AVANT GROUP CORPORATION
www.avantgroup.com

3836 TSE Prime

Avant Group Corporation

Financial Results Briefing
for the first quarter of Fiscal Year June 2023

October 31, 2022

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

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for the first quarter of FY June 2023

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 2023

Results Highlights

Accelerated pace of revenue growth on the back of strong demand was partially offset by higher personnel and HoldCo expenses

- Net sales increased 24.2% YoY, capturing strong demand growth in all segments, particularly led by the Digital Transformation Business.
- Fixed labor costs due to increased headcount and outsourcing expenses grew at a high rate. The HoldCo expenses related to the restructuring also increased, resulting in only a modest improvement in the operating margin.

(millions of yen)

	FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year Variance	Year-on-Year %CHG
Net Sales	4,047	5,025	+ 978	+ 24.2%
Cost of Revenue	2,227	2,776	+ 548	+ 24.6%
SG&A expenses	1,357	1,634	+ 276	+ 20.4%
Operating Income	461	614	+ 153	+ 33.2%
OP Margin	11.4%	12.2%	-	+ 0.8 point
Ordinary Income	441	601	+ 159	+ 36.1%
Net Income	262	370	+ 108	+ 41.5%
EBITDA	519	709	+ 190	+ 36.7%

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Results by Business Segment

G. Governance and DX Businesses increased revenues and absorbed increase in expenses, while Outsourcing Business continues rapid growth

- The Group Governance Business improved its profit margin as increased revenues partially offset increased outsourcing and labor expenses. The DX Business also posted a significant increase in profit, as increased revenues offset increased costs. The Outsourcing Business continues to grow steadily with high growth in both sales and profits.

(millions of yen)

		FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year	
				Variance	%CHG
Group Governance	Net Sales	1,957	2,409	+ 451	+ 23.1%
	Operating Income	286	393	+ 106	+ 37.3%
	OP Margin	14.6%	16.3%	-	+ 1.7 point
Digital Transformation	Net Sales	1,564	1,916	+ 352	+ 22.5%
	Operating Income	187	287	+ 100	+ 53.9%
	OP Margin	12.0%	15.0%	-	+ 3.1 point
Outsourcing	Net Sales	710	886	+ 175	+ 24.7%
	Operating Income	161	198	+ 37	+ 23.2%
	OP Margin	22.7%	22.4%	-	△ 0.3 point

Group Governance Business

Profit increased thanks to the absence of increased expenses in the previous fiscal year, while the pace of revenue growth accelerated

- Steady expansion of customer needs continued, resulting in a significant increase in revenues over the same period of the previous year. While the adoption of cloud-based consolidated accounting software is progressing, growth in group management solutions had a significant impact on revenue growth.
- The operating income margin improved by 1.7 percentage points from the previous year, as the increased revenue offset higher labor and outsourced processing costs, on top of better comparison of upfront investment costs to strengthen product development and consulting sales capabilities launched in the previous year.

(millions of yen)

	FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	1,957	2,409	+ 451	+ 23.1%
Operating income	286	393	+ 106	+ 37.3%
Operating Margin	14.6%	16.3%		+1.7point
New Orders	1,886	2,589	+ 702	+ 37.2%
Outstanding Orders	2,278	3,313	+ 1,034	+ 45.4%

Digital Transformation Business

Significant increase in profit due to higher revenues

- In addition to data platform construction projects, for which demand has been strong recently, there was a large increase in BI solution implementation projects, and sales of business performance management (CPM) tool projects also increased, resulting in a high level of revenue growth, up 22.5% YoY. Orders and backlogs also continued to grow at a high level.
- Although labor and subcontracted processing costs increased due to higher sales, this was offset by the effect of higher sales, resulting in a significant increase in operating income.

(millions of yen)

	FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	1,564	1,916	+ 352	+ 22.5%
Operating income	187	287	+ 100	+ 53.9%
Operating Margin	12.0%	15.0%		+3.1point
New Orders	1,296	2,099	+ 803	+ 62.0%
Outstanding Orders	975	1,314	+ 338	+ 34.6%

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Outsourcing Business

Strong orders led to increased sales, resulting in high profitability

- Recurring sales growth slowed slightly but remained strong, increasing approximately 20% YoY. Installation and consulting services associated with new orders contributed to revenue growth, resulting in a high level of sales growth.
- Operating profit margin remained at the same level, absorbing cost increases due to increased office space in conjunction with increased headcount. Orders and order backlogs also grew strongly due to an increase in new orders.

