

August 5, 2022

To whom it may concern

Company name Avant Corporation  
Name of Representative: Tetsuji Morikawa, President and Representative Director  
(Code: 3836, TSE Prime Market)  
Inquiries: Naoyoshi Kasuga, Director and Treasurer  
(TEL: 03-6388-6739)

## **Forecast of Business Results for the Fiscal Year Ending June 30, 2023 and Medium-Term Management Strategy for the Next Fiscal Year**

On August 5, 2022, Avant Corporation announced its financial results for the fiscal year ended June 30, 2022, as well as its forecast for the fiscal year ending June 30, 2023. The fiscal year ending June 30, 2023 is the final year of the "BE GLOBAL 2023" medium-term management plan. As explained in our timely disclosure of June 22, 2022, we have not achieved significant results in the transformation of our business model, which was one of the three key pillars of "BE GLOBAL 2023" ((1) Pursue further sales growth through the Group's collective strengths, (2) M&A to accelerate growth, and (3) Change business model). The recurrent sales ratio, which had been set as a progress indicator, remained at 34.6% in the fiscal year ending June 30, 2022, making it difficult for the company to reach its target of 70%.

For this reason, we began formulating the next medium-term management plan as early as the second half of 2021, and together with the Group strategy executive team, we started by reconfirming the Group's management philosophy, discussed what the Group should do to realize the vision, and summarized this as the Avant Group's materiality "Become a software company that helps increase corporate value (Ref.1). Through discussions among the group's executive management strategy team and the board of directors regarding specific measures to realize this materiality, we have come to the conclusion that accelerating the growth of existing businesses and creating new growth businesses can be effectively implemented through the reorganized organization. (Ref. 2) This reorganization and its background are explained in detail in the timely disclosure document dated June 22, 2022.

As the first step of the reorganization, on July 15, 2022, DIVA Corporation, a consolidated subsidiary of the Company, sign the contract to transfer its development business of consolidated closing support systems (main product brands: "DivaSystem LCA" and "DivaSystem FBX") to FIERTE Corporation by way of absorption-type demerger, and ZEAL Corporation signed the contract to transfer its corporate performance management ("CPM") unit jurisdiction business to Diva Corporation in the form of an absorption-type demerger. The Company disclosed

the details of these agreements through the TSE disclosure system on the same day. If the merger is approved at the shareholders' meeting of each company scheduled for September 27, the merger will take effect on October 1, and DIVA Corporation will change its trade name to Avant Corporation, FIERTE Corporation will change to DIVA Corporation, and the holding company that oversees the execution of group strategies will become AVANT GROUP Corporation, the holding company overseeing the execution of the group's strategies.

The business activities of each operating company under the new structure and the market environment surrounding each company are as follows.

### Operating companies and market environment under the new structure

	Business	Market environment
<b>DIVA</b>	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.	<ul style="list-style-type: none"> <li>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, <b>cloud systems are growing at about 20%. The outsourcing market is expected to grow by 20-25%</b>, supported by needs for DX reforms, addressing gerrymandering, changing work styles, and strengthening governance.</li> </ul>
<b>AVANT</b>	In addition to developing 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 customer needs and support the creation of corporate value for its customers.	<ul style="list-style-type: none"> <li>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. <b>The DX solutions and consulting market is expected to grow 30%.</b></li> </ul>
<b>ZEAL</b>	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.	<ul style="list-style-type: none"> <li>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 <b>the DX system integration market is expected to grow by 30%.</b></li> </ul>

Throughout the fiscal year ending June 30, 2023, each company will prepare to start the next medium-term management plan in a direction that has become even clearer under the new structure. Specifically, in existing businesses, we will promote the development of an environment to accelerate the shift to cloud computing, including the liquidation of low-profit products and projects. In addition, we will actively recruit to develop products that will become future killer apps and strengthen our implementation-based consulting business to be promoted during the new medium-term management plan period. Furthermore, as we develop activities to improve the market recognition of the Avant Group and individual operating companies, we expect to remain in the upfront investment phase to achieve sustainable high growth from the fiscal year ending June 30, 2023 through the first half of the next mid-term

