

Financial Results Briefing

for the second 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)

January 31, 2022

I . Summary of financial results for the second 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 second 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

AVANT

Return to growth momentum

- Double-digit growth in sales in all segments on a non-consolidated basis in the second quarter as the rate of growth expanded.
- Operating income increased due to higher sales, which offset upfront investments to create synergies in the holding company and higher costs associated with an increase in the number of employees, but net income decreased due to the posting of equity method losses.

(millions of yen)

	FY21/06 Q2<YtD>	FY22/06 Q2<YtD>	FY22/06 Q2<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	7,637	8,751	8,728	+ 1,090	+ 14.3%
Cost of Revenue	4,111	4,603	4,706	+ 595	+ 14.5%
SG&A expenses	2,230	2,666	2,666	+ 435	+ 19.5%
Operating Income	1,296	1,482	1,355	+ 59	+ 4.6%
OP Margin	17.0%	16.9%	15.5%	-	1.4 point
Ordinary Income	1,305	1,437	1,310	+ 4	+ 0.4%
Net Income	824	865	783	40	5.0%
EBITDA	1,417	1,616	1,489	+ 72	+ 5.1%

Results by Business Segment

AVANT

Digital Transformation Business Drives Recovery

- Sales in Digital Transformation Business accelerated and profit margins improved significantly. The Group Governance business saw a year-on-year decline in cumulative profits, but recovered to double-digit growth in sales and profits on a quarterly basis.

(millions of yen)

		FY21/06 Q2<YtD>	FY22/06 Q2<YtD>	FY22/06 Q2<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
					Variance	%CHG
Group Governance	Net Sales	3,897	4,279	4,093	+ 196	+ 5.0%
	Operating Income	843	885	779	64	7.6%
	OP Margin	21.7%	20.7%	19.0%	-	2.6 point
Digital Transformation	Net Sales	2,878	3,370	3,534	+ 655	+ 22.8%
	Operating Income	341	552	531	+ 190	+ 55.6%
	OP Margin	11.9%	16.4%	15.1%	-	+ 3.2 point
Outsourcing	Net Sales	1,179	1,466	1,466	+ 286	+ 24.3%
	Operating Income	295	356	356	+ 61	+ 20.7%
	OP Margin	25.1%	24.3%	24.3%	-	0.7 point

Steady recovery

- Although the recurrent sales ratio declined due to the contribution of new projects, recurrent sales grew 11% YoY, with SaaS/cloud sales growing 35% YoY, accounting for about a third of recurrent sales.
- Profitability declined in cumulative Q2 due to the low level of sales in Q1, but profit margin improved with double-digit sales and profit growth in a single quarter.

(millions of yen)

	FY21/06 Q2<YtD>	FY22/06 Q2<YtD>	FY22/06 Q2<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	3,897	4,279	4,093	+ 196	+ 5.0%
Operating income	843	885	779	64	7.6%
OP Margin	21.7%	20.7%	19.0%	-	2.6point
New Orders	3,667	4,516	4,516	+ 849	+ 23.2%
Outstanding Orders	1,769	2,586	2,772	+ 1,003	+ 56.7%

Sales and operating income hit record highs on a quarterly basis

- Sales accelerated each quarter due to strong demand for data platform construction projects. Sales accelerated each quarter, offsetting the increase in labor costs, and both sales and profit reached record highs for the quarter, with profit margins in the high 10% range.
- Continuing contracts with large customers and sales of proprietary IP products such as e-learning also got off to a good start, contributing to recurrent sales.

(millions of yen)

	FY21/06 Q2<YtD>	FY22/06 Q2<YtD>	FY22/06 Q2<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	2,878	3,370	3,534	+ 655	+ 22.8%
Operating income	341	552	531	+ 190	+ 55.6%
OP Margin	11.9%	16.4%	15.1%	-	+3.2point
New Orders	3,462	3,374	3,576	+ 113	+ 3.3%
Outstanding Orders	1,438	1,247	1,286	152	10.6%

Continued high growth while maintaining high profitability

- New contracts are being placed into service steadily, and sales growth continues at a high level. Almost absorbed the cost increase due to office expansion and maintained the same level of operating margin.
- Continued to accumulate new contracts, with high growth in orders and order backlog.