(millions of yen)

	FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	710	886	＋175	＋24.7%
Operating income	161	198	＋37	＋23.2%
Operating Margin	22.7%	22.4%		△0.3point
New Orders	722	832	＋109	＋15.2%
Outstanding Orders	1,469	2,392	＋922	＋62.8%

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Group Cost Structure

Outsourcing expenses increased due to accelerating revenue growth, personnel costs increased in line with our expectation

- Fixed labor costs and other expenses increased 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. Other expenses increased at the holding company due to the recording of expenses related to the reorganization.
- Operating margins improved slightly as higher revenues partially offset higher fixed costs.

(millions of yen)

	FY22/06 Q1<YtD>	FY23/06 Q1<YtD>	Year-on-Year Variance	Year-on-Year %CHG
Net Sales	4,047	5,025	+978	+24.2%
Personnel expenses	2,242	2,506	+264	+11.8%
Basic compensation	1,672	1,895	+223	+13.4%
Performance-related	569	610	+41	+7.2%
Outsourcing expenses	568	860	+291	+51.3%
Office expenses	213	221	+8	+3.8%
Others	560	821	+260	+46.5%
Total expenses	3,585	4,411	+825	+23.0%
Operating income	461	614	+153	+33.2%
Operating income	11.4%	12.2%	-	+ 0.8 point

(Note) Expense items are shown on an incurred basis, and adjustments in cost of sales calculations are included in "Others.

Selected Quarterly Financial Data

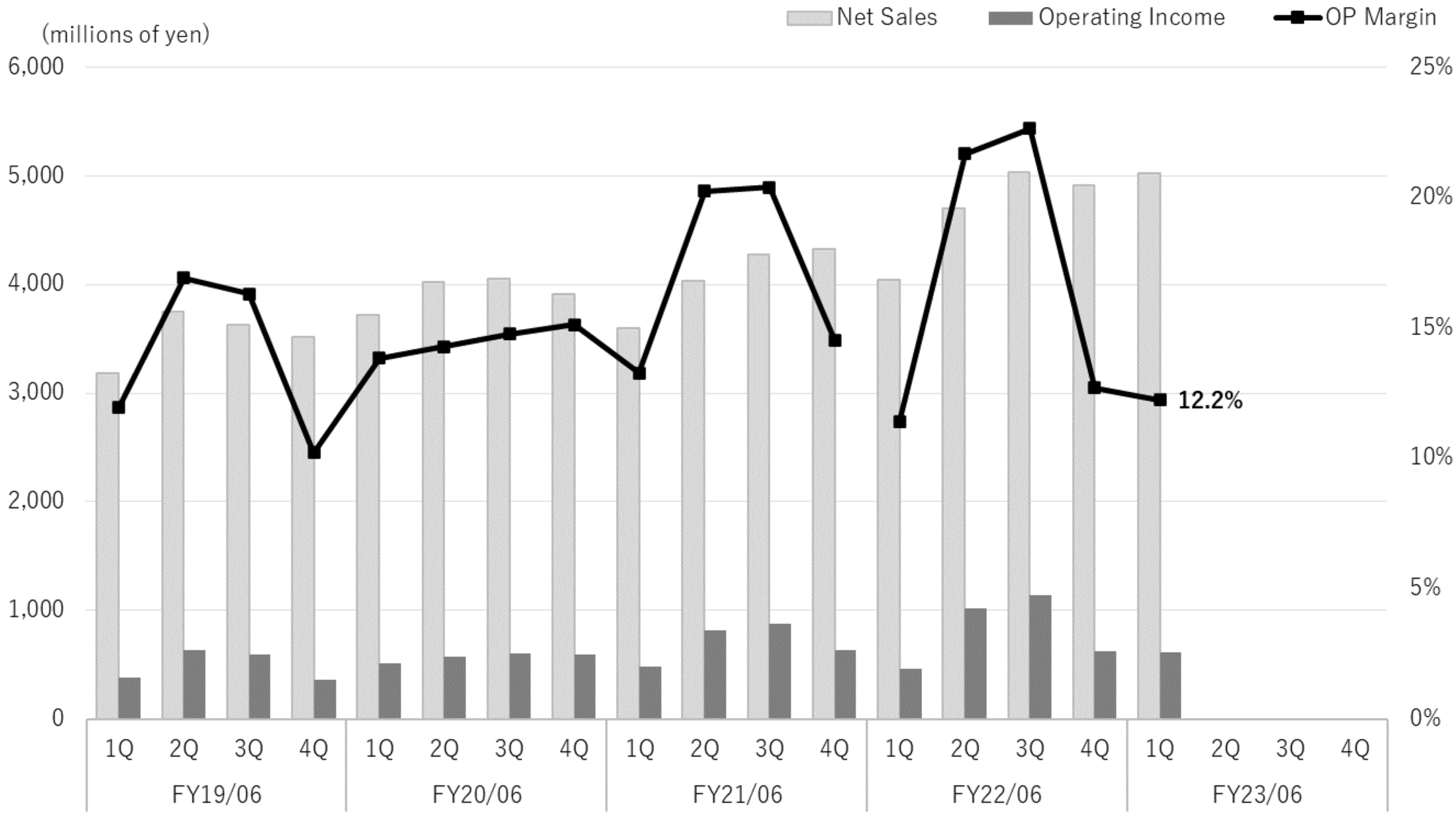
- Outsourcing expenses increased due to accelerated rate of revenue growth, but personnel cost increase was within expectations

