

# Financial Results Briefing

## for the Fiscal Year ended June 30, 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 Prime Market)

August 5, 2022

## I . Summary of financial results for the fiscal year ended June 30, 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 fiscal year ended June 30, 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 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 fiscal year ending June 30, 2022 before the application of the "Accounting Standard for Revenue Recognition."

# Results Highlights

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## Seven consecutive fiscal years of sales and profit growth

- Demand continued to grow, and the Co achieved increases in both sales and profit despite a slight deterioration in profit margins due to higher personnel and other costs. Net income attributable to shareholders of the parent company increased only slightly due to the impact of an impairment loss on the investment in Metapraxis in the U.K.
- We expect double-digit sales growth in FY June 2023, but expect a decline in profit due to the upfront burden of scheme development for the next mid-term business plan.

(millions of yen)

	FY21/06	FY22/06	FY22/06 (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	16,236	18,703	18,804	+ 2,567	+ 15.8%
Cost of Revenue	8,572	9,782	10,091	+ 1,519	+ 17.7%
SG&A expenses	4,867	5,674	5,674	+ 806	+ 16.6%
Operating Income	2,796	3,247	3,038	+ 242	+ 8.7%
OP Margin	17.2%	17.4%	16.2%	-	1.1 point
Ordinary Income	2,808	2,988	2,780	27	1.0%
Net Income	1,888	2,045	1,897	+ 8	+ 0.4%
EBITDA	3,038	3,582	3,374	+ 335	+ 11.0%

# Results by Business Segment

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## Profit increase due to DX and Outsourcing offsetting decrease in G-governance profit

- All companies continue to achieve high levels of growth in sales and profits. Operating income in the Group Governance business declined slightly due to increased hiring, performance-linked personnel expenses, and outsourcing costs, but in line with expectations.

(millions of yen)

		FY21/06	FY22/06	FY22/06	Year-on-Year (Before accounting impact)	
				(Before accounting impact)	Variance	%CHG
Group Governance	Net Sales	8,160	9,372	9,109	+ 949	+ 11.6%
	Operating Income	1,935	2,060	1,915	19	1.0%
	OP Margin	23.7%	22.0%	21.0%	-	2.7 point
Digital Transformation	Net Sales	6,250	7,015	7,370	+ 1,120	+ 17.9%
	Operating Income	811	1,244	1,174	+ 363	+ 44.8%
	OP Margin	13.0%	17.7%	15.9%	-	+ 3.0 point
Outsourcing	Net Sales	2,479	3,044	3,052	+ 572	+ 23.1%
	Operating Income	523	661	667	+ 143	+ 27.5%
	OP Margin	21.1%	21.7%	21.9%	-	+ 0.8 point

## Revenues returned to double-digit growth for the full year, but profits declined due to the burden of upfront investments

- Customer needs expanded steadily, achieving double-digit revenue growth for the full year. Customer take-up of SaaS-type DivaSystem LCA also progressed, contributing to an increase in the recurrent sales ratio.
- The operating profit margin deteriorated by 2.7 points due to upfront investments to strengthen product development and consulting sales capabilities, as well as an increase in outsourced processing costs and performance-linked compensation in line with higher sales, but this was within expectations.

(millions of yen)

	FY21/06	FY22/06	FY22/06 (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	8,160	9,372	9,109	+ 949	+ 11.6%
Operating income	1,935	2,060	1,915	19	1.0%
OP Margin	23.7%	22.0%	21.0%	-	2.7point
New Orders	8,510	10,155	10,155	+ 1,645	+ 19.3%
Outstanding Orders	2,349	3,132	3,395	+ 1,045	+ 44.5%

## Significant increase in profit due to improved product mix

- Strong demand for data platform construction projects and a high pace of revenue growth.
- Although personnel and outsourced processing costs increased with revenue growth, operating profit margin improved significantly due to increased reliance on highly profitable data platform construction projects, resulting in a large increase in operating income.

