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AVANT GROUP CORPORATION

Q2 Financial Results Briefing for the Fiscal Year Ending June 2024

February 19, 2024

Event Summary

[Company Name]	AVANT GROUP CORPORATION	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Tetsuji Morikawa	President, Group CEO
	Naoyoshi Kasuga	Director, Group CFO
	Shingo Moroi	Corporate Officer, IR officer
[Analyst Names]*	Teruo Isozaki	Ichiyoshi Research Institute
	Kenichi Hiramatsu	Tokio Marine Asset Management Company

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Moroi: Hello, everyone. Thank you for taking time out of your busy schedule today to participate in the financial results briefing for Q2 of the fiscal year ending June 2024 of AVANT GROUP CORPORATION. I am Moroi, the head of the IR Office, and I will be the moderator today. As for today's briefing, the materials have been uploaded to the Company website at 13:00. Please refer to them.

We have two speakers today: Tetsuji Morikawa, President, Group CEO, and Naoyoshi Kasuga, Director, Group CFO. We will explain the new mid-term management plan, BE GLOBAL 2028, the financial report, and product introductions for about 40 minutes, and then take your questions. The entire briefing will last approximately one hour.

Let me now turn the floor over to Morikawa, President and Group CEO.

Morikawa: Hello, everyone. I am Morikawa of AVANT GROUP. We would like to begin the presentation of financial results for Q2 of the fiscal year ending June 2024. First of all, I will give a brief explanation of the status of BE GLOBAL 2028, the mid-term plan that began this fiscal year.

AVANT GROUP has its mission, vision, and value. In terms of our mission, or how we can be of service to our customers, since our founding we have been committed to the popularization of management information, in other words, we want to use IT to help management. We have been working all along with the mission of making management happy.

In order to further link this mission to specific strategies, we have defined materiality, or the key issues to be solved, as our goal to become a software company that helps our customers increase their corporate value. With this sense of direction in mind, we have created the current medium-term management plan.

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| BG28 Outlook

- Increase corporate value by improving fundamentals through net income growth (3x) and by increasing future cashflow through a shift to a software focus

	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

Most important critical success factor (CSF) for promotion of group strategy

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In the medium-term plan, ultimately, for increasing corporate value, the increase in net income will have a very large impact on fundamentals, so the premise is to steadily increase net income here, but how to drive it? We have set software gross profit as the most important indicator of the Group's strategy, with the aim of increasing software as the driver and driving force of the overall business.

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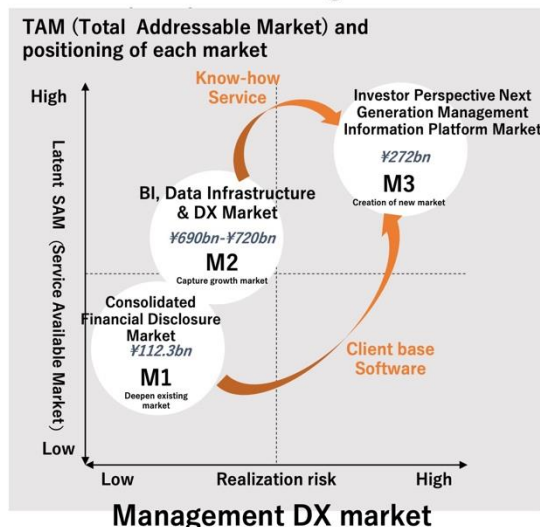
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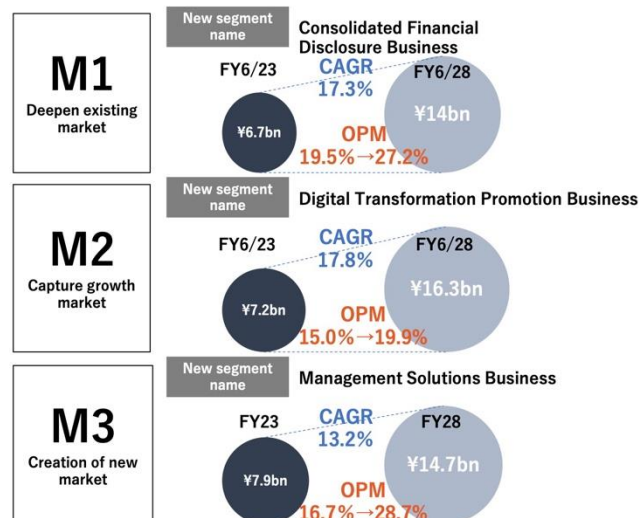
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BG28 Focus Markets

- Position self in management DX market for companies where enhancing corporate value is



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What kind of approach will be taken to achieve both the realization of the mission I mentioned at the beginning, and furthermore, the financial performance? In order to determine what kind of customers we should serve and in what kind of services we should contribute to them, we have divided them into three groups, rather than looking at them as a single group.

The first is M1 market, such as consolidated financial disclosure, and the second is DX, a field in which various technologies are used to visualize information and contribute to management. The third and final market, M3, is one that we are focusing on and will be launching in the future. In a sense, this is the investor perspective next generation management information platform.

I think that when it comes to management accounting and the like, it's inevitably more internally oriented. However, we should bring in dialogue with investors, in other words, how the Company is viewed from the outside, and make the management itself more progressive. In order to firmly create such a market, we have newly defined the M3 market and are taking action to focus our efforts on the creation of this market.

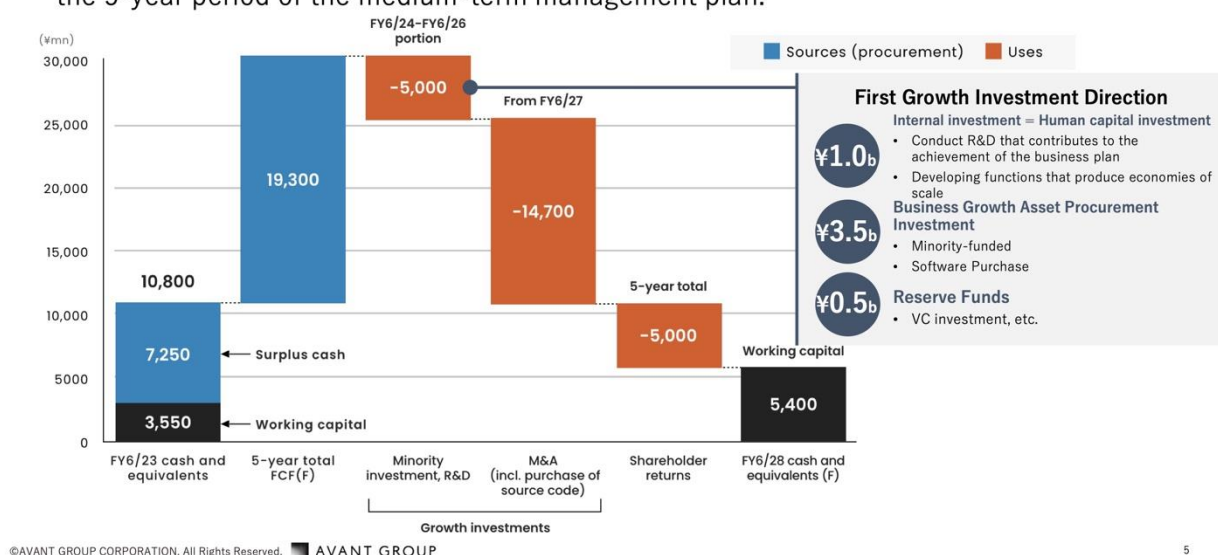
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Capital Allocation

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



In this action, we will not only create services and products internally and provide them to our customers, but also allocate our accumulated capital assets, mainly cash, to growth investments. We have established a capital allocation policy to ensure the realization of our activities and strategies.

