due to environmental improvements, the outsourcing business and outsourcing business increased profits due to higher sales that exceeded the increase in costs.



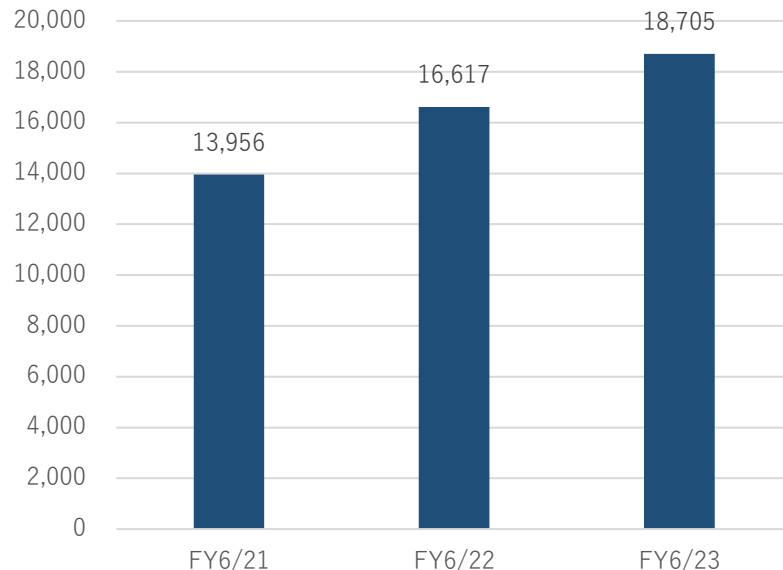


# Financial Condition Trends

- Due to sales growth and profit structure, total assets and net assets are steadily accumulating.
- On the other hand, since we are able to operate with cash flow from operating activities without relying on borrowing, etc., and the debt ratio is declining, the equity ratio continues to be on an upward trend, although dividends are increasing year by year.

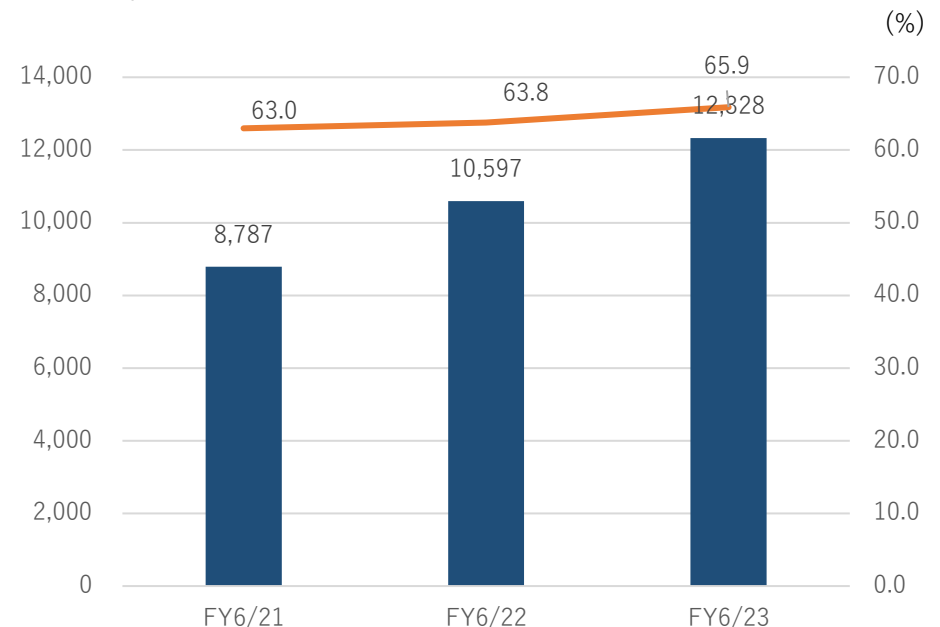
(Millions of yen)

### Total Assets



(Millions of yen)

### Net Assets and Equity Ratio



Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.

# Cashflow Trends

- In the fourth quarter, operating CF was significantly positive due to the receipt of accounts receivable (decrease in accounts receivable) and advance payments for new contracts (increase in contract liabilities) due to the completion of previous contracts, resulting in a significant increase in the cumulative negative through the third quarter.
- Purchase of source code from Metapraxis and increase of office floor space (acquisition of property, plant and equipment and increase in deposit deposits), increase cash in investment CF and annual increase in cash

(Millions of yen)

	FY6/23 Q 4	YoY Variance		FY6/23	YoY Variance	
		Yr earlier	% chg		Yr earlier	% chg
Operating CF	2,269	1,642	626	2,175	3,026	△ 851
Investment CF	△ 121	△ 85	△ 36	△ 795	△ 398	△ 396
Free CF	2,147	1,557	590	1,379	2,627	△ 1,247
Financial CF	△ 4	△ 4	0	△ 507	△ 433	△ 73

Effective from the beginning of the first quarter of FY6/22, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied.

