

AVANT
GROUP



August 4, 2023

To whom it may concern

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Name of Representative: Tetsuji Morikawa,
President and Group CEO
(Code: 3836, TSE Prime Market)
Inquiries: Naoyoshi Kasuga, Director and Group CFO
(TEL: 03-6388-6739)

Notice of Formulation of Medium Term Management Plan "BE GLOBAL 2028"

AVANT GROUP has formulated "BE GLOBAL 2028," a five-year medium term management plan that commences in the fiscal year ending June 2024, of which details are described as follows:

In the previous five-year medium term management plan which has just been completed in the fiscal year ending June 2023, the Group achieved its sales, operating income, ROE and dividend per share targets, with sales growing 1.8x and operating income doubling during the plan. However, we failed to achieve our strategic KPIs of a recurring sales ratio of 70% and Gross Profit Point(*) of 40%, both of which were to demonstrate the intended transformation of the Group's business model. In response to the challenges, in the third year of the previous medium term management plan, we changed course and through these activities defined our strategic materiality as "becoming a software company that contributes to enhancing corporate value".

(*) A sum of sales growth rate and operating margin

To realize this materiality, our new medium-term management plan "BE GLOBAL 2028" targets a value creation spiral in which we use software to enhance our ability to contribute to our customers and increase our productivity and use the increased profits to invest in human resources and develop new products, and through these processes enhance our corporate value.

Outlook of "BE GLOBAL 2028"

| | FY6/23 | FY6/28 | 5yr chg/avg |
|-----------------------|---------|-------------|-------------|
| Net Sales | ¥21.4bn | ¥40-45bn | 2x |
| Operating Income (OI) | ¥3.28bn | ¥9-11bn | 3x |
| OPM | 15.4% | 20-24% | +5-9pts |
| Net Income | ¥2.09bn | ¥6-7bn | 3x/CAGR 25% |
| OI/person | ¥2.40mn | ¥3.5-4.3mn | 1.5x |
| Software Gross Profit | ¥2.13bn | ¥6-6.5bn | 3.0x |
| ROE | 18.3% | 20% or more | Avg 20% |
| DOE | 4.9% | 8% or more | Avg 7% |
| Dividend | ¥15 | ¥51 or more | 3.4x |

Attachment

Medium Term Management Plan (FY6/24-FY6/28) BE GLOBAL 2028

Ends

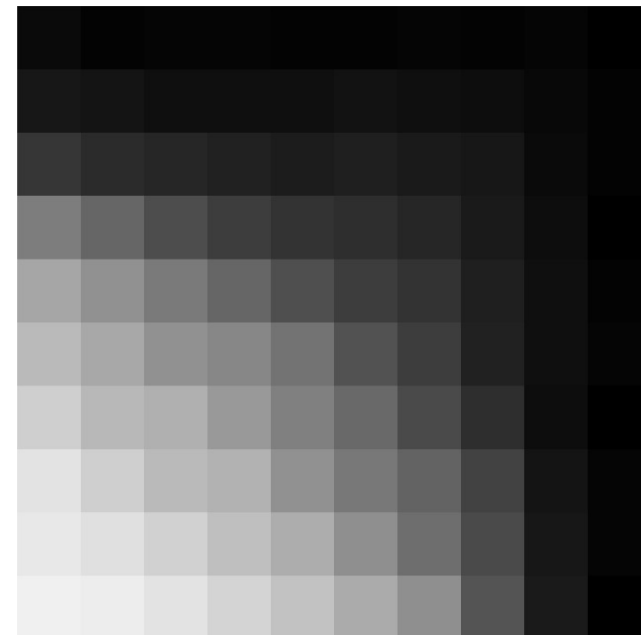
3836 TSE Prime

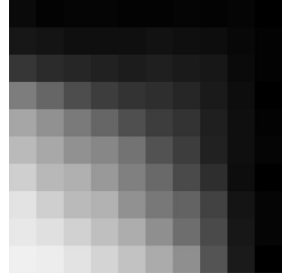
AVANT GROUP CORPORATION

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

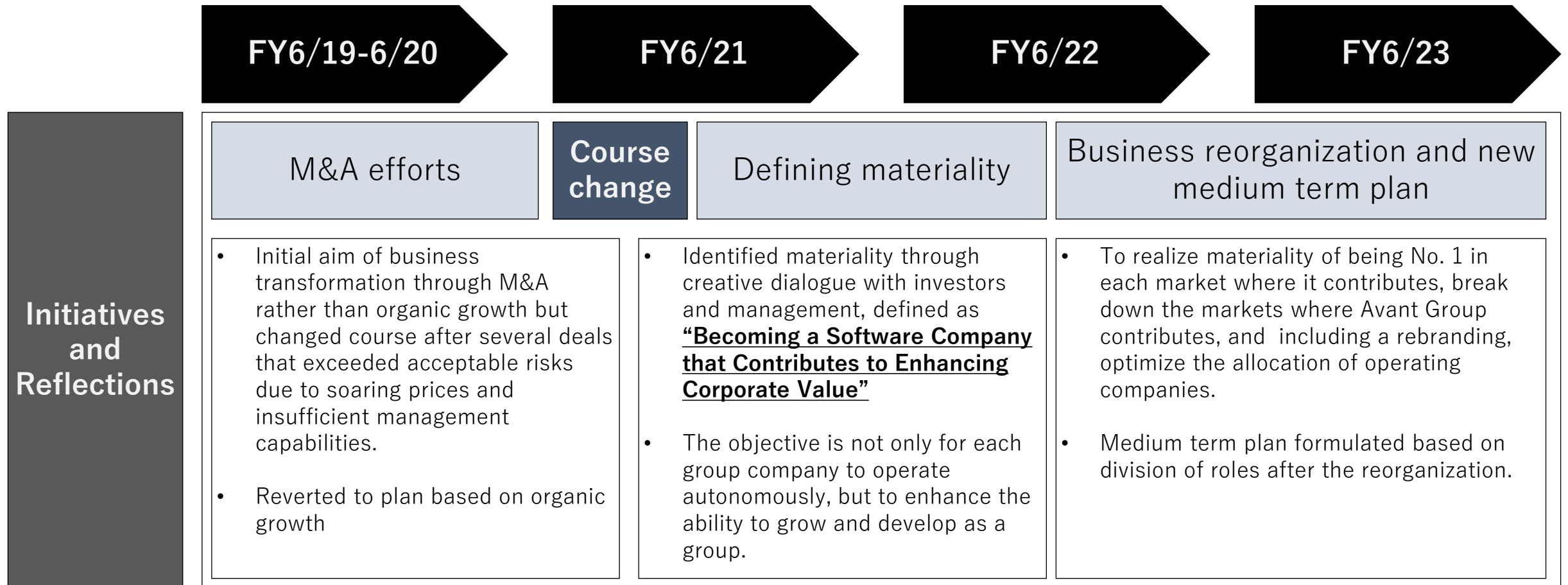
- Both operational and financial KPIs were achieved, with both net sales and operating income nearly doubling during the medium term plan period.
- However, the business model transformation targeted in the strategic KPIs was not achieved.

