

AVANT

AVANT Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending June 2019

January 31, 2019

Event Summary

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[Participants]	20	
[Number of Speakers]	2	
	Naoyoshi Kasuga	Director, Group CFO
	Tatsuru Nakayama	Head of Group Business Administration Office

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Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
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Presentation

Nakayama: Thank you very much for waiting. Thank you very much for coming here today. Now, we will commence the briefing sessions on the financial results for the second quarter of the fiscal year ending June 30, 2019, of AVANT CORPORATION.

I am Nakayama, Corporate Officer, Head of the Group Management and Control Office, and will serve as the moderator of today's briefing.

Now, let me introduce you the speaker for today. This is Mr. Kasuga, the Director and CFO of the Group, who is sitting on your right.

Kasuga: I am Kasuga. Thank you very much for coming today.

Nakayama: Today, Kasuga will provide an overview of the financial results for the second quarter and an explanation of the progress of the medium-term management plan. After the 30-minute explanation is completed, we would like to proceed by holding a question-and-answer session. We would appreciate your cooperation.

Then, Mr. Kasuga, please.

Kasuga: I am Kasuga, in charge of financial affairs at AVANT. Nice to see you today.

Under ordinary circumstances, the president and founder of the company should make an explanation, but today, we focus on the numbers. I am not able to do so on behalf of the president, but I would like to give you an explanation, so please bear with me for some time.

This is the second quarter, the first half of the fiscal year. What I will discuss today is, first, the actual results and the earnings forecast for the future. And finally, I would like to explain the progress of the Medium-Term Management Plan announced in September last year. I would like to explain this based on materials on your hand.

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～売上高の過去最高値を実現～

- すべての事業で順調に増収を実現。特に、ビジネス・インテリジェンス事業において大幅に伸長
- プロジェクト品質や生産性の向上に努めたことなどにより、3事業ともに売上に對する費用の比率を低減し、増益

(単位:百万円)

	2018年6月期	2019年6月期	前年同期比	
	第2四半期	第2四半期	増減額	増減率
売上高	5,689	6,933	+ 1,244	+ 21.9%
売上原価	3,381	3,701	+ 319	+ 9.5%
販管費	1,647	2,216	+ 569	+ 34.6%
営業利益	660	1,015	+ 355	+ 53.8%
営業利益率	11.6%	14.6%	-	+ 3.0 point
経常利益	663	1,014	+ 350	+ 52.7%
四半期純利益	431	641	+ 209	+ 48.4%

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We have announced our financial results today. It is surrounded by a red line here. As you can see, both sales and profits increased. Compared to the previous year, the sales growth rate is considerably higher, more than 20%, and the operating income growth rate is slightly less than 54%. This is the highest level in the first half of the fiscal year.

In general, we have three main business lines. Consolidated accounting-related business centered on DIVA CORPORATION (DIVA). The business intelligence business conducted by ZEAL CORPORATION (ZEAL). Then, the outsourcing business, centered on the consolidated accounting conducted by FIERTE CORPORATION (FIERTE), which was spun off last year. All three of these businesses have achieved increases in both sales and profits. In particular, as I will mention it later, business intelligence business domain is performing better than expected.

Concerning the improvement of project quality and productivity, as here mentioned we have had several problems with the quality of the project in the past, and at those stages we have experienced losses on orders, and the profitability of the project has declined. In response to this, each company, particularly DIVA and ZEAL, which have a system integration business, has established a quality control department to ensure quality. During the past year, each company has started to gradually produce results. Also due to the fact, that there have been no projects that generate significant losses at the present time, these results were achieved in the first half of the year.

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事業セグメント別

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(単位:百万円)

		2018年6月期	2019年6月期	前年同期比	
		第2四半期	第2四半期	増減額	増減率
Consolidated Accounting	売上高	3,335	4,008	+ 672	+ 20.2%
	営業利益	365	607	+ 241	+ 66.0%
	営業利益率	11.0%	15.1%	-	+ 4.2 point
Business Intelligence	売上高	1,899	2,430	+ 530	+ 28.0%
	営業利益	103	313	+ 209	+ 203.5%
	営業利益率	5.4%	12.9%	-	+ 7.5 point
Outsourcing	売上高	616	783	+ 166	+ 27.1%
	営業利益	123	202	+ 78	+ 63.6%
	営業利益率	20.0%	25.8%	-	+ 5.8 point

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Results by business segment are summarized here. As I mentioned earlier, both sales and profits increased at each company. Please see ZEAL (Business Intelligence), which generated the biggest performance. Net sales increased 28%, which is significantly higher than originally anticipated in the fiscal year under review.

I would like to make a few remarks. Because we have a lot of large-scale projects and we have also been able to help ourselves, profitability has been rising. But in addition, some large-scale projects are currently being undertaken. In this company, this has resulted in a large increase in sales.