(millions of yen)

	FY19/06				FY20/06				FY21/06				FY22/06				FY23/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	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	5,025			
Cost of Revenue	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	2,776			
Gross Profit	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	2,249			
SG&A expenses	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	1,634			
Operating Income	380	634	592	358	514	574	598	591	478	817	871	629	461	1,020	1,140	624	614			
OP Margin	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	12.2			
Ordinary Income	380	633	593	364	520	573	598	589	482	823	880	622	441	995	1,128	423	601			
Net Income	237	403	389	286	334	339	344	519	303	520	546	517	262	603	706	472	370			
EBITDA	417	673	634	408	557	621	658	669	537	880	926	695	519	1,097	1,254	711	709			
EBITDA Margin (%)	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	14.1			

Effective from the beginning of the first quarter of 2022, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

Quarterly Trends in Major KPIs



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Selected Quarterly Segment Data

(millions of yen)

		FY June 2019				FY June 2020				FY June 2021				FY June 2022				FY June 2023			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
New Orders	Group Governance	1,611	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	2,589			
	Digital Transformation	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	2,099			
	Outsourcing	439	319	363	685	599	468	505	586	651	586	765	983	722	1,223	565	1,521	832			
	(Elimination of inter-segment transaction)	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161	-238	-164	-172	-442	-170			
	New Orders	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	4,154	6,483	5,350			
Orders Outstanding	Group Governance	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	3,313			
	Digital Transformation	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	1,314			
	Outsourcing	734	650	597	852	948	928	891	950	1,031	1,008	1,112	1,457	1,469	1,937	1,716	2,446	2,392			
	(Elimination of inter-segment transaction)	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290	-343	-327	-319	-578	-563			
	Orders Outstanding	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	4,563	6,131	6,455			
Net Sales	Group Governance	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	2,409			
	Digital Transformation	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	1,916			
	Outsourcing	380	402	416	430	504	489	541	527	569	609	662	637	710	755	786	791	886			
	(Intra-segment elimination)	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171	-185	-180	-180	-183	-186			
	Net Sales	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	5,025			
Operating Income	Group Governance	244	362	346	339	330	379	378	528	323	520	530	561	286	599	669	507	393			
	Digital Transformation	102	210	233	89	180	171	209	130	115	226	319	150	187	365	428	263	287			
	Outsourcing	101	100	79	37	118	116	133	-4	130	165	165	62	161	195	221	82	198			
	(Elimination of inter-segment transaction)	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136	-173	-139	-178	-216	-264			
	Opertating Income	380	634	592	358	514	574	598	591	478	817	862	637	461	1,020	1,140	636	614			

Effective from the beginning of the first quarter of 2022, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