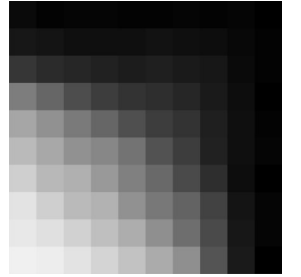
| | | FY6/18 Result | FY6/23 Target | FY6/23 Result | |
|--------------------|-----------------------------|------------------|------------------|------------------|--|
| Operational KPI | Net Sales (¥bn) | 12.1 | 18~22 | 21.4 | Achieved both net sales and operating income medium term targets, with net 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

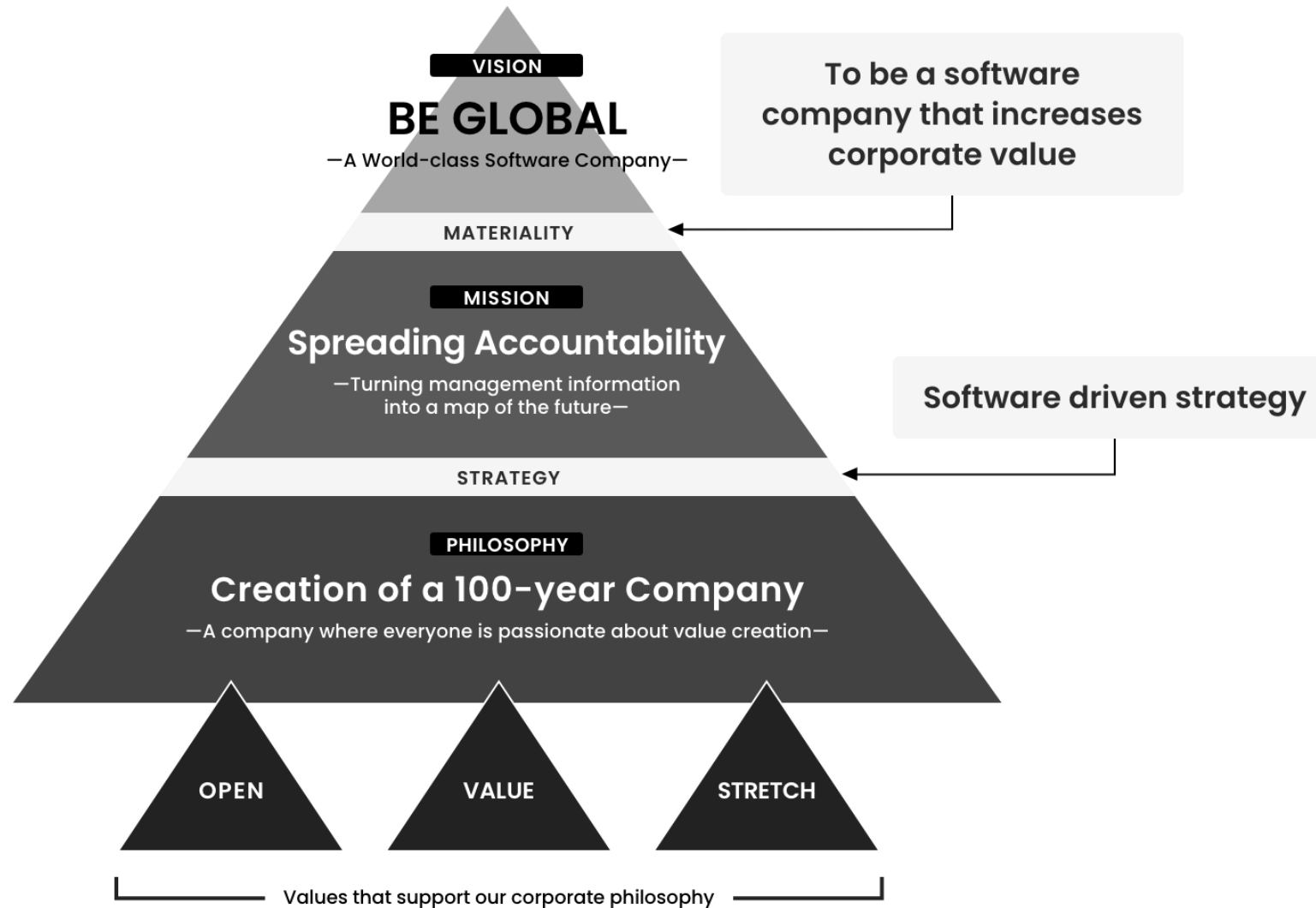
- In the third year of the medium term plan policy changes were made for issues with strategic KPIs, and based on these changes initiatives were implemented.