The consolidated accounting-related business and the outsourcing business both achieved year-on-year growth of more than 20%. The business intelligence business, particularly ZEAL, has achieved very good results so far.

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～大型案件が継続的に売上貢献～

- 前連結会計年度に受注した大型案件が継続的に貢献し、売上高は大幅に増加
- 品質改善に努めた効果が現れ、不採算案件の発生を極めて僅少に限定できたことなどにより増益
- 累積導入実績1,000社を突破（連結会計ソフトウェア導入実績国内No.1）

(単位:百万円)

連結会計関連	2018年6月期	2019年6月期	前年同期比	
	第2四半期	第2四半期	増減額	増減率
売上高	3,335	4,008	+ 672	+ 20.2%
営業利益	365	607	+ 241	+ 66.0%
営業利益率	10.9%	15.1%	-	+4.2point
受注残高	1,876	1,927	+ 50	+ 2.7%

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In terms of each company, this is a factor behind this favorable performance. At DIVA, several large-scale projects have been undertaken since the previous fiscal year, and this has continued to contribute to sales. This is also contributing to profits, but we analyze that it was the large-scale projects, that led to a particularly large increase in sales.

At the same time, as for DIVA, in the past few years, we have incurred and recorded losses due to the losses on orders, basically because they did not meet the requirements of customers. However, we have established a department to guarantee the quality of our products, and at present no major unprofitable projects have been identified, which has led to an improvement in profitability.

In addition, as we announced in a press release just before, the cumulative number of users has exceeded 1,000 companies. After 21 years since our founding, we have finally surpassed the 1,000 mark.

We do not say that we should aim to get all listed companies. However, of the 3,600 companies, although the actual users have not reached this level, but for the time being on a cumulative basis, the number of companies has exceeded 1,000.

In addition to sales, we have also secured the order backlog as pipeline from such large-scale projects, while it has not yet grown significantly compared to the previous fiscal year.

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～大型案件を受注！～

- 複数の大型案件を受注できたことなどにより、売上高は増加
- 人員増加に伴う人件費、採用費及び新オフィスの開設などの費用は増加
- 収益性の高い元請け案件の比率を高めることにより収益性は大きく改善
- 契約形態の変換によって案件の請負に伴うリスクの低減と不採算案件の発生を抑え、高収益を実現

(単位:百万円)

ビジネス・インテリジェンス	2018年6月期	2019年6月期	前年同期比	
	第2四半期	第2四半期	増減額	増減率
売上高	1,899	2,430	+ 530	+ 28.0%
営業利益	103	313	+ 209	+ 203.5%
営業利益率	5.4%	12.9%	-	+7.5point
受注残高	791	958	+ 167	+ 21.1%

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In the business intelligence business, as I mentioned earlier, we received a large-scale order. I can't tell you specifically, but a few large-scale projects, especially this, generated very high gross profit or gross profit margin.

One reason was that ZEAL had been doing business with subcontractors. In the field of business intelligence, as you know, we handle products of vendors, such as IBM, Oracle, SAP and so on. IBM has a product called Cognos, for example. When introducing such products to customers, a large system integrator company will be responsible for this, and the companies are located below it.

We are still engaged in such businesses, but basically, we have been focusing our efforts over the past several years on directly working with vendors or turning them into direct contracts with customers.

As a result, in terms of value, for the first time, ZEAL has reversed the ratio of subcontracting and the direct contracts with end-users.

Now, we are handling directly with end users more than subcontracting. Because of more intermediaries, as you can imagine, we could achieve higher profit margin and therefore could improve profitability.

In terms not of profitability but of risk hedge, there is one more thing. Until now, in the form of contracts, we have assumed full responsibility for any discrepancies with respect to what we have contracted. If there are any defects, we have assumed responsibility for all, and we had completed the project at our own cost, and in some cases, in order to meet the requirements of our customers. However, we have changed this contract to a form of quasi-entrustment contract in which we do not bear the burden to that extent.

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In the future, it is unlikely that such projects will cause problems, so we have laid the groundwork in this regard as well.

As a result, we were able to win a large-scale project. In that sense, it may be good luck, but in terms of self-help efforts, we have increased the ratio of the project as a primary contractor, and consequently we could make a significant improvement. We have also made appropriate risk hedging through the conversion of the contract format, which has led to this improvement in profitability.

This is basically a system integrator, what we call Sler, as you know. I think that the average operating income ratio of Slers in Japan is about 5% to 6%. But as you can see, in the case of ZEAL, the average operating income for the current period is just under 13%, and it is about twice that of the average operating income ratio of Slers in Japan.

In terms of the pipeline, basically the large-scale project will not end immediately, and it will span several years. Therefore, so as for the pipeline, ZEAL has been able to improve the outlook to a certain extent in the future.