(millions of yen)

	FY21/06 Q2<YtD>	FY22/06 Q2<YtD>	FY22/06 Q2<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	1,179	1,466	1,466	+ 286	+ 24.3%
Operating income	295	356	356	+ 61	+ 20.7%
OP Margin	25.1%	24.3%	24.3%	-	0.7point
New Orders	1,237	1,946	1,946	+ 708	+ 57.2%
Outstanding Orders	1,008	1,937	1,937	+ 929	+ 92.1%

Selected Quarterly Financial Data

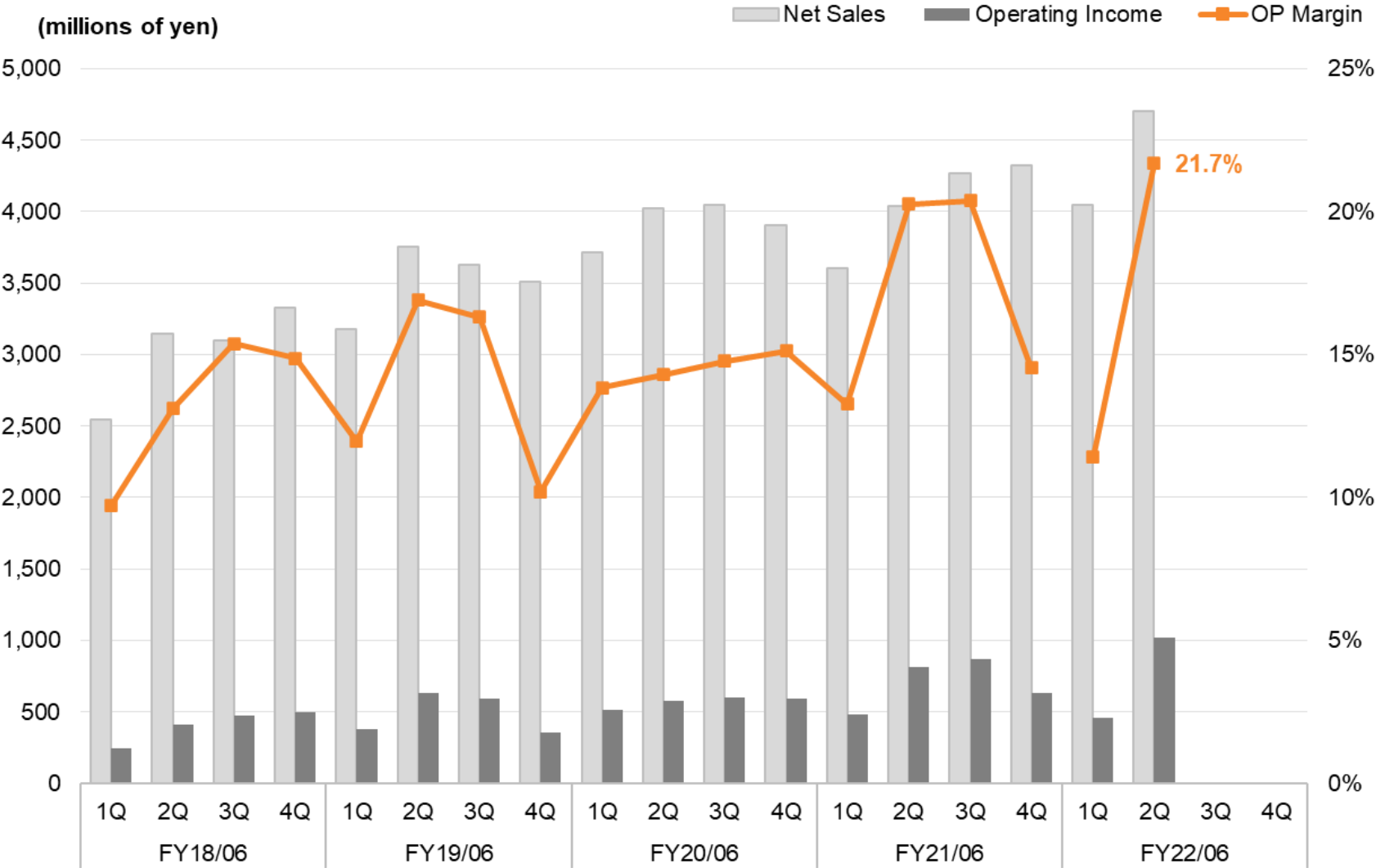
AVANT

- Overall progress has been made from the low level of sales in the first quarter to the in-line for the full year.