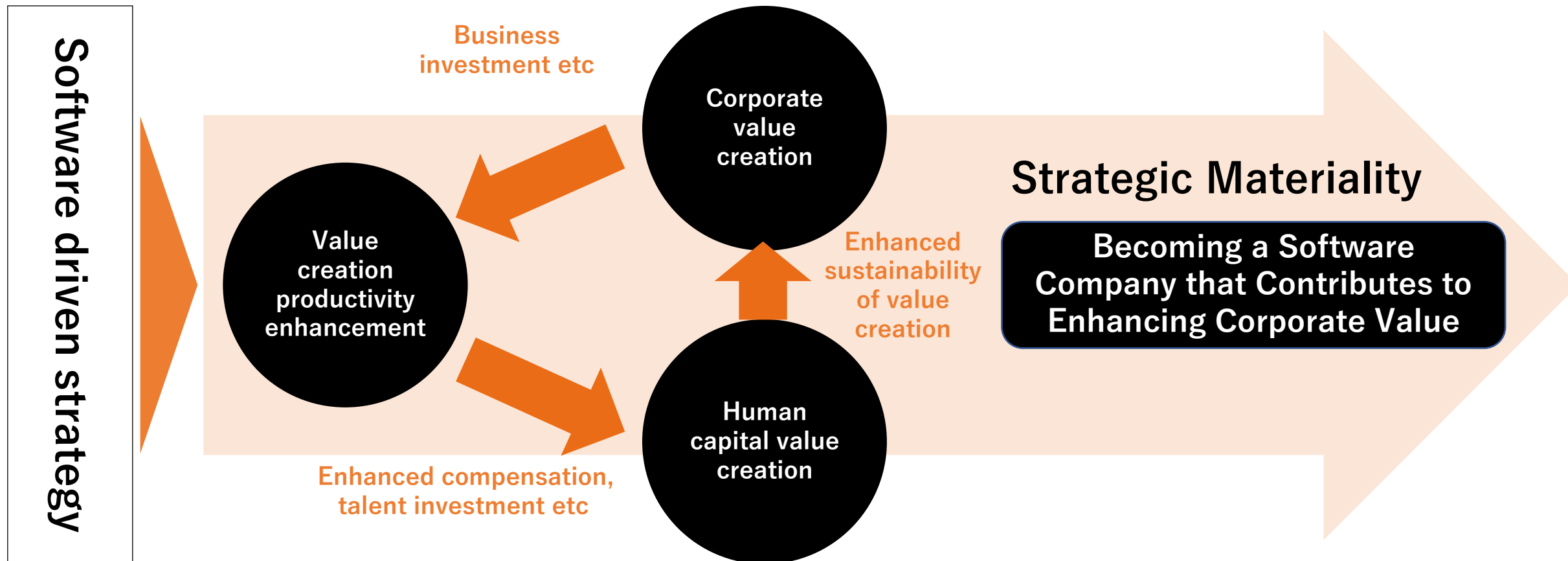
Next Medium Term Management Plan BE GLOBAL 2028 (BG28)