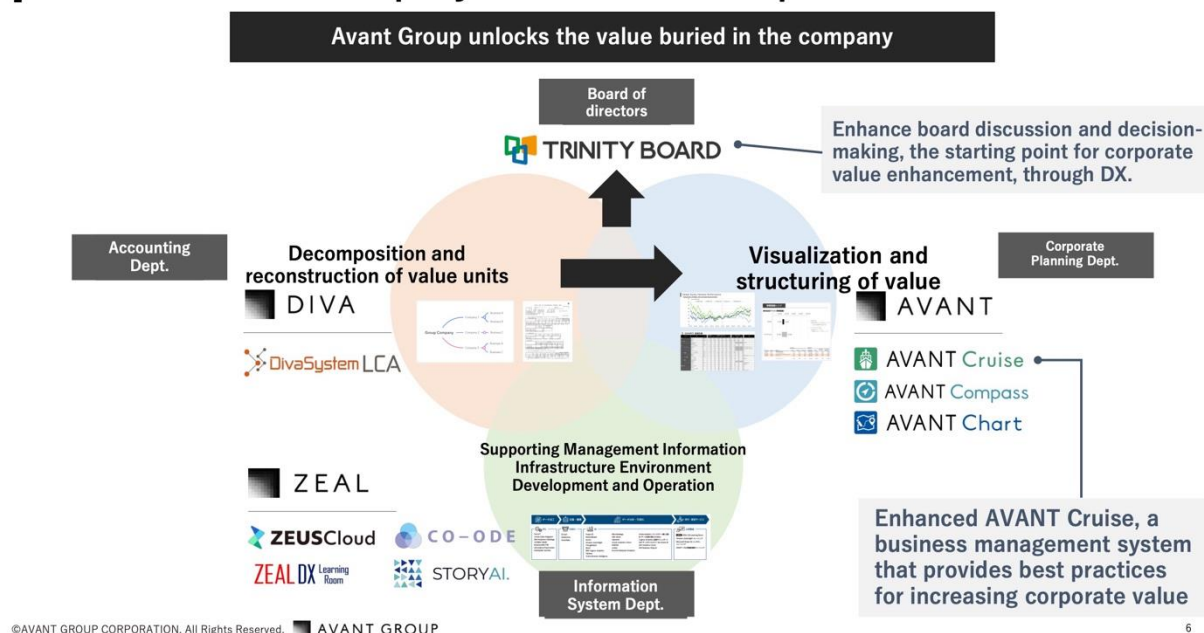
First, in terms of promoting the medium-term plan, we are trying to increase the total pipeline by gradually promoting minority investments and R&D to increase the number of new commercial products. Once we have reached a certain point, we will further accelerate the process by making full use of M&A, etc., as appropriate. We are now taking a two-stage approach to growth investment.

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| To be a software company that increases corporate value



The overall picture of the software group that will realize this is shown here. How will a software company that helps improve corporate value help its customers? There are many ways to express this, but we are trying to unlock the business value that is buried within the Company, and the corporate value itself. We are designing the entire software with a sense of direction to promote visualization and the proper manifestation of its value.

As for the composition to date, first, we have DIVA, which provides consolidated financial disclosure solutions to the accounting departments of clients, primarily listed companies. However, its area of contribution is concentrated on the disclosure of financial results, and we decided to promote the use of information technology so that information can also be used on the management side. So we have ZEAL, whose structure is designed to be useful to the information systems departments, which is a different department in the same customers.

Moreover, AVANT is a newly established company, which is positioned to provide information and solutions that enable visualization and structuring of value mainly for the corporate planning department.

Each has its own products. DIVA has a consolidated accounting system, DivaSystemLCA, at its core. ZEAL is also engaged mainly in the SI business, but we are also gradually developing our own in-house IP or products, such as ZEUSCloud and CO-ODE, little by little.

In new AVANT, separate from the conventional consolidated financial disclosure, as a function to add more information value to it, we have a new product lineup such as AVANT Cruise, AVANT Compass, and AVANT Chart, as well as existing products.

They have been acting separately in the past, but now we are designing product marketing for the Group as a whole and promoting actions to become a group of companies that can provide customers with solutions that will help them increase their corporate value in a comprehensive manner.

Today, we would like to introduce two of our new products.

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The first is TRINITY BOARD. There is a variety of management information, but when we consider which decision-making body has the greatest impact in the end, the Board of Directors plays a very important role.

We believe that a platform to directly provide information that is useful for improving corporate value, as an outlet for the various solutions we have developed up to this point, or rather a portal function that ultimately delivers such information, would be even more useful. This is why we have developed and released TRINITY BOARD as a platform that can be useful in structuring discussions and decision-making for the Board of Directors.

We ourselves have been working quite seriously to resolve issues related to the operation of the Board of Directors, and through our own experiences, we have developed this system in the hope that it will be more useful for the Board of Directors. It has been about two and a half years and based on more than one year of actual use internally, we started the full-scale sales of the product, or rather, the official release of the product recently.

The other is AVANT Cruise by AVANT. We have partnered with an overseas company to further accelerate the existing product and have them supply some of the technology, while we utilize their platform, and we are developing and releasing a new product as a package that provides solutions for visualization and structuring of corporate value, by properly combining contents and services that are useful for management.

These are the two products this time. In this way, we will gradually increase the total volume of new software for the Group as a whole, and not simply increase it, but we are now in the process of taking actions to build a structure that can generate synergies for the entire group and assemble solutions that will be of use to our customers.

Avant Group Enters Strategic Partnership with Fluence Technologies

- This strategic partnership is an initiative that is expected to dramatically accelerate and raise the level of development of "software that helps improve corporate value" for Japanese customers.
- As a result, the company will contribute to software gross profit, the most important CSF for promoting the Group's strategy.

Purpose of Strategic Partnership

- This strategic partnership will combine our deep expertise in business management with Fluence Technologies' innovative software technology.
- Going forward, we will jointly promote the development of next-generation business management solutions for the Japanese market.

About Fluence Technologies

Fluence Technologies (Canada) puts control in the hands of finance and accounting teams so they can close faster, report with confidence, and do more with less. Only the Fluence financial close, consolidation, and report management platform delivers an enterprise-grade, out-of-the-box solution for modern, high-growth companies. Truly cloud-based and finance-owned, Fluence's no-code approach means accelerated time to value and immediate adoption. Welcome to Fluence where we close early.

<https://www.fluencetech.com/>

28 November 2023 Press release <https://www.avantgroup.com/ja/ir/irnews/news20231128.html>

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DIVA Releases Product Version of TRINITY BOARD to Promote DX for Japanese Boards of Directors

- The sale of this product is the first step in the promotion of the 'Software Driven Strategy' and will contribute to software gross profit, which is the most important CSF in the promotion of the Group's strategy.
- Aiming to raise the Group's profile among board members, who are responsible for increasing corporate value, and also to strengthen the customer base.

Development background

- The company and DIVA jointly initiated the development of this product to contribute to the DX of the Japanese board of directors by solving the problems faced by boards and their operation.
- The product was released after it was perfected through feedback from board members and operating departments while actually being used by the company's board of directors, and after the company itself realised its effectiveness and was convinced that the product could contribute to other listed companies.
- Alpha version was released on October 11, 2023, and after repeated testing, it is now available as a commercial version.