(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	4,703		
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	2,375		
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	2,328		
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	1,308		
Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	629	461	1,020		
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	21.7		
Ordinary Income	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	622	441	995		
Net Income	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	517	262	603		
EBITDA	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	695	519	1,097		
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	23.3		

Quarterly Trends in Major KPIs



Selected Quarterly Segment Data

AVANT

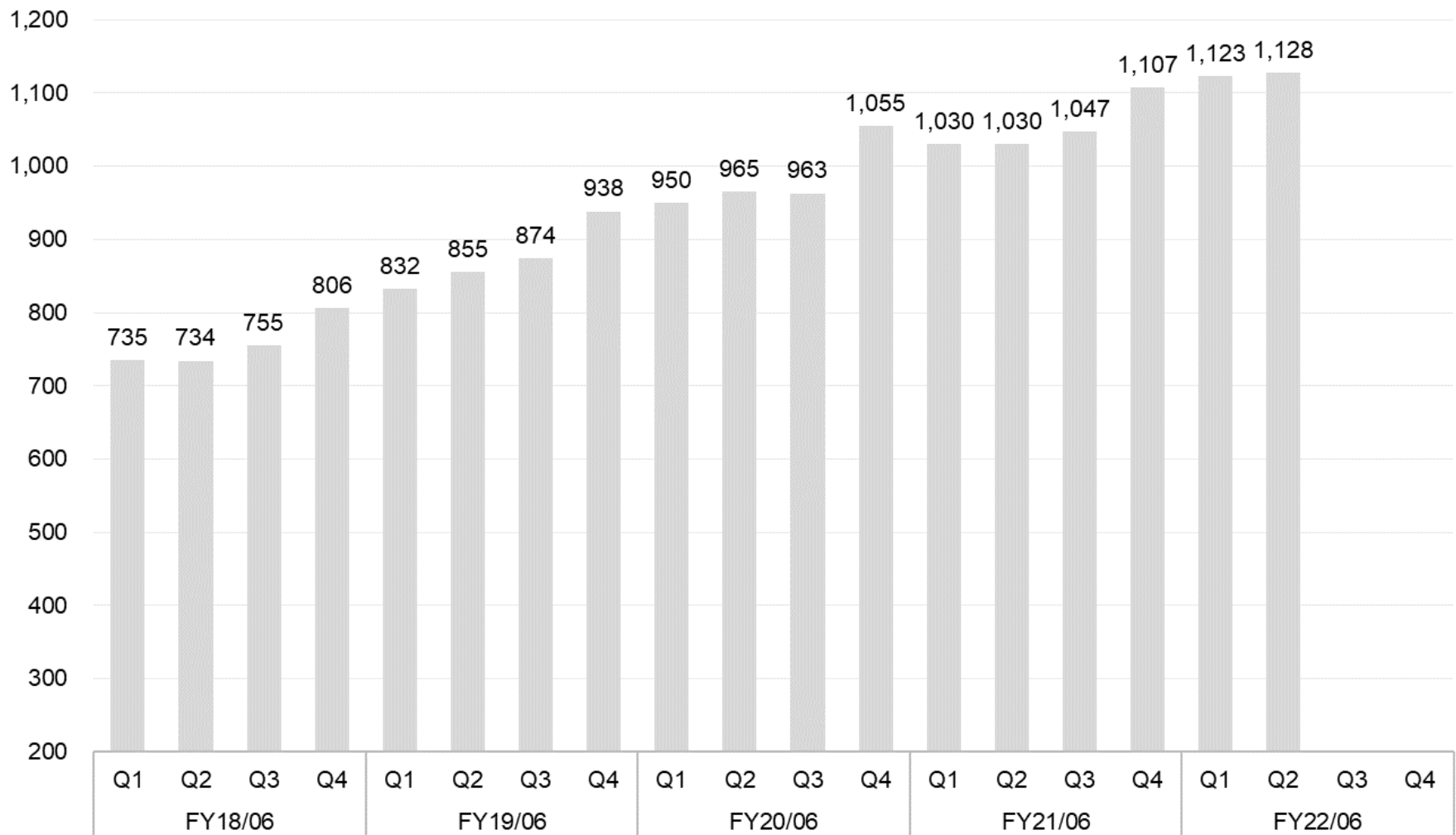
(millions of yen)

		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		
	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		
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586	765	983	722	1,223		
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161	-238	-164		
	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	5,766		
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		
	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		
	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		
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290	-343	-327		
	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	5,444		
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		
	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		
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609	662	637	710	755		
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171	-185	-180		
	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	4,703		
Operating Income	Group Governance	145	220	265	398	244	362	346	339	330	379	378	528	323	520	530	561	286	599		
	Digital Transformation	21	81	122	98	102	210	233	89	180	171	209	130	115	226	319	150	187	365		
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165	165	62	161	195		
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136	-173	-139		
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	862	637	461	1,020		