As for this business itself, as I will tell you later, basically it is a one-off business, and there is an issue of how to convert this one-off business into a stock business. In the case of ZEAL, such a large-scale project will continue at the present time, so we are now seeing a little in the future.

アウトソーシング事業

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～成長の著しさを継続！～

- 成長著しく、大幅な増収・増益
- 売上高のセグメント間取引消去の増加は、2018年10月よりアウトソーシング事業を分社化した際に、システムアウトソーシングについての取引形態を変更したこと、及び当社から新たに連結納税業務等のアウトソーシングを発注したこと起因

(単位:百万円)

アウトソーシング	2018年6月期	2019年6月期	前年同期比	
	第2四半期	第2四半期	増減額	増減率
売上高	616	783	+ 166	+ 27.1%
営業利益	123	202	+ 78	+ 63.6%
営業利益率	20.0%	25.8%	-	+5.8point
受注残高	524	650	+ 125	+ 24.0%

Next, regarding outsourcing, as I mentioned at the beginning, this is to provide customers with consolidated accounting services on their behalf, by using consolidated accounting system of the DIVA's business.

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Otherwise, some customers would like to outsource other operations, especially accounting and other back-office operations, such as consolidated tax payment operations, and in some cases treasury operations and cash management operations. We have been entrusted with such matters, and we will accept them from our customers if they need them.

In this business, it is about four years since the launch of this business, but it took a considerable amount of time before we could get a company as customer. After that, we have gradually built up this business, and in terms of the number of customers, it is probably about 90 companies, including spot contracts.

Basically, the current target is DIVA's existing users, so in that sense, it is still one-tenth of DIVA's existing users, or one-eighth of cumulative total of 1,000 companies. So even if only DIVA's users are occupied, there is still a potential market for DIVA's users.

In addition to DivaSystem, we have the capability to outsource services. Although some customers have stopped using DivaSystem services, we basically want to continue this outsourcing service, and we are offering one or two companies consolidated accounting using other software.

In this sense, although we have not been actively developing this business so far, it could be said that we have the potential to develop this business in the future, even if we leave the users of DIVA companies and DivaSystem.

When we hear about outsourcing, we generally have an impression that it is extremely labor-intensive and has low profit margins. When we held the Board of Directors meeting last week, we were asked questions from outside directors about it, but as we explained, the operating margin was 20% and 25%.

There are some labor-intensive areas, but one of the characteristics of our outsourcing business is that we use an intragroup software, namely the DivaSystem, as the backup for outsourcing. So, we can increase our profit margin to this point by using software.

At present, we are basically using our own software, so we can say that our profit margin is extremely high compared to the normal image of outsourcing.

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四半期推移

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■ グループ全体の四半期売上高は、30億円を5期連続超える売上を実現

(単位:百万円)

	2014年6月期				2015年6月期				2016年6月期				2017年6月期				2018年6月期				2019年6月期			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
売上高	1,869	2,082	2,281	2,067	1,944	2,250	2,237	2,496	2,175	2,389	2,420	2,627	2,272	2,685	2,756	2,817	2,544	3,144	3,095	3,326	3,180	3,752		
売上原価	1,060	1,161	1,221	1,136	1,183	1,205	1,289	1,455	1,233	1,341	1,454	1,423	1,288	1,444	1,490	1,610	1,514	1,866	1,720	1,845	1,772	1,929		
売上総利益	808	920	1,059	931	761	1,044	948	1,041	941	1,047	966	1,204	984	1,241	1,265	1,206	1,029	1,277	1,374	1,481	1,408	1,823		
販売費・一般管理費	639	734	585	672	628	776	732	852	744	822	698	784	703	930	847	910	781	865	898	986	1,027	1,188		
営業利益	168	185	474	258	132	268	216	188	197	224	268	419	280	310	418	296	247	412	476	494	380	634		
営業利益率(%)	9.0	8.9	20.8	12.5	6.8	11.9	9.7	7.5	9.1	9.4	11.1	16.0	12.4	11.6	15.2	10.5	9.7	13.1	15.4	14.9	12.0	16.9		
経常利益	166	183	472	256	130	265	213	185	196	222	268	425	280	315	416	296	248	415	472	495	380	633		
四半期純利益	100	84	224	214	84	168	123	25	130	118	118	293	183	-0	250	230	162	269	311	318	237	403		
償却前利益 EBITDA	217	235	527	314	196	324	276	246	251	283	328	483	341	370	481	359	300	436	504	524	417	673		
償却前利益率(%)	11.6	11.3	23.1	15.2	10.1	14.4	12.3	9.9	11.5	11.9	13.6	18.4	15.0	12.7	17.5	12.7	11.8	13.9	16.3	15.8	13.1	17.9		

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This is a quarterly trend. This is a bit more detailed, but as you can see, the second quarter has reached a record high even for a single quarter.