Avant Group Philosophy



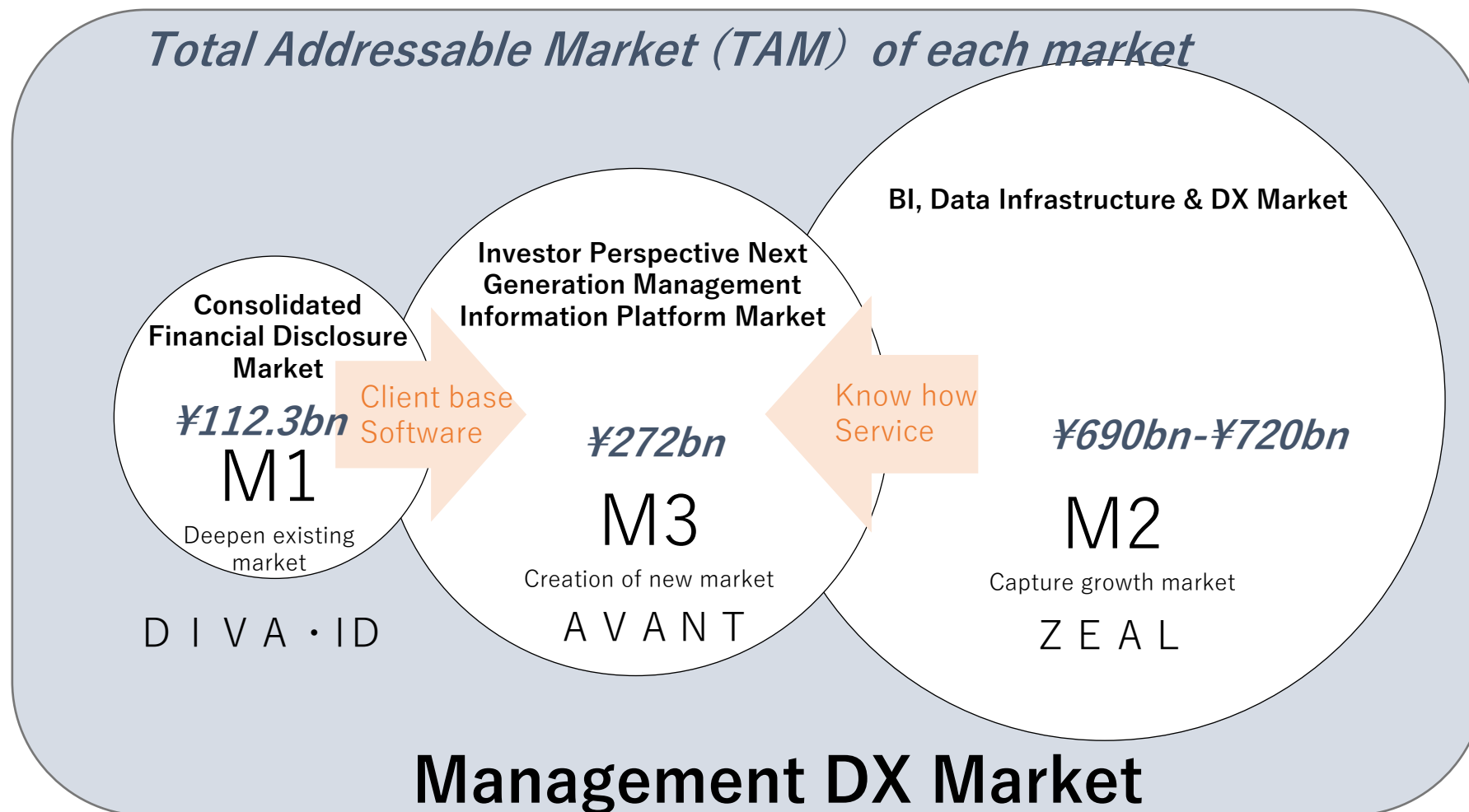
Value Creation Spiral Targeted in BG28

- 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



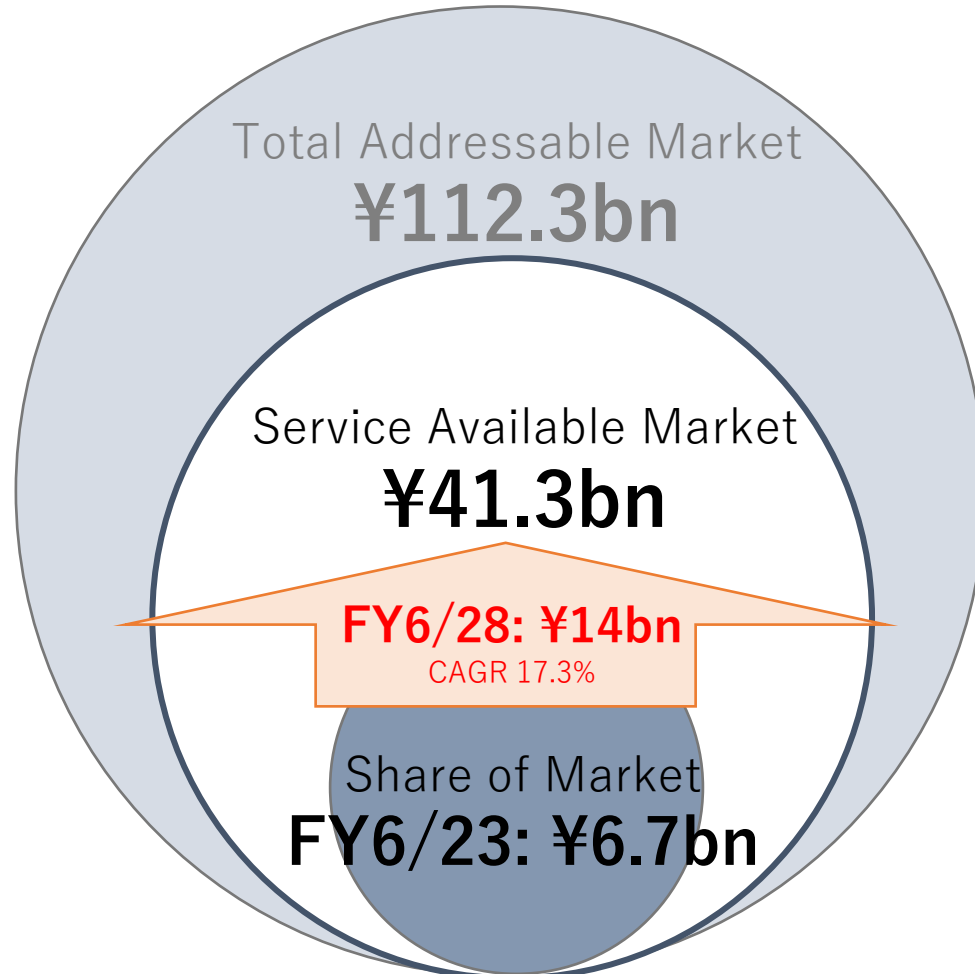
BG28 Focus Markets

- 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.

