

Financial Results Briefing

for the first quarter of Fiscal Year June 2022

Effective from the first quarter of the current fiscal year, the Company has changed the name of its reportable segments and applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. For details, please refer to the notes on page 2.

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail

AVANT CORPORATION

(Code:3836 TSE1)

October 29, 2021

- I . Summary of financial results
for the first quarter of FY June 2022

- II . Earnings and Dividend Forecast

* Figures in this material are rounded down to the unit of display

The information contained in this material regarding the business outlook and other forecasts and strategies etc. are forward-looking statements and are determined within the range that could normally be predicted based on the information reasonably available to the Company at the time of preparation of this material. Investors should be aware of the risks, however, that actual results may differ from the business prospects described in the material due to the occurrence of extraordinary circumstances that cannot usually be predicted or the occurrence of results that cannot usually be predicted. The Company will proactively disclose information that is considered material to investors, but investors should be advised not to make judgment based entirely on only the business prospects described in this material. This material should not be copied or transferred for any purpose without permission of the Company.

I. Summary of financial results for the first quarter of FY June 2022

Note 1

Effective from the first quarter of the current fiscal year, the Company has changed the names of its reportable segments from "Consolidated Accounting Related Business" and "Business Intelligence Business" to "Group Governance Business" and "Digital Transformation Business" in order to properly present the nature of its business. This change in segment name has no impact on segment information.

Note 2

Effective from the beginning of the first quarter of the current fiscal year, the Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and the figures for the first quarter of the fiscal year ending June 30, 2022 are after the application of the said accounting standard. Please note that when comparing figures with those of the fiscal year ended June 30, 2021 or earlier, the impact of the change in accounting standards should be considered. The year-on-year changes in amounts (millions of yen) and rates of change (%) shown in this document are calculated based on the figures for the first quarter of the fiscal year ending June 30, 2022 before the application of the "Accounting Standard for Revenue Recognition."

Results Highlights

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Despite increase in sales, profit declined due to labor cost burden

- Digital Transformation Business and Outsourcing Business achieved double-digit sales and profit growth.
- Sales of Group Governance Business decreased before applying the standard. Substantial decrease in profit due to the burden of increasing headcount to strengthen product development and sales capabilities. Investment by the holding company to create synergies and amortization of goodwill of affiliated companies also took a toll.

※Note 2

(millions of yen)

	FY21/06 Q1<YtD>	FY22/06 Q1<YtD>	FY22/06 Q1<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	3,601	4,047	3,830	+ 229	+ 6.4%
Cost of Revenue	1,997	2,227	2,178	+ 180	+ 9.1%
SG&A expenses	1,125	1,357	1,357	+ 232	+ 20.6%
Operating Income	478	461	294	184	38.5%
OP Margin	13.3%	11.4%	7.7%	-	5.6 point
Ordinary Income	482	441	274	208	43.2%
Net Income	303	262	154	149	49.2%
EBITDA	537	519	351	185	34.5%

Results by Business Segment

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Decrease in profit of Group Governance Business offsetting increase in profit of other two businesses

- Compared to the results before the application of the revenue recognition standard, sales did not increase in the Group Governance Business, and it was unable to cover the increase in labor costs. The decrease in profit in this business offset the increase in profit in the other two businesses, resulting in a decrease in profit on a consolidated basis.

※Note 2

(millions of yen)

		FY21/06 Q1<YtD>	FY22/06 Q1<YtD>	FY22/06 Q1<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
					Variance	%CHG
Group Governance	Net Sales	1,801	1,957	1,783	17	1.0%
	Operating Income	323	286	184	138	43.0%
	OP Margin	18.0%	14.6%	10.3%	-	7.6 point
Digital Transformation	Net Sales	1,382	1,564	1,521	+ 138	+ 10.0%
	Operating Income	115	187	121	+ 6	+ 5.7%
	OP Margin	8.3%	12.0%	8.0%	-	0.3 point
Outsourcing	Net Sales	569	710	710	+ 140	+ 24.7%
	Operating Income	130	161	161	+ 30	+ 23.6%
	OP Margin	22.9%	22.7%	22.7%	-	0.2 point

Both sales and profit decreased excluding the impact of the application of revenue recognition standards.

