

AVANT

# Financial Results Briefing

## for Fiscal Year

### ended June 30, 2021

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*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)

August 6, 2021

- I . Summary of financial results  
for the fiscal year ended June 30, June 2021
- II . Earnings and Dividend Forecast

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

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# **I. Summary of financial results for the fiscal year ended June 30, 2021**

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# Results Highlights

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## Increased sales and profits for the sixth consecutive year, and dividend forecast revised upward

- All segments achieved sales growth in the three months of the fourth quarter. Orders received and order backlogs were also positive in all segments, resulting in double-digit growth overall.
- Both profit margin and profit amount improved significantly due to the effects of cost reduction measures implemented since the third quarter of the previous fiscal year.

(millions of yen)

	FY20/06	FY21/06	Year-on-Year	
			Variance	%CHG
Net Sales	15,691	16,236	+ 544	+ 3.5%
Cost of Revenue	8,525	8,572	+ 46	+ 0.5%
SG&A expenses	4,887	4,867	△ 19	△ 0.4%
Operating Income	2,278	2,796	+ 517	+ 22.7%
OP Margin	14.5%	17.2%	-	+ 2.7 point
Ordinary Income	2,282	2,808	+ 526	+ 23.1%
Net Income	1,537	1,888	+ 351	+ 22.8%
EBITDA	2,506	3,038	+ 532	+ 21.2%

# Results by Business Segment

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## Sales increased in all segments

- Sales in the Consolidated Accounting Related Business decreased for the full year but increased in the three months of the fourth quarter. The Business Intelligence and Outsourcing businesses posted higher profits, as higher revenue offset higher fixed costs and performance-linked compensation.

(millions of yen)

		FY20/06	FY21/06	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Net Sales	8,485	8,160	△ 324	△ 3.8%
	Operating Income	1,616	1,935	+ 318	+ 19.7%
	OP Margin	19.1%	23.7%	-	+ 4.7 point
Business Intelligence	Net Sales	5,767	6,250	+ 482	+ 8.4%
	Operating Income	692	811	+ 119	+ 17.2%
	OP Margin	12.0%	13.0%	-	+ 1.0 point
Outsourcing	Net Sales	2,062	2,479	+ 417	+ 20.2%
	Operating Income	364	523	+ 159	+ 43.7%
	OP Margin	17.7%	21.1%	-	+ 3.4 point

## Return to growth trend

- Sales declined for the full year but rose in the three months of the fourth quarter. Cloud software and service usage fees increased by 30%, driving the increase in recurring sales. Order backlog also improved significantly.
- The operating profit margin improved significantly by 4.7 percentage points YoY due to the increase in the ratio of in-house production in the first half of the fiscal year ahead of the recovery in sales, and cost reduction efforts such as telecommuting to reduce commuting, utilities, and office-related expenses throughout the fiscal year.

(millions of yen)

	FY20/06	FY21/06	Year-on-Year	
			Variance	%CHG
Net Sales	8,485	8,160	△ 324	△ 3.8%
Operating income	1,616	1,935	+ 318	+ 19.7%
OP Margin	19.1%	23.7%		+4.7point
New Orders	8,313	8,510	+ 197	+ 2.4%
Outstanding Orders	1,999	2,349	+ 349	+ 17.5%

## Higher sales led to improved profit margin

- In addition to BI solution implementation projects, orders for data platform construction projects increased, accelerating sales growth by approximately 18% YoY in the three months of the fourth quarter. Both orders and order backlog continued to grow at a high level.
- Double-digit profit growth was achieved by offsetting the increase in expenses due to the increase in office space and the posting of performance-linked compensation due to the effect of increased revenue and improved mix of contracts.

(millions of yen)

	FY20/06	FY21/06	Year-on-Year	
			Variance	%CHG
Net Sales	5,767	6,250	+ 482	+ 8.4%
Operating income	692	811	+ 119	+ 17.2%
OP Margin	12.0%	13.0%		+1.0point
New Orders	5,417	6,639	+ 1,222	+ 22.6%
Outstanding Orders	854	1,244	+ 389	+ 45.6%

## High level of growth continued

- Sales continue to increase at a stable rate of 20%. New contracts are increasing, accelerating the growth of orders and order backlog.
- The operating margin will decline in the second half of the fiscal year due to an increase in the number of employees and the posting of performance-linked compensation, but this will be offset by the effect of higher sales for the full year, and the profit margin will improve by 3.4 points year-on-year. Operating income increased by 40% year on year.