## Earnings forecast for the fiscal year ending June 30, 2024

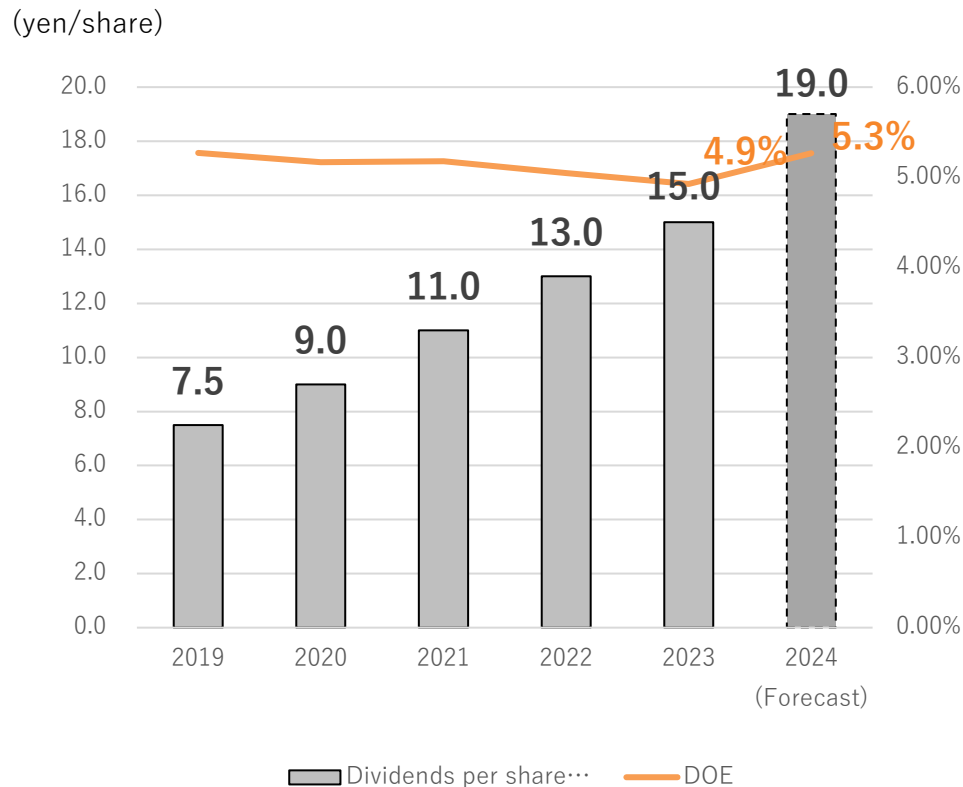
- In the fiscal year ending June 2023, we landed at almost the same level as the earnings forecast, achieving increased sales and profits.
- For the fiscal year ending June 2024, sales are expected to increase by 12% year-on-year to 24,000 million yen. Operating income and net income are expected to increase at a rate greater than the rate of increase in sales due to the effect of increased sales and the reduction of the burden of restructuring costs incurred in the fiscal year ending June 2023.

(Millions of yen)

	<b>FY6/23 (Actual)</b>	<b>FY6/24 (Forecast)</b>	<b>Variance</b>	<b>Chg</b>
<b>Net Sales</b>	<b>21,424</b>	<b>24,000</b>	<b>2,576</b>	<b>12.0%</b>
<b>Operating Income</b>	<b>3,289</b>	<b>3,850</b>	<b>561</b>	<b>17.1%</b>
<b>OPM</b>	<b>15.4%</b>	<b>16.0%</b>	<b>-</b>	<b>-</b>
<b>Net Income</b>	<b>2,094</b>	<b>2,500</b>	<b>406</b>	<b>19.4%</b>

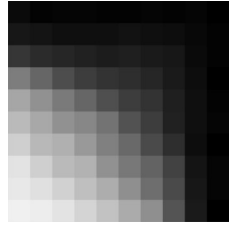
# Shareholder Returns

- DOE for the fiscal year ending June 2023 is expected to be 4.9%, significantly higher than the average of 3.1% for companies listed on the Tokyo Stock Exchange (12 months).
- For the fiscal year ending June 2024, the dividend per share will be significantly increased, and the DOE is expected to be 5.3%.



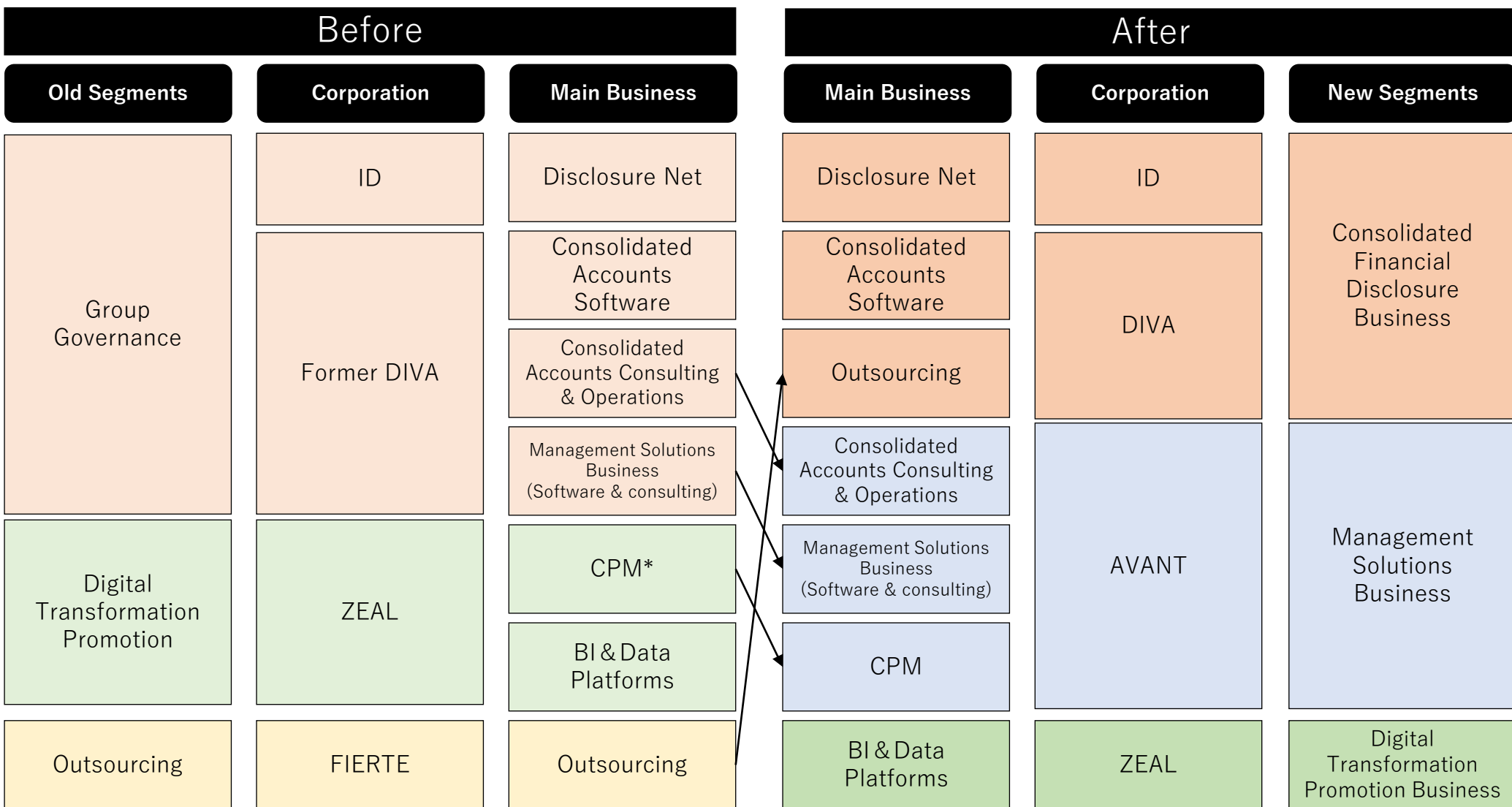
## < Our shareholder return policy >

- Dividends are an important part of our shareholder return policy
- Avant aims to maintain if not grow the dividend by focusing on indicators such as dividend on equity (DoE) which is less impacted by fluctuations in annual earnings.
- The Company's DOE will always exceed the average of all companies listed on the Tokyo Stock Exchange, and will aim to achieve 8% within the period of the new medium-term management plan.