(millions of yen)

	FY21/06	FY22/06	FY22/06 (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	6,250	7,015	7,370	+ 1,120	+ 17.9%
Operating income	811	1,244	1,174	+ 363	+ 44.8%
OP Margin	13.0%	17.7%	15.9%	-	+3.0point
New Orders	6,639	6,902	7,299	+ 660	+ 9.9%
Outstanding Orders	1,244	1,131	1,173	70	5.7%

## Continued high growth while maintaining high profitability

- New contracts are coming into service smoothly, and the high level of sales growth continues. Operating profit margin remained at the same level, absorbing most of the cost increase due to office expansion.
- New contracts continue to accumulate, and orders and order backlogs are growing strongly.

(millions of yen)

	FY21/06	FY22/06	FY22/06 (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	2,479	3,044	3,052	+ 572	+ 23.1%
Operating income	523	661	667	+ 143	+ 27.5%
OP Margin	21.1%	21.7%	21.9%	-	+0.8point
New Orders	2,987	4,032	4,032	+ 1,045	+ 35.0%
Outstanding Orders	1,457	2,446	2,438	+ 980	+ 67.2%



# Group Cost Structure

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## Subcontracting costs will increase due to accelerating revenue growth, while personnel costs are expected to increase

- Fixed labor costs and other expenses will increase due to an increase in personnel to strengthen product development and consulting sales, but are within the expected range. Outsourcing expenses increased in the G-Governance and DX businesses due to the accelerated pace of revenue growth.
- Operating margins will decrease only slightly, as the increase in fixed costs will be partially offset by the effect of higher revenue and improved profitability of the DX business.

(millions of yen)

	FY21/06	FY22/06	FY22/06 (Before accounting impact)	Year-on-Year	
				Variance	%CHG
Net Sales	16,236	18,703	18,804	+2,567	+15.8%
Personnel expenses	8,047	9,051	9,051	+1,003	+12.5%
Basic compensation	6,218	6,841	6,841	+622	+10.0%
Performance-related	1,828	2,209	2,209	+380	+20.8%
Outsourcing expenses	2,386	2,910	2,910	+523	+21.9%
Office expenses	948	896	896	-52	-5.5%
Others	2,056	2,598	2,907	+850	+41.4%
Total expenses	13,440	15,456	15,765	+2,325	+17.3%
Operating income	2,796	3,247	3,038	+242	+8.7%
Operating income	17.2%	17.4%	16.2%	-	- 1.1 point

(Note) Expense items are shown on an incurred basis, and adjustments in cost of sales calculations are included in "Others. The adoption of the revenue recognition accounting standard had an impact on net sales and cost of sales, but not on SG&A expenses.