What's TRINITY BOARD

- Cloud software to drive DX for the board
- The consolidation of all information relating to the Board of Directors enables the Board of Directors to enhance discussion and decision-making, significantly reduce the operational burden on the departments in charge of running the Board of Directors, and improve efficiency and security.
- As it can also be applied to the boards of directors of group companies, it can also help to strengthen group governance by making the status and content of their board meetings more transparent when applied to major subsidiaries and overseas subsidiaries.

31 January 2024 Press release. <https://www.diva.co.jp/news/20240131/>

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Some details are mentioned here, but I will omit them because this includes what I have just explained.

As for the strategy, we are currently in the first year of the mid-term plan and have only just completed H1 so I am not yet in a position to explain the major momentum of the strategy as a whole, but new products are steadily being introduced and overall product marketing has gradually begun to progress. I hope you understand that we have entered such a phase.

That is all for the overall strategy. Group CFO Kasuga will now begin the financial report. Thank you.

Kasuga: I am Kasuga, Group CFO. I will continue with the financial report.

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Results Highlights

- Net sales increased 11.6% y-o-y to 11,742 million yen due to strong growth in the digital transformation promotion business and continued high growth in the outsourcing business.
- Operating income increased 5.4% y-o-y to 1,890 million yen due to a decrease in one-time expenses incurred in the previous fiscal year as a result of group reorganization and the effect of increased revenue from the digital transformation promotion business, despite higher fixed personnel expenses due to an increase in headcount, outsourced processing expenses to meet increased orders, and investment-related expenses to realize future growth.

(Millions of yen)	FY6/24 Q2	YoY Variance		FY6/24 Q2 cumulative total	YoY Variance	
		Yr earlier	% chg		Yr earlier	% chg
Net Sales	6,096	5,497	10.9%	11,743	10,523	11.6%
Cost of Sales	3,296	2,904	13.5%	6,570	5,681	15.7%
Gross Profit	2,799	2,592	8.0%	5,173	4,842	6.8%
GPM	45.9%	47.2%	▲1.2pt	44.1%	46.0%	-2.0pt
SG&A	1,590	1,414	12.4%	3,283	3,049	7.7%
Operating Income	1,209	1,178	2.6%	1,890	1,793	5.4%
OPM	19.8%	21.4%	▲1.6pt	16.1%	17.0%	-0.9pt
Net Income	733	771	-4.8%	1,217	1,142	6.5%
NPM	12.0%	14.0%	▲2.0pt	10.4%	10.9%	-0.5pt
EBITDA	1,328	1,279	3.8%	2,127	1,989	6.9%
EBITDA margin	21.8%	23.3%	▲1.5pt	18.1%	18.9%	-0.8pt

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Let me begin with a summary of financial results for H1 of FY2024. Consolidated net sales increased by 1.6% YoY, thanks to a 28.8% YoY increase in sales of the digital transformation promotion business, and the outsourcing business, which was part of the consolidated disclosure business in the new segment, and which also grew by more than 20% YoY.

On the other hand, as for consolidated operating income, the number of employees increased by 175 YoY for the Group as a whole. In addition to this, we have incurred investment-related expenses of approximately JPY230 million, which, as will be explained later, will be recorded as expenses for accounting purposes, but whose effects are expected to be felt in the future, and this has caused the cost of sales to rise. As a result, the gross profit margin decreased by 2 percentage points YoY.

On the other hand, SG&A expenses also increased in absolute terms due to higher recruitment and IT expenses. However, since there were no one-time group reorganization expenses incurred in the previous year, the SG&A-to-sales ratio was negative 1 percentage point. As a result, operating income increased by 5.4% YoY, resulting in an increase in both sales and income.

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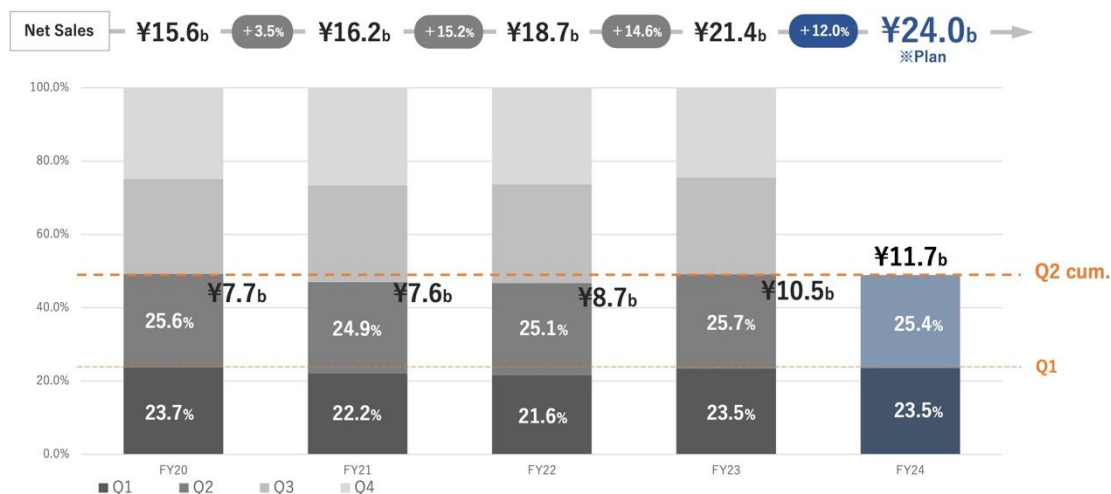
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Progress to Full-Year Sales Targets

- FY24 Q2 sales are 48.9% of full-year sales, which is high progress among the trends of the past three years.



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As you can see on this slide on the progress to full-year sales targets, we have made 48.9% progress in H1 compared to the full-year consolidated net sales forecast that we disclosed in August last year.

Although not shown here, the profit levels below operating income are also at 49% progress each.

Since we are about halfway through H1, we do not believe that we are in a situation that is of particular concern at this stage.

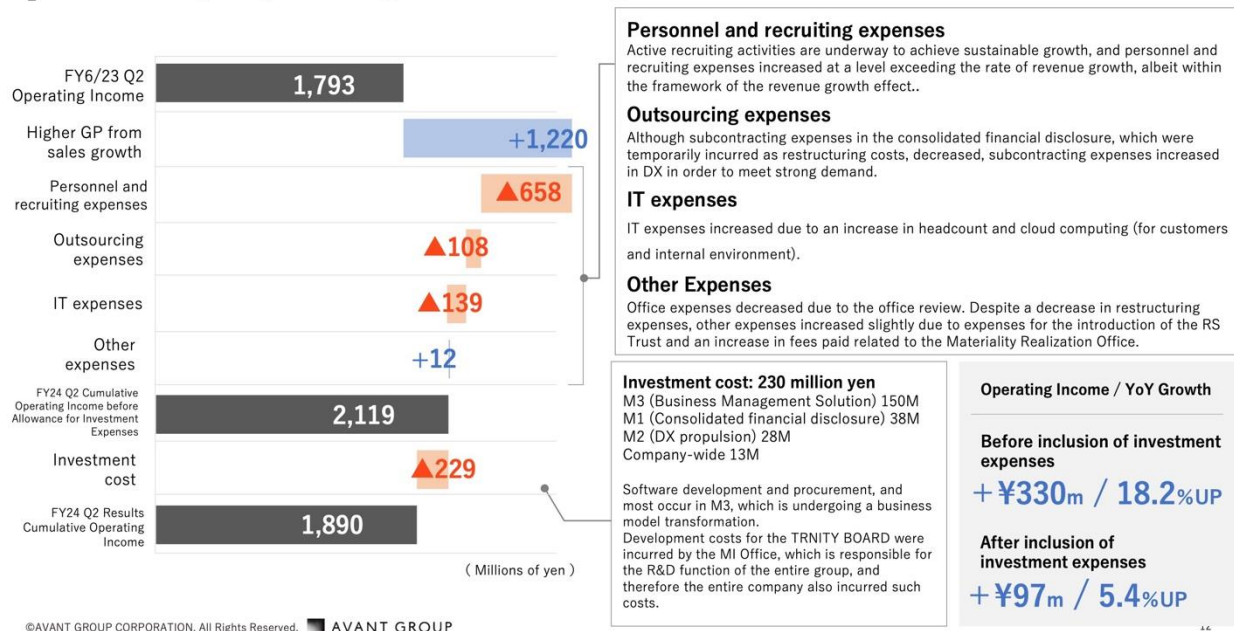
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| FY6/24 Q2 Operating Income Bridge (YoY)