(millions of yen)

	FY20/06	FY21/06	Year-on-Year	
			Variance	%CHG
Net Sales	2,062	2,479	+ 417	+ 20.2%
Operating income	364	523	+ 159	+ 43.7%
OP Margin	17.7%	21.1%		+3.4point
New Orders	2,160	2,987	+ 826	+ 38.3%
Outstanding Orders	950	1,457	+ 507	+ 53.4%



# Selected Quarterly Financial Data

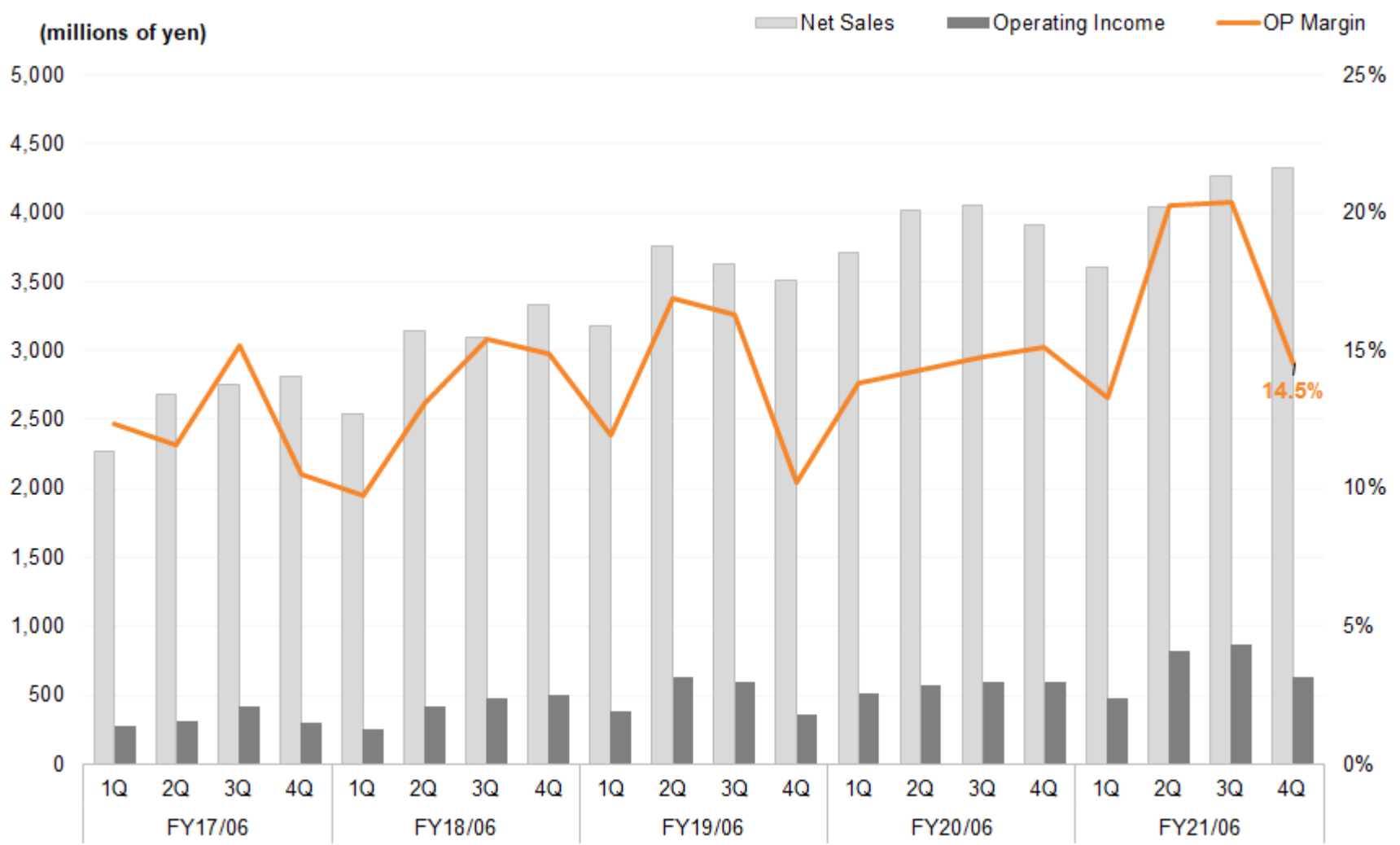
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- The decline in the profit margin in the fourth quarter is in line with the seasonality in which performance-linked compensation is recorded.