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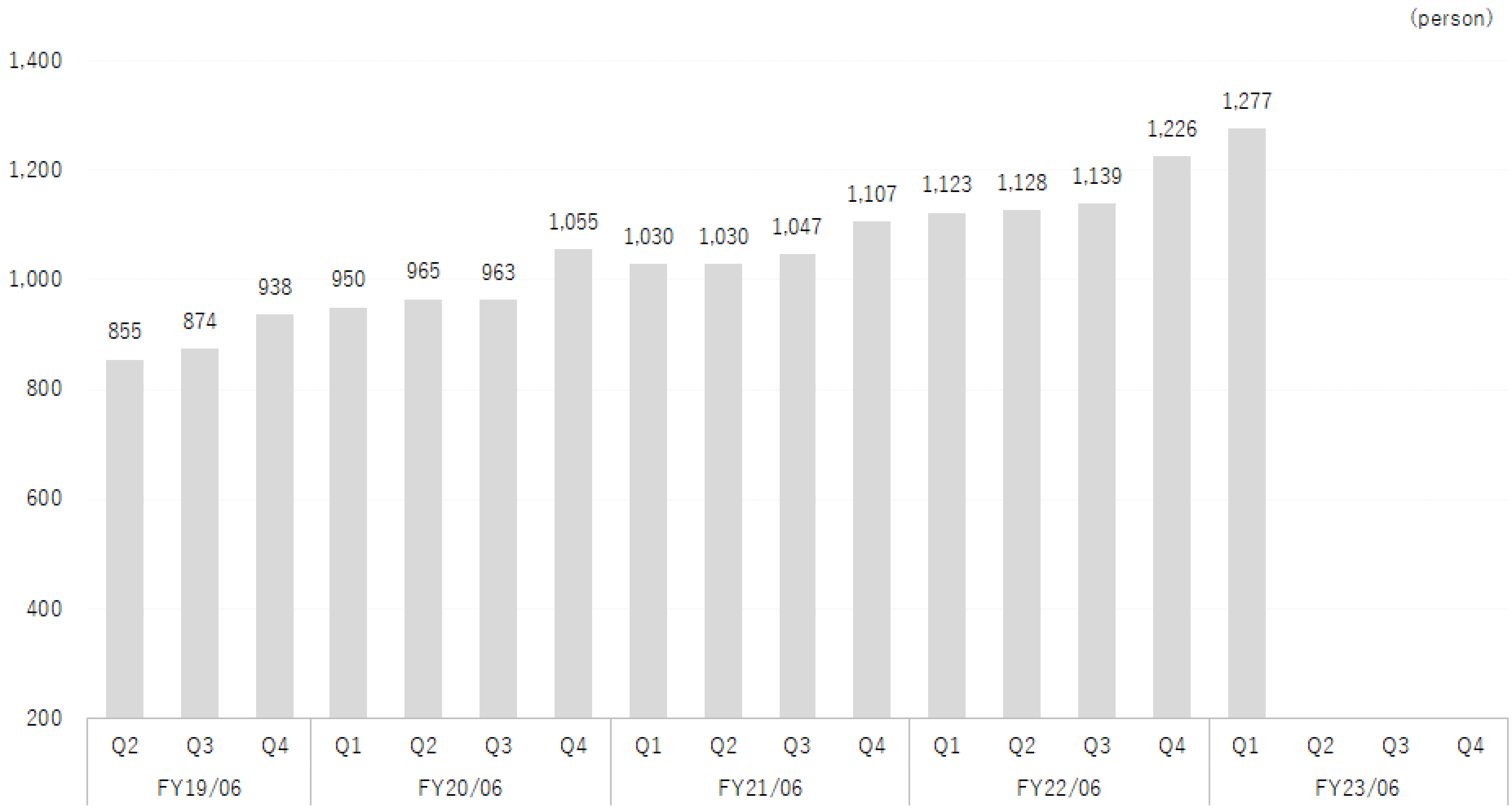
Total Number of Group Employees



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Financial Condition & Cash Flows

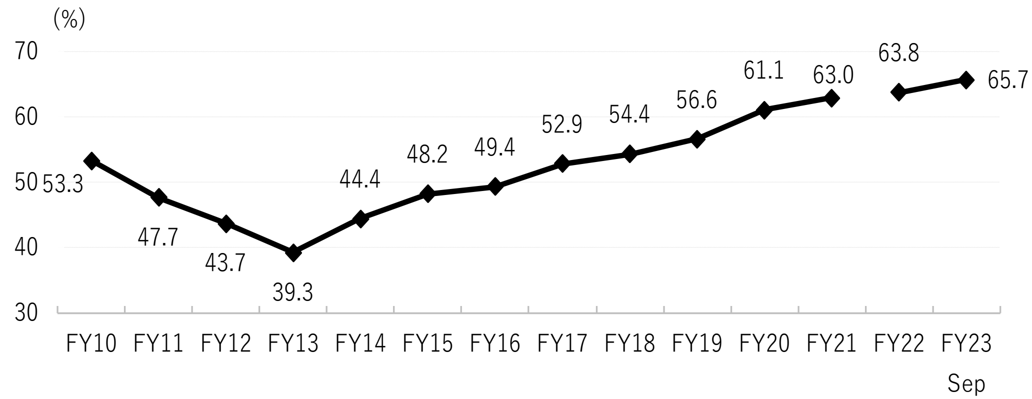
Financial Status

Sep 2022

Total Assets 15.9 billion yen	Total Liabilities 5.4 billion yen	
	Net Assets 10.4 billion yen	