# Selected Quarterly Financial Data

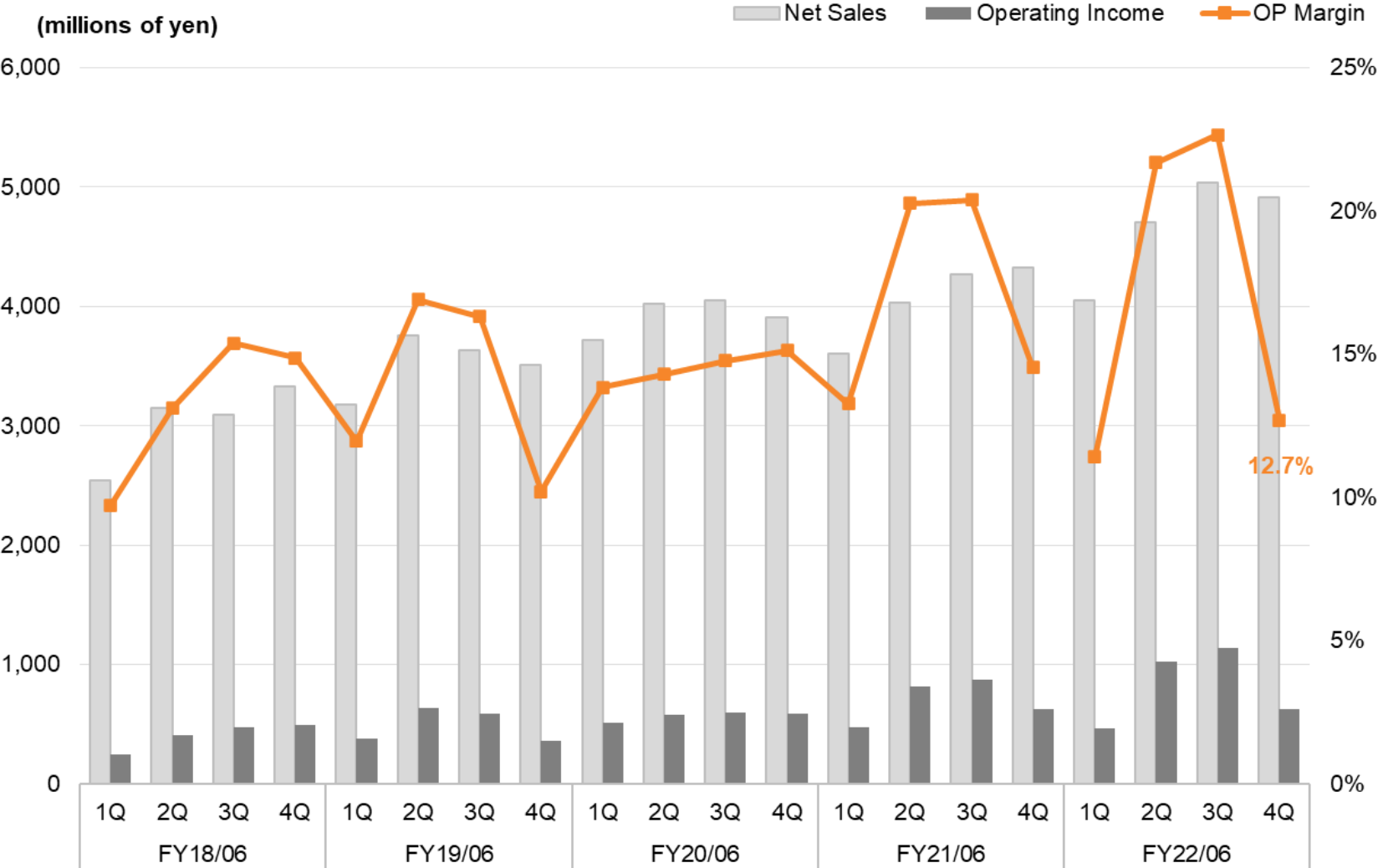
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- Fourth quarter was within normal seasonality due in part to performance-linked personnel expenses.

(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
<b>Net Sales</b>	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	4,703	5,035	4,916
<b>Cost of Revenue</b>	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	2,375	2,492	2,686
<b>Gross Profit</b>	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	2,328	2,542	2,230
<b>SG&amp;A expenses</b>	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	1,308	1,401	1,606
<b>Operating Income</b>	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	629	461	1,020	1,140	624
<b>OP Margin</b>	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	21.7	22.7	12.7
<b>Ordinary Income</b>	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	622	441	995	1,128	423
<b>Net Income</b>	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	517	262	603	706	472
<b>EBITDA</b>	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	695	519	1,097	1,254	711
<b>EBITDA Margin (%)</b>	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	23.3	24.9	14.5

