

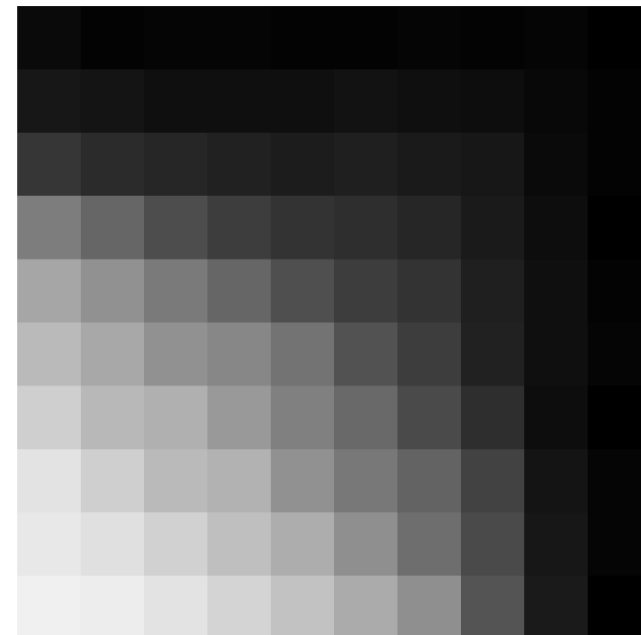
3836 TSE Prime

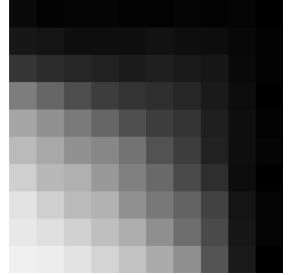
AVANT GROUP CORPORATION

Medium Term Management Plan
(FY6/24-FY6/28)

BE GLOBAL 2028

August 4, 2023





Review of Medium Term Management Plan BE GLOBAL 2023

Review of Medium Term Management Plan BE GLOBAL 23

- Both operational and financial KPIs were achieved, with both net sales and operating income nearly doubling during the medium term plan period.
- However, the business model transformation targeted in the strategic KPIs was not achieved.

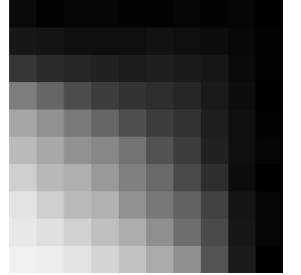
		FY6/18 Result	FY6/23 Target	FY6/23 Result	
Operational KPI	Net Sales (¥bn)	12.1	18~22	21.4	Achieved both net sales and operating income medium term targets, with net sales growing 1.8x, and operating income 2x during the plan.
	Operating Income (¥bn)	1.6	3.1~3.8	3.2	
Strategic KPI	Recurring Sales Ratio (%)	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%.

Review of Medium Term Management Plan BE GLOBAL 23

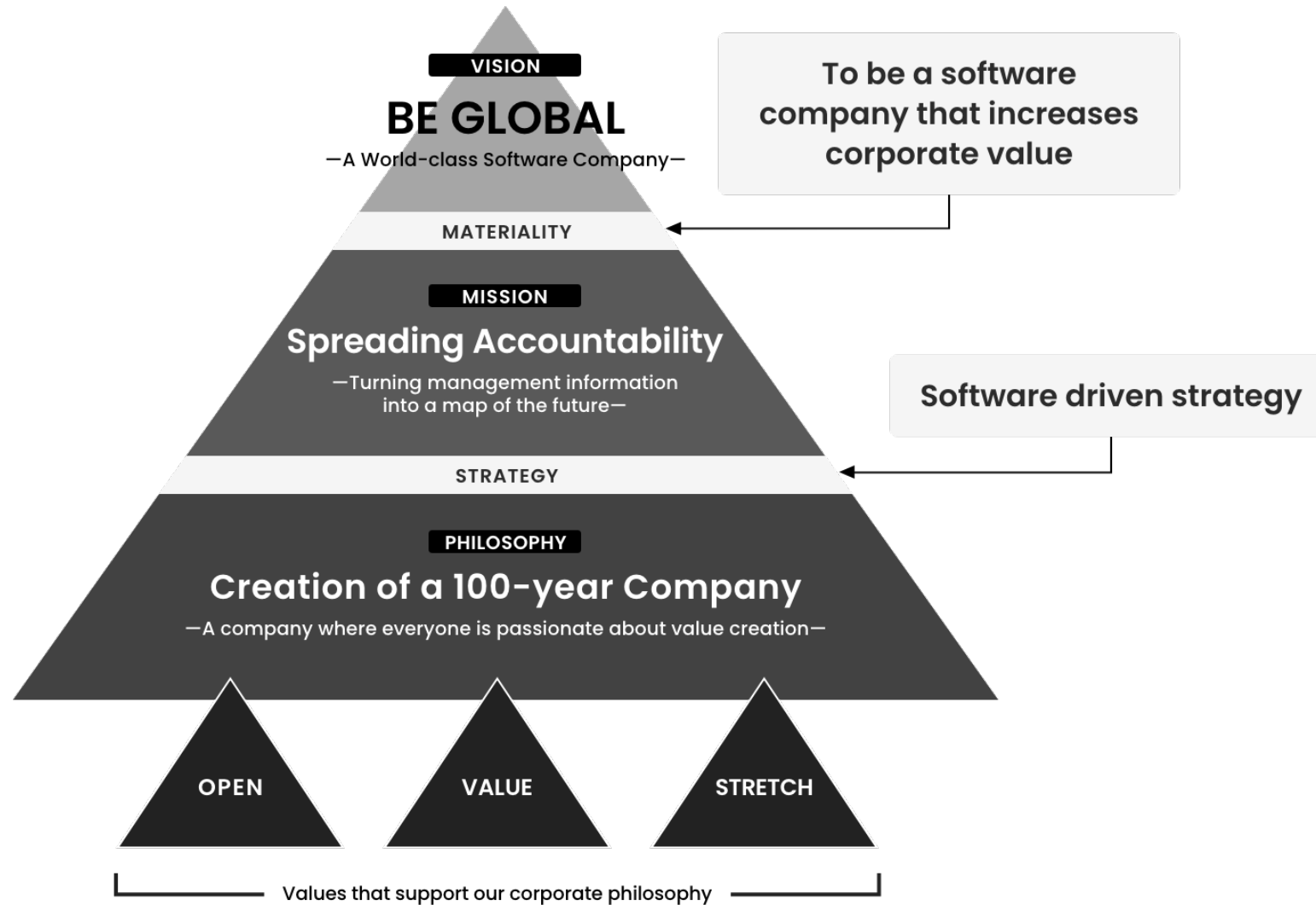
- In the third year of the medium term plan policy changes were made for issues with strategic KPIs, and based on these changes initiatives were implemented.