In terms of profitability, it has reached 16.9%, a record high. As I mentioned earlier, there have been no unprofitable projects, and the sales of each company have grown steadily, and we have been blessed with large-scale projects. As a result, we have reached a record-high level for the quarter.

This is a graph showing the current situation, and I will skip it, not to be repeated.

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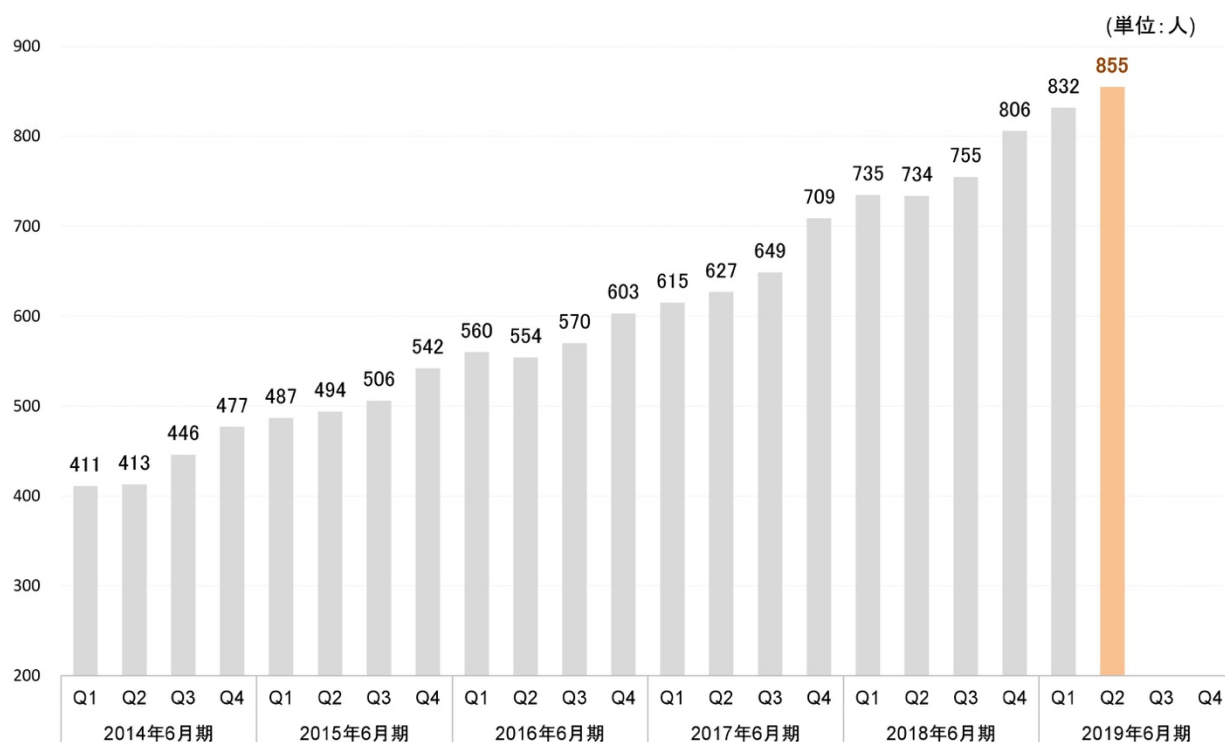
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連結グループ従業員数の推移

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In terms of employees, we are increasing the number very much. In all our businesses, particularly in the SI business of ZEAL, recruitment of human resources is now a major challenge. If we can hire more people, we can assign more jobs.

As the project becomes larger, DIVA will also have to hire more people to engage in it, and recruitment will be an issue. FIERTE is also basically outsourcing and labor-intensive. In this sense, each company faces the issue of having to hire such people.

However, in addition to steadily increasing the number of employees, we regularly recruit new graduates, and this number has increased by about 10 every year. Today, the number of new graduates hired is around 40 per year.

So, instead of the 40 people, there is not that much increase. I think, of course, that some companies are going to pull out. In that sense, we think, how to recruit new people while retaining excellent human resources is an issue in the recruitment of human resources. I think this is a problem that each company is currently facing, especially in the IT industry.

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財務・キャッシュフローの状況

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財務状況

資産 87億円	負債 35億円
	純資産 52億円

自己資本比率の推移



キャッシュフロー	2018年 6月期 第2四半期	2019年 6月期 第2四半期
(単位: 百万円)		
営業CF	△202	△219
投資CF	△157	△86
財務CF	△182	△229
フリーCF	△360	△306

主な増減の要因

・税金等調整前四半期純利益	1,014百万円
・売上債権の増加	△423百万円
・前受収益の減少	△254百万円
・たな卸資産の増加	△103百万円
・減価償却費	76百万円
・法人税等の支払額	△512百万円
・保証金の差入	△56百万円
・有形固定資産の取得による支出	△45百万円
・配当金の支払額	△225百万円
・支払手数料の支出	△1百万円

Concerning financial cash flow. The cash flow is slightly negative, as you can see, because bonuses are paid, taxes are paid, etc. by this quarter, but I am not very concerned about it.