# Quarterly Trends in Major KPIs



# Selected Quarterly Segment Data

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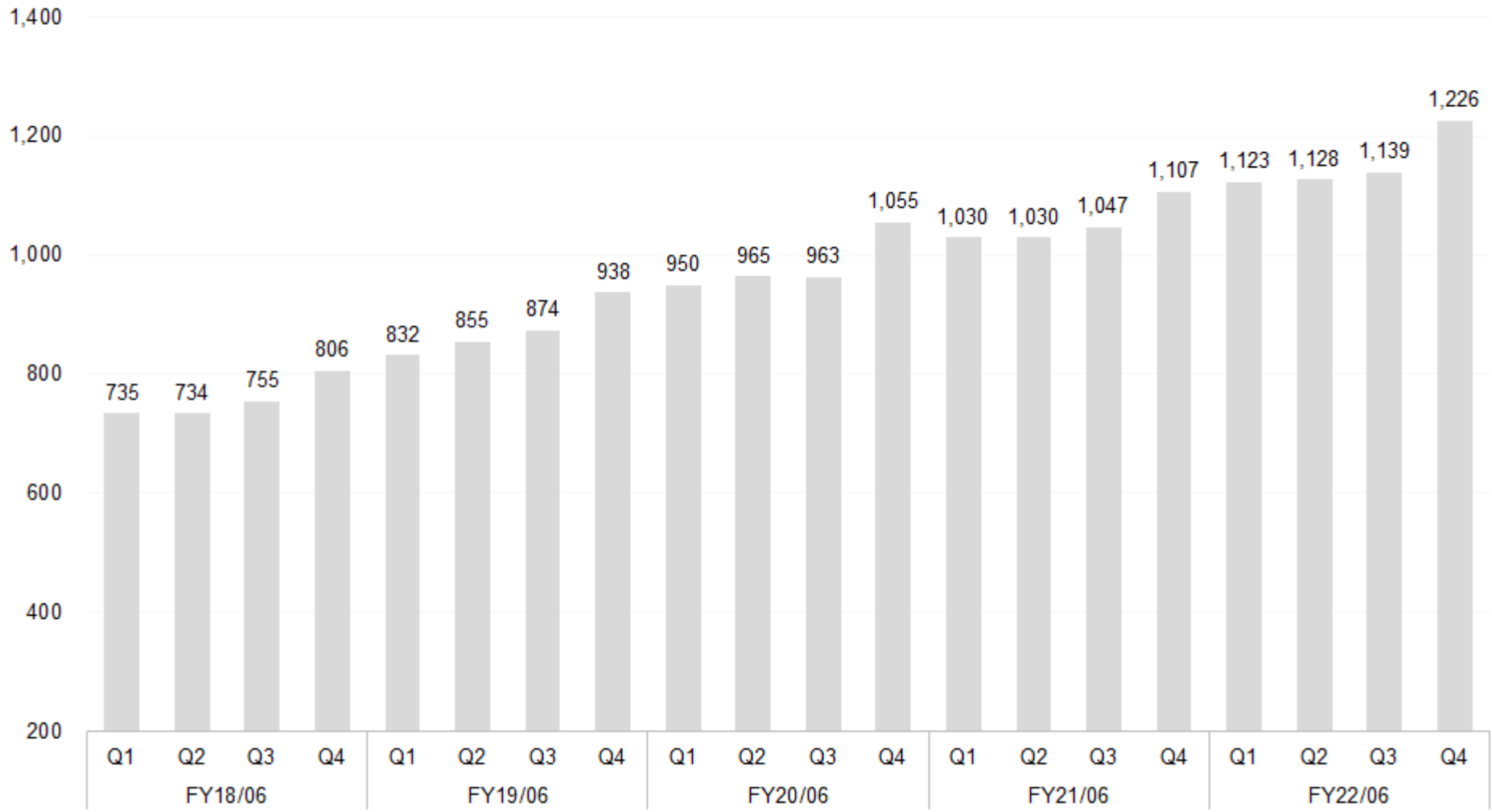
(millions of yen)