This slide shows changes in operating income through H1 compared to last year. Regarding the factors of the changes, first of all, as I mentioned earlier, sales increased by 11.6% YoY. In contrast, personnel, recruiting, and outsourcing costs all increased by 12%.

IT expenses were JPY140 million, an increase of 44% YoY, due to the purchase of PCs to accommodate the increase in the number of employees, as well as expenses for the company-wide cloud computing initiative, especially for security enhancements. These expenses are reflected in the increase.

What I just mentioned is rather an expense for running the current operations smoothly. On the other hand, as I mentioned earlier, each of the operating companies and the holding company are increasing their investment costs in order to lay the foundation for sustainable growth. Again, the cumulative total amount is approximately JPY230 million through H1.

For example, in the area of business management solution, we have formed our own product development team and are actually investing in the development of new products and significant improvements to existing products. In addition, the holding company established the Materiality Realization Office this fiscal year to realize its materiality of becoming a software company that helps our customers increase their corporate value and is now fully engaged in these activities. As part of this effort, we have been developing TRINITY BOARD, which was released on February 1, 2024, as mentioned earlier by the Group CEO, and we have incurred development costs for this product.

When we disclosed our full-year earnings forecast last August, many institutional investors we have met with since then have indicated that profitability is lower than expected and that the cost of the Group restructuring may have been eliminated. This restructuring cost has indeed been eliminated, but as I mentioned earlier, investment costs have been incurred, and this is the main reason why profitability has not increased that much. For your reference, if we exclude investment expenses, which are indicated at the bottom right of this slide, operating income was JPY2.11 billion, an increase of 18.2% YoY, although it is still short of the 25% profit growth rate that we have targeted for the current mid-term business plan period. In that case, the operating profit margin is also at the level of 18%. I hope you understand that such is the situation.

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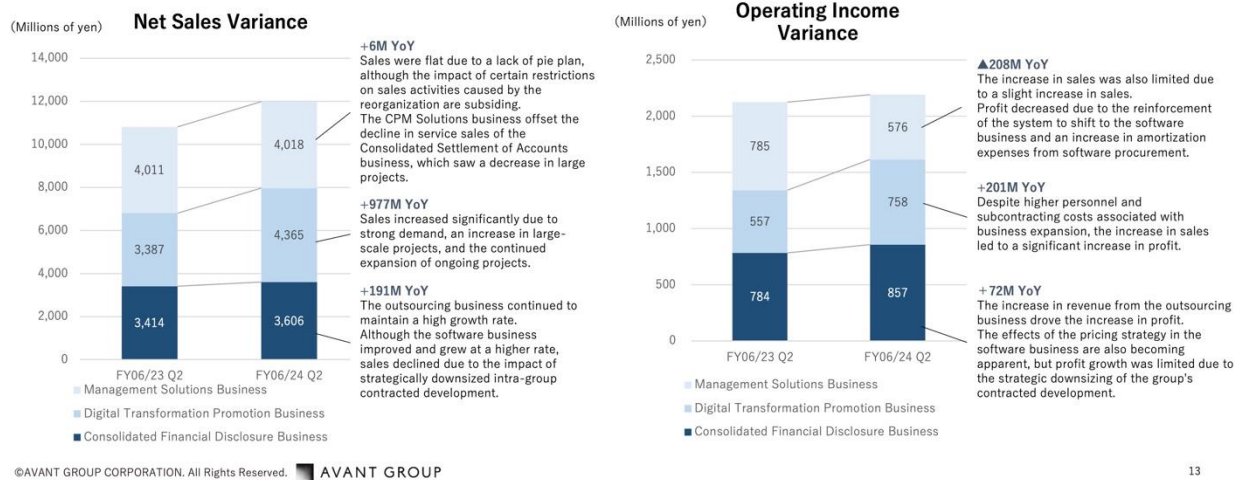
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Results by Business Segment (Factors)

- The DX Promotion Business drove the increase in profit due to the effect of higher sales. In the Consolidated Financial Disclosure Business, revenue increased due to strong performance in the outsourcing business, but profit growth was limited because the software business is still in the process of improving. In the Business Management Solutions business, the impact of certain restrictions on sales activities due to business restructuring is subsiding, but the effect of revenue growth was limited due to a lack of pipeline and investments to shift to the software business, resulting in lower earnings.



The following are the results by business segment. The outsourcing business performed well in the consolidated financial disclosure business, while the software business is currently undergoing price revisions and is focusing on recovering profitability.

In addition, in order to concentrate our resources on our own development, we have intentionally reduced the number of contracted development projects among the Group companies by adopting that new policy, which we are doing from this fiscal year. As a result, sales growth for the segment as a whole was in the single-digit range. Since the price revision is still in progress, the results have not yet been seen.

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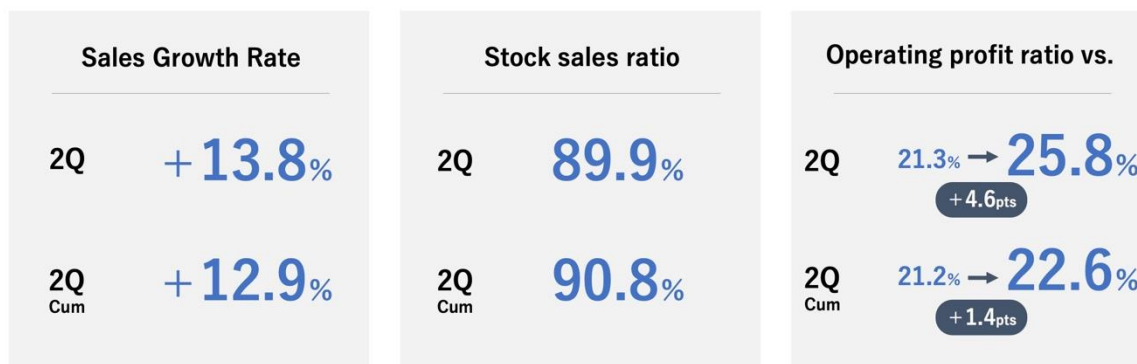
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Results by Business Segment (Consolidated financial disclosure business)

- Excluding the impact of Internet Disclosure, which is included in the consolidated financial disclosure segment, and the strategic reduction of intra-group contract development, the company has achieved solid growth and improved profits.



*All exclude the impact of ID and intra-group contract sales.

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For your reference, the next page, which I hope you will take the time to look at later, shows net sales and operating income excluding intra-group contract development transactions, which we use as a management monitoring indicator, and the impact of Internet Disclosure, which is included in this segment. As far as we can see, there are no particular problems with our business performance at this point.