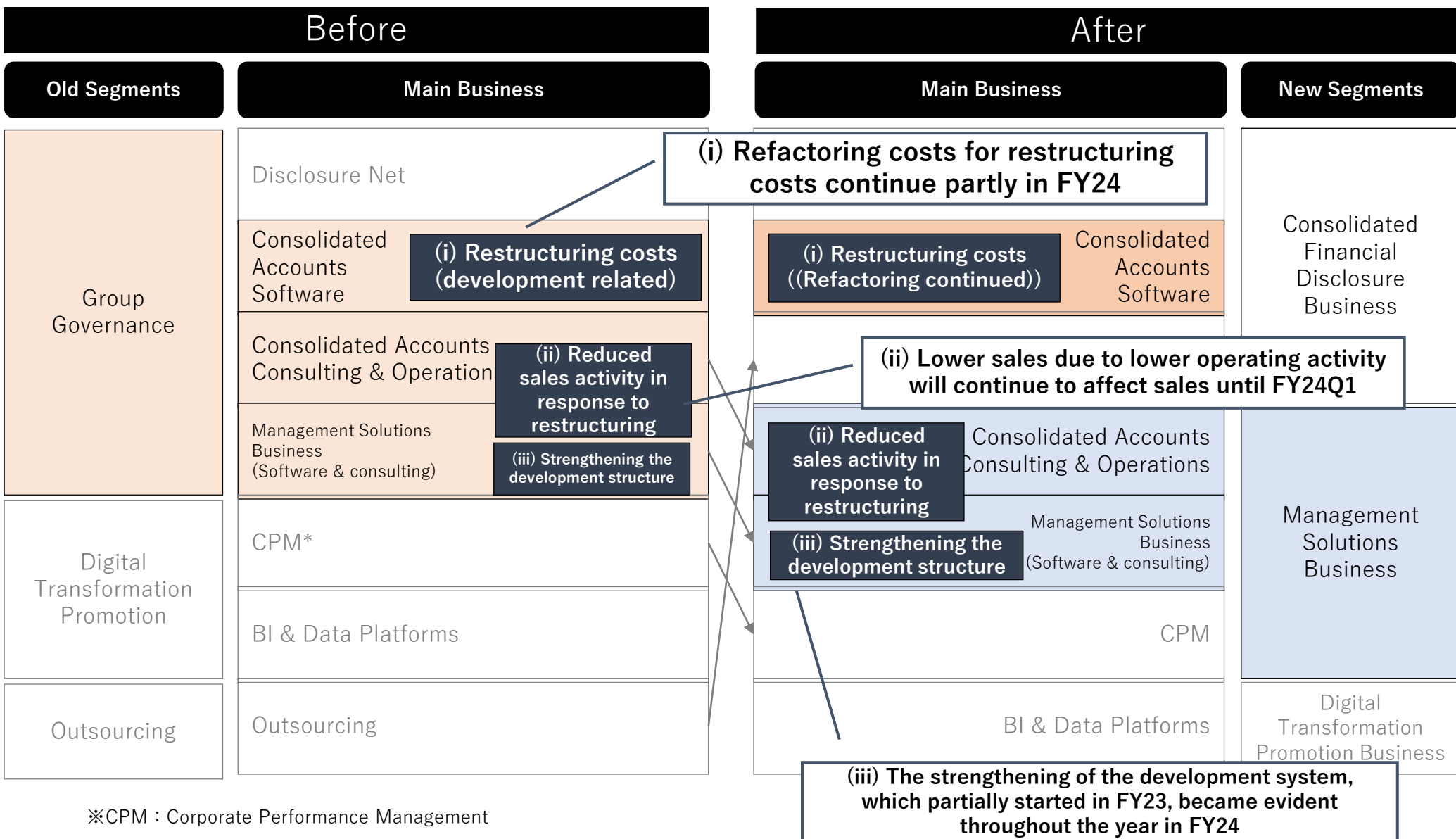
## Supplementary information from the IR Office