		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	2,629	2,298	3,340
	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	2,078	1,464	2,063
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586	765	983	722	1,223	565	1,521
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161	-238	-164	-172	-442
	<b>New Orders</b>	<b>2,567</b>	<b>3,025</b>	<b>2,856</b>	<b>4,392</b>	<b>3,085</b>	<b>3,317</b>	<b>3,404</b>	<b>4,363</b>	<b>3,955</b>	<b>3,623</b>	<b>3,576</b>	<b>4,202</b>	<b>3,602</b>	<b>4,413</b>	<b>4,105</b>	<b>5,279</b>	<b>3,667</b>	<b>5,766</b>	<b>4,154</b>	<b>6,483</b>
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	2,586	2,358	3,132
	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	1,247	809	1,131
	Outsourcing	515	524	474	675	734	650	597	852	948	928	891	950	1,031	1,008	1,112	1,457	1,469	1,937	1,716	2,446
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290	-343	-327	-319	-578
	<b>Orders Outstanding</b>	<b>3,125</b>	<b>3,006</b>	<b>2,768</b>	<b>3,834</b>	<b>3,739</b>	<b>3,304</b>	<b>3,076</b>	<b>3,927</b>	<b>4,168</b>	<b>3,771</b>	<b>3,298</b>	<b>3,595</b>	<b>3,596</b>	<b>3,974</b>	<b>3,807</b>	<b>4,761</b>	<b>4,381</b>	<b>5,444</b>	<b>4,563</b>	<b>6,131</b>
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	2,322	2,526	2,566
	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	1,806	1,902	1,741
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609	662	637	710	755	786	791
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171	-185	-180	-180	-183
	<b>Net Sales</b>	<b>2,544</b>	<b>3,144</b>	<b>3,095</b>	<b>3,326</b>	<b>3,180</b>	<b>3,752</b>	<b>3,631</b>	<b>3,512</b>	<b>3,714</b>	<b>4,019</b>	<b>4,050</b>	<b>3,906</b>	<b>3,601</b>	<b>4,036</b>	<b>4,271</b>	<b>4,326</b>	<b>4,047</b>	<b>4,703</b>	<b>5,035</b>	<b>4,916</b>
Operating Income	Group Governance	145	220	265	398	244	362	346	339	330	379	378	528	323	520	530	561	286	599	669	507
	Digital Transformation	21	81	122	98	102	210	233	89	180	171	209	130	115	226	319	150	187	365	428	263
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165	165	62	161	195	221	82
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136	-173	-139	-178	-216
	<b>Operating Income</b>	<b>247</b>	<b>412</b>	<b>476</b>	<b>494</b>	<b>380</b>	<b>634</b>	<b>592</b>	<b>358</b>	<b>514</b>	<b>574</b>	<b>598</b>	<b>591</b>	<b>478</b>	<b>817</b>	<b>862</b>	<b>637</b>	<b>461</b>	<b>1,020</b>	<b>1,140</b>	<b>636</b>

# Total Number of Group Employees

AVANT

(person)



# Financial Condition & Cash Flows

## Financial Status

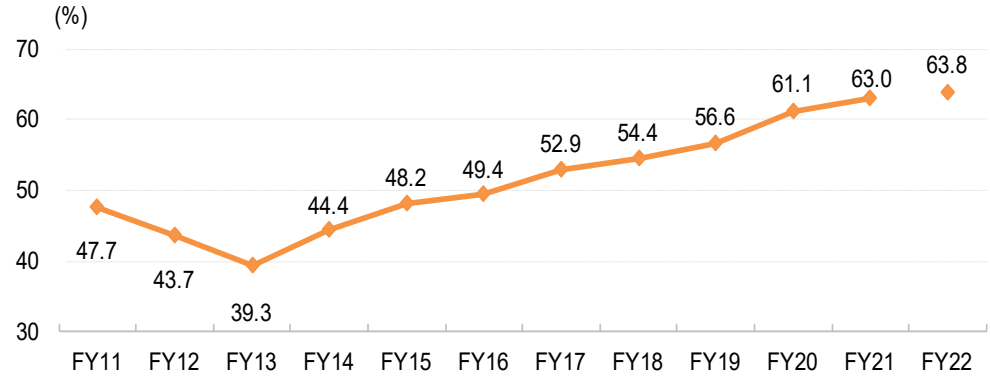
Jun 2022

**Total Assets**  
16.6  
billion yen

**Total Liabilities**  
6.0  
billion yen

**Net Assets**  
10.5  
billion yen

## Equity Ratios



## Key Factors for change

(millions of yen)