(Millions of Yen)

	FY17/06				FY18/06				FY19/06				FY20/06				FY21/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net Sales</b>	2,272	2,685	2,756	2,817	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
<b>Cost of Revenue</b>	1,288	1,444	1,490	1,610	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
<b>Gross Profit</b>	984	1,241	1,265	1,206	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
<b>SG&amp;A expenses</b>	703	930	847	910	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
<b>Operating Income</b>	280	310	418	296	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	629
<b>OP Margin</b>	12.4	11.6	15.2	10.5	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
<b>Ordinary Income</b>	280	315	416	296	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	622
<b>Net Income</b>	183	-0	250	230	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	517
<b>EBITDA</b>	341	370	481	359	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	695
<b>EBITDA Margin (%)</b>	15.0	13.8	17.5	12.8	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

# Quarterly Trends in Major KPIs



# Selected Quarterly Segment Data

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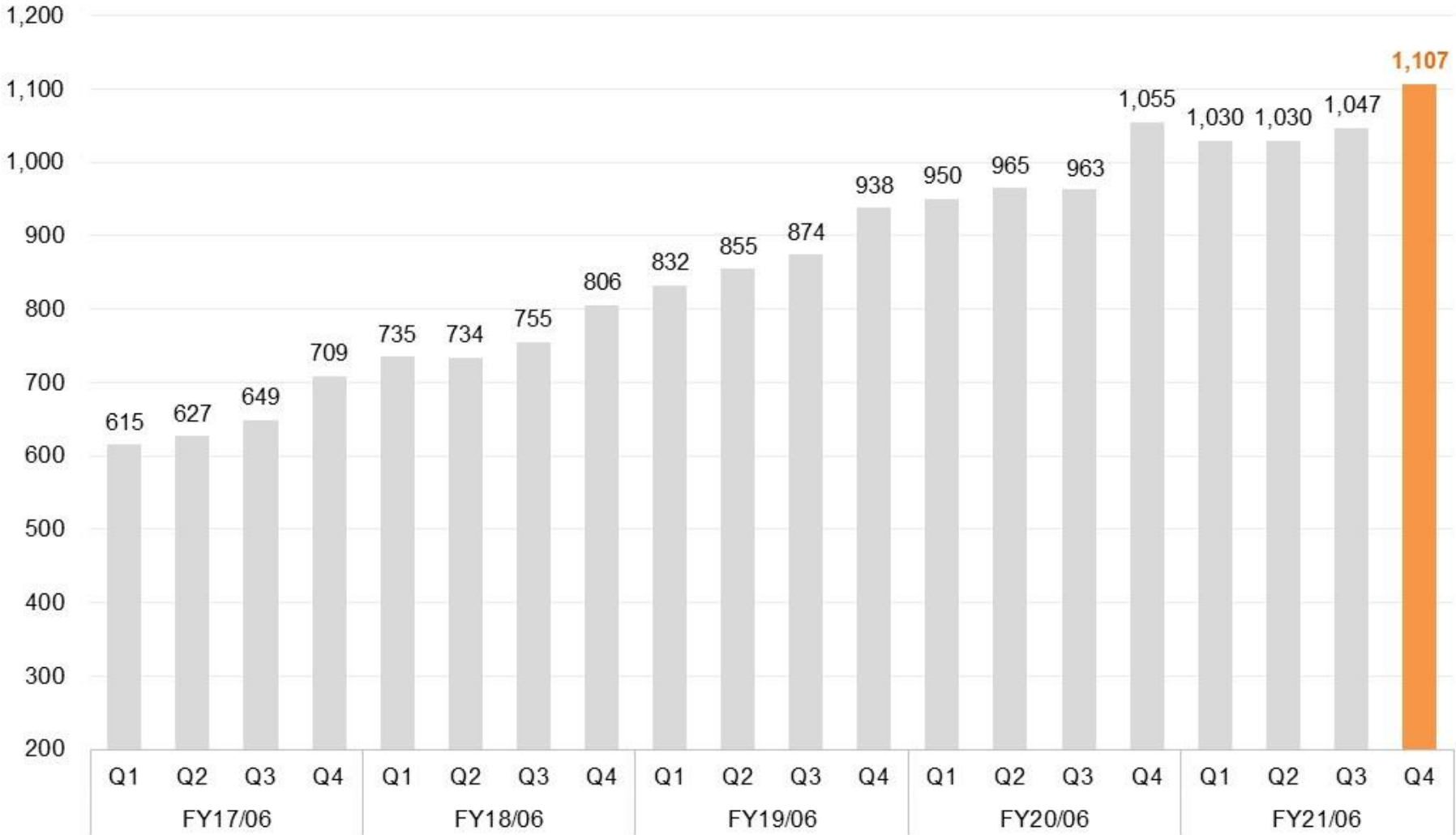
(millions of yen)