# | Segment Recombination



※CPM : Corporate Performance Management

# Relationship between segments and special factors



※CPM : Corporate Performance Management

# I

## Appendix : Company Profile



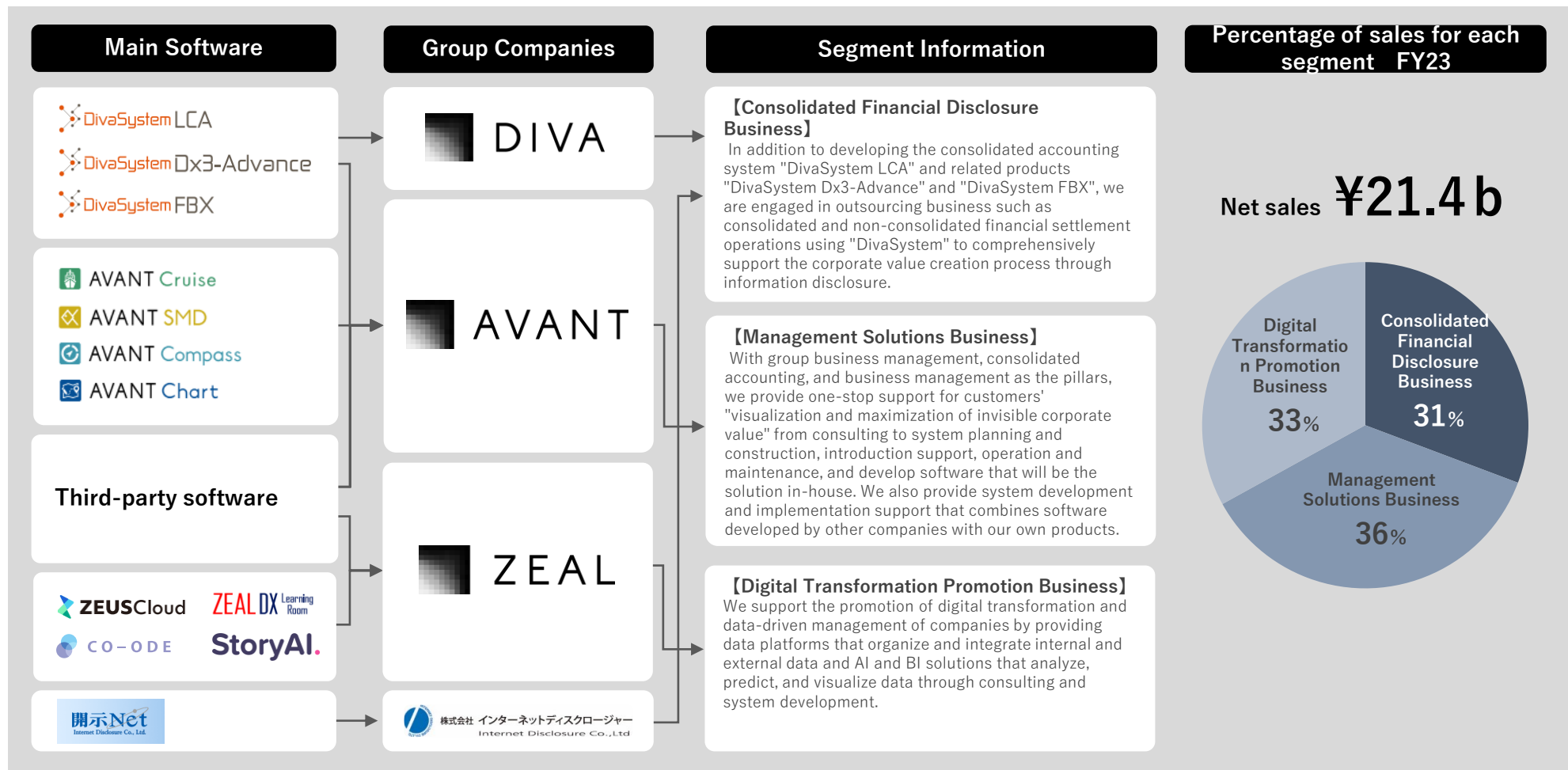