• Profit before income taxes	2,988
• Depreciation	349
• Increase in provision for bonuses	273
• Share of loss (profit) of entities accounted for using equity m	269
• Increase in notes and A/R-trade and contract assets	(258)
• Increase in trade payables	202
• Income taxes paid	(925)

• Purchase of intangible assets	(317)
• Proceeds from refund of leasehold and guarantee deposits	216

• Dividend payments	(413)
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## Cash Flows

(millions of yen)

FY21/06

FY22/06

**Operating CF**

**2,561**

**3,026**

**Investment CF**

**(789)**

**(398)**

**Free CF**

**1,771**

**2,627**

**Financial CF**

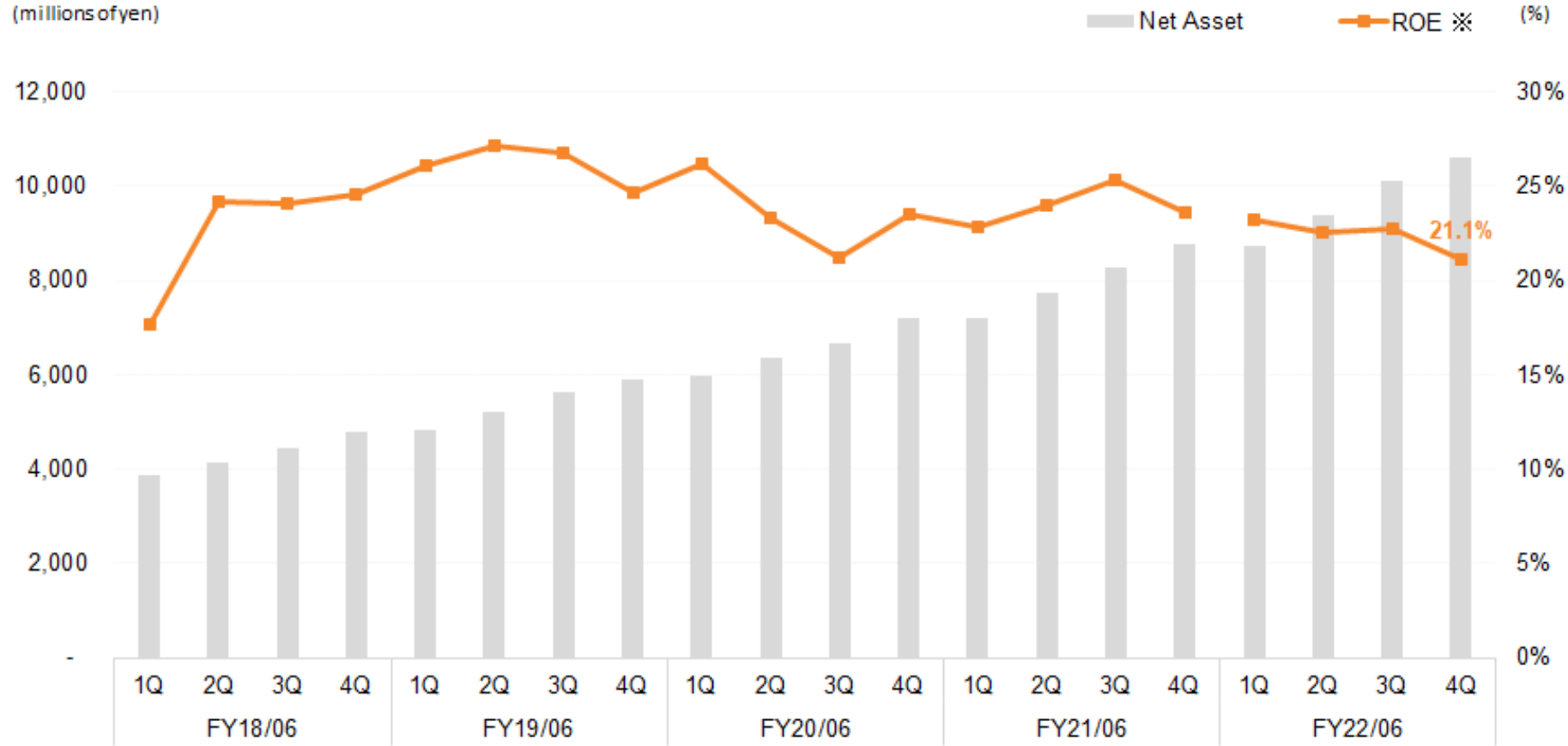
**(359)**

**(433)**

# 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



※twelve month rolling

## **II . Earnings and Dividend Forecast**

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# Earnings forecast for the fiscal year ending June 30, 2023

AVANT

## Expect to maintain the pace of revenue growth, but income will decline due to upfront investments

- The company positions the fiscal year ending June 30, 2023 as a preparation for the start of the next medium-term management plan, and the upfront investment phase will continue.