		FY June 2018				FY June 2019				FY June 2020				FY June 2021			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
New Orders	Consolidated Accounting	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
	Business Intelligence	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
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586	765	983
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161
	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
Orders Outstanding	Consolidated Accounting	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
	Business Intelligence	762	791	895	929	1,004	958	1,044	1,204	1,340	1,245	926	854	850	1,438	1,354	1,244
	Outsourcing	515	524	474	675	734	650	597	852	948	928	891	950	1,031	1,008	1,112	1,457
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290
	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
Net Sales	Consolidated Accounting	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
	Business Intelligence	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
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609	662	637
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171
	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
Operating Income	Consolidated Accounting	145	220	265	398	244	362	346	339	330	379	378	528	323	520	530	561
	Business Intelligence	21	81	122	98	102	210	233	89	180	171	209	130	115	226	319	150
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165	165	62
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	862	637

# Total Number of Group Employees

AVANT

(person)



# Financial Condition & Cash Flows

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## Financial Status

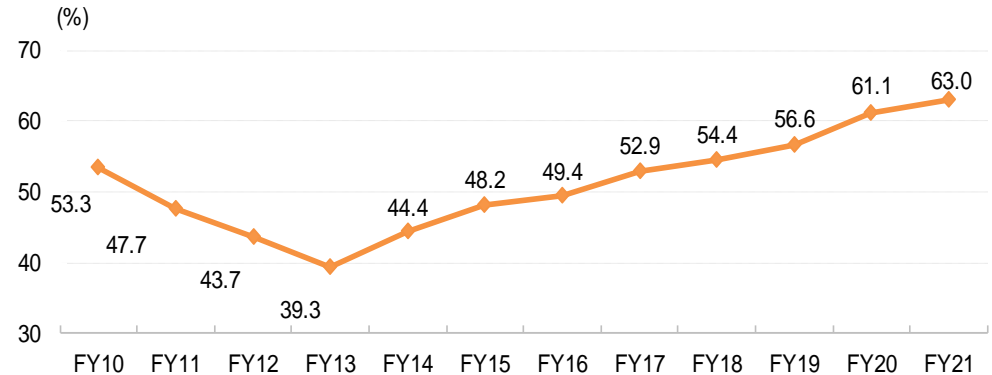
Jun 2021

**Total Assets**  
13.9  
billion yen

**Total Liabilities**  
5.1  
billion yen

**Net Assets**  
8.7  
billion yen

## Equity Ratios



## Key Factors for change

(millions of yen)

• Income before income taxes and minority interests	2,808
• Depreciation expense	254
• Increase in account receivable	(242)
• Increase in deferred revenue	203
• Decrease in accrued expencies and others	(83)
• Increase in provision for bonuses	57
• Income taxes paid	(650)

• Purchase of intangible assets	(429)
• Purchase of shares of subsidiaries and associates	(269)

• Payment of shareholder dividends	(338)
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## Cash Flows

(millions of yen)