# Company Introduction

**Name** : AVANT GROUP CORPORATION

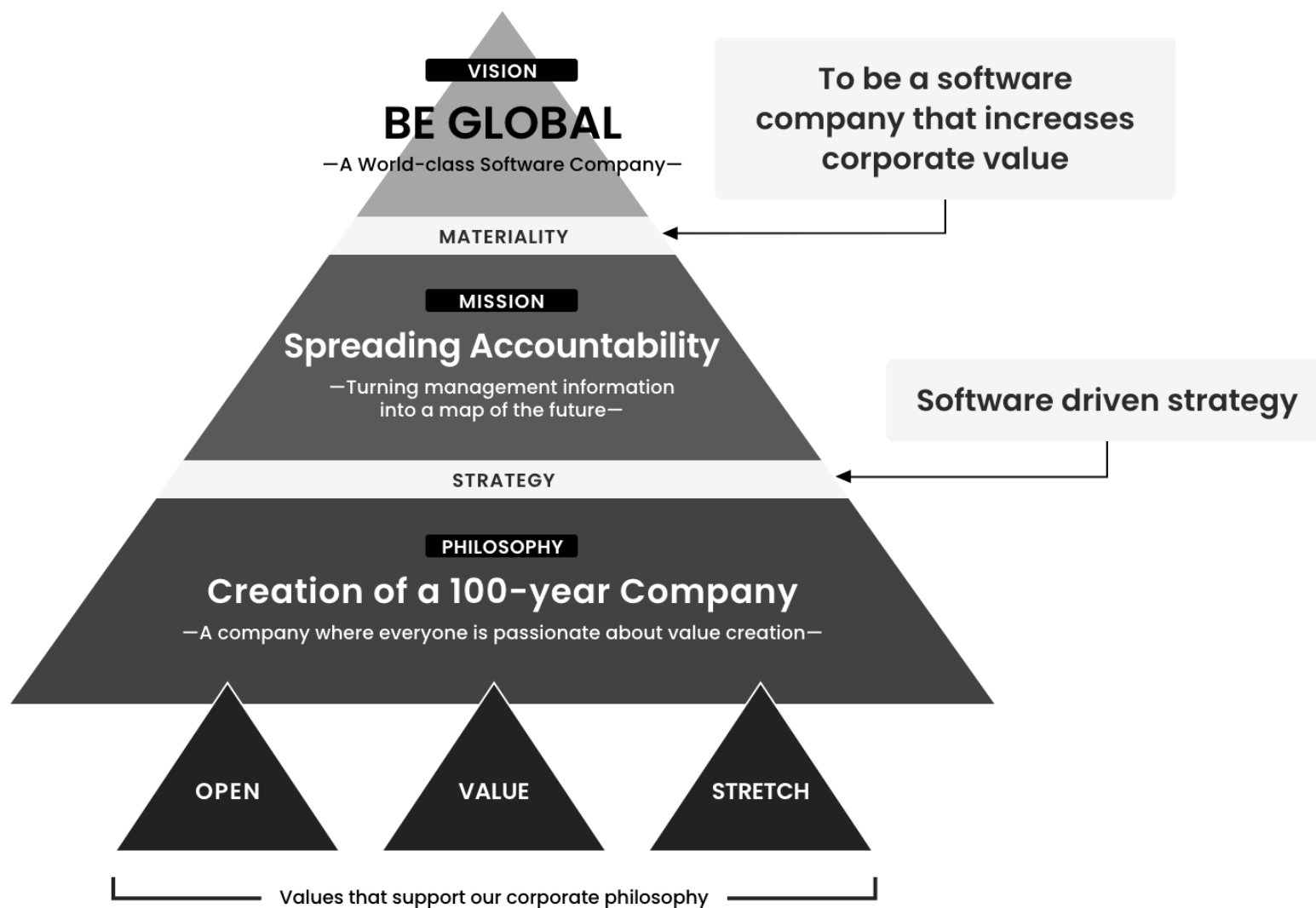
**Inception** : May 26, 1997

**Representative** : Tetsuji Morikawa, President and Group CEO

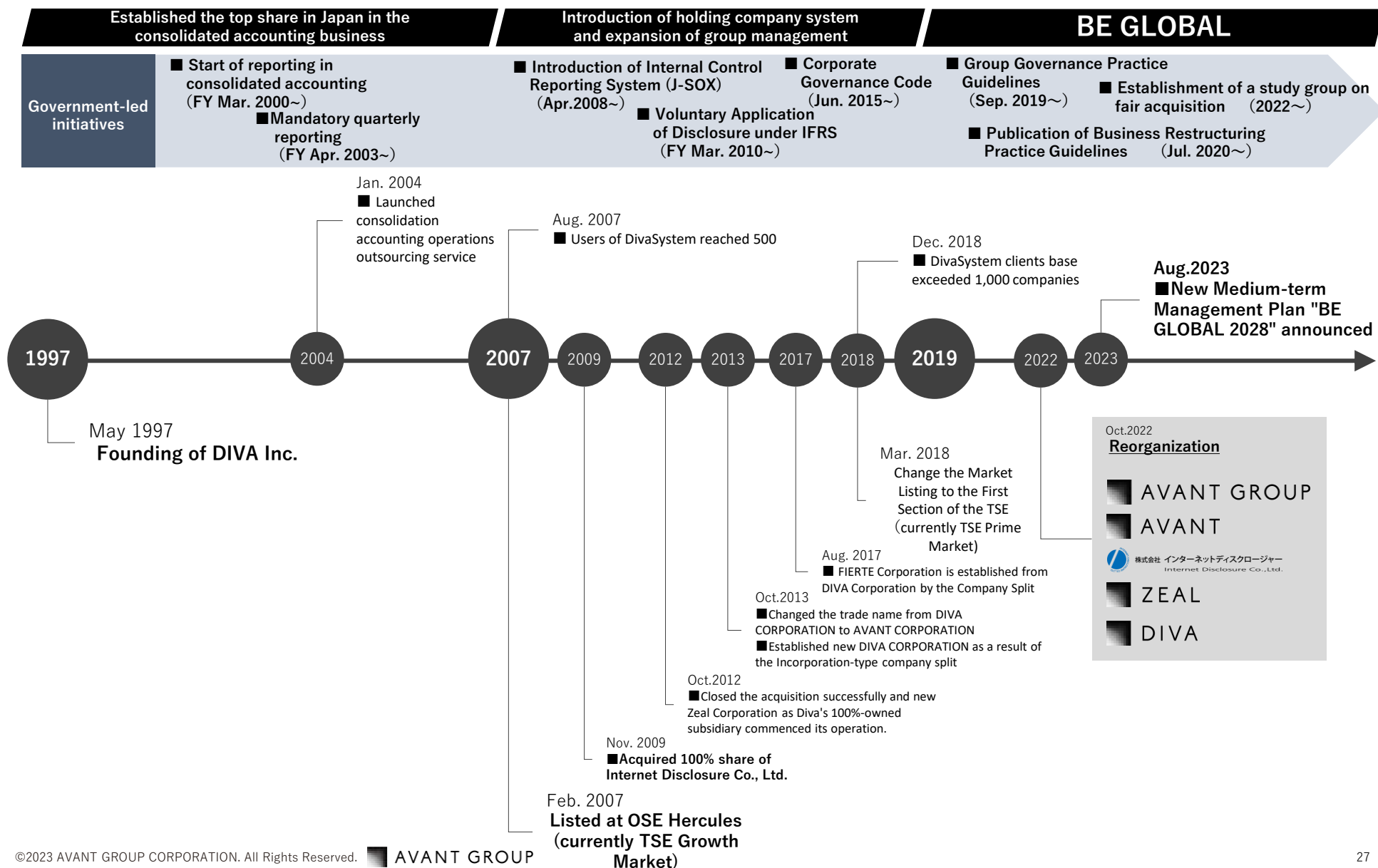
**Market Cap** : Approximately 55 billion yen ( TSE Prime, 3836 )