Total Number of Group Employees

AVANT

(person)



Financial Condition & Cash Flows

AVANT

Financial Status

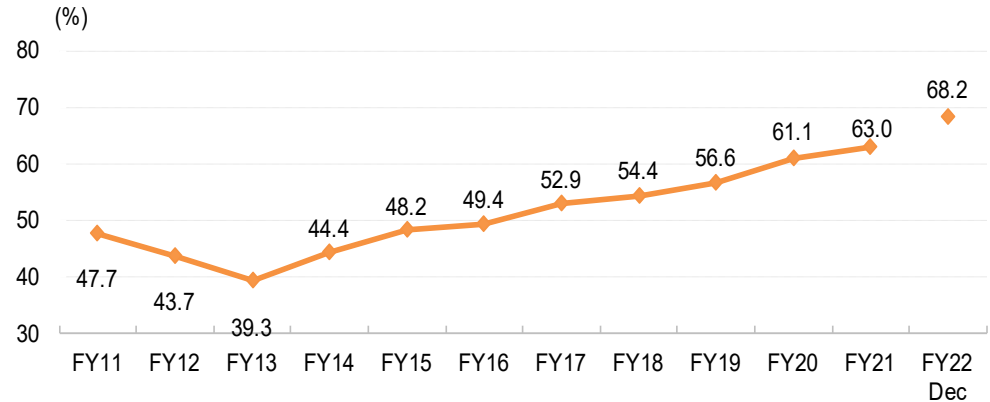
Dec 2021

Total Assets
13.7
billion yen

Total Liabilities
4.3
billion yen

Net Assets
9.3
billion yen

Equity Ratios



Key Factors for change

(millions of yen)

• Profit before income taxes	1,437
• Depreciation	140
• Decrease in unearned revenue	(480)
• Increase in accounts payable - other and accrued expenses	136
• Increase in trade payables	88
• Decrease in provision for bonuses	(88)
• Income taxes paid	(710)

• Proceeds from refund of leasehold and guarantee deposits	216
• Purchase of intangible assets	(197)

• Dividend payments	(413)
---------------------	-------

Cash Flows

(millions of yen)

FY21/06

FY22/06

Q2

Q2

Operating CF

250

284

Investment CF

(102)

(254)

Free CF

148

30

Financial CF

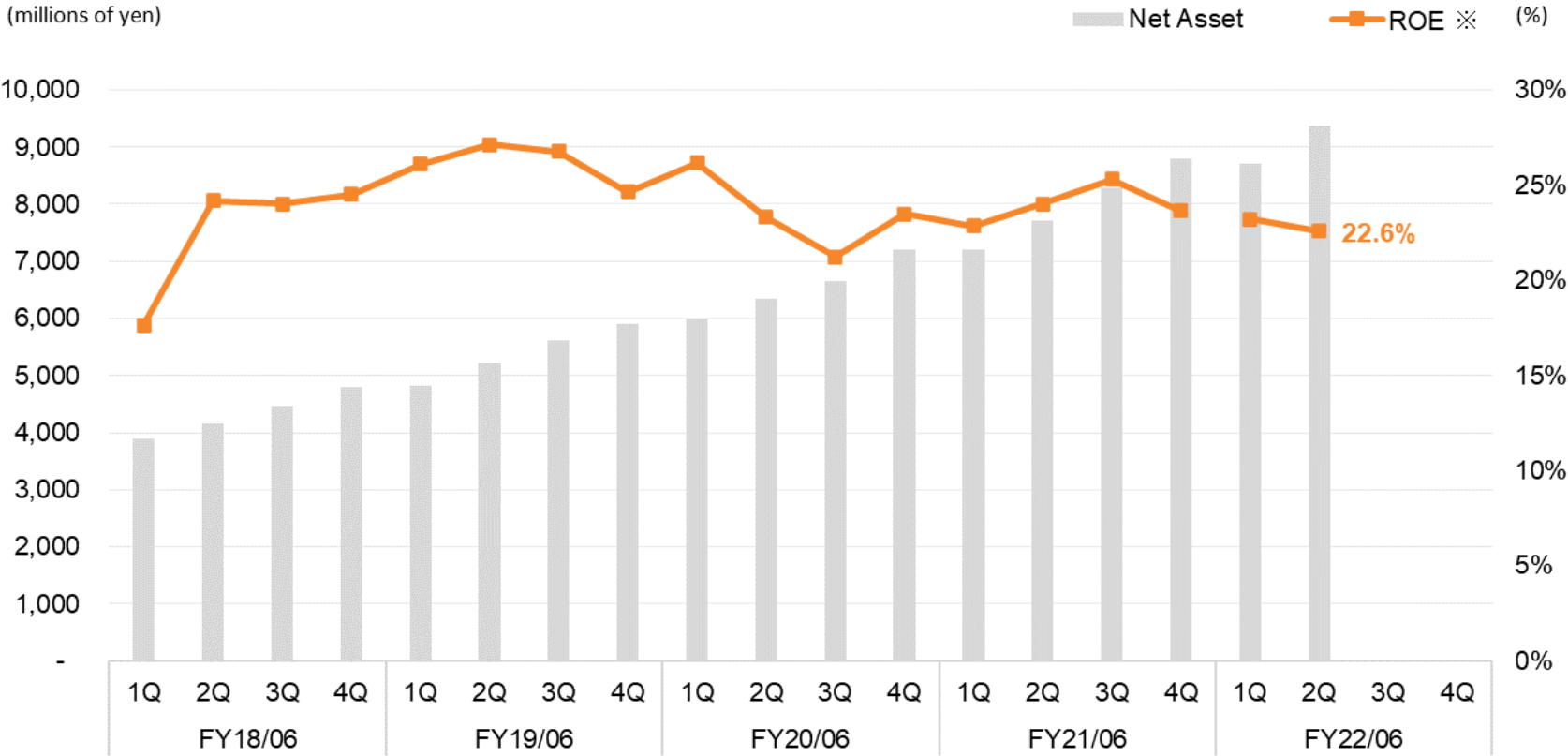
(351)