**Operating CF**

**1,890**

**2,561**

**Investment CF**

**(420)**

**(789)**

**Free CF**

**1,470**

**1,771**

**Financial CF**

**(294)**

**(359)**

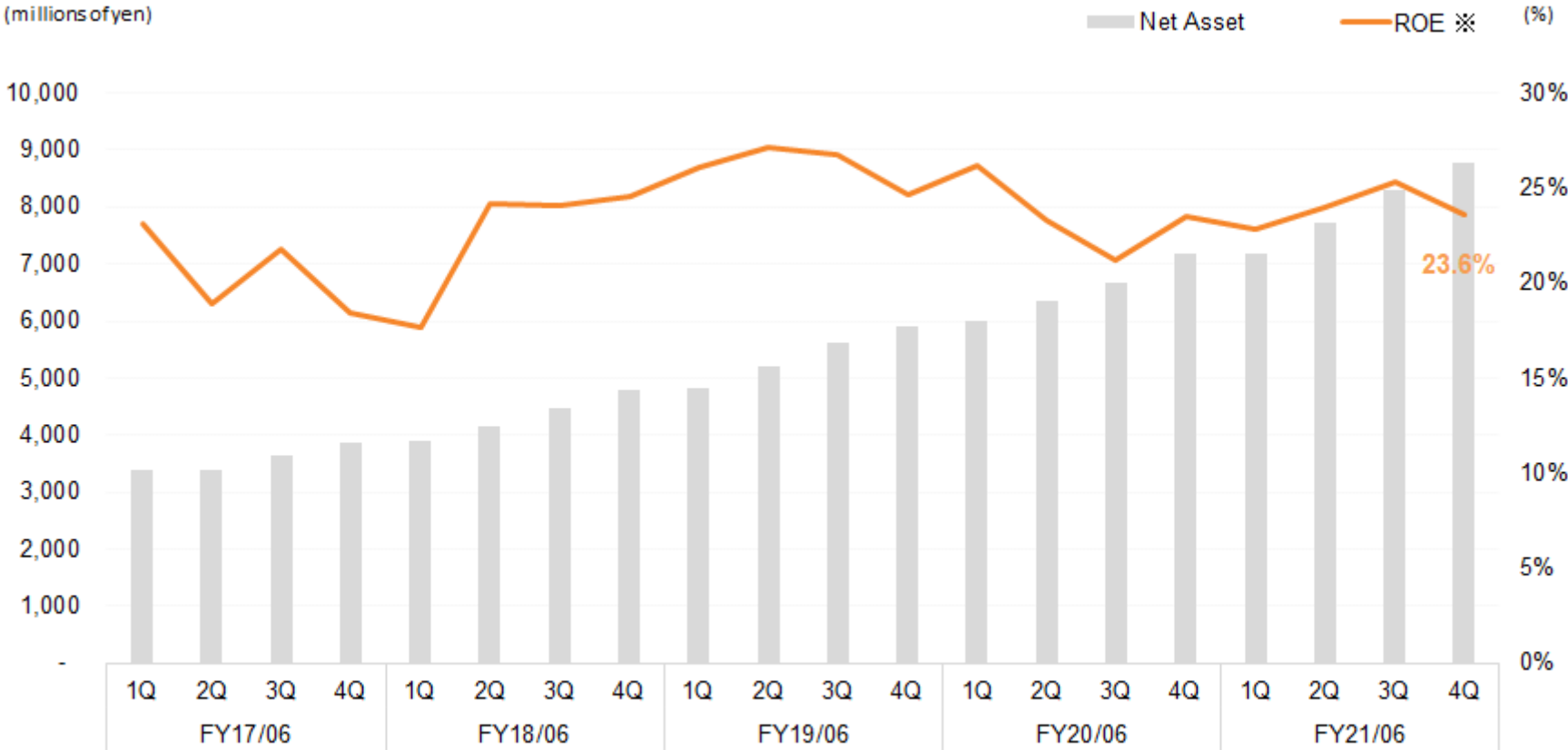
**FY20/06**

**FY21/06**

# 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, 2022

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## Expecting sales and profits to increase for the seventh consecutive year

- 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.

(millions of yen)

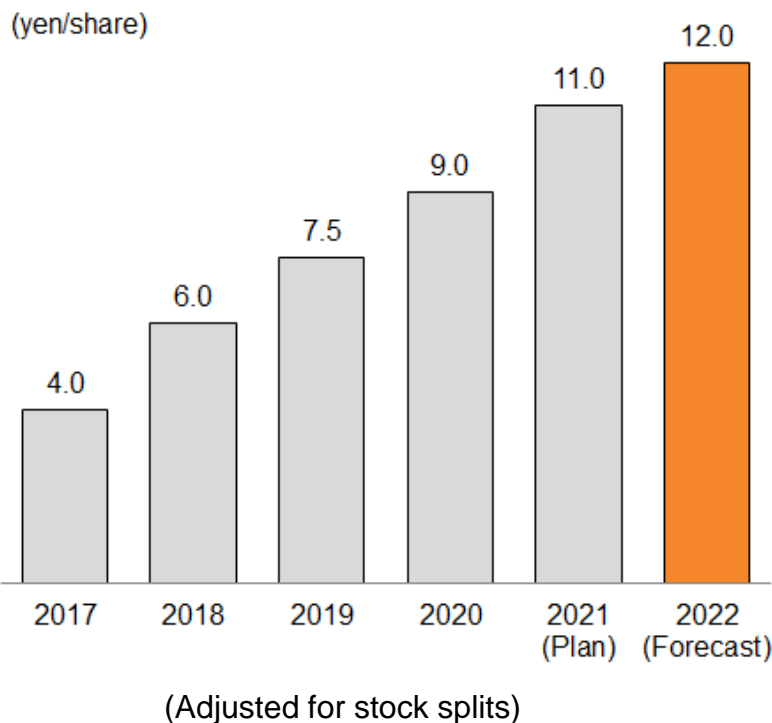
	2021 June (Actual)	2022 June (Current Forecast)	Variance	% CHG
Net Sales	16,236	17,820	—	—
Operating Income	2,796	2,860	—	—
OP Margin	17.2%	16.0%	—	—
Net Income	1,888	1,905	—	—