# Avant Group Philosophy

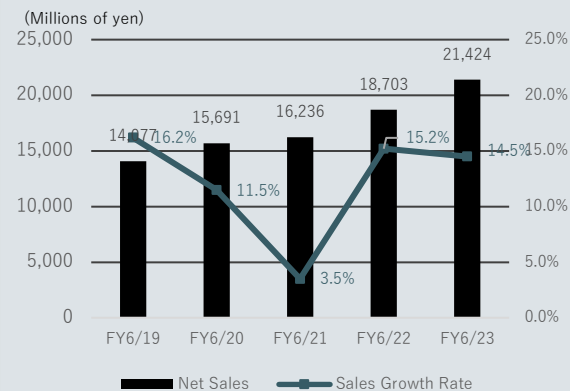


# The Avant Group Moves to the Next Five Years to Realize BE GLOBAL

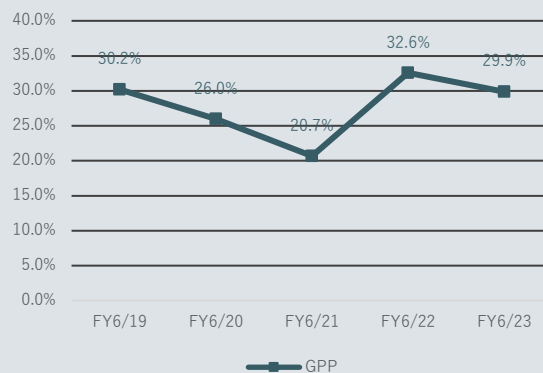


# Numerical Summary

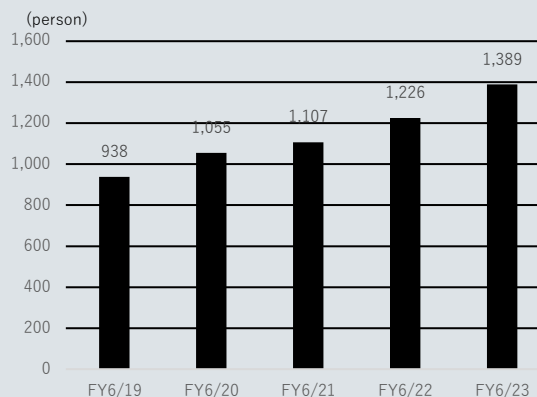
**Net Sales/Sales Growth Rate**



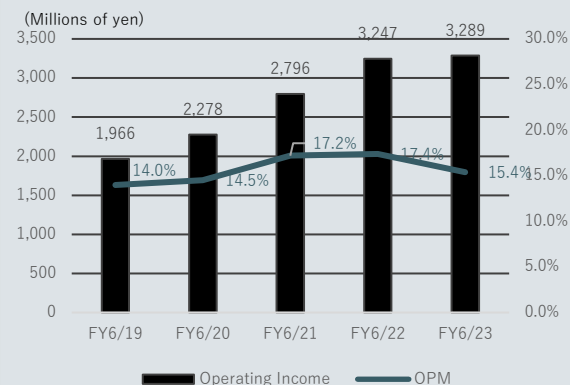
**GPP (Sales Growth Rate + OPM)**



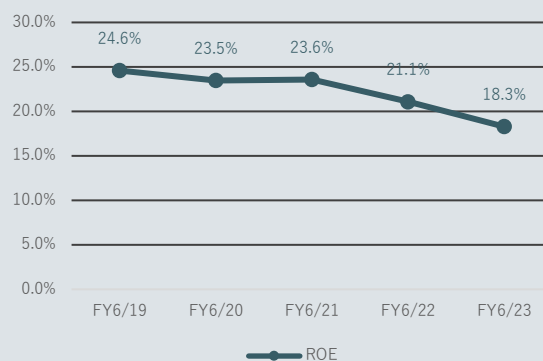
**Number of employees**



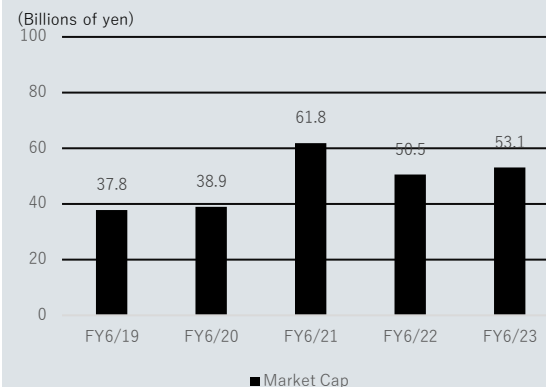
**Operating Income/OPM**



**ROE**

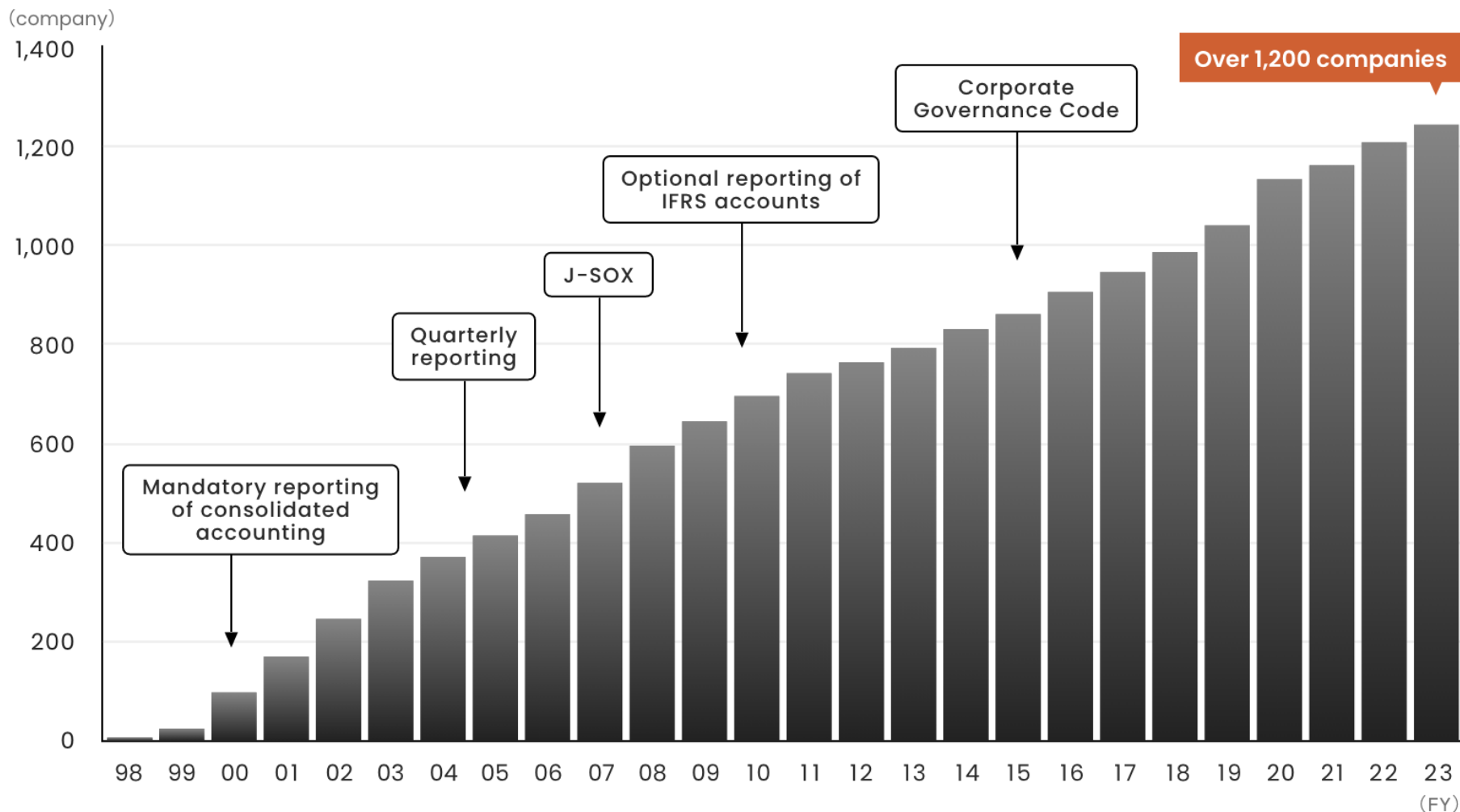


**Market Cap**



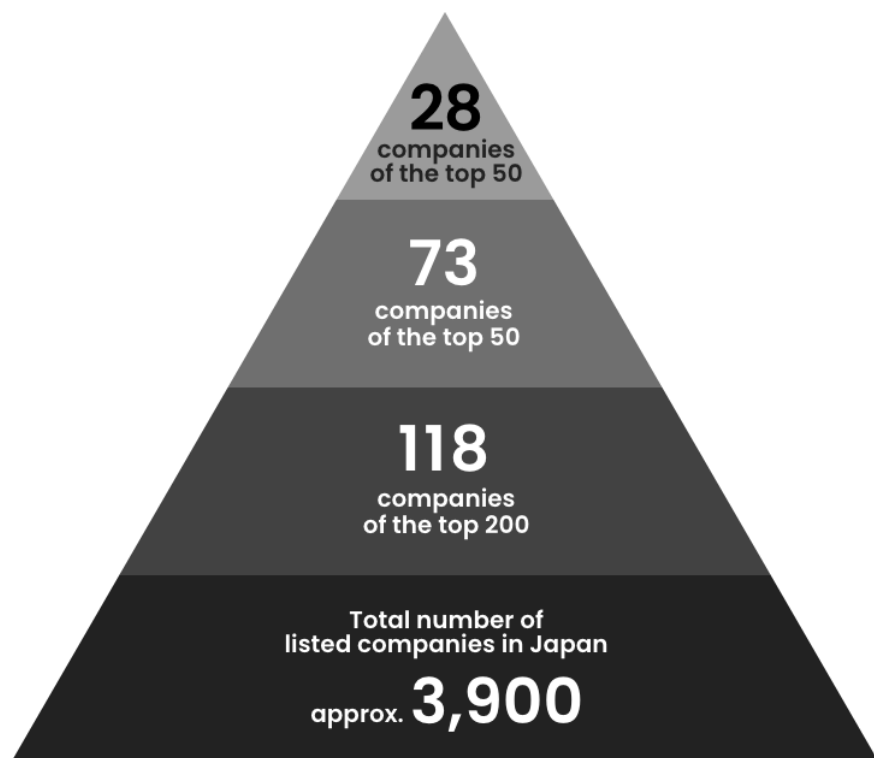
# Trends in companies that have introduced Avant Group Software Product

With the tightening of disclosure regulations, consolidated accounting system LCA leads the number of introductions.



# | Customer base of consolidated accounting system “LCA”

- More than 1,200 companies have sold ※1