The digital transformation promotion business has a high operating leverage ratio and a high fixed cost ratio, and when sales exceed a certain level, the business structure allows profits to increase more than the 1% sales growth.

Based on the current cost structure, and this is just an estimate, but when quarterly sales are in the latter half of JPY1.9 billion, as I mentioned earlier, profits will increase more than the 1% increase in sales. The situation remains favorable, supported by strong demand.

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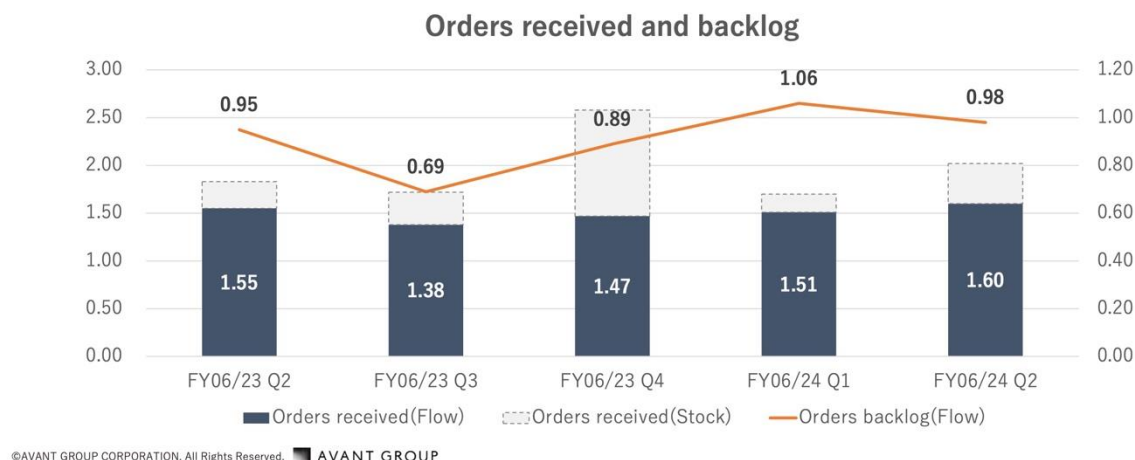
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Results by Business Segment (Business management solutions)

- Although the impact of certain periodic restrictions on sales activities due to the business restructuring was mitigated, the flow order backlog, excluding stock, declined due to insufficient pipeline accumulation. This is due to the fact that we are in the process of a qualitative shift in sales activities, and we will strengthen the pipeline accumulation by adding an approach to the CIO as well as to the CFO.

(billions of yen)



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Finally, in the business management solution business, the impact of the Group's reorganization on sales has been concealed. As I explained last year, sales activities did not go as smoothly as expected in Q3 and Q4, and I thought the impact would be felt from Q1 to this H1, but the impact has subsided. However, the business mix has not yet reached the level that we are aiming for.

The sales composition is heavily service biased, and although we need to further increase software sales, we have yet to see any significant change in the situation of a service biased sales composition.

One of the reasons for this is that in-house products are not yet selling well, but we will continue to introduce new in-house products to the market, and we believe that one of the keys to our success will be how far we can increase sales of these products.

On the other hand, similar to the digital promotion business, the fixed cost ratio is high as the current emphasis is on services. Although we are in a situation where operating leverage is effective, sales have not yet reached that level. At the same time, we have incurred development costs, which have increased our costs, so our profitability has been sluggish.

As written on page 15, in terms of stock or flow, both orders received and order backlog are still low, and we expect this situation to continue for some time to come. We are in a difficult and challenging period, but as I mentioned earlier, the challenge for this business management solutions business is whether or not sales of in-house products will grow in the future.

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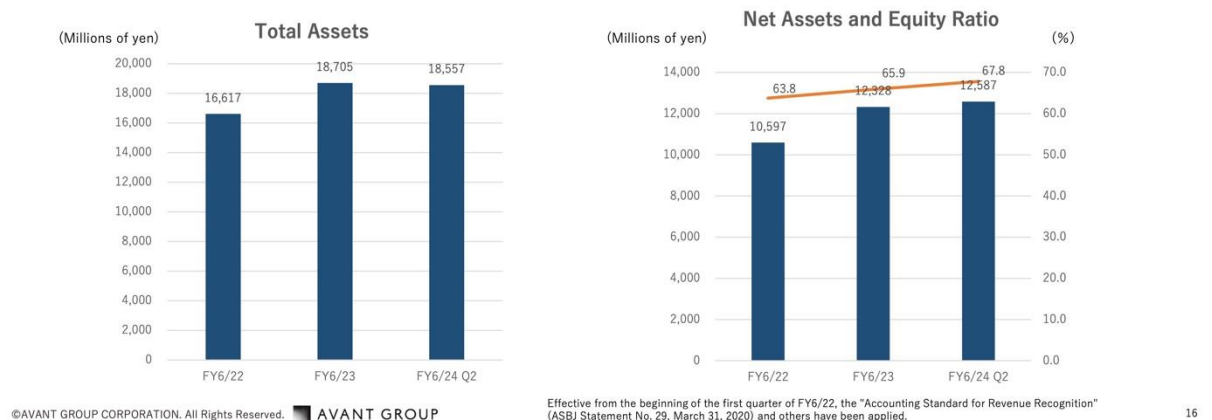
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Financial Condition Trends

- While notes, accounts receivable and contract assets increased by 762 million yen and prepaid expenses increased by 252 million yen, cash and deposits decreased by 917 million yen, resulting in a decrease in total assets.
- Net assets increased 258 million yen from the end of the previous period to 12,587 million yen due to the posting of 1,216 million yen in net income attributable to parent company shareholders, the purchase of 449 million yen in treasury stock, and the payment of 564 million yen in dividends from retained earnings.
- The capital adequacy ratio has remained at a high level.



The financial condition trends are as shown here. Regarding cash and deposits, in addition to dividends, we have set up the RS trust for employees, which was introduced in the current fiscal year. We are asking employees to become shareholders, and we are handing them transferable shares in a trust account. For this purpose, the Company purchases its own shares from the market. As a result, cash and deposits have decreased by nearly JPY1 billion. Although current assets increased, the decrease in cash and deposits was significant, resulting in a decrease in total assets.

On the other hand, regarding net assets, profit increased. Although there were the dividends and the purchase of our own shares for the RS Trust, as I mentioned earlier, there was an increase in profits, which ultimately led to an increase in net assets, and as a result, the equity ratio is currently rising at a level of 67.9%.

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Cashflow Trends

- Operating cash flow increased mainly due to income before income taxes and minority interests of 1,893 million yen and refund of income taxes of 539 million yen, while it decreased mainly due to increase/decrease of accounts receivable and contract assets of 762 million yen, increase/decrease of contract liabilities of 359 million yen, increase/decrease of allowance for bonuses of 253 million yen, and income taxes. The main factors of the decrease were 762 million yen in trade receivables and contract assets, 359 million yen in contract liabilities, 253 million yen in provision for bonuses, and 671 million yen in income taxes paid.
- The main components of financial cash flow outflows were the purchase of treasury stock of 449 million yen following the introduction of the RS Trust as an incentive program for future stock price hikes, and dividend payments of 564 million yen, resulting in an increase of 499 million yen used versus the same period last year.