Basically, cash accumulates at the end of the period. As we have already received comments from investors before, cash balances are not shown in the figures, but we currently have about 4 billion cash out of our 8.7 billion assets.

Since we have a large cash balance, we want to invest it in the future. However, we are not always able to say it. When we look at the two- or three-year span, we must consider that we need to conduct investment activities or return it to our shareholders, etc., but at this point, we intend to maintain cash for future investment.

The equity ratio has reached 60%, and we have already repaid the debt. It means, the current situation is that the equity ratio is at 60% in a debt-free state.

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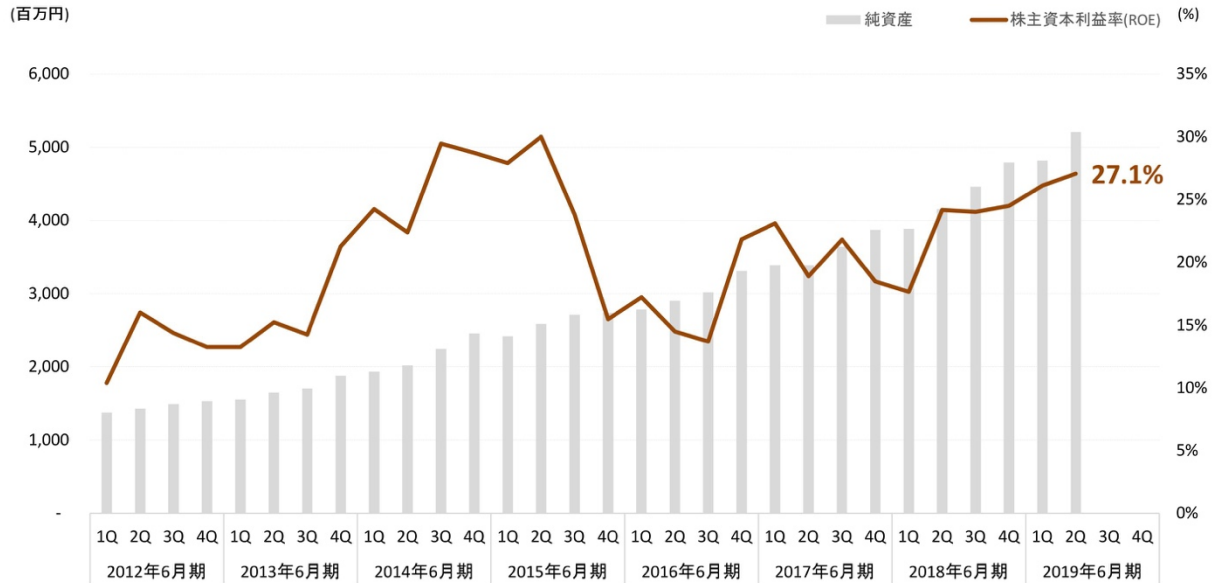
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ROEの推移

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～中長期的に、平均20%以上の維持が目標～

- 当社グループの経営原則を遵守し、収益性をさらに高め、かつ、資産をより効率的に運用することを通じて、ROEの向上を目指す



※過去4四半期分の数値を基に計算しています。

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Calculated using the Trailing Twelve Months, return on equity (ROE) is 27% for the last four quarters. Calculated using the figures in the past 12 months, ROE has been estimated at 27.1%. Our basic goal is to raise this ratio to 20% or higher. As for the current target, we are currently maintaining it.

This was an overview of the first half of the fiscal year under review. We will move on to the full-year earnings forecast for the future.