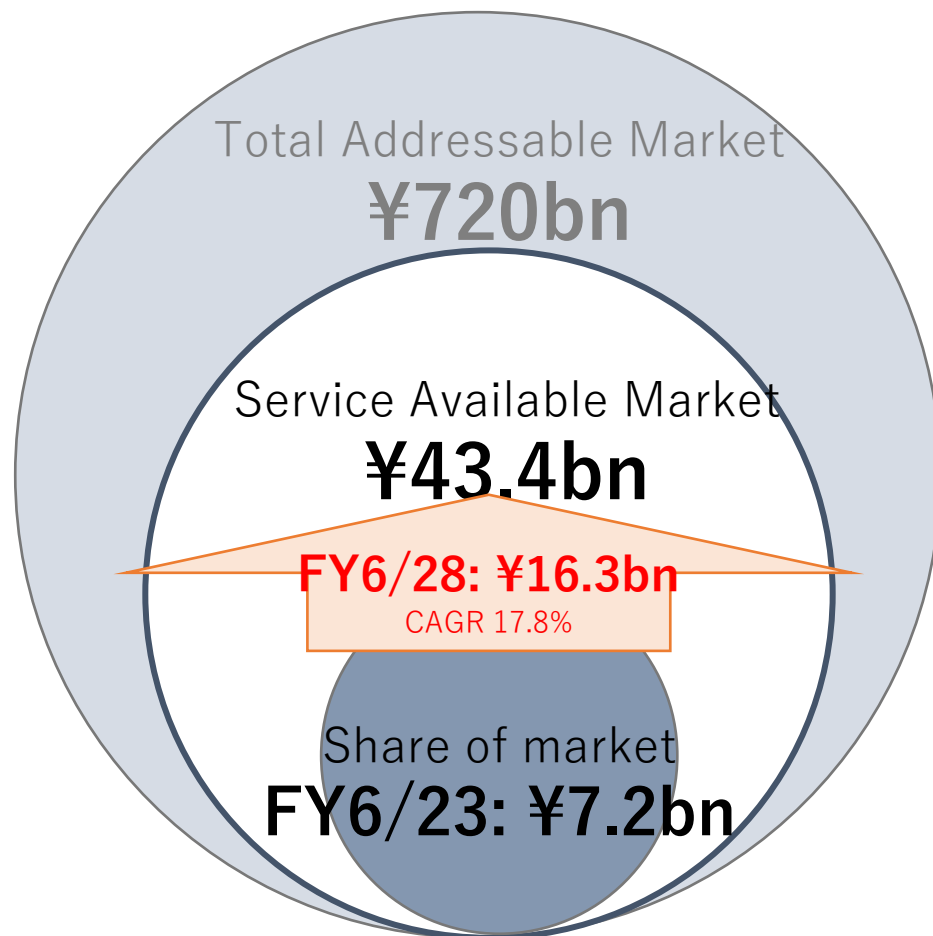


New segment name

**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.

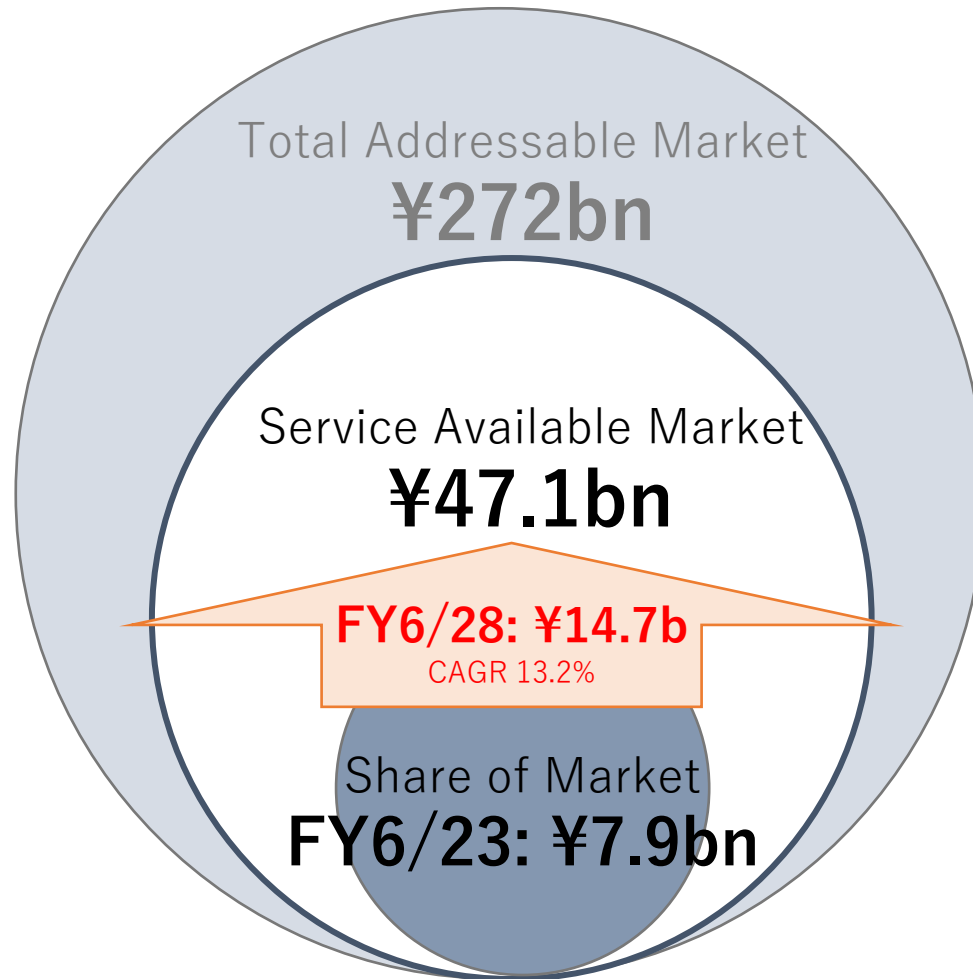


New segment name

**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%.

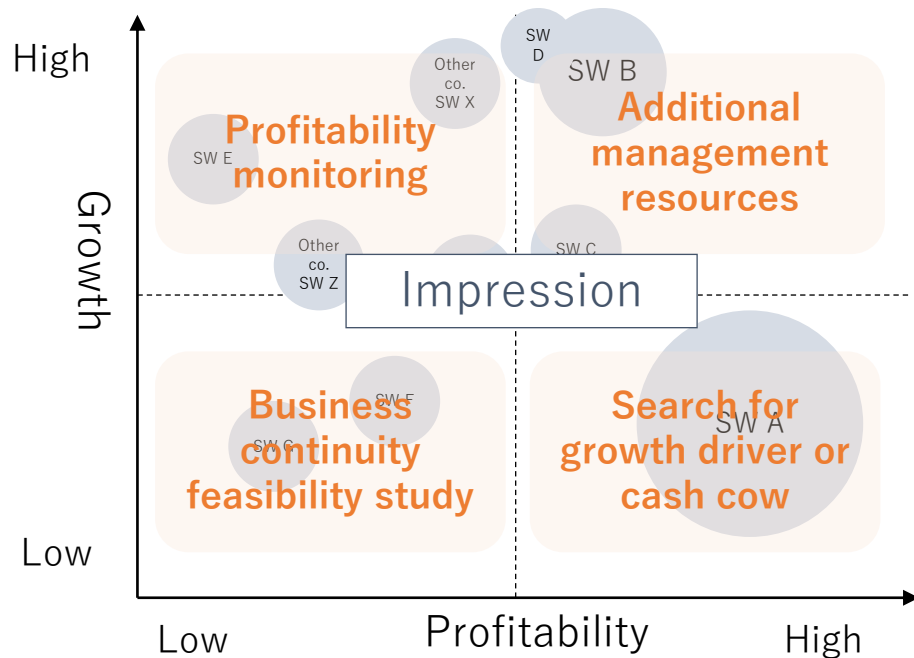
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Software Driven Strategy Concept

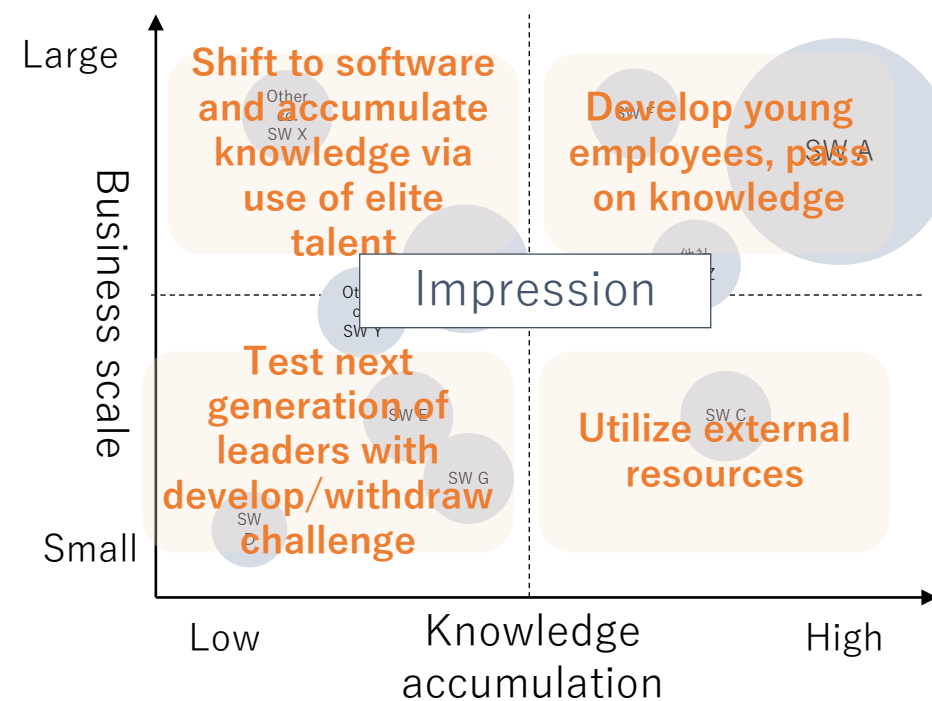
- Realize strategic materiality through a software driven strategy that uses software as the basis for everything, starting with the business portfolio and human capital portfolio.