(422)

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

Earnings forecast for the fiscal year ending June 30, 2022

AVANT

The forecast of sales and profit growth for the seventh consecutive fiscal year remains unchanged

- The Company assumes an accelerated growth trend in all segments by strengthening its ability to understand customer needs and make proposals.
- Operating profit margin is expected to deteriorate. We expect operating profit margin to deteriorate, as 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 profit is expected to increase, and the forecast for the seventh consecutive year of higher sales and profits remains unchanged.

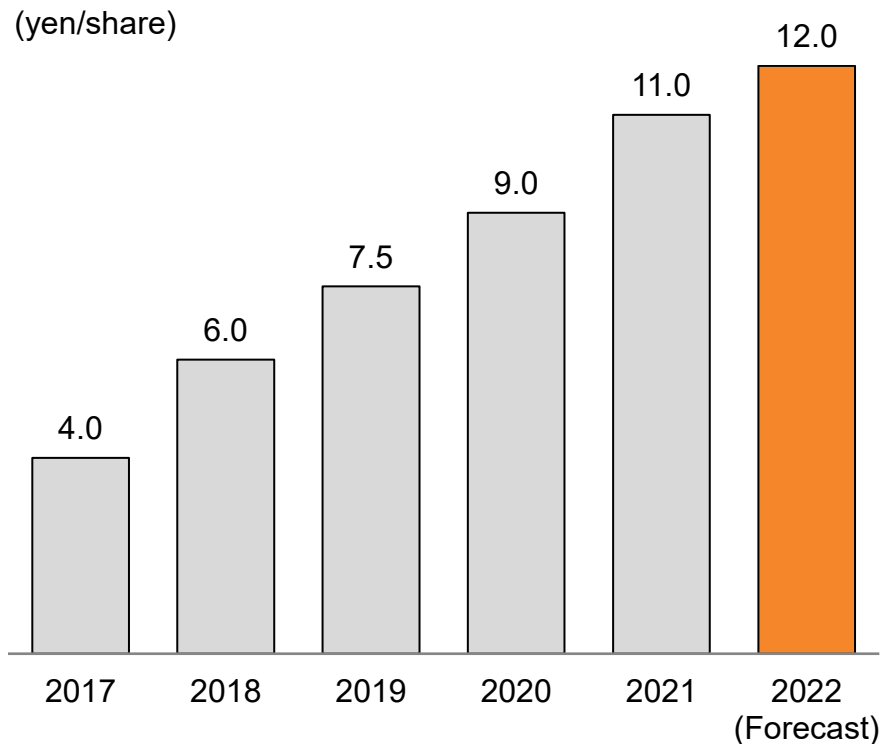
(millions of yen)

	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 2022 dividend forecast is remained 12 yen per share

- We continue to forecast a 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.

AVANT