- Excluding the impact of the adoption of the revenue recognition standard, sales did not increase and profits declined significantly as the company was unable to cover the increase in labor costs due to the improvement in treatment and increase in personnel implemented to strengthen product development and sales structure.
- New orders continued to grow at 9.6% YoY.

※Note 2 (millions of yen)

	FY21/06 Q1<YtD>	FY22/06 Q1<YtD>	FY22/06 Q1<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	1,801	1,957	1,783	17	1.0%
Operating income	323	286	184	138	43.0%
OP Margin	18.0%	14.6%	10.3%	-	7.6point
New Orders	1,721	1,886	1,886	+ 164	+ 9.6%
Outstanding Orders	1,920	2,278	2,521	+ 601	+ 31.3%

Both sales and profit grew on the back of strong demand

- Sales increased 10.0% YoY due to steady growth in orders for construction of data platforms. The increase in sales offset higher personnel costs due to an increase in headcount and the booking of performance-linked compensation. Operating income increased 5.7% YoY.
- Orders received were slightly lower than in the same period of the previous year but remained strong.

※Note 2

(millions of yen)

	FY21/06 Q1<YtD>	FY22/06 Q1<YtD>	FY22/06 Q1<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	1,382	1,564	1,521	+ 138	+ 10.0%
Operating income	115	187	121	+ 6	+ 5.7%
OP Margin	8.3%	12.0%	8.0%	-	0.3point
New Orders	1,379	1,296	1,353	26	1.9%
Outstanding Orders	850	975	1,075	+ 224	+ 26.4%

New contracts at the end of the previous fiscal year contributed to sales and absorbed the increase in expenses

- Sales increased by 24.7% YoY due to the contribution of new contracts signed at the end of the previous fiscal year. Operating profit margin remained almost the same level, absorbing the increase in expenses due to office expansion and increase in personnel.
- High growth in both orders and backlog. Particularly high growth in order backlog continued.

※Note 2

(millions of yen)

	FY21/06 Q1<YtD>	FY22/06 Q1<YtD>	FY22/06 Q1<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	569	710	710	+ 140	+ 24.7%
Operating income	130	161	161	+ 30	+ 23.6%
OP Margin	22.9%	22.7%	22.7%	-	0.2point
New Orders	651	722	722	+ 71	+ 11.0%
Outstanding Orders	1,031	1,469	1,469	+ 438	+ 42.4%