Software Driven Strategy

Business Portfolio



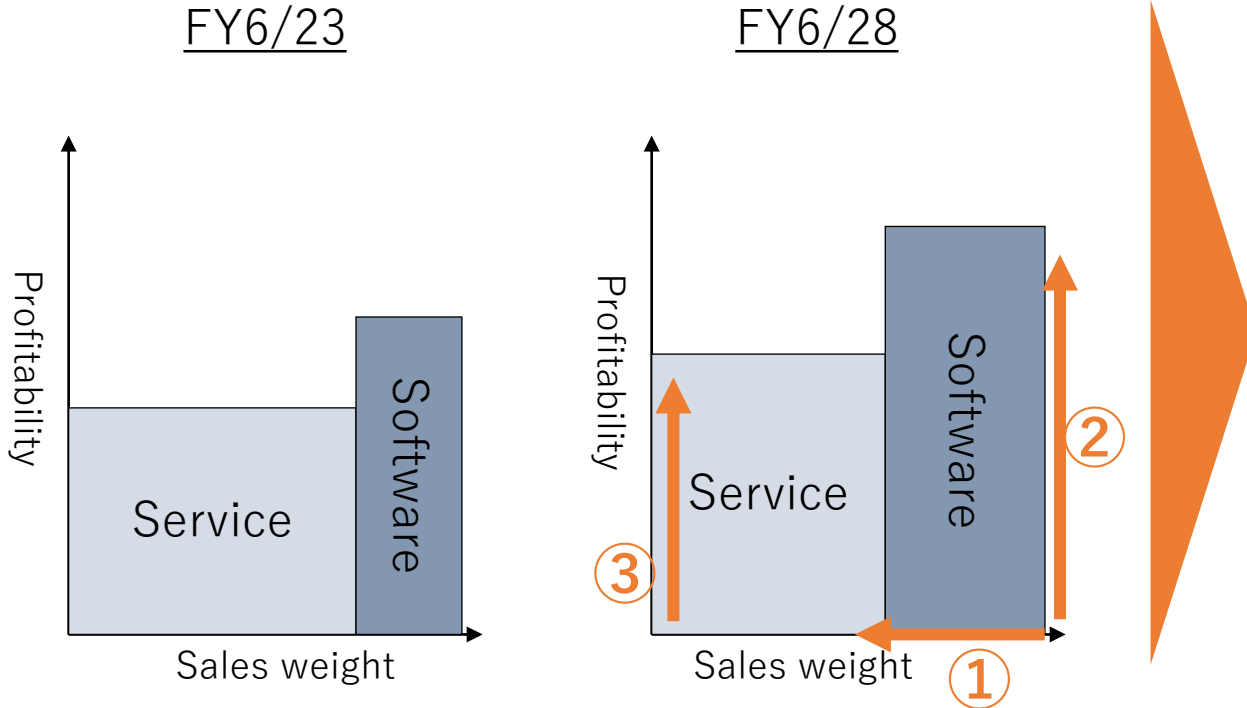
Human Capital Portfolio



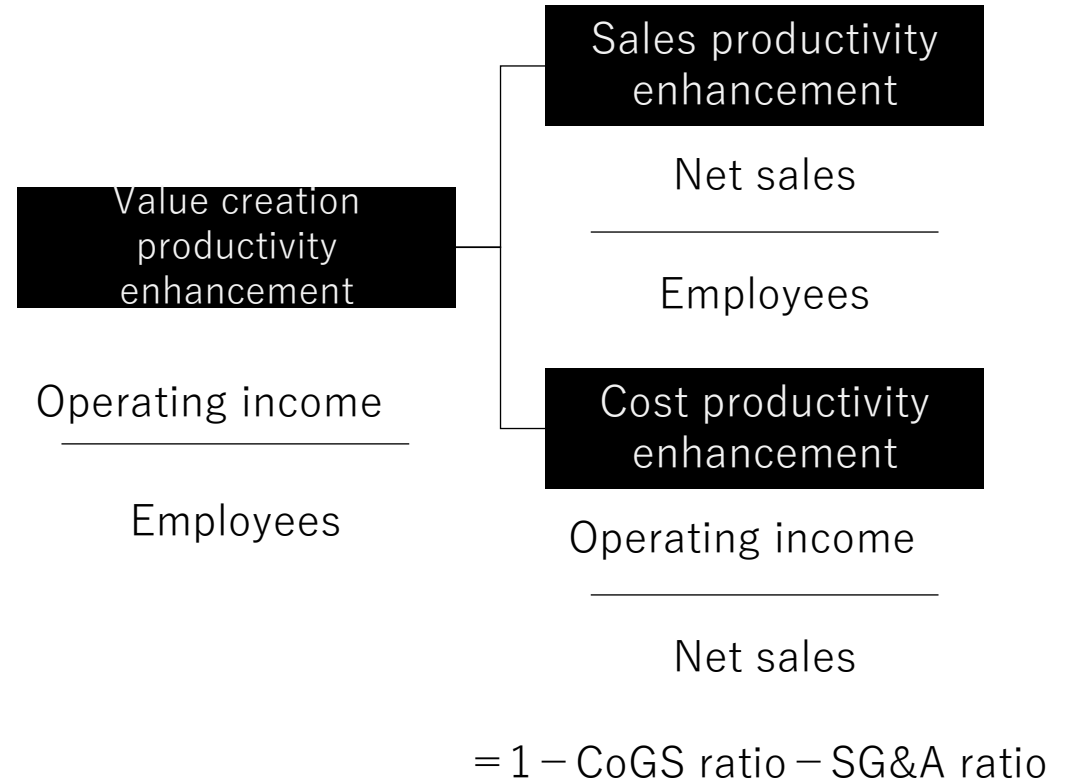
Software Driven Strategy Benefits and Value Creation Productivity Enhancement