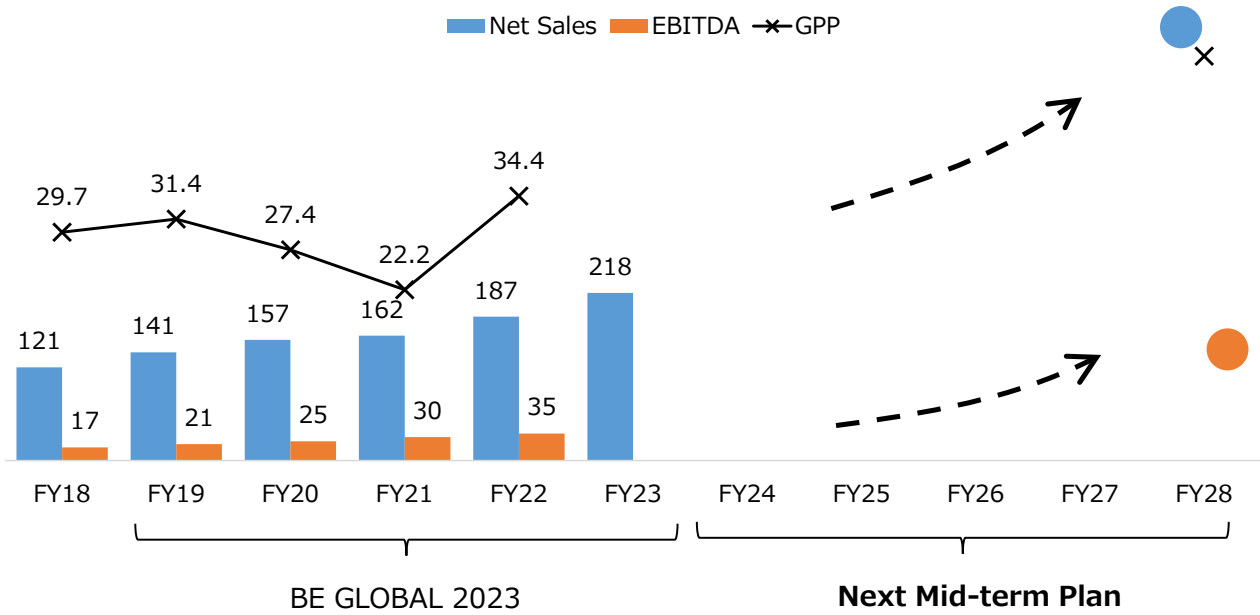
management plan period. On the other hand, the market environment surrounding each company is very favorable. Under the new organization, we will improve profitability by increasing sales per existing customer and developing new customers through strengthening existing products, developing new products, and providing new solutions. As a result, during the next mid-term management plan period (period ending June 30, 2023 to June 30, 2028), we aim to achieve a compound annual growth rate (CAGR) of at least 20% in net sales, and in the second half of the mid-term management plan, we aim to achieve a combined EBITDA margin (Growth and In the second half of the medium-term management plan, we aim to achieve a growth and profit point (GPP) of 40 points or more. We aim to maintain an average ROE of over 20% and gradually increase DOE from the current 5% level to 8% as a return to shareholders.

Details of the strategies in the next medium-term management plan, the strategies of each operating company, and especially important KPIs will be discussed as we get the organization back on track through the fiscal year ending June 30, 2023, and will be disclosed at the appropriate time.

### Overview of Next Mid-term Management Strategy

<p><b>Strategy</b></p>	<ul style="list-style-type: none"> <li>■ Contribute to clients seeking to improve their corporate value through " Management DX".</li> <li>■ 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.</li> <li>■ Accelerate top-line growth by strengthening relationships with more than 1,100 customers, mainly listed companies, and expanding sales per customer and the number of customers.</li> </ul>
<p><b>Growth and Profitability</b></p>	<ul style="list-style-type: none"> <li>■ Sales growth 20% or more (5-year CAGR)</li> <li>■ GPP 40 points or more (since FY27)</li> </ul> <p><small>GPP=Net Sales Growth Rate + EBITDA Margin</small></p>
<p><b>Capital strategy</b></p>	<ul style="list-style-type: none"> <li>■ ROE over 20%</li> <li>■ DOE over 8%</li> </ul>

### Aiming for 20% sales growth and 40 GPP points



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

The above forecasts are based on information available as of the date of this announcement, and actual results may differ from these forecasts due to various factors.

Ends

(Ref. 1)

**Avant Group: Management (Strategy) Materiality**

**Be a software company that helps increase corporate value**

◆ **Background to Identifying Materiality** ◆

Since its inception, Avant Group has been committed to its mission of "Spreading Accountability" and has worked to create quality management and employment for its companies. Especially in the field of consolidated accounting systems that support consolidated management, the company has earned a high reputation and an overwhelming presence in the market. On the other hand, the business environment surrounding companies has changed dramatically in recent years, and it has become important for management information to be useful not only for operations and disclosure obligations as in the past, but also for enhancing corporate value.

In the background are society's demands for increased ESG investment and sustainable corporate management, but without adapting to these changing needs, there is no future for the Avant Group, and we cannot serve society and our customers if we remain content with the status quo. As we head into the next stage of growth, our group's most important task is to "become a software company that helps increase corporate value."

◆ **Strategic Approach** ◆

The target customers of this materiality promotion are all companies. The companies are "required to increase their corporate value. To address these issues, the Group will shift its core business model to "software-based BPO that helps improve corporate value" and at the same time promote the development of killer software that can be offered to many customers.