(Millions of yen)	FY6/24 Q2	YoY Variance		FY6/24 Q2 cumulative total	YoY Variance	
		Yr earlier	% chg		Yr earlier	% chg
Operating CF	478	△ 225	703	349	△ 717	1,067
Investment CF	△ 145	△ 510	364	△ 239	△ 622	382
Free CF	332	△ 736	1,068	110	△ 1,339	1,449
Financial CF	△ 5	△ 5	0	△ 1,025	△ 499	△ 525

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Cash flow trends. Last year, there was a restructuring of the Group. As a characteristic of our cash flow in past years, we had a temporary negative operating cash flow in Q1, and then the operating cash flow turned positive on a cumulative basis from Q2 onward. In the case of last year, operating cash flow was negative until Q3. In a sense, this pattern was the same this fiscal year as before the restructuring, with negative cash flow in Q1, but in H1 in the six months, operating cash flow turned positive at Q2.

As for cash flow from investments, no major investment activities have occurred so far this fiscal year. Last year, for example, we invested in the purchase of software source code, and we also had an office expansion, so free cash flow was positive due to the absence of these investments.

On the other hand, financial cash flow was negative due to dividend payments and share buy-backs for the RS Trust I mentioned earlier, and we have reduced our cash and deposits. However, we continue to have a significant amount of excess cash flow, so while excess cash itself is a problem, there are no problems with our financial situation.

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Earnings forecast for the fiscal year ending June 30, 2024

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

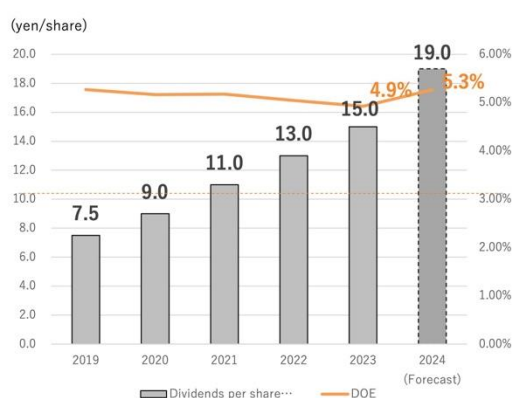
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As for the full-year earnings forecast and dividend forecast, as I mentioned at the beginning of this report, the performance was 49% of our earnings forecast at the end of H1. Judging from the performance forecasts provided by each operating company, we have not made any particular changes to our earnings forecasts for the six months in H2, because we do not expect any significant deviations, both upward and downward.

Shareholder Returns

- In line with the policy of continuing to pay a stable dividend, the dividend per share for the year ending 30 June 2024 is expected to be 19 yen per share.
- DOE for the fiscal year ended June 30, 2023 was 4.9%, well above the TSE-listed company average (12 months) of 3.1%.



<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.

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Since the earnings forecast remains unchanged, there is no change in the projected dividend.

That is all I have to report. Thank you very much.

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Moroi: I am Moroi, the head of the IR Office at AVANT GROUP. Next, I would like to introduce the two products mentioned earlier by Morikawa, TRINITY BOARD and AVANT Cruise.

First of all, I would like to explain about AVANT Cruise using a PowerPoint presentation.

Group Business Management System for Corporate Value Enhancement



AVANT Cruise

This is a cloud service that enables group business management to become more efficient and sophisticated quickly and easily by packaging best practices for group business management.

Group Management Package

Best Practices in Business Management

The performance management package developed based on the know-how of group business management is provided as standard, including input screens, consolidated processing, 77 management meeting reports, etc. as standard.

High usability

Easy editing by users themselves

The high usability of the system allows accounting and management planning departments to operate the system on their own, enabling them to respond quickly to the rapidly changing business environment and management's requests.

Implementation Speed

Available in as little as **3 months**

他社製品 (Other products) vs AVANT Cruise

The packaged implementation reduces the amount of work required to build the system and shortens the time to start using it by using the full range of business management content that is available right away.

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This is the overall image of AVANT Cruise. AVANT Cruise is a cloud service that packages best practices for group business management. Best practices packed with past know-how can be applied. Second, regarding high usability, it has the feature that users can easily edit it themselves.

The third major feature is the speed of implementation. With the packaged installation, it can be ready for use in as little as three months. After this, I hope to explain some more of the characteristics from a different perspective.

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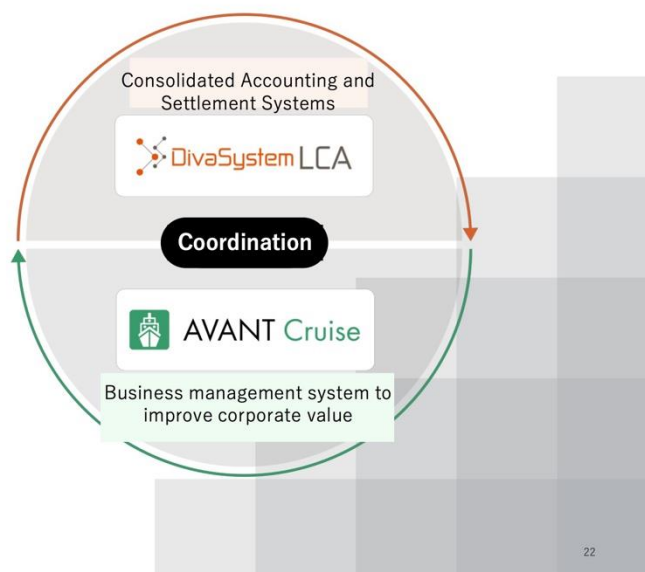
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AVANT Cruise Features

Integration with consolidated accounting system

The data can be used mutually with "DivaSystem LCA", an Avant Group product, which has the following advantages

- Financial and master information in DivaSystem can be easily imported into AVANT Cruise without development.
- Financial information held in DivaSystem and non-financial information in AVANT Cruise can be integrated and managed.
- Integration with business management operations with minimal impact on consolidated financial results.



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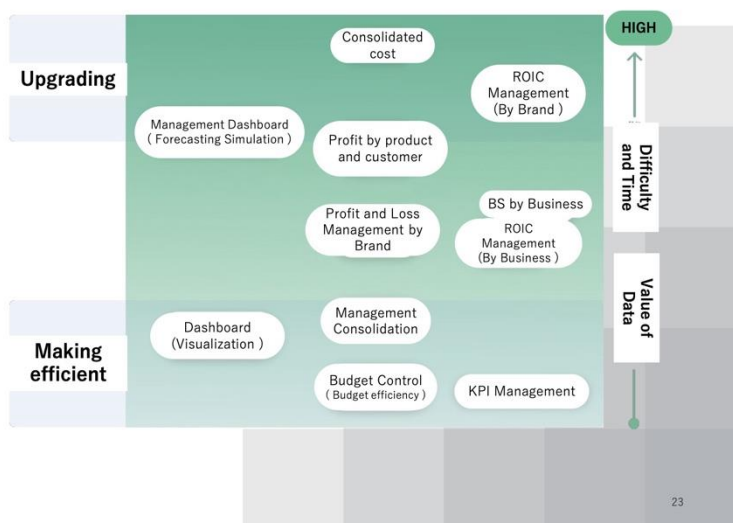
The first is integration with the consolidated accounting system. The system is linked to DivaSystemLCA, the consolidated accounting system that is the ancestral business of our group, so the financial information in DivaSystem and the non-financial information in AVANT Cruise can be managed in an integrated manner.

AVANT Cruise Features

You can start with business efficiency and work your way up to business sophistication.

In cases where the systemization of business operations has not progressed due to the burden or difficulty of current operations, or where the systemization cannot be realized because the ROI is not sufficient to improve efficiency alone, AVANT Cruise is designed so that users can start from the efficiency level and move up to the level of systemization in a single system, allowing gradual upgrading according to the business burden and the speed required by management.