- Although the company expects to maintain the pace of sales growth in all segments, it forecasts a decrease in profit due to an increase in personnel expenses resulting from aggressive hiring, an increase in expenses accompanying organizational restructuring, and expenses to prepare the environment for accelerating the shift to cloud, including discontinuation of low-margin products and projects in existing businesses.

(millions of yen)

	2022 June (Actual)	2023 June (Forecast)	Variance	% CHG
Net Sales	18,703	21,800	+ 3,096	+ 16.6%
Operating Income	3,247	3,100	147	4.5%
OP Margin	17.4%	14.2%	—	—
Net Income	2,045	2,030	15	0.7%

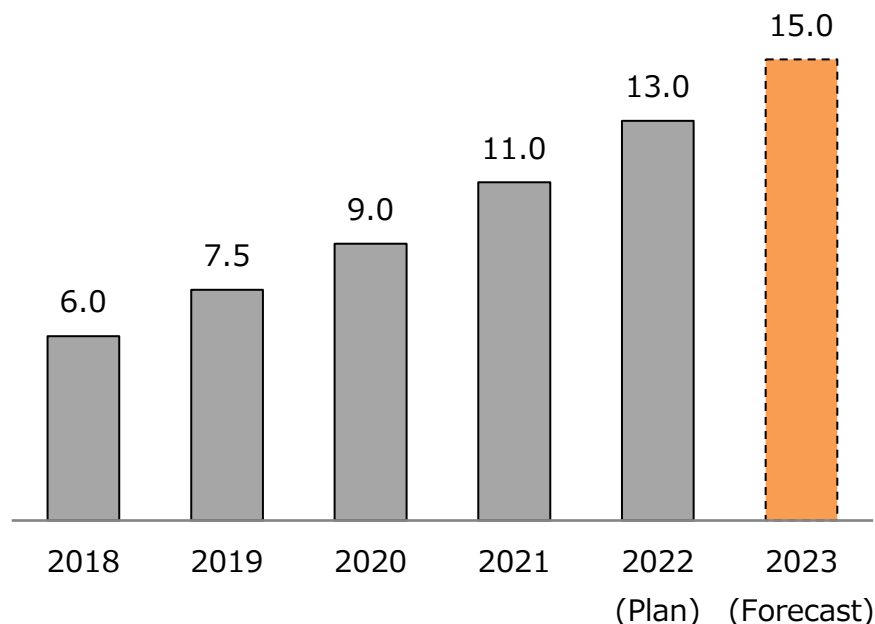
# Dividend Forecasts

AVANT

## Dividend forecast for the fiscal year ended June 30, 2022 is 13 yen per share

- The dividend per share for the fiscal year ended June 30, 2022 will be 13 yen, including the 25th anniversary commemorative dividend (1 yen), and the forecast for the fiscal year ending June 30, 2023 is 15 yen, as targeted in the mid-term management plan.
- DOE for the fiscal year ended June 30, 2022 is expected to be 5.0%, well above the TSE-listed company average (12 months) of 3.2%.

(yen/share)



(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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