	FY6/19-6/20	FY6/21	FY6/22	FY6/23
Initiatives and Reflections	M&A efforts	Course change	Defining materiality	Business reorganization and new medium term plan
	<ul style="list-style-type: none"> Initial aim of business transformation through M&A rather than organic growth but changed course after several deals that exceeded acceptable risks due to soaring prices and insufficient management capabilities. Reverted to plan based on organic growth 	<ul style="list-style-type: none"> Identified materiality through creative dialogue with investors and management, defined as “Becoming a Software Company that Contributes to Enhancing Corporate Value” The objective is not only for each group company to operate autonomously, but to enhance the ability to grow and develop as a group. 	<ul style="list-style-type: none"> To realize materiality of being No. 1 in each market where it contributes, break down the markets where AVANT GROUP contributes, and including a rebranding, optimize the allocation of operating companies. Medium term plan formulated based on division of roles after the reorganization. 	



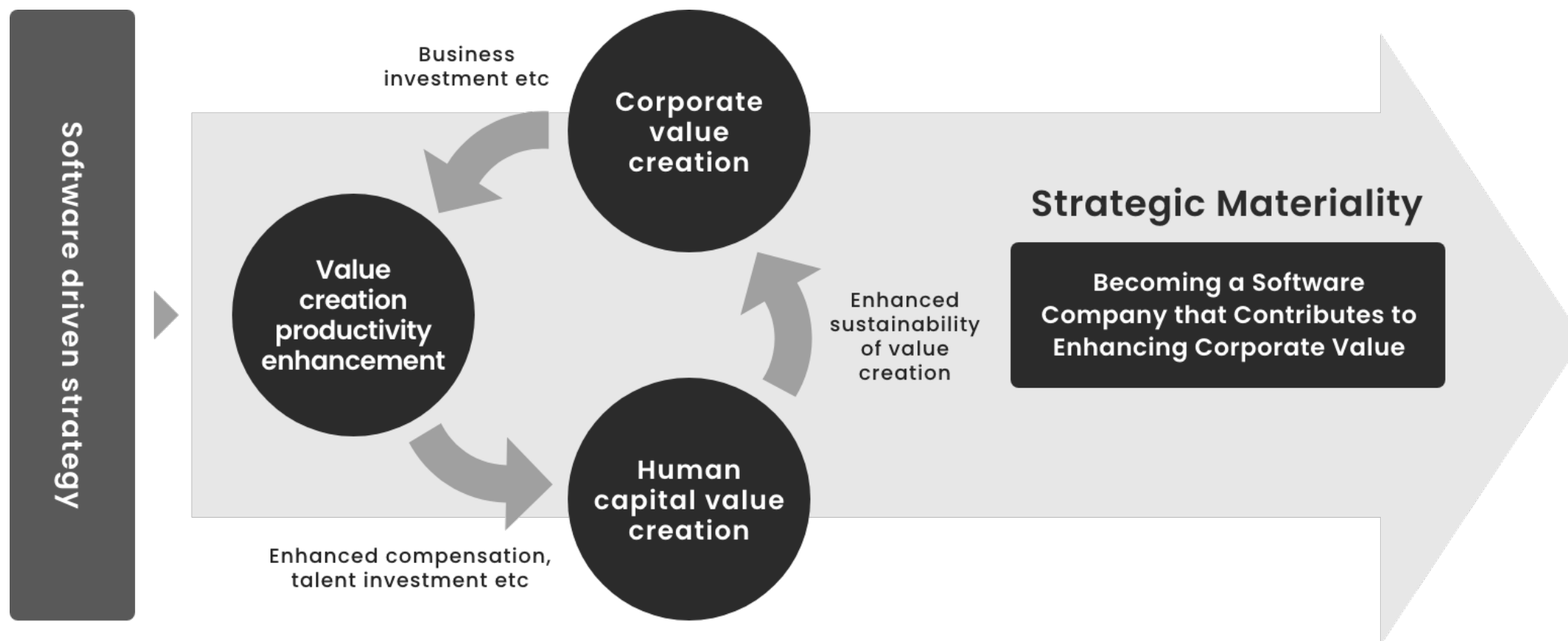
Next Medium Term Management Plan BE GLOBAL 2028 (BG28)