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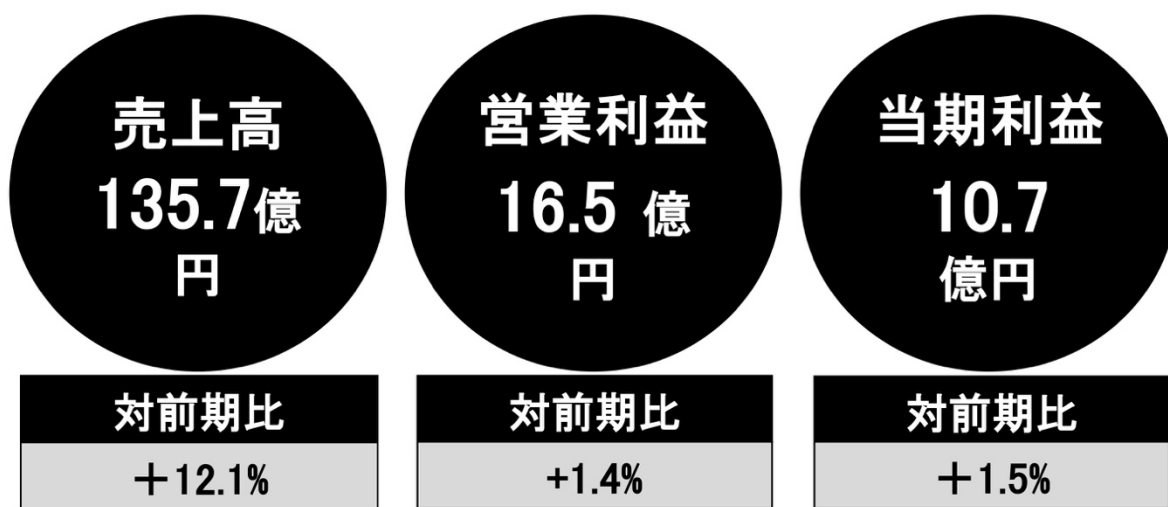
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2019年6月期 通期業績予想

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- ～「営業利益・当期利益共に以下の諸事項を勘案して前期から微増と予想」に変更なし～
- 将来の製品力強化に直結する大型かつ難易度の高い案件に取り組むことによる一時的な収益性低下の可能性
 - ビジネスモデルの転換を図る目的の研究開発や、新事業の創出および育成など、将来の成長を支え企業価値向上に貢献する活動への投資を積極的に実行



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We have not changed our forecast, which we disclosed in August of last year. The reason for this is that large-scale projects will be extremely difficult in the future, particularly in the third and fourth quarters, and we expect their profitability to decline slightly.

As this project is being developed, I believe that the cost will increase somewhat in the second half of the year. This reflects the fact that we are forecasting that profitability will decline when we consider the situation around it. That's not going to make a lot of money.

On the other hand, as described below, we especially need to hire people at this moment for the future. In our case, R&D does not mean where to buy something actually, and software is basically made by people, so we now have a management budget for the cost of hiring talented people.

At present, we have not been able to fully absorb these factors, but if we do not implement them in the second half of the year, we will not be able to continue our business in the next fiscal year or beyond. As mentioned here, we will create new businesses, and in order to that, we need to hire people who have experience in creating new businesses. That is what we intend to do in the second half of the year.

Therefore, at this stage, I do not think we can change our expectations. And I would like to say that we will not change our forecast at this point in time.

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Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

 **SCRIPTS**
Asia's Meetings, Globally

2019年6月期 配当予想

AVANT

～配当金額を安定的に維持、ないし向上していくことを指向～

■ 1株当たり15円の配当予想に変更なし



＜AVANT株主還元の方針＞

- 配当は株主還元政策の重要事項の位置づけ
- 純資産配当率などの指標に注目することで、毎期の業績に大きく左右されることなく、配当金額を安定的に維持ないしは向上していくことを指向
- 純資産配当率はその値を徐々に引き上げ、東証全上場企業の平均値を常時上回ることを目指す

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In this sense, we have not changed the dividend from our initial forecast. At 15 yen per share, the dividend forecast has not been significantly changed, since the forecast has not been changed at the present time, although it would be possible to change it in some cases, when the final point has come to light.

I would like to conclude my explanation with remarks on progress of the medium-term management plan.

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 Asia's Meetings, Globally

～ 2023年へ向けた経営目標の進捗 ～
 ■ ストック売上比率70%を達成できるようなビジネスモデル転換を志向

	2018年 6月期	2019年第2四半期 実績 期末予想	2023年 目標
売上高	121億円	135億円	180-220億円
ストック売上比率	33%	31%	70%
営業利益	16.3億円	16.5億円	31-38億円
売上成長率+ 営業利益率	28.5pt	24.2pt	40pt以上
ROE	24.5%	27.1%	20%以上
配当	12円	15円	30円以上

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As you can see here, we have not changed the forecasts of sales and operating income, so we apply them as they are. It's simple.

We have been saying in the 10-year plan that ROE should be at least 20%. As a new indicator, we added the ratio of stock to total sales. Specifically, the term "stock sales" refers to, for example, DivaSystem maintenance fees. Since DIVA's maintenance fee and FIERTE's sales are mostly stock sales, we recognize them as stock sales in the context of continuous contracts, so we are giving this figure to show the ratio of this to total sales.

The stock sales ratio will decline from 33% to 31% at the end of the fiscal year, according to the current forecast. The reason for this is that, as I mentioned earlier, since the large part of ZEAL's business is currently a one-off business, increasing its sales will lead to a relatively lower stock sales ratio.