- FY2023 consolidated accounting software market share is 43.5% ※2
- From institutional accounting to budget and management accounting, we support the strengthening of corporate governance



TOYOTA MOTOR CORPORATION  
Tokyo Electron Ltd.  
KDDI CORPORATION  
NIPPON TELEGRAPH AND TELEPHONE CORPORATION  
DAIKIN INDUSTRIES, LTD.  
DENSO CORPORATION  
Hitachi, Ltd.  
CHUGAI PHARMACEUTICAL CO., LTD.  
Seven & i Holdings Co., Ltd.  
Mizuho Financial Group, Inc.  
FUJIFILM Holdings Corporation  
Astellas Pharma Inc.  
Japan Tobacco Inc.  
Bridgestone Corporation  
Unicharm Corporation  
(Market cap order as end of June 2023)

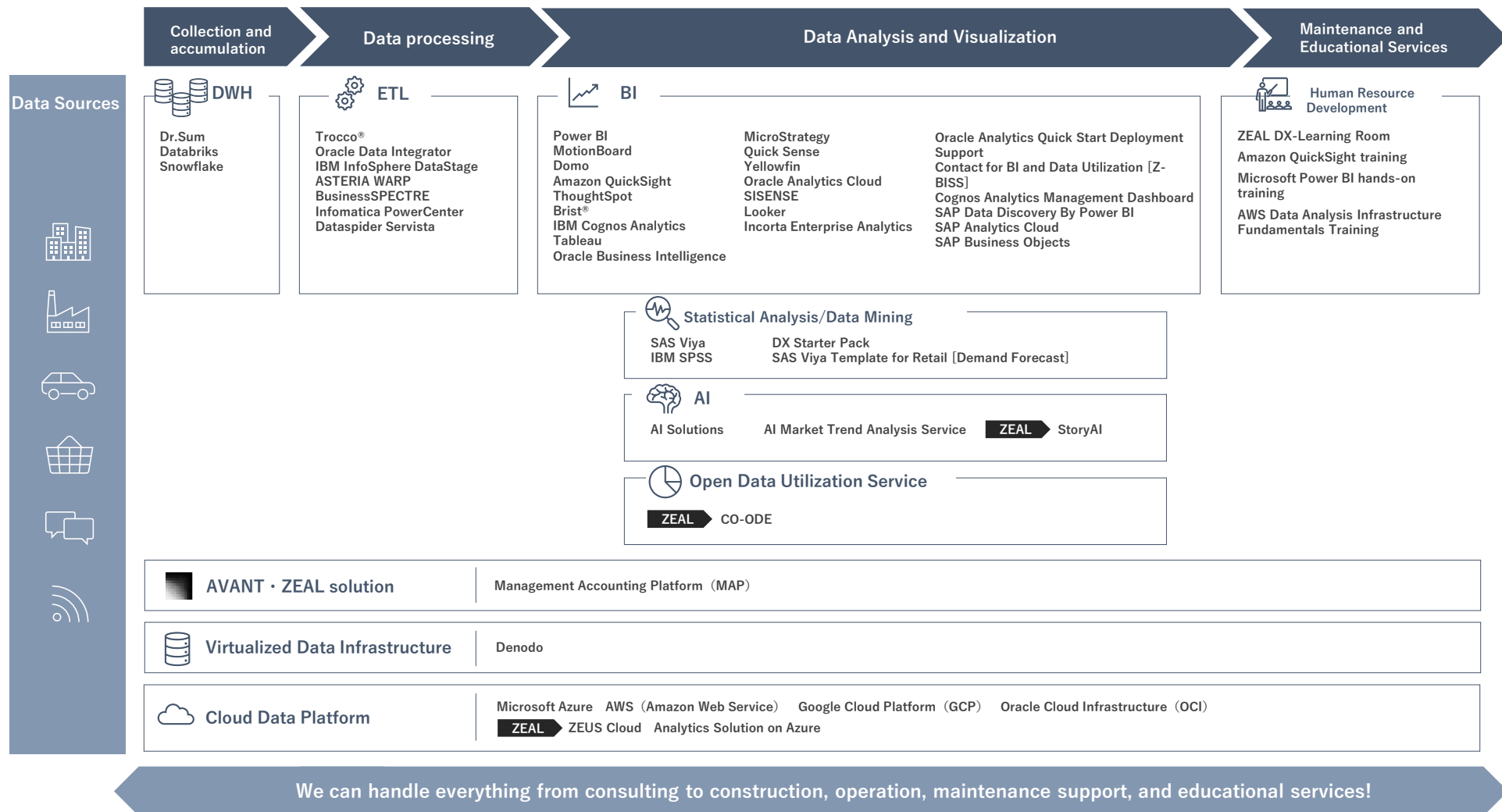
※1 As of the end of June 2023

※2 Fuji Chimera Research Institute "Software Business New Market 2023 Edition" Consolidated Accounting Management Software Market Share