One-stop expansion from efficiency to sophistication



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The next feature. It has a unique feature where you can start with business efficiency and work your way up to business sophistication. In terms of efficiency, there are areas such as budget control and management consolidation, and in terms of sophistication, we are able to provide one-stop services for ROIC management, which has become very important in recent years, as well as looking at B/S by business, for example.

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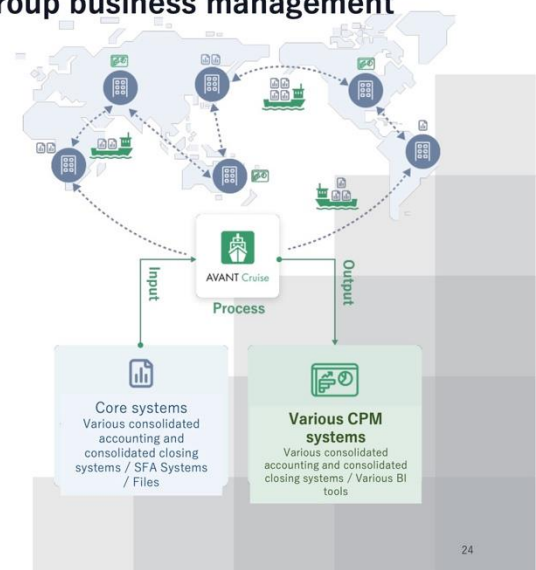
AVANT Cruise Features

Centralized management of data required for group business management

We provide the functions necessary to integrate financial and non-financial information required for group business management in a single system. The integration of data necessary for group business management connects management and business, and contributes to the functioning of the PDCA cycle of business management.

-  Financial and non-financial information held in DivaSystem can be linked and managed in an integrated manner
-  Linkage of detailed data such as journal statements and sales statements from individual company systems and data linkage with various CPM products
-  Extensive ETL functions including code conversion and layout conversion that can be implemented with no code
-  Data lake functionality for low-cost management of vast amounts of data

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The third feature is the centralized management of data required for group business management. The diagram on the right shows AVANT Cruise in the middle, which has as input the core system, the consolidated accounting system including ours, and of course the individual accounting data. Sales related systems, etc. are also included, which are input and processed in AVANT Cruise to produce output.

This is where various CPM systems can be linked, not only with our system, of course. So you can look at it as an output based on the data from what you have been using and how it is presented in our products or also in other products. At the center of the process is AVANT Cruise.

Through the business alliance with Fluence Technologies, we will continue to improve the functions I have explained so far. That is all for the explanation of AVANT Cruise.

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| Demonstration



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Now, I would like to explain TRINITY BOARD by showing you the actual screen.

The image you see now is the TRINITY BOARD for AVANT GROUP, and this is the top screen. There are several documents at the top of this page. Here are the documents that the chairperson should be aware of at all times. For example, if you touch here, you will see the numbers of our mid-term management plan appear. In this form, our goal is to be constantly aware of this.

This TRINITY BOARD is the DX for the Board of Directors, so I would like you to imagine how it is actually used in an individual Board meeting.

I have chosen the Board of Directors. This is the scheduled agenda for February, but I would like to show you what actually took place in January. This button allows you to navigate to the previous month or the month ahead.

This page lists all the information, such as when the event will start, end, and where it will be held, as well as the agenda for this time. There are categories among them, and you can set up a structure for the finance report, in which report on performance, approval of financial results, or items for approval can be set up.

For example, at the top of the agenda is a monthly analysis of the stock price by me, which is intended to raise awareness of corporate value among Board members at every Board meeting. We are uploading what time, who is in charge for that agenda, and the materials used for it. This will allow the Board members to see what materials are uploaded on all the agendas so that they can review these materials in advance and discuss them with a better understanding of the information in the materials.

In addition to the documents used this time, there is also a tab here called Document. If you select Document by Agenda, you will be able to see the budget-related materials that have been used up to this point, so you can look back on the discussions of the past and see what the discussions were about this time.

It is also characterized by setting the agenda with intention. You can also look at this dashboard to see what category you are trying to spend your time in and what the results are. The system allows you to see how time

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will be spent in the areas of finance, strategy investment, and governance, as well as how the time was spent in terms of actual time.

This tool was originally developed by Morikawa with the idea of creating a tool that would help the Board of Directors to determine how to effectively use its time, so it is also a feature that allows the Board to see what type of agenda was set and how it was actually implemented.

Other characteristics, for example, are related to people. This screen shows our directors and executive officers. For example, to see the contents of me, press this button. This function also allows you to see what kind of person Moroi is and what kind of experiences he had up to now.

Another feature is that this can be used for multiple companies and multiple meetings, not just one. This time you have seen the Board of Directors of AVANT GROUP, but we also operate the Board of Directors and management meetings of our operating companies on the TRINITY BOARD, so you can see information on other meetings of other companies by entering the TRINITY BOARD.

My position is CSO of the entire group, and I am also a director of AVANT, so I am an insider here, and when I want to see information about DIVA or ZEAL, I can use this TRINITY BOARD to enter and see what kind of information DIVA or ZEAL had in the past. Therefore, I think it is a very useful tool from the perspective of efficient overall group management.

That is all for the explanation of TRINITY BOARD.

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Question & Answer

Moroi [M]: We will now move on to the Q&A session. All participants are currently muted. Be sure to check your microphone settings while it is muted.

If you have questions, please click on the raise hand button at the bottom of the screen. I will nominate a person and unmute his/her microphone. Please note that we will answer the question one at a time. Now, please ask your questions.

First, Mr. Isozaki, please.

Isozaki [Q]: I am Isozaki from Ichiyoshi Research Institute. Thank you. I have two questions. First, regarding the status of orders received for business management solutions, which I believe stagnated in the past due to business restructuring. Both orders and order backlogs were going up in Q2, or I think order backlogs have decreased a bit. Once again, I think this will lead to H2, so could you please explain the order situation in Q2?

Company Representative [A]: Now, I would like to explain. First of all, regarding the status of orders for business management solutions, the situation that occurred in the past was that sales activities in October and November of 2022 were insufficient to cover the volume of orders due to the restructuring. Many of our clients close their books in March, so there was a decrease in the portion of work that began in April.

The impact was apparent in Q4 of 2023 and in Q1 of 2024, but the impact on volume has been decreasing.

On the other hand, with regard to business management solutions, until now we have been taking orders and conducting activities for accounting customers in the CFO line. After all, there were many businesses with consolidated financial disclosure, but we have expanded our target to include business management as a whole, which of course includes how we see the CFO line customers, so we have to talk about how we can lead to orders with people in information systems and CIOs, for example. So the types of people we deal with have changed.

We are aware of these issues, and we have been recruiting people who can do so, and since ZEAL has always been CIO-oriented within the Group, we are taking measures to deal with these issues and recovering. However, looking at the current situation, as to whether the pipeline is sufficiently built up to enable strong regrowth, although we have recovered the quantity of activities, we have not yet been able to achieve the quality of activities that we are aiming for.

Looking at the pipeline, we are still working on how to fill the weak spots in Q3 and Q4, but numerically speaking, growth is still weak.

Isozaki [Q]: Thank you very much. Second, today's Nikkei reported that the Financial Services Agency has begun considering requesting the disclosure of greenhouse gas emissions up to Scope 3 for companies listed on the prime section of the Tokyo Stock Exchange, although I don't think it has been decided yet.

In the case of your company, I think the direction was to enhance corporate governance and other aspects of non-financial information, but when it comes to the disclosure of environmental non-financial information in the annual securities report, is this an area that will be included in the M3 section of your company's medium-term management plan? If it's not relevant, it's fine, but could you give me your opinion about this?