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.



## For fiscal year ending June 2022 we make 12 yen per share dividends forecast

- The dividend forecast for the fiscal year ending June 30, 2021 has been raised from 10 yen to 11 yen, an increase of 1 yen, in consideration of better-than-expected full-year results. In line with the policy of maintaining stable dividends for the fiscal year ending June 30, 2022, the dividend is expected to increase for the seventh consecutive year.
- DOE for the fiscal year ending June 30, 2021 is expected to be 5.2%, much higher than the average (12-month) DOE of 2.7% for companies listed on the Tokyo Stock Exchange.



### <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
- DoE ratios for AVANT should improve over time and always exceed average of all listed companies of Tokyo Stock Exchange

# AVANT switch to renewable energy for all electricity

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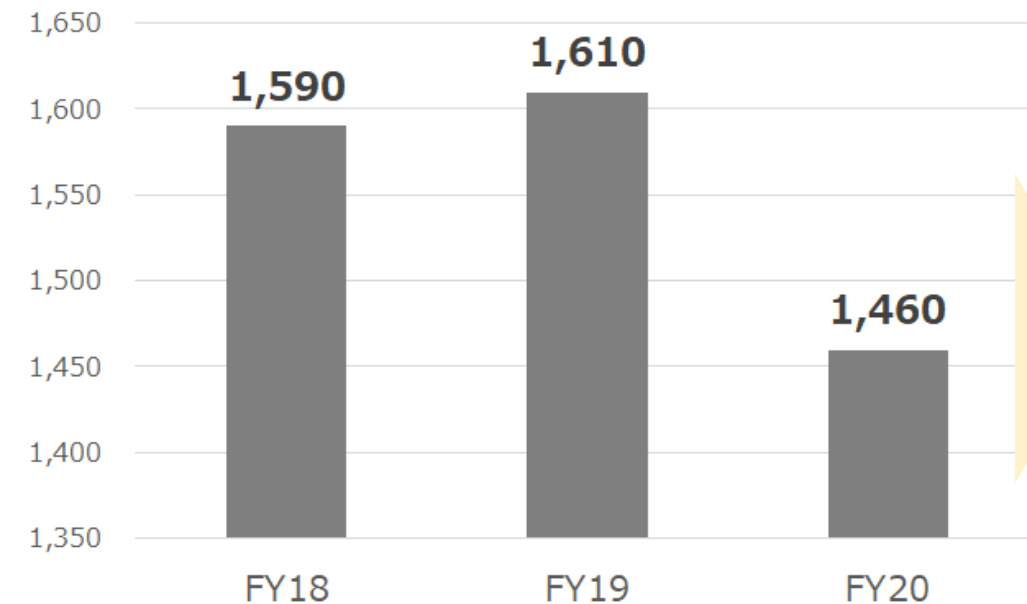
- Avant purchased Green Power Certificates issued by Japan Renewable Energy Co., Ltd. and switched to renewable energy for all electricity used by the five group companies from July 1, 2021.
- This is expected to reduce carbon dioxide emissions by approximately 660 tons-CO<sub>2</sub> (equivalent to the annual emissions of approximately 242 households\*) for the approximately 1,500 MWh of electricity used annually by the Avant Group (actual results for the fiscal year ended June 30, 2020).

\* Calculated from household sector CO<sub>2</sub> emissions in FY2049.



Japan Natural Energy Company Limited's mark certifying the use of green electricity

(MWh) **AVANT Group Annual Electricity Consumption**



**AVANT has achieved carbon offsetting for 1,500 MWh per year.**

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