Selected Quarterly Financial Data

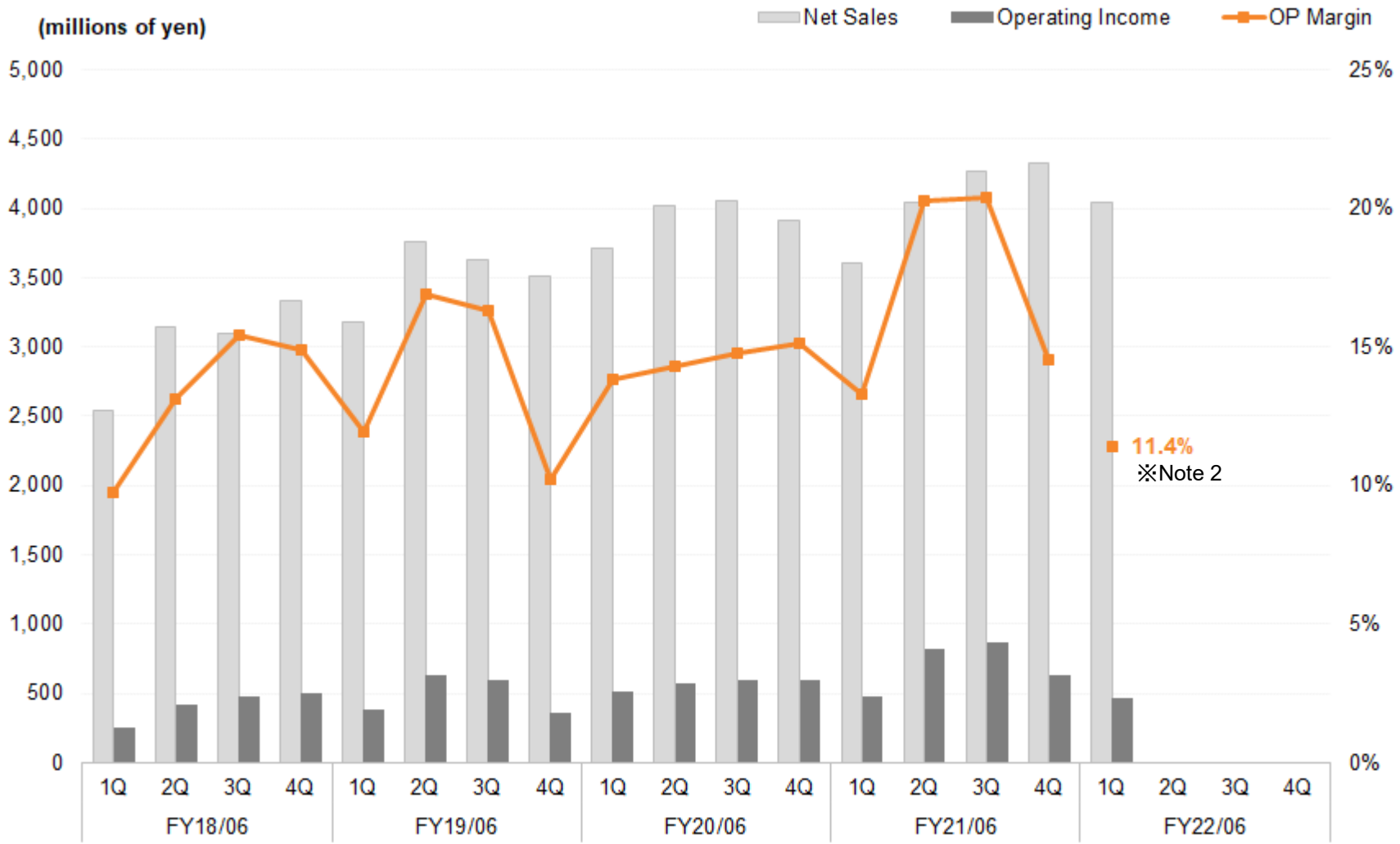
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- Operating income increased by 167 million yen due to the adoption of the new revenue recognition standard, and operating income before the adoption of the new standard started at a low level of 294 million yen.

※Note 2 (Millions of Yen)

	FY18/06				FY19/06				FY20/06				FY21/06				FY22/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	2,544	3,144	3,095	3,326	3,180	3,752	3,631	3,512	3,714	4,019	4,050	3,906	3,601	4,036	4,271	4,326	4,047			
Cost of Revenue	1,514	1,866	1,720	1,845	1,772	1,929	2,057	2,020	2,149	2,205	2,113	2,056	1,997	2,113	2,208	2,252	2,227			
Gross Profit	1,029	1,277	1,374	1,481	1,408	1,823	1,574	1,492	1,565	1,814	1,936	1,849	1,603	1,922	2,063	2,074	1,819			
SG&A expenses	781	865	898	986	1,027	1,188	982	1,133	1,050	1,239	1,338	1,258	1,125	1,104	1,192	1,445	1,357			
Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	629	461			
OP Margin	9.7	13.1	15.4	14.9	12.0	16.9	16.3	10.2	13.8	14.3	14.8	15.1	13.3	20.3	20.4	14.5	11.4			
Ordinary Income	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	622	441			
Net Income	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	517	262			
EBITDA	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	695	519			
EBITDA Margin (%)	11.8	13.9	16.6	16.1	13.1	17.9	17.5	11.6	15.0	15.5	16.3	17.1	14.9	21.8	21.7	16.1	12.8			