- 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

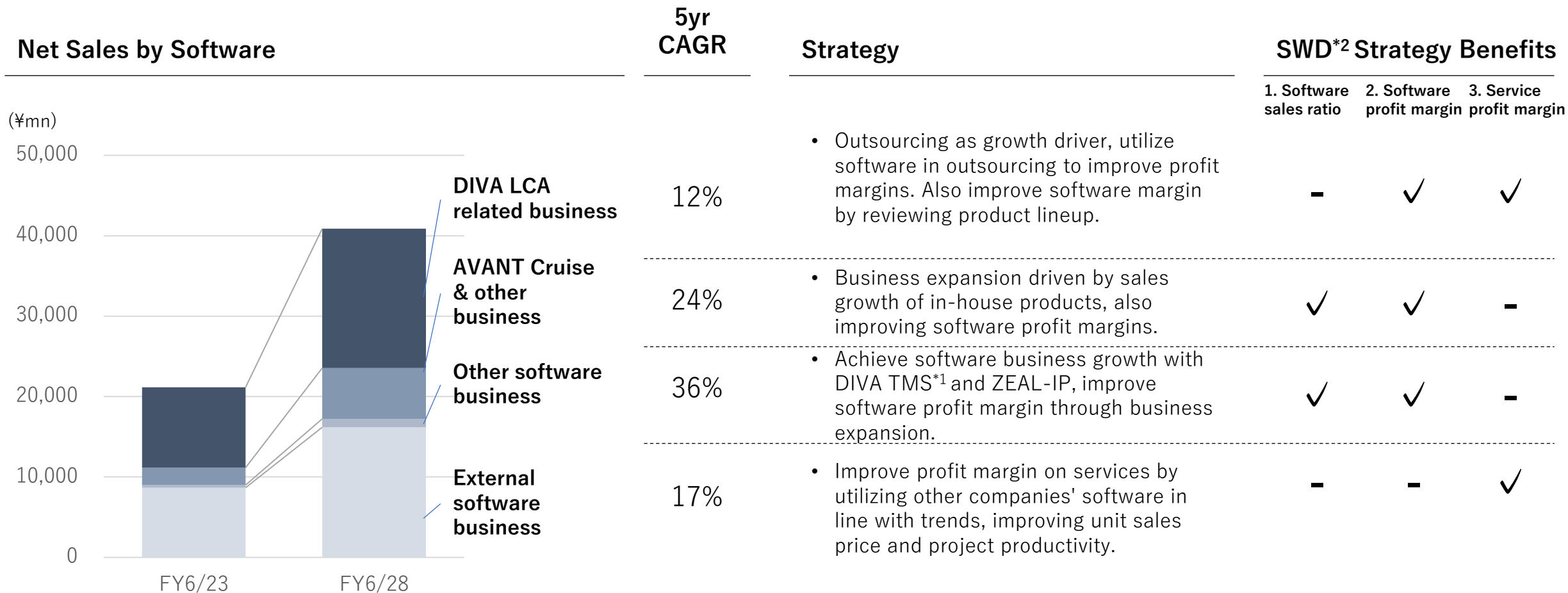


Value Creation Productivity Enhancement



Software Driven Strategy (Strategy by Type)

- Achieve profit growth through software-specific strategies



※1 TMS: Treasury management system

※2 SWD: Software driven

[Reference] 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



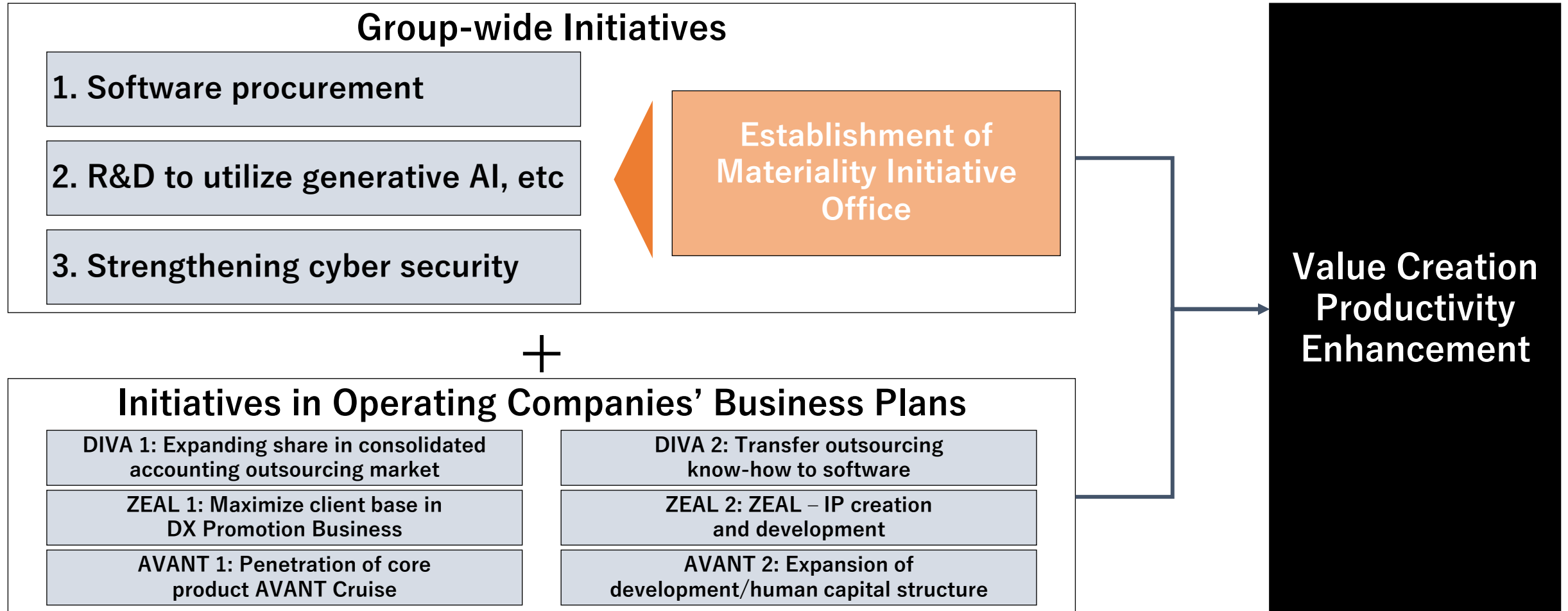
Business Management BI for immediate use of management information of your and other companies