Avant Group Philosophy



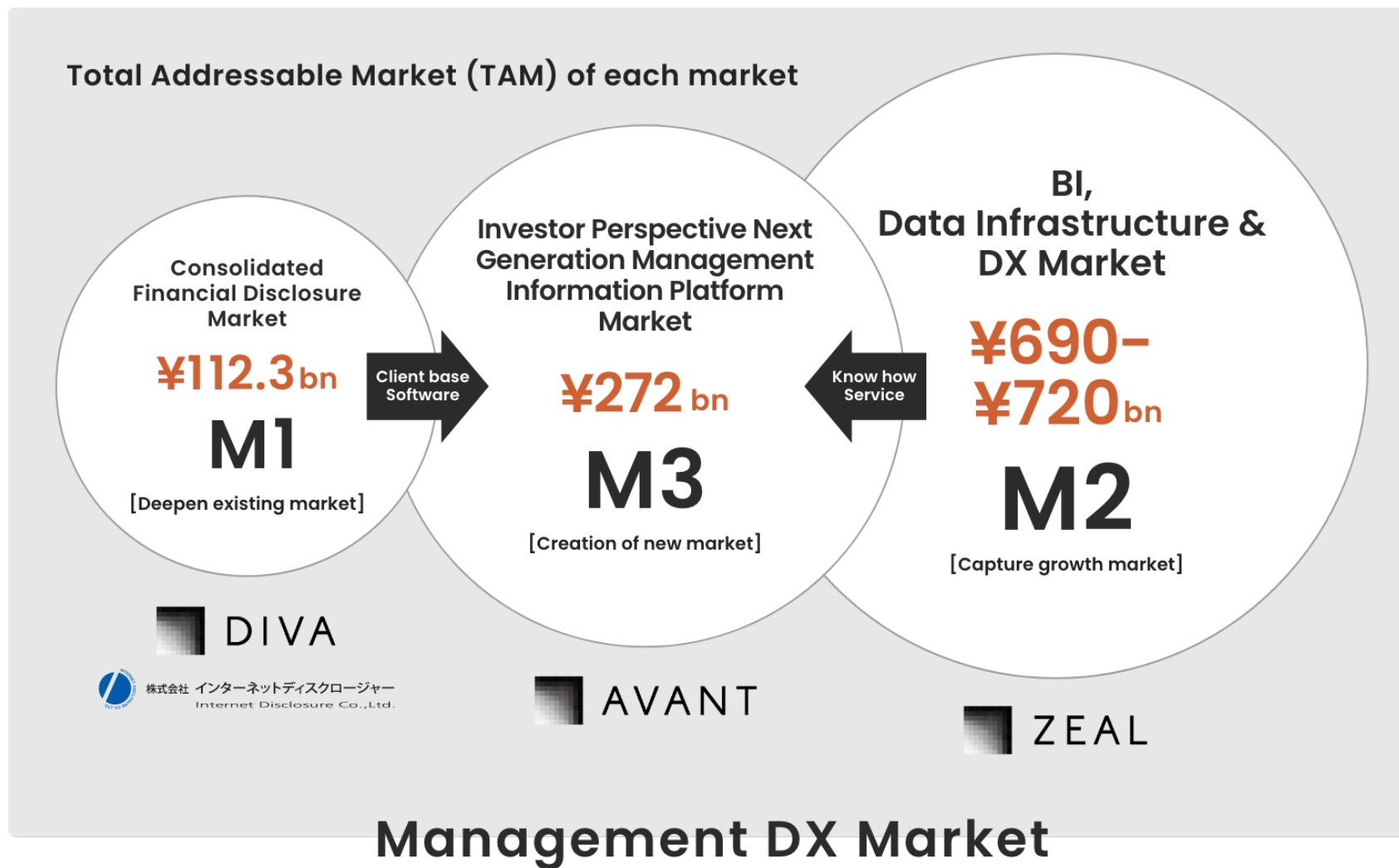
Value Creation Spiral Targeted in BG28

- 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

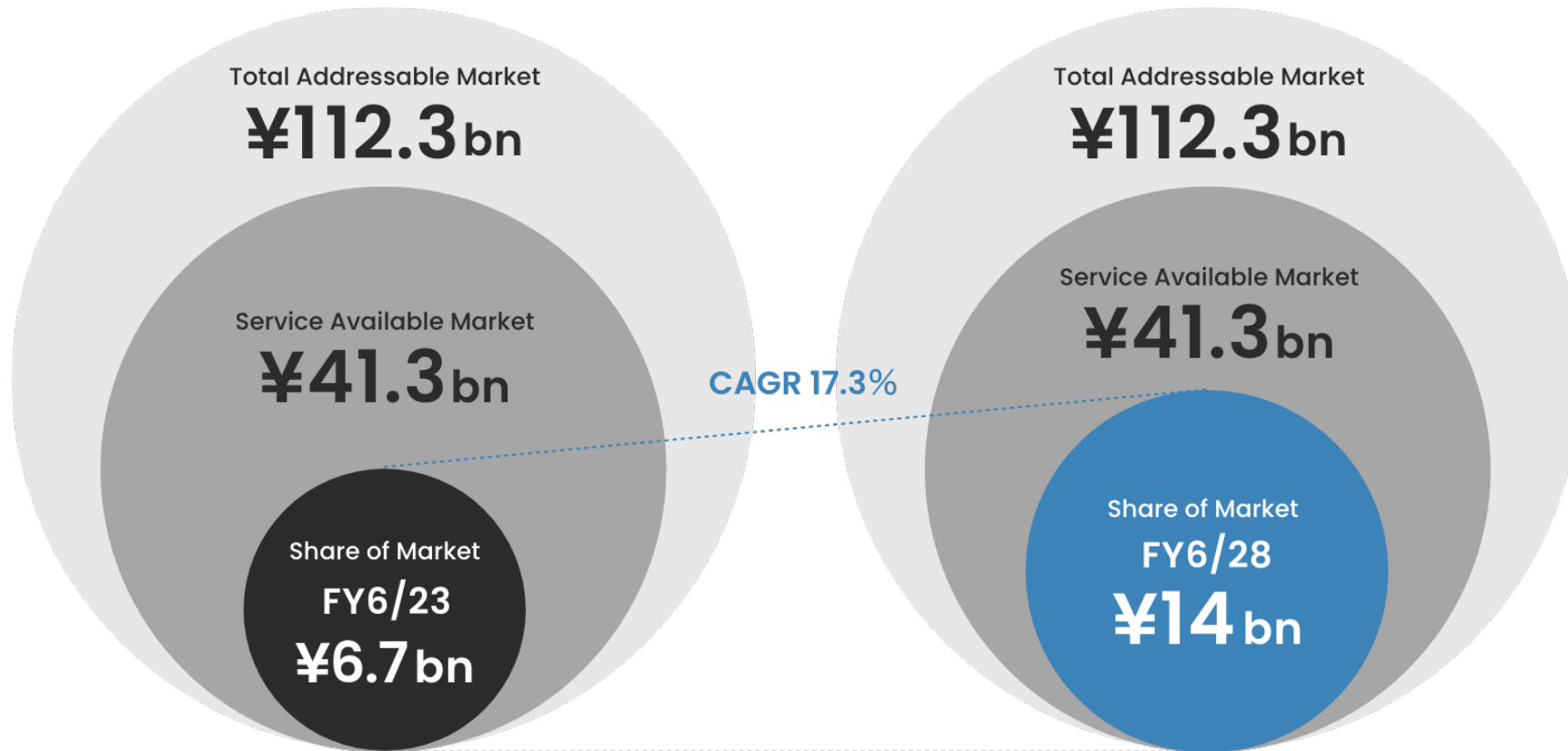
- Positioning in the management digital transformation (DX) market for companies where enhancing corporate value is a serious issue.