Quarterly Trends in Major KPIs



Selected Quarterly Segment Data

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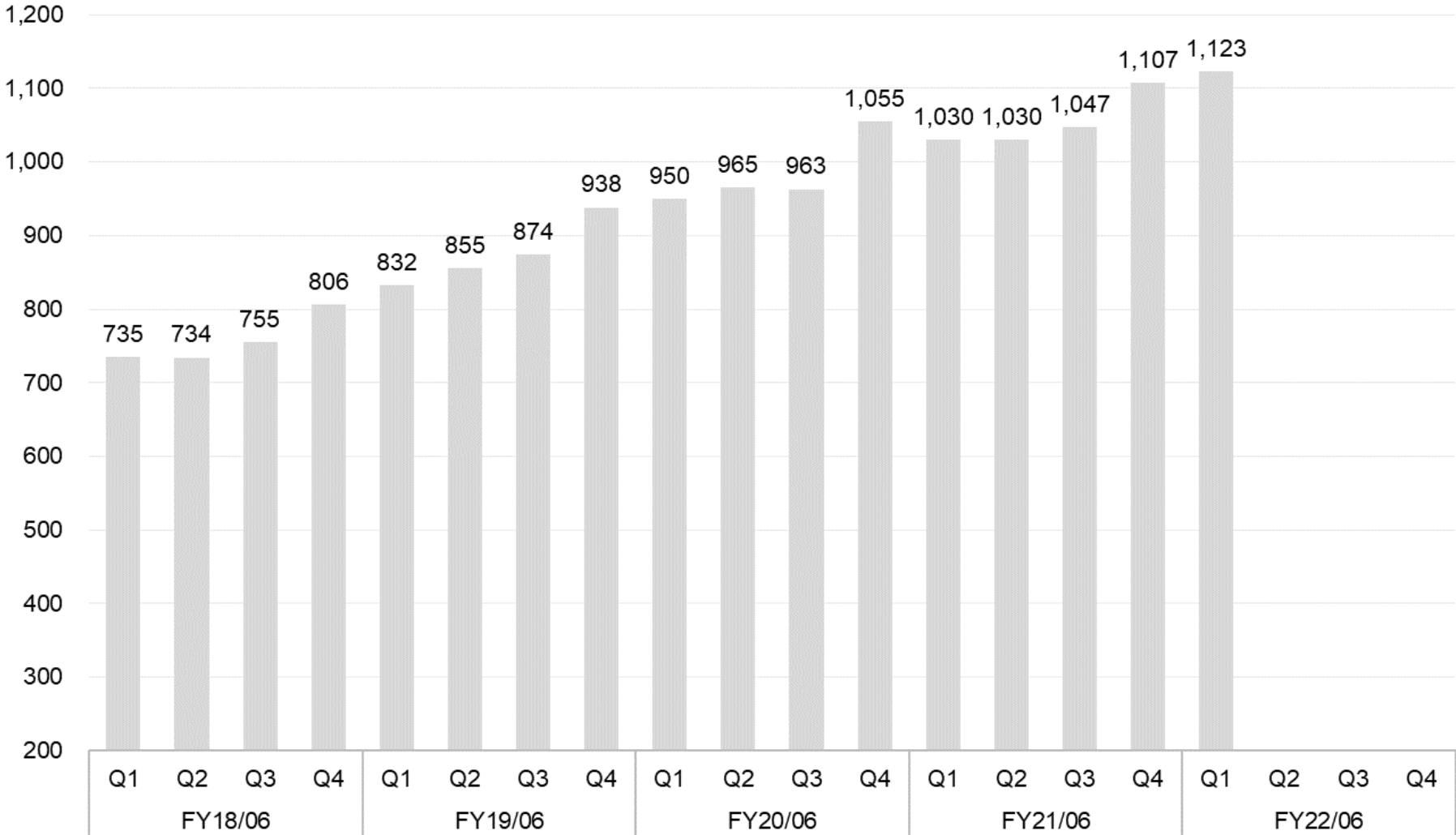
※Note 2 (millions of yen)