Group management dashboard for strategy and scenario development

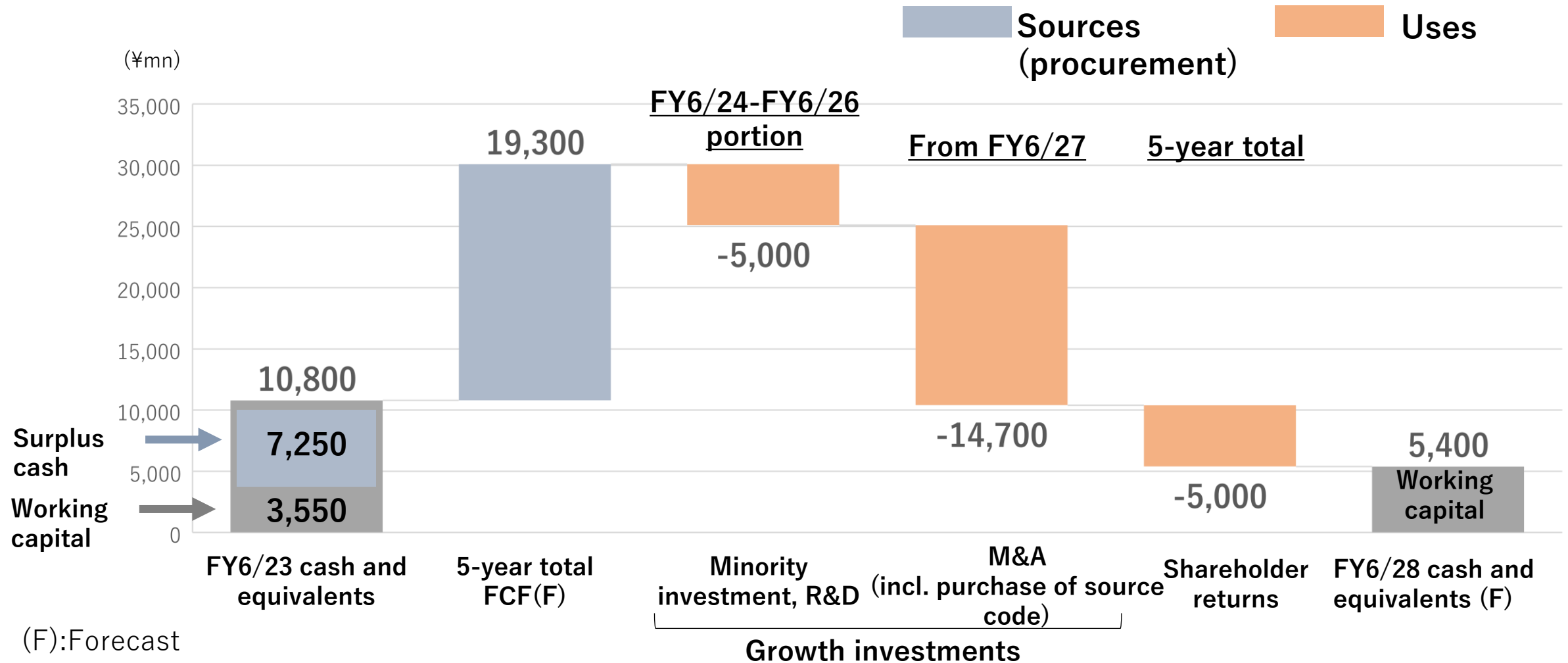
Initiatives for Value Creation Productivity Enhancement

- 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.



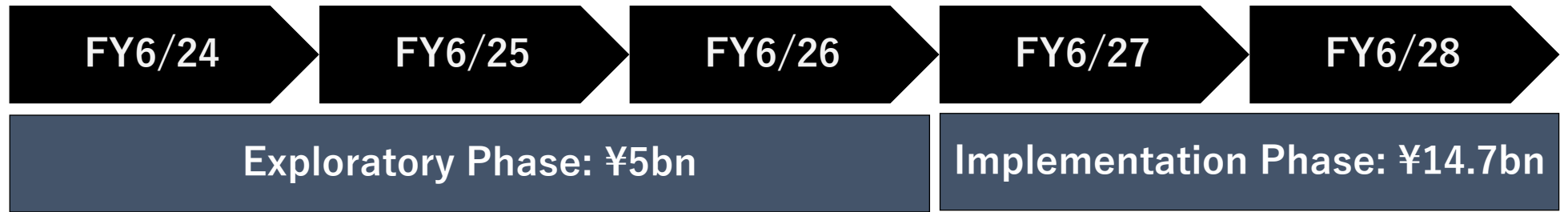
Capital Allocation

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



Investment Phases

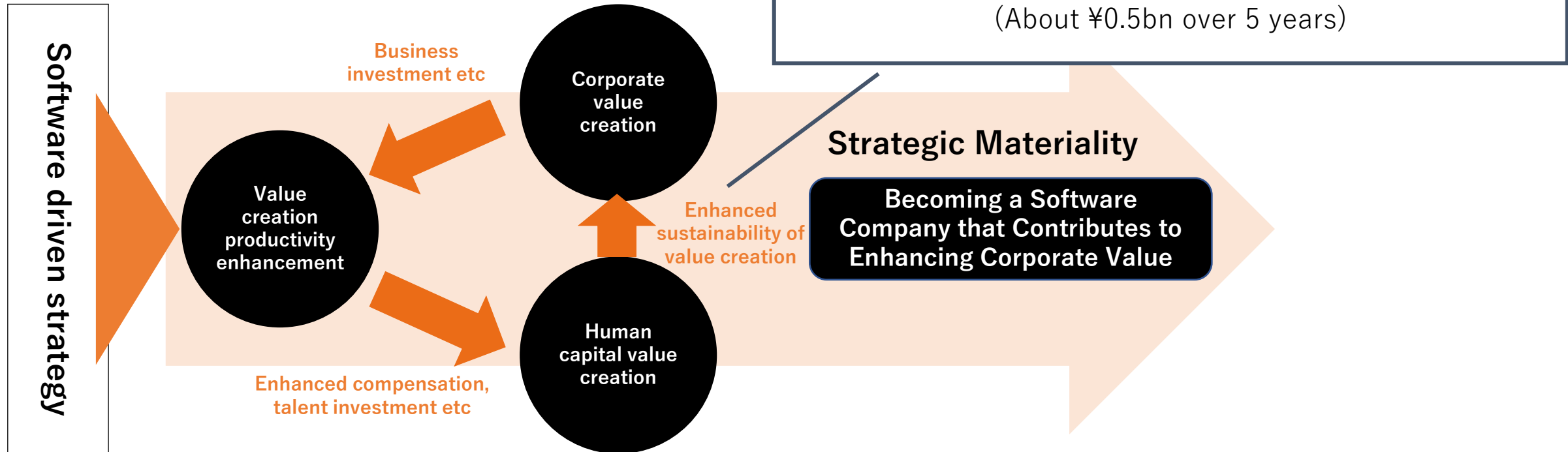
- First 2-3 years will be an exploratory phase, aiming to realize results in 4th year and beyond



| | | |
|--|--|---|
| <p>1. Software procurement</p> | <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. |
| <p>2. R&D to utilize generative AI, etc</p> | <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 |
| <p>3. Strengthening cyber security</p> | <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





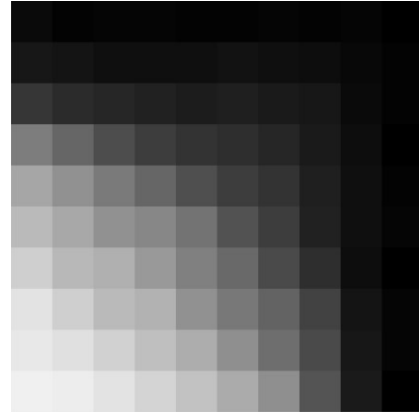
Cautionary Statement Concerning Forward-Looking Statements

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.

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SUSTAINABILITY IS VALUE