Deepen Existing Market: M1 Consolidated Financial Disclosure Market (DIVA & ID)

- Targeting 5-year CAGR of 17.3% in the consolidated financial disclosure market, which has a market size of over ¥40bn.

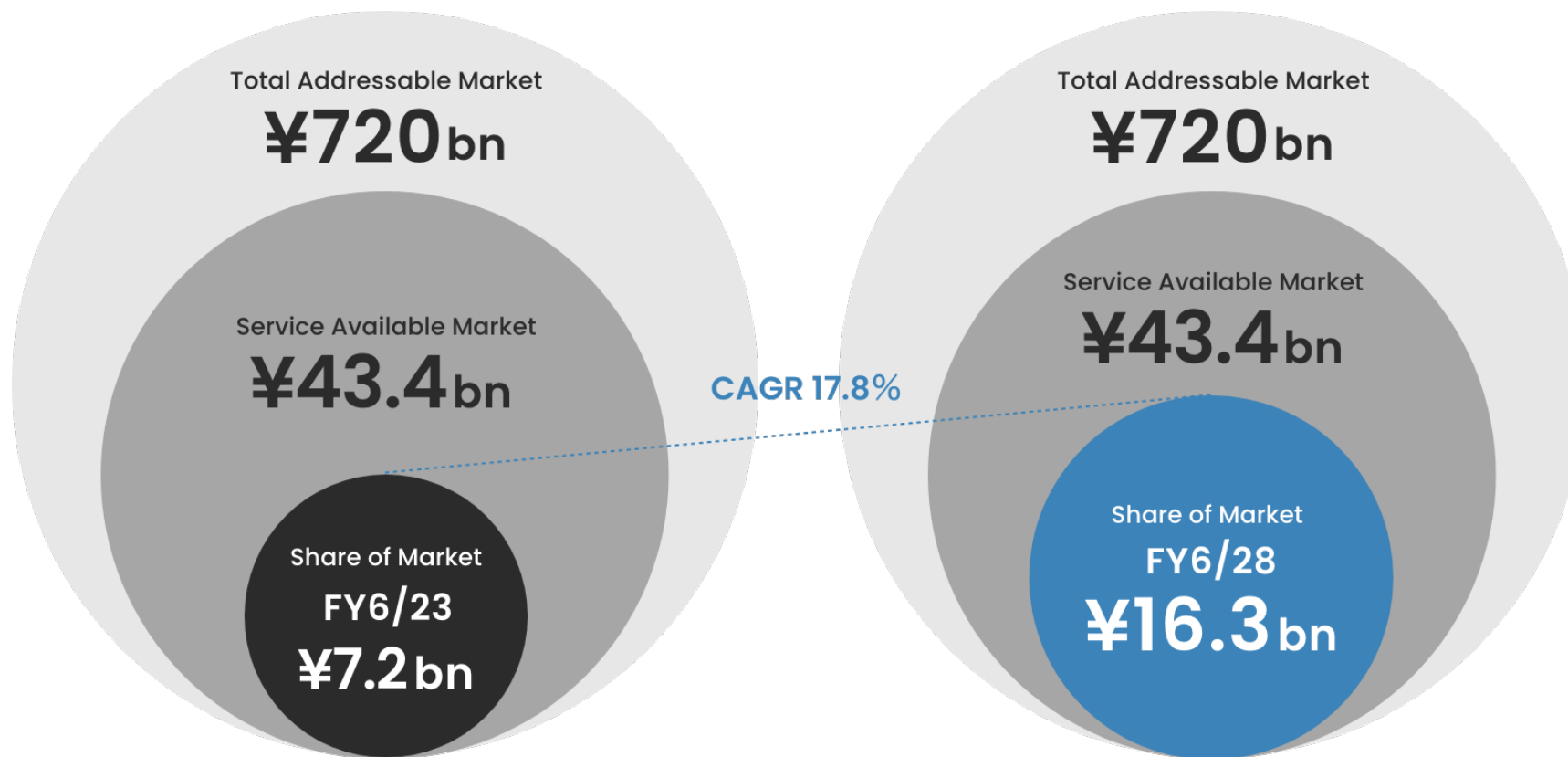
New segment name **Consolidated Financial Disclosure Business**



Capture Growth Market: M2 BI, Data Infrastructure & DX Market

- Targeting 5-year CAGR of 17.8% in the BI, data infrastructure and DX market, which has a market size of over ¥40bn.