		FY June 2018				FY June 2019				FY June 2020				FY June 2021				FY June 2022			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
New Orders	Group Governance	1,343	1,906	1,557	2,924	1,611	1,890	1,693	2,579	1,893	2,008	1,944	2,466	1,721	1,945	1,912	2,930	1,886			
	Digital Transformation	998	1,030	1,118	1,073	1,235	1,223	1,439	1,365	1,565	1,347	1,191	1,313	1,379	2,083	1,650	1,526	1,296			
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586	765	983	722			
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161	-238			
	New Orders	2,567	3,025	2,856	4,392	3,085	3,317	3,404	4,363	3,955	3,623	3,576	4,202	3,602	4,413	4,105	5,279	3,667			
Orders Outstanding	Group Governance	1,913	1,876	1,576	2,433	2,261	1,927	1,611	2,173	2,143	1,910	1,689	1,999	1,920	1,769	1,642	2,349	2,278			
	Digital Transformation	762	791	895	929	1,004	958	1,044	1,204	1,340	1,245	926	854	850	1,438	1,354	1,244	975			
	Outsourcing	515	524	474	675	734	650	597	852	948	928	891	950	1,031	1,008	1,112	1,457	1,469			
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290	-343			
	Orders Outstanding	3,125	3,006	2,768	3,834	3,739	3,304	3,076	3,927	4,168	3,771	3,298	3,595	3,596	3,974	3,807	4,761	4,381			
Net Sales	Group Governance	1,392	1,942	1,857	2,068	1,783	2,225	2,008	2,017	1,922	2,242	2,165	2,154	1,801	2,096	2,040	2,223	1,957			
	Digital Transformation	897	1,001	1,014	1,039	1,161	1,268	1,353	1,206	1,429	1,441	1,510	1,385	1,382	1,495	1,734	1,637	1,564			
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609	662	637	710			
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171	-185			
	Net Sales	2,544	3,144	3,095	3,326	3,180	3,752	3,631	3,512	3,714	4,019	4,050	3,906	3,601	4,036	4,271	4,326	4,047			
Operating Income	Group Governance	145	220	265	398	244	362	346	339	330	379	378	528	323	520	530	561	286			
	Digital Transformation	21	81	122	98	102	210	233	89	180	171	209	130	115	226	319	150	187			
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165	165	62	161			
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136	-173			
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	862	637	461			

Total Number of Group Employees

AVANT

(person)



Financial Condition & Cash Flows

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Financial Status

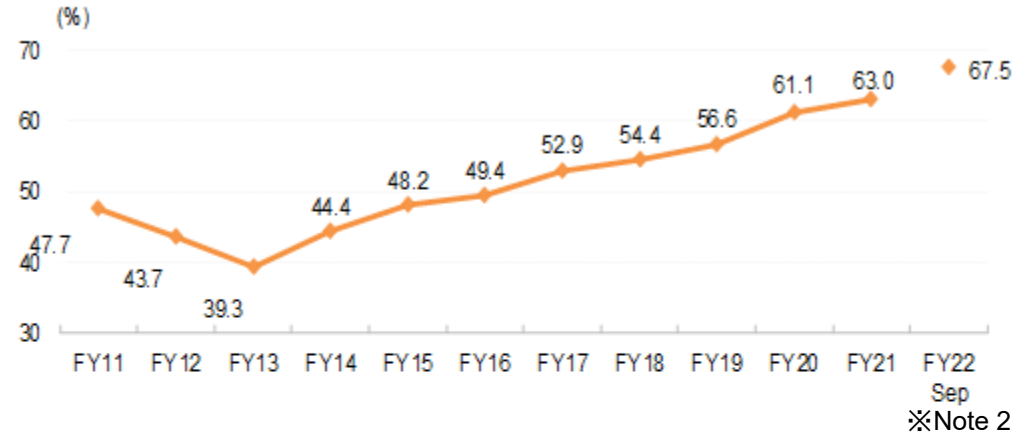
Sep 2021

Total Assets
12.9
billion yen

Total Liabilities
4.2
billion yen

Net Assets
8.7
billion yen

Equity Ratios



※Note 2

Key Factors for change

(millions of yen)

• Income before income taxes and minority interests	441
• Depreciation expense	60
• Decrease in provision for bonuses	(427)
• Decrease in deferred revenue	(329)
• Increase in accrued expenses and others	288
• Decrease in provision for bonuses for directors	(96)
• Income taxes paid	(710)

• Proceeds from collection of guarantee deposits	216
• Deposit paid	(168)

• Payment of shareholder dividends	(413)
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Cash Flows

(millions of yen)