In addition, DIVA has also large-scale projects and its licenses have the big appeal. However, after the license, its business in the introduction consulting services is basically a one-off business, and the volume of this is increasing.

The relative ratio of maintenance fees will be slightly smaller, and it is basically a factor that reduces the stock sales ratio. If the situation is unchanged until the end of the fiscal year, the stock sales ratio will once decline. However, the absolute amount of stock sales has not declined. In terms of the absolute amount of sales, the level of sales from maintenance fees at DIVA, for example, and sales of outsourcing services at FIERTE, are increasing, so it means that one-off sales are increasing even more.

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Of course, compared to the target value for five years from now, it is still not yet reached. In that sense, the issue is significant. However, I understand as above, concerning the fact that the stock sales ratio will once decline.

Another goal we have set for the current fiscal year is to achieve a combined sales growth rate and operating income margin of around 40%. When our president went to the United States, he was particularly impressed by the fact that companies providing software services, which are said to be SaaS in the software industry, were mainly using it as an indicator. And the healthy indicator is probably about 40 points. We are going to be in line with this goal.

We applied this to all the companies listed on the Tokyo Stock Exchange. The results were various, including a few abnormal values. We removed the abnormal values in case of M&As or others and looked at the values of all companies listed on the Tokyo Stock Exchange. In fact, companies that achieve 40% or more in sales growth rate plus operating profit margin are in the top 5%.

Only about 5% of companies meet this target, and many of them are excellent companies looking at their names. They are companies that are growing rapidly, too. We also have to aim at that level in order to join these companies. Currently, the rate is still in the 20% range, so we are still only halfway. So, of course, we need to raise this level.

Regarding other indicators, although sales have not yet to reach that level, we are confident that we will be able to reach the target, if we can stay in this organic level. Of course, there will be ups and downs.

As the operating profit is still about half, we must take measures here.

ROE is 27%, and it's alright at the moment, but I think this may decline once.

In a sense, dividends can be a number that we can move at our discretion, but we cannot do an irrational thing.

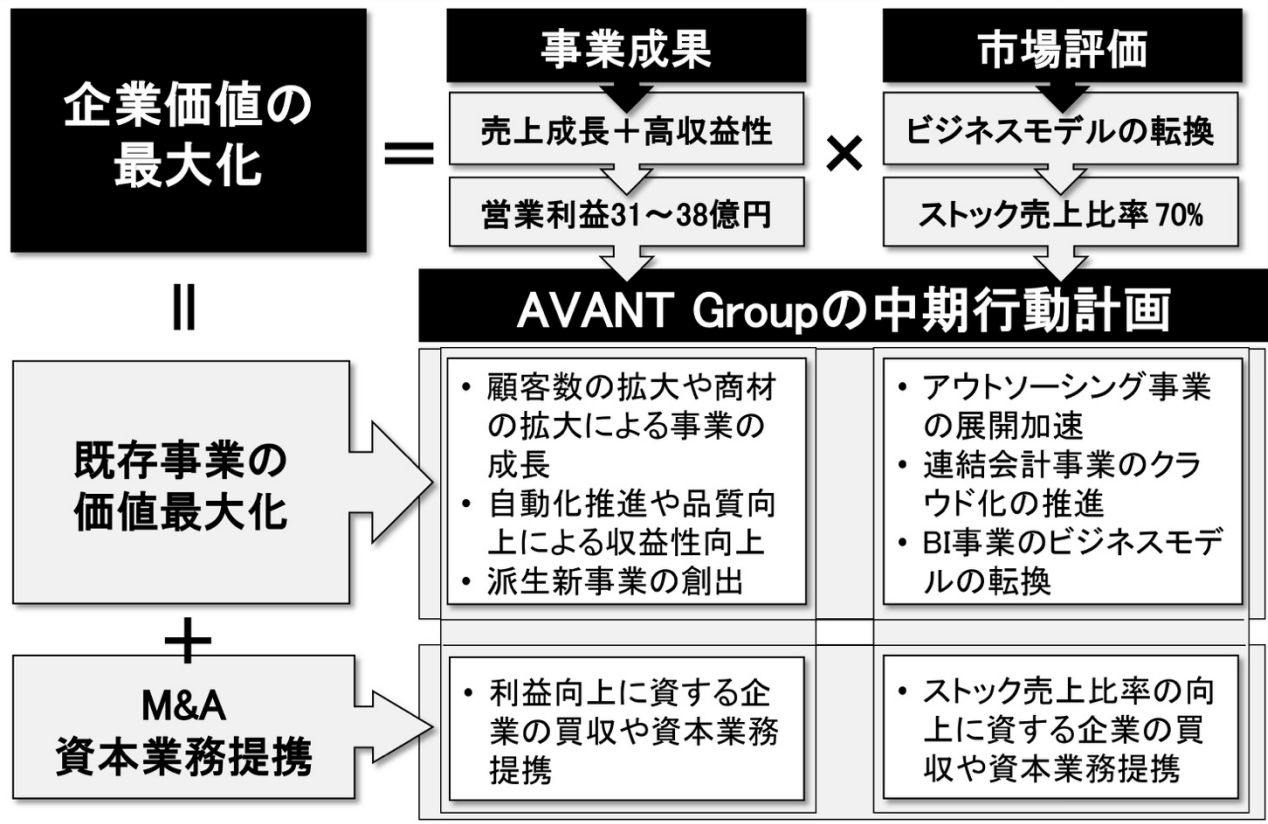
Regarding the dividend-on-net-asset ratio, 30 yen or more is the initial announcement, and I would like to raise it. Furthermore, we intend to gradually raise the dividend payout ratio while raising the dividend-on-net-asset ratio. In order to that, we have set a target of the dividend payout ratio of 30 yen or more and will raise it slightly every year to reach this target. We intend to raise the dividend payout ratio from 15 yen of this period to 30 yen ultimately. However, as I mentioned earlier, this is a controllable number, so at this stage we are not concerned about achieving this.