◆ **The aim of this materiality** ◆

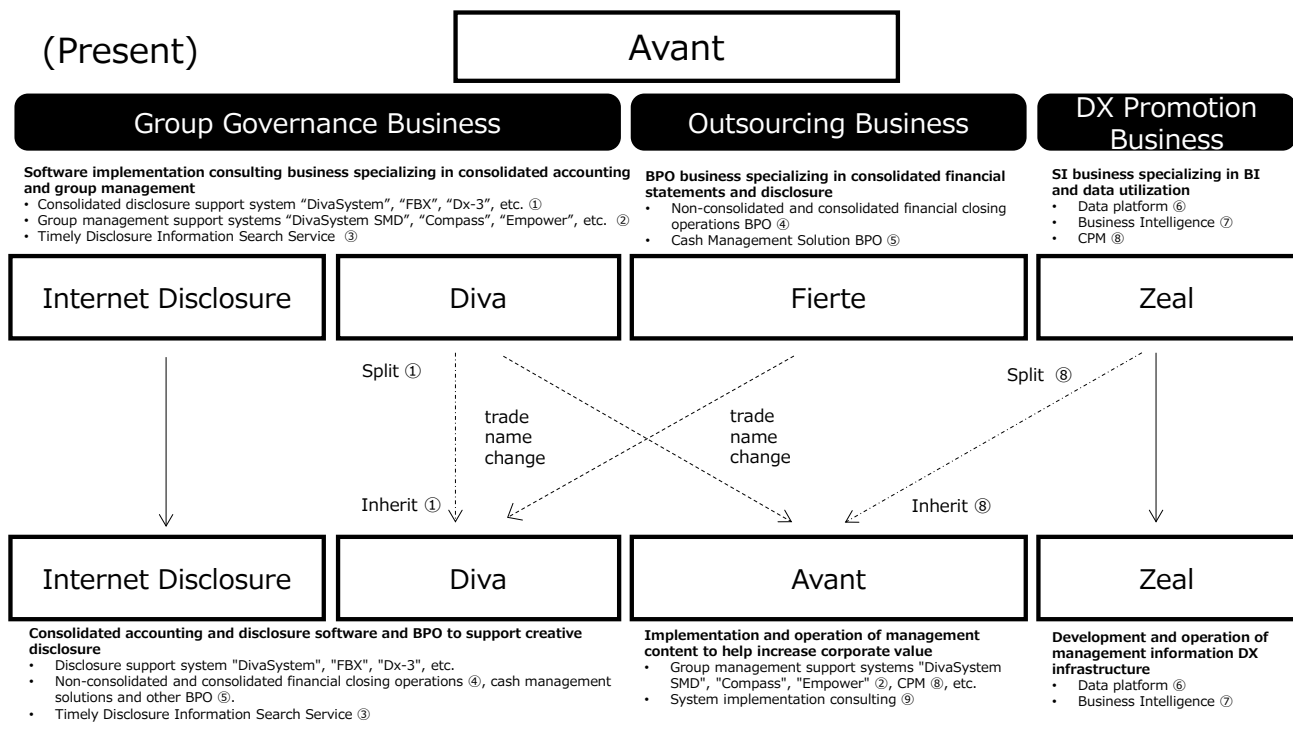
Through this materiality initiative, the Avant Group aims to establish a world-class software business based on the concept of "Software as a BPO. In order to contribute to the improvement of corporate value for many customers, software-enabled services are essential. By further promoting "Spreading 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 major step toward realizing our vision of "becoming a world-class software company."

(Ref. 2)

**SWOT Analysis of Avant Group**

	<b>Current Status</b>	<b>Our Response</b>
<b>Strength</b>	<p><b>Achieved top market share in Japan for consolidated accounting systems</b></p> <p>1,000 customer assets with high switching costs Industry recognition Acquired know-how and human resources through BPO services</p>	<p><b>Integrate software and BPO to strengthen continuous use and pursue new growth</b></p> <p>→ <b>Consolidation and disclosure support</b></p>
<b>Weakness</b>	<p><b>Lack of adaptability to capture growth opportunities</b></p> <p>Lack of group synergy Duplication of some businesses of group companies Lack of ability to create an environment for growth by utilizing surplus funds</p>	<p><b>Optimize business throughout the group and reinforce missing capacity externally.</b></p> <p>→ <b>Group Reorganization</b></p>
<b>Threat</b>	<p><b>Increased competition from winning implementation-based consultants</b></p> <p>Limitations of in-house software-centered customer contribution Market entry of implementation-based consulting firms Increased difficulty in acquiring human resources</p>	<p><b>Launched a consulting business with strength in implementing systems that are competitive with each other</b></p> <p>→ <b>Consulting for Corporate value enhancement consulting</b></p>
<b>Opportunity</b>	<p><b>Located in DX market with potential growth CAGR 30%</b></p> <p>Growing need for DX (data-driven management) in business and management Governance Reform, TSE Market Restructuring and Policy on Mandatory ESG Disclosure Permanent shortage of professional personnel</p>	<p><b>Create a dominant advantage in the DX market and accelerate business growth</b></p> <p>→ <b>DX Promotion</b></p>

(Ref. 3)



(October 1)



Group companies are wholly owned subsidiaries of the holding company