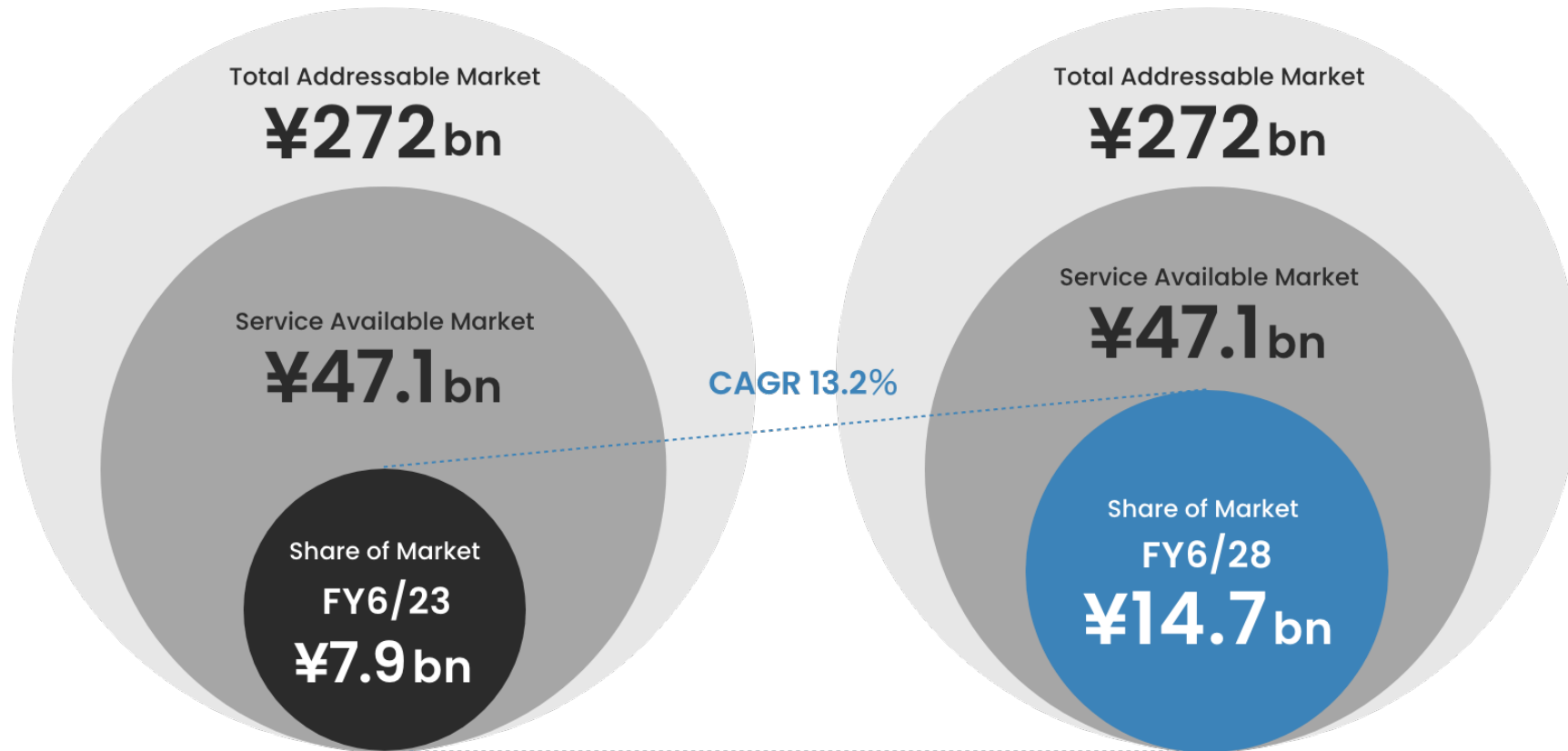
New segment name **Digital Transformation Promotion Business**



Creation of New Market: M3 Investor Perspective Next Generation Management Information Platform Market (AVANT)

- Targeting 5-year CAGR of 13.2% in the next generation management platform market, which has a market size of just under ¥50bn.

New segment name **Management Solutions Business**



BG28 Outlook

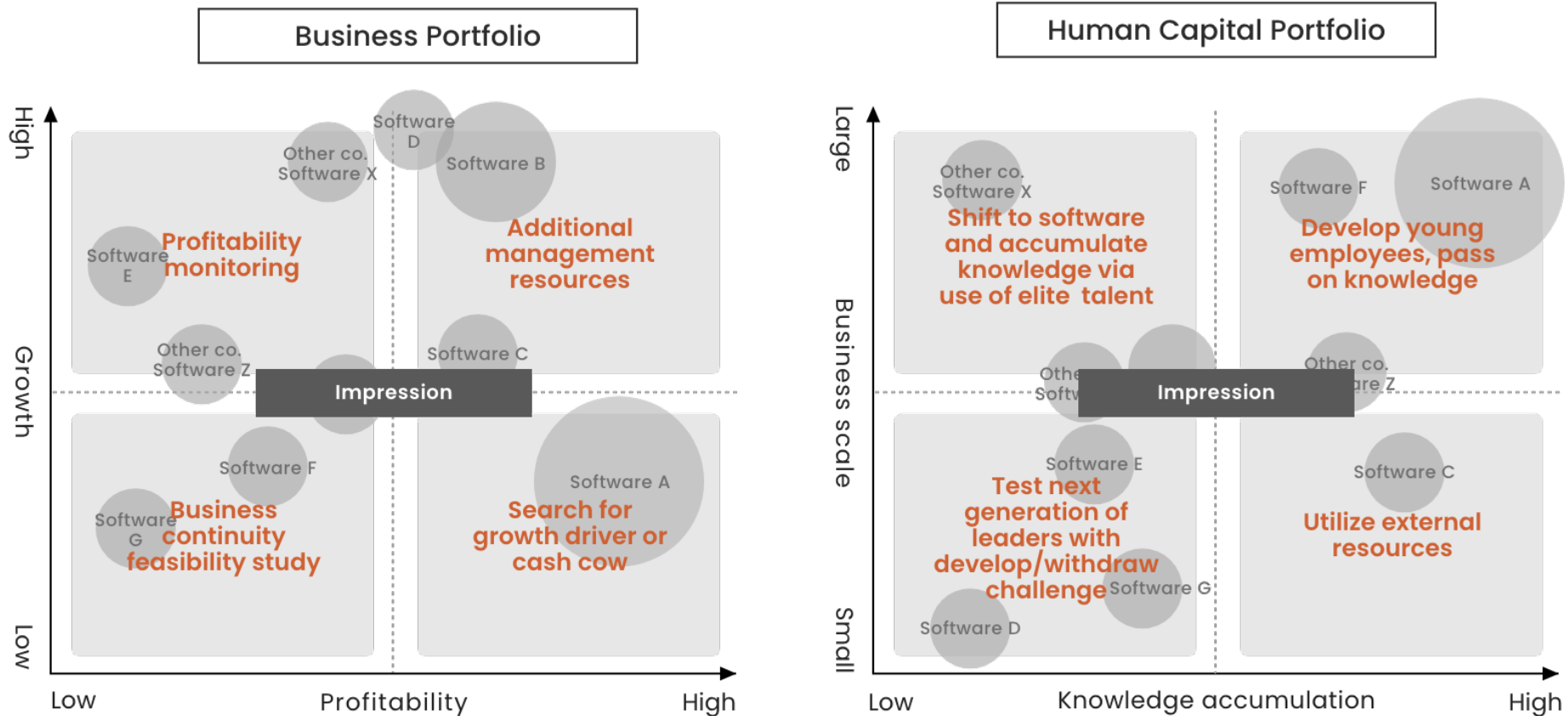
- As a B2B software growth company, grow the business by increasing value creation productivity, tripling net income on a doubling of sales, for a net income CAGR of at least 25%.

	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 Concept

- Realize strategic materiality through a software driven strategy that uses software as the basis for everything, starting with the business portfolio and human capital portfolio.