Company Representative [A]: Let me explain. It is basically in the M3 market. We still do not have a clear sense of the direction of disclosure in Japan, and we have been collaborating with and talking to some

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overseas package vendors, but it is difficult to apply it directly to Japan. We are collaborating with overseas vendors to create solutions as AVANT for disclosure and are preparing to actually release them.

However, I hope you understand that we are still at the stage where we need to consider whether we will accelerate this further or expand the solutions we are currently offering.

Isozaki [Q]: In that sense, if you think that this area is likely to expand in the future and you see it as a business opportunity, is it correct to say that you have the tools to do this?

Company Representative [A]: We have been preparing for this for about three years now, or rather, we have been preparing how we should respond based on the market situation, so I hope you understand that we are prepared in this aspect.

Isozaki [M]: Thank you very much. That is all.

Moroi [M]: Thank you very much. Do you have any other questions? Then, Mr. Hiramatsu, please ask your questions.

Hiramatsu [Q]: Hi, thanks for your help. I would also like to ask about M3. If the software TRINITY BOARD and AVANT Cruise have been released and several more will be released, as you explained earlier, there must be a balance in the human resources of the consultants who sell to the CIO and the head of the System Information Office. I'm worried that orders and order backlogs will continue to be difficult, as Mr. Kasuga said.

Will it be in H2 or in the next fiscal year that you have all the people, and the two wheels of software and sales will come together smoothly? What has become the bottleneck?

Moroi [A]: I am also the CHRO at AVANT, so I would like to explain that to you. First of all, in terms of the discrepancies that are now very apparent, there is a lack of sales staff that can sell to CIOs. In this regard, recruitment activities are actually going well, and we are expecting to be able to actively engage in such activities, as we have already decided to join new employees from Q3. We are also collaborating with ZEAL on seminars and other activities, so I believe that we will be able to cover this area to some extent, and it will become apparent soon.

On the other hand, as the scope of the project has expanded, there are now people who understand both business and IT and can propose and deliver them, but I believe there is a gap in terms of whether this is sufficient. We have a clear idea of how many such personnel are needed in the mid-term management plan, and the gap is also clear, so it is a question of how to combine recruitment and aptitude.

Particularly in the most recent period, we are doing everything we can to supplement through recruitment, and we will fill the gap with training over the medium to long term. In the short term, it is difficult to say that we can make it in time immediately in H2, but we will manage to get things in shape during the current fiscal year and have such human resources in place in the next fiscal year. I think this is the current sense of speed.

However, we are aware of these issues, and we are working on a plan for how to fill them and are implementing it.

Hiramatsu [Q]: Thank you. On the other hand, regarding TRINITY BOARD and AVANT Cruise, how are you getting inquiries and feedback? Regardless of what happens at CIO, the corporate planning department or CFO who see this will think it's good.

Personally, when I interview companies, I am often asked, "What percentage of shareholders' equity do we have?" I wonder why they ask me that. How about making it in your company? Like a tool called I know equity

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capital, which can tell at a glance, if the P/B ratio is below 1 times, P/B ratio of 1 times, or if they want to aim higher, P/B ratio of 2 times or 5 times. I don't think your company would name it that way, though, because your naming is smart.

In addition, the Shareholder Equity Enhancement Measures Disclosure Response mentioned earlier. I think that there are more inquiries about this. Is it safe to expect that such things will continue to appear in the future?

What is the status of inquiries for the software that is out now, and what kind of software will be released in the future?

Morikawa [A]: Regarding the current inquiries, we are now entering the phase of full-fledged marketing. In terms of a real sense of inquiry, I would like you to think that we are still in the process of verifying whether or not this will be accepted in the market.

On the other hand, as to whether such things will continue to appear, the PBR and other contents you mentioned are scheduled to be released in March, and preparations are underway for one after another.

The purpose of TRINITY BOARD is to finally provide basic information that can be used as a starting point for management meetings or for raising corporate value, which is relatively easy to understand among such management information, rather than complicated information. And this was born out of the idea that it would be better to have a portal that could deliver such information to the Board, from the viewpoint of where it would have the greatest impact to deliver.

However, if we start from this approach, they often say, "No, we don't need it so suddenly." Therefore, first, we should provide services for the routine parts of Board meeting operations, such as taking minutes and approving them, and then, after they feel the convenience of being able to handle various documents as a result, we should take steps so that the actual content will naturally flow into the process. I think that penetration into the market would be more likely to progress that way.

At this point, we are in the process of promoting the launch from the perspective of the operational efficiency of the Board of Directors, albeit slightly. Therefore, since we have just started this project, I hope you understand that we are at the stage where we will be able to get a certain feel for the current quarter and have the information ready to talk about it.

Hiramatsu [Q]: Understood. I think that President Morikawa is more aware of the current companies through the sales activities, but do they have a high level of awareness? Some companies are very conscious about it, but many companies are likely to be scolded by Professor Matsuda. Therefore, I think that in a sense, you may be creating something premature.

FSA, TSE, and METI are still telling them to do it, and if they don't do it, activists will come in. I don't know about that. What do you actually think, and what do you feel is the perception level of the companies?

Morikawa [A]: First of all, the solution we are trying to provide is basically an information solution useful for corporate management. Roughly divided, one is the area for normal operations, where normal P&L and performance can be visualized, the forecast and actual results can be compared properly, and the outlook can be clearly seen. This is an area for such operations.

This has been the mainstream management system up to now. However, what is now becoming a problem in various corporate reforms is to look at management from the perspective of asset efficiency, such as capital allocation and asset allocation. This is the management on the so-called B/S side. We are aware that a mechanism to support this part is completely lacking.

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For the time being, the former will be the main focus of our business. We will mainly provide the current product lineup with a focus on services while also using external products. On the other hand, there are currently no products for management on the B/S side, so we think we can help by gradually rolling out what we are creating. I think that having both of these wheels is a great feature, and that is our basic approach.

Meanwhile, I think that the purpose of your question is that in the two wheels, operations are good, but Japan is lacking in management skills in the B/S-type management, or asset management area. To be honest, we are aware that this is still being implemented only by a very limited number of customers, or rather, only by listed companies.

However, over the past year or so, the stock prices are starting to move in various ways on the customer side, and in short, they are starting to go up. They recognized that stock prices could not be handled as management until now, but such changes in the environment have made them realize that “Wait a minute, it is starting to go up.” After all, they want to raise the stock price. I have a strong sense that these managers are gradually becoming more and more aware of what they can do to raise the stock price.

At that time, what factors are linked to the stock price when raising the stock price, and whether the management is conscious of these factors, will be the next stage of interest. I feel that this is finally starting to get into the discussion arena.

I think it is necessary to start any business just before the actual demand starts to rise, develop it firmly, and then, when the actual demand rises, go through a phase in which it becomes useful to customers at once. At this stage, we are still only accepted by early adopters, but I am sure that this market will expand as a trend.

We are very confident that the combination of this area and the traditional area will increase the value of our contribution to our customers.

Hiramatsu [M]: Okay, thank you. I hope that when you do business, you will do seminars and whatnot, or have the professor come out. Thank you very much.

Moroi [M]: Thank you very much. Do you have any other questions? If there are no other questions, I will conclude the briefing. Thank you very much for your time today.

Morikawa [M]: Thank you very much.

Moroi [M]: Today's video will be archived on our website at a later date. We will also be uploading scripted materials for your reference. After this, the screen will be switched to another screen asking you to fill out a questionnaire. Thank you very much.

Morikawa [M]: Thank you very much.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.
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