Operating CF

Investment CF

Free CF

Financial CF

FY21/06

FY22/06

Q1

Q1

72

(173)

(45)

(177)

27

(351)

(341)

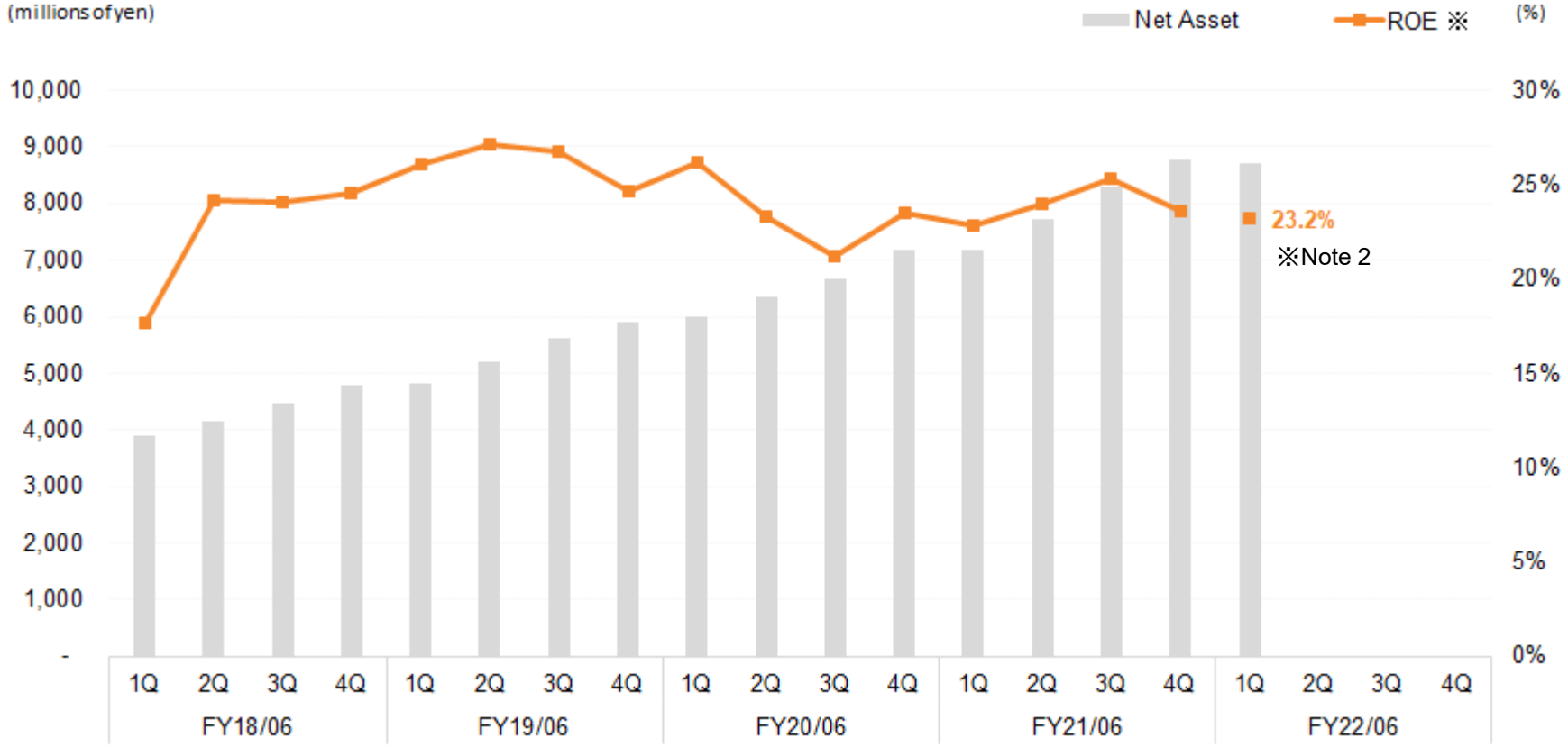
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Return on Equity (ROE) trends

Our goal is to maintain over 20% on average in the mid- to long-term

- We aim to improve ROE, while maintaining the Group's management principles, by enhancing profitability further and managing assets more efficiently

(millions of yen)



※twelve month rolling

II . Earnings and Dividend Forecast

Earnings forecast for the fiscal year ending June 30, 2022

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Seventh consecutive year of revenue and profit growth forecast unchanged

- The Company assumes a trend of accelerated growth in all segments by capturing customers' needs and strengthening proposal capabilities.
- Operating profit margin is expected to deteriorate slightly. This is because we will focus on strengthening product development and securing and training proposal-oriented human resources in order to accelerate the pace of stock sales growth to achieve the mid-term plan. Operating income is expected to increase, marking the seventh consecutive year of higher sales and profits.