Software Driven Strategy

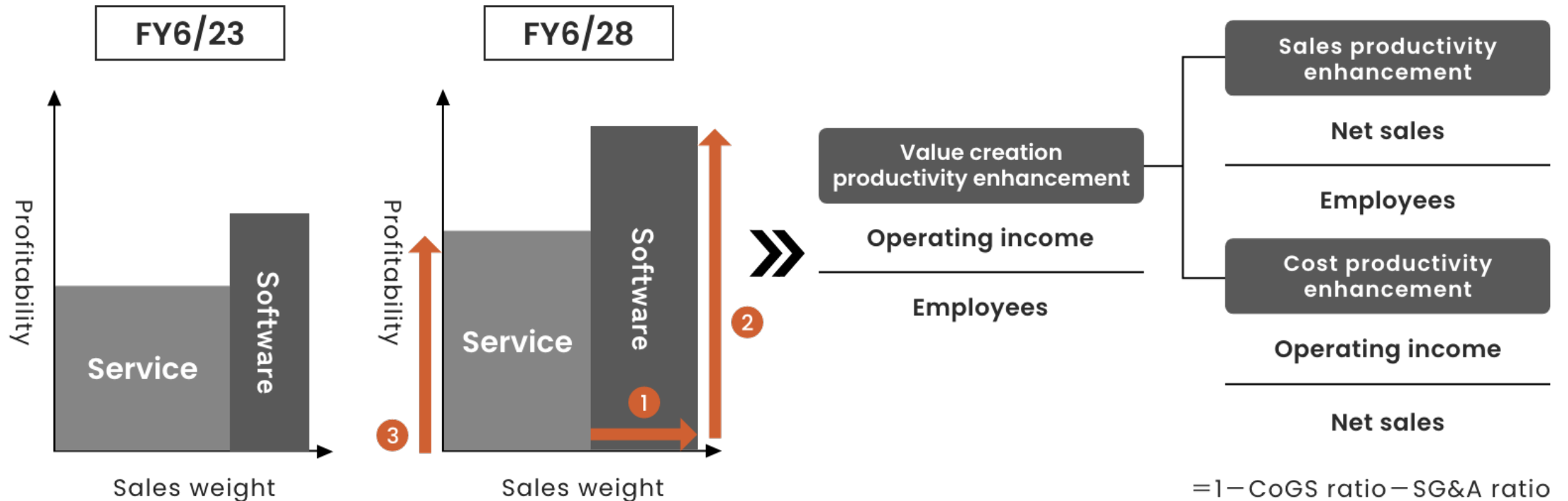


Software Driven Strategy Benefits and Value Creation Productivity Enhancement

- 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.

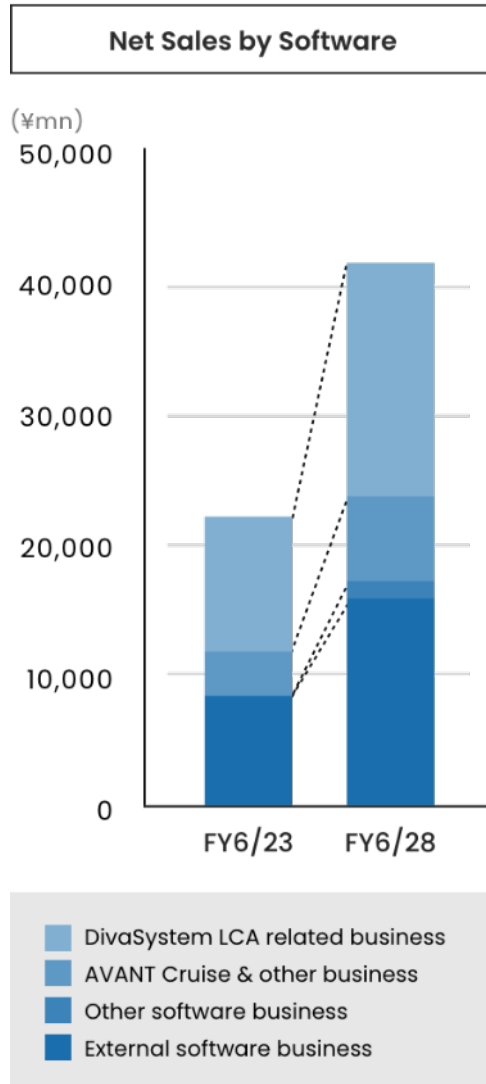
Software Driven Strategy Benefits

Value Creation Productivity Enhancement



Software Driven Strategy (Strategy by Type)








- Achieve profit growth through software-specific strategies



Business	5yr CAGR	Strategy	Software Driven Strategy Benefits		
			① Software sales ratio	② Software profit margin	③ Service profit margin
DivaSystem LCA related business	12%	Outsourcing as growth driver, utilize software in outsourcing to improve profit margins. Also improve software margin by reviewing product lineup.	-	○	○
AVANT Cruise & other business	24%	Business expansion driven by sales growth of in-house products, also improving software profit margins.	○	○	-
Other software business	36%	Achieve software business growth with DIVA TMS* and ZEAL-IP, improve software profit margin through business expansion.	○	○	-
External software business	17%	Improve profit margin on services by utilizing other companies' software in line with trends, improving unit sales price and project productivity.	-	-	○