## Disclosure of consolidated financial results that leads to improvement of corporate value

Form of provision		Products and Services						
Product	Consolidated Financial Results and Disclosure					Operation of the Board of Directors	Global Cash Management	
	Collection	Processing	Decision-making	Audit		Coming Soon	Treasury Management System TMS Cloud	
	Group subsidiary journal item data collection DivaSystem Dx3-Advance On-premises		Consolidated Accounting and Consolidation Systems DivaSystem LCA On-premises Cloud Managed Services					
	Non-financial information and budget management data collection DivaSystem FBX On-premises      Cloud							
Services	MAO	Outsourcing of financial results					Coming Soon	Global Cash Management Enhancement Support Service
	consulting	Accounting Consulting Services						

## ZEAL helps Japan companies realize digital transformation

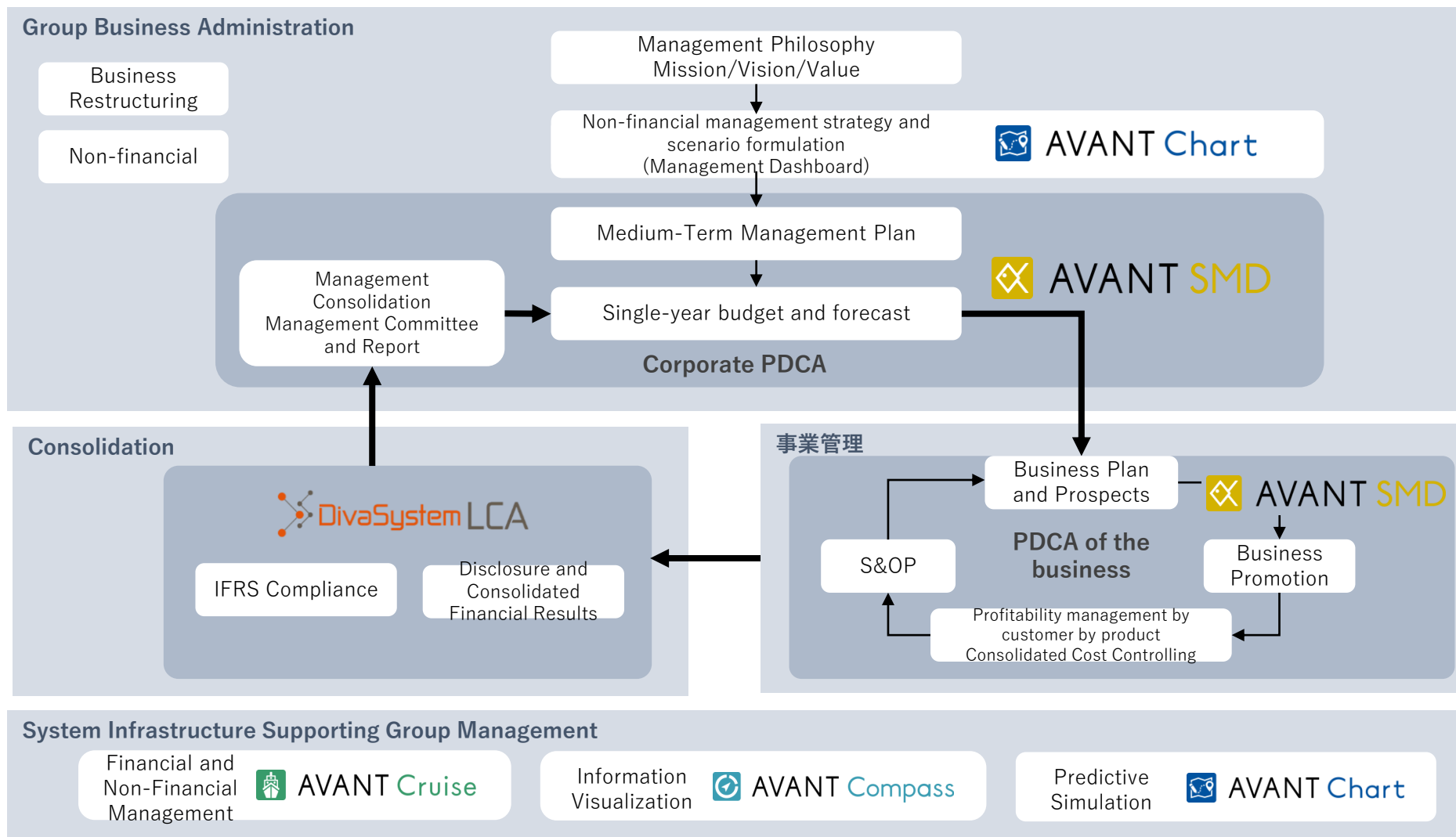


**ZEAL** → These are ZEAL's original products and services.



# AVANT

Making full use of business management solutions to visualize and maximize invisible corporate value



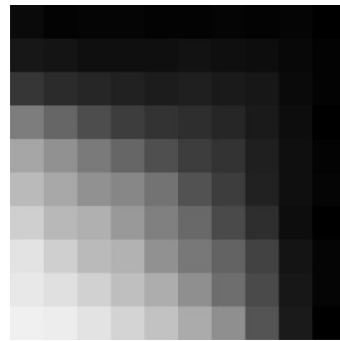
## Cautionary Statement Concerning Forward-Looking Statements

The information in this document regarding business forecasts and other future projections and strategies is based on judgments made by the Company based on information reasonably available to it at the time this document was prepared and within the scope of what is normally expected. However, actual results may differ materially from those discussed in the forward-looking statements due to the occurrence of extraordinary circumstances or unforeseeable results that could not be foreseen in the normal course of events. While we endeavor to actively disclose information that we believe is important to investors, we urge you not to base your decisions solely on the earnings forecasts contained in this document. Please do not reproduce or transmit this material for any purpose without permission.

### ■Contact

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AVANT GROUP

SUSTAINABILITY IS VALUE