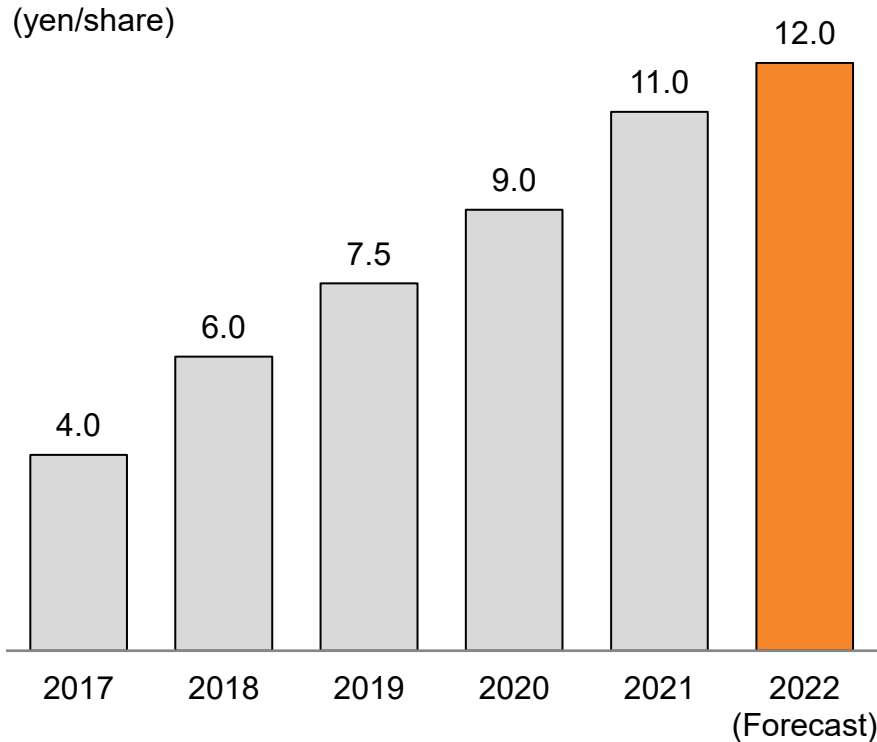
※Note 2 (millions of yen)

	2021 June (Actual)	2022 June (Current Forecast)	Variance	% CHG
Net Sales	16,236	17,820	—	—
Operating Income	2,796	2,860	—	—
OP Margin	17.2%	16.0%	—	—
Net Income	1,888	1,905	—	—

Since the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the fiscal year ending June 30, 2022, the above forecast of consolidated financial results is the amount after the adoption of the said accounting standard, and therefore, the percentage change from the previous fiscal year is not stated.

The FY 2020 dividend forecast is 9 yen per share

- We maintains dividend increase for the seventh consecutive year to 12 yen per share, in line with our policy of maintaining stable dividends.
- DOE for the fiscal year ended June 30, 2021 was 5.2%, significantly higher than the average (12-month) DOE of 2.9% for companies listed on the Tokyo Stock Exchange.



(Adjusted for stock splits)

<AVANT's shareholder return policy>

- Cash dividends are an important part of shareholder return policy
- AVANT plans to maintain sustainable growth in dividends, and rely on dividends on equities (DoE) rather than cash income which could fluctuate and unpredictable
- AVANT's ratio of dividends to net assets should be higher than the average of all companies listed on the Tokyo Stock Exchange, and over the long term, AVANT aims to reach 8%, which is the average of the top 10% of companies in terms of the ratio of dividends to net assets.

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