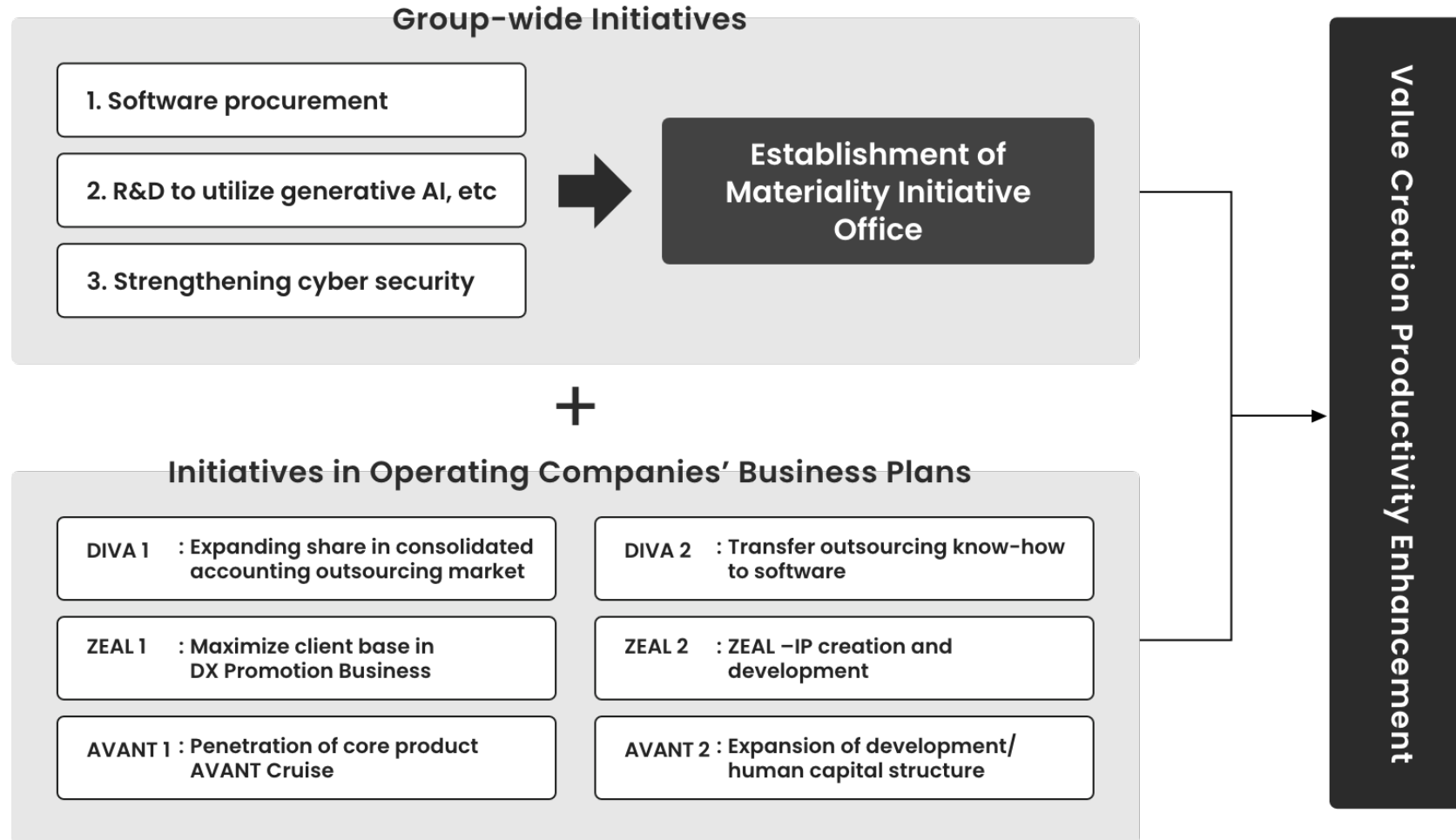
*TMS : Treasury management system

Main In-house Software

Divasystem 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

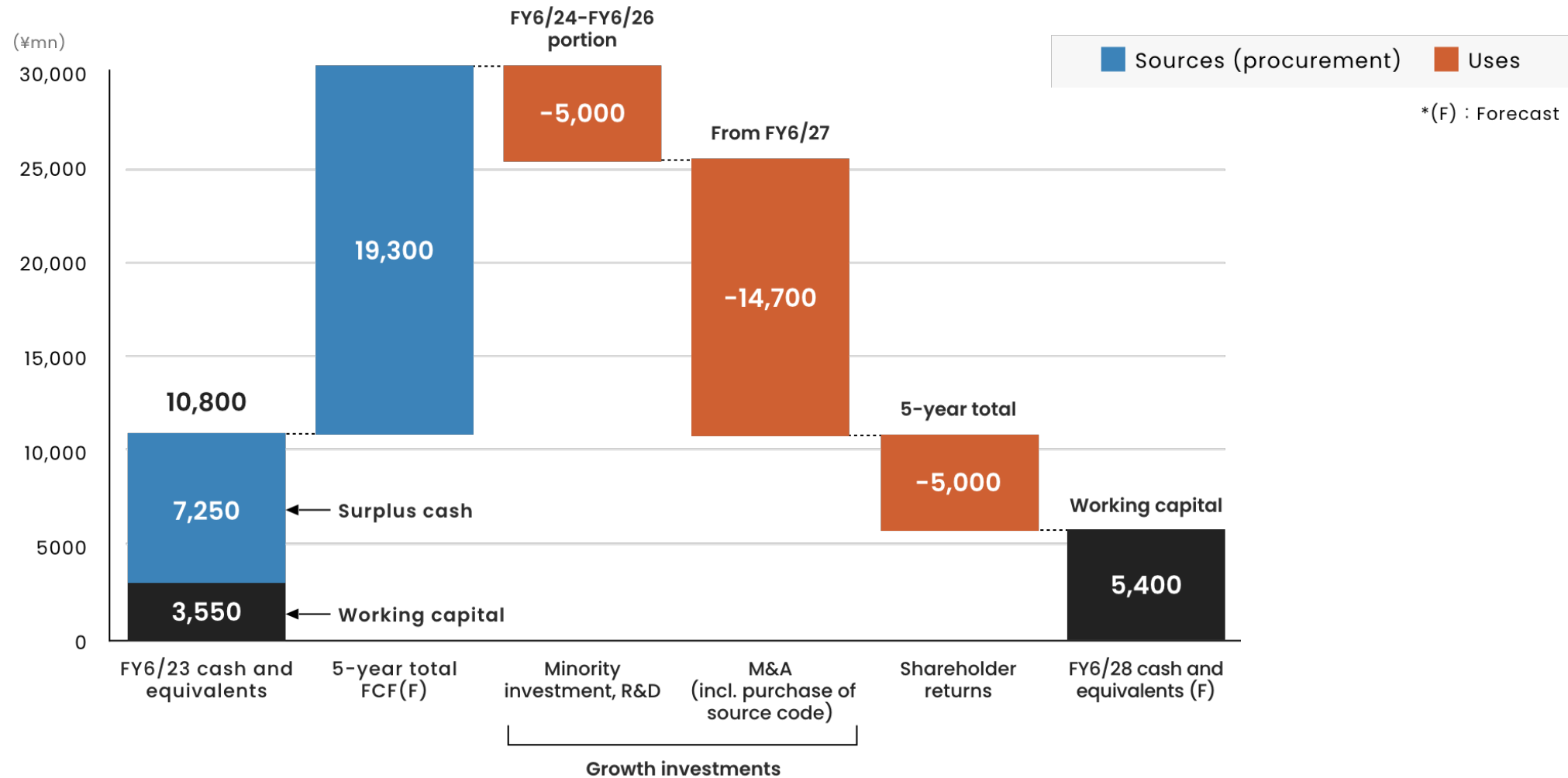
Initiatives for Value Creation Productivity Enhancement

- 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.