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We have described here about how we can achieve our Mid-term Plan. This is the point, about which, I thought, we may be asked most. We divided it into two categories based on business results and market evaluation. In particular, the increase in the stock sales ratio by 70% is not an extension of the current business. In that sense, it is impossible to achieve this figure unless we make a major change in the business model in the future.

In that sense, we described below, what we should do. As for the existing businesses, the stock sales ratio should rise as a whole, if the volume of outsourced business increases further.

The consolidated accounting business is now centered on on-premises services. This is the installation of so-called software at the customer servers. However, in terms of promoting the cloud system for the consolidated accounting business, in particular the management accounting business, it can be converted into a cloud system. Of course, we can also use conventional systems, but we are trying to change our revenue structure by shifting our business for new customers particularly by promoting the use of cloud services, while at the same time preventing erosion of services for existing customers.

I think a major change in the business model is necessary for the BI business. As I have mentioned several times, this is in the SI business and one-off, and how to convert it into a stock is a major issue that this business is facing. Although it is not specific yet, ZEAL has several plans. We have not yet formulated them specifically, but as far as I have just heard about this plan, it is possible to realize it.

Although the 70% level may not be achieved by ZEAL CORPORATION alone, there is a possibility that this mix will approach 70. The situation is that the possibility is becoming visible.

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While we will approach 70%, we will not be able to accomplish this. But we believe that M&A will make up for it. M&A means basically capital and business alliances, and we will purchase companies with a high ratio of stock sales.

In addition, with regard to the indicators of sales growth and profitability, as here mentioned, how to achieve these goals is to increase the number of customers through existing businesses and increase the number of customers in order to contribute to sales, as well as to increase the service menu that we provide to our customers.

At the same time, in terms of cost cutting, for example, in the outsourcing business, how can we proceed with automation and replace it with a labor-intensive one? This initiative has already begun in the outsourcing business. We have not yet realized this, but we have accumulated know-how in our outsourcing business while doing business with our customers. Discussing that we can automate this part, and we already have products that can be automated, RPA, which we basically used without developing ourselves. At the same time, since those products are not probably in the market, we are planning to make them, and we are currently working on the areas where we produce them. Therefore, we have some internal targets, and we have target point to which we raise productivity and profitability until a specific year. Toward this target, we are currently working on the outsourcing business.

In terms of existing businesses, we are going to acquire companies that will contribute to higher profits. However, it is difficult to find acquisition targets while doing business. Therefore, we recognize that it is the role of the holding company, AVANT, to increase the ratio of stock sales. Business companies will focus on maximizing the existing businesses. On the other hand, AVANT is taking action to make up for the gap toward the achievement of the five-year plan.

This is the document we have distributed to you today, and I'll finish my explanation here. Excuse me, I have taken more time than necessary. If you have any questions, I would like to answer.

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Question & Answer

Nakayama: Now, I'm going to have a question and answer session. If you have any questions, the person in charge will bring you a microphone. Please give us your company name and your name first. Then, please let me know with your show of hands.

I'm afraid, so I'd like to be asked if you have any questions. Do you have any question?

If you have any questions, I would like to answer them individually later.

Then, AVANT CORPORATION will conclude its financial results briefing for the first half of the fiscal year ending June 30, 2019. Thank you very much for attending today.

Kasuga: Thank you very much.

Nakayama: If you are interested, we would like to give you a brief guide to the office. It's not so interesting as a factory tour, but if you're interested, a person in charge would lead the way, so please address us.

In addition, you have a questionnaire on hand, so I would like to ask you to answer it.

Again, thank you very much for coming today.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked as follows: [Inaudible].
2. This document has been translated by SCRIPTS Asia

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