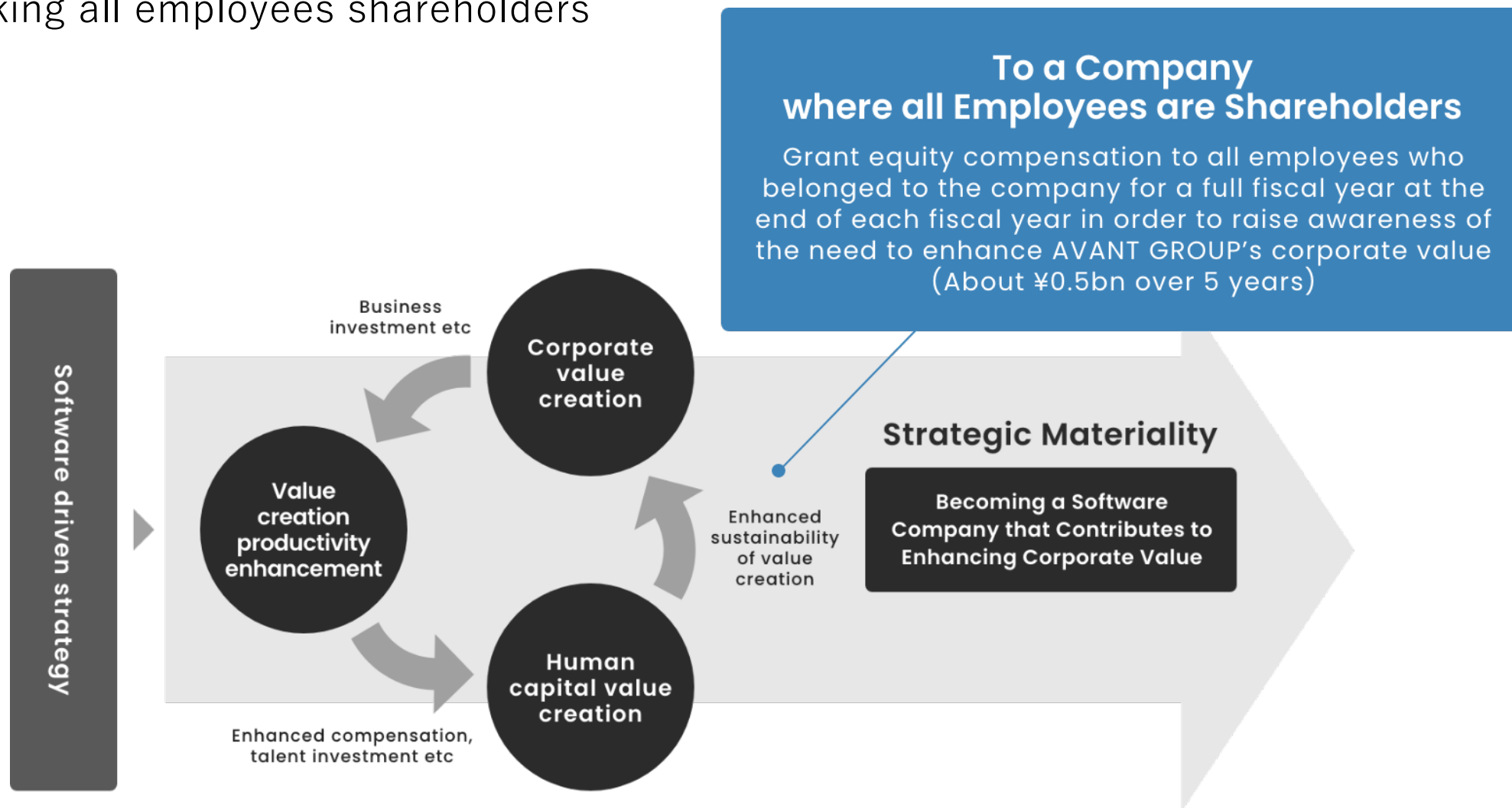
Investment Phases

- First 2-3 years will be an exploratory phase, aiming to realize results in 4th year and beyond

	FY6/24	FY6/25	FY6/26	FY6/27	FY6/28
	Exploratory Phase: ¥5bn			Implementation Phase: ¥14.7bn	
1. Software procurement	<ul style="list-style-type: none"> Build cooperative relationships through minority investments in overseas SaaS vendors and software development companies to increase the number of software products handled by the company and expand the network to enhance the company's own development capabilities. Main objective is not to acquire software, but to build a network with a wide range of options. 			<ul style="list-style-type: none"> Sourcing using the network established during the exploratory phase, executing source code purchases and M&A. 	
2. R&D to utilize generative AI, etc	<ul style="list-style-type: none"> Conduct research and development activities to increase the productivity of service delivery costs 			<ul style="list-style-type: none"> Linking the results of R&D activities to improved delivery cost productivity 	
3. Strengthening cyber security	<ul style="list-style-type: none"> Continue to accumulate know-how and invest in equipment to help clients continue their operations 				

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





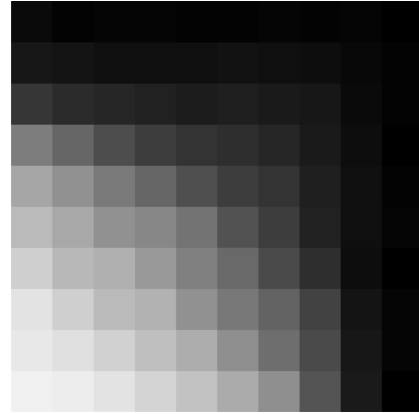
Cautionary Statement Concerning Forward-Looking Statements

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

Avant Group Corporation, IR Office

ir@avantgroup.com



AVANT GROUP

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