Cash Flows (millions of yen)	FY22/06 Q1	FY23/06 Q1
Operating CF	(173)	(491)
Investment CF	(177)	(111)
Free CF	(351)	(603)
Financial CF	(417)	(493)

Equity Ratios



Key Factors for change (millions of yen)

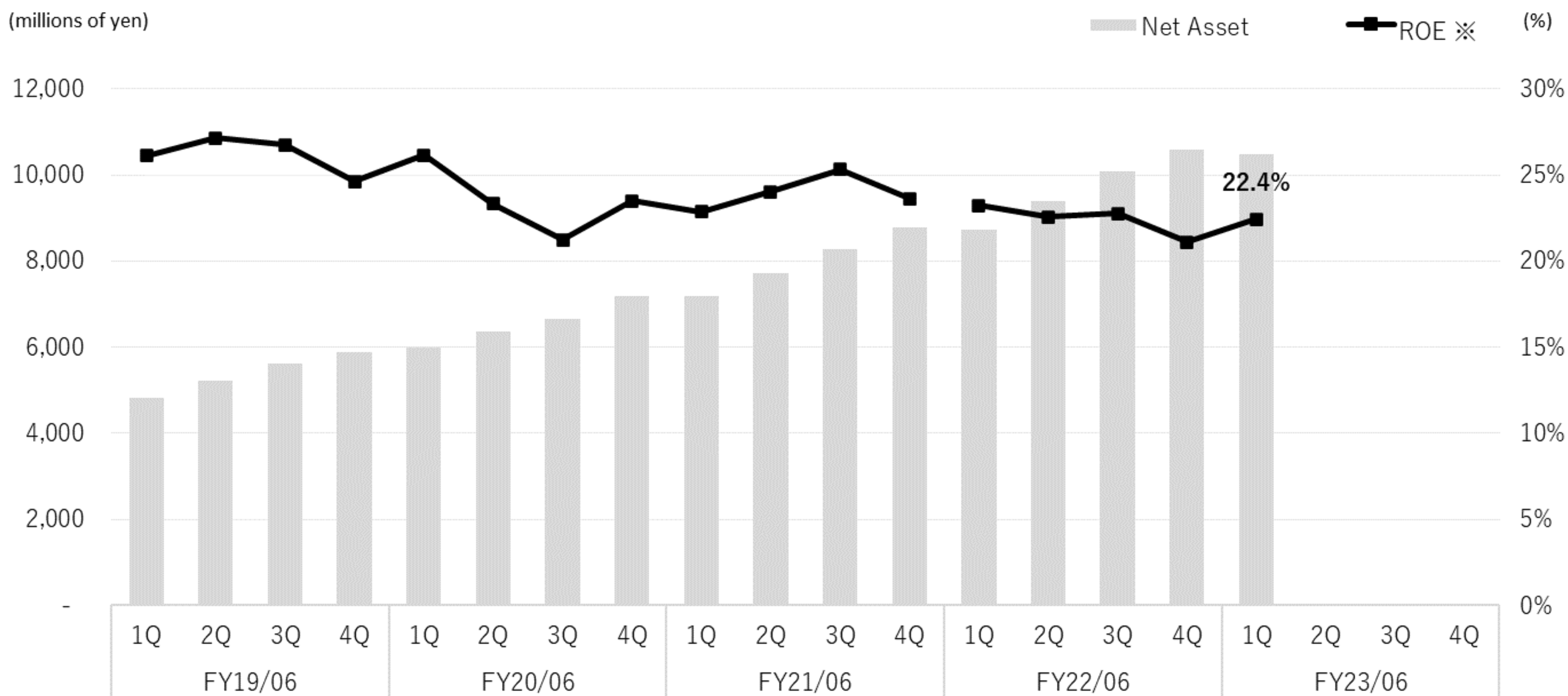
・Profit before income taxes	601
・Depreciation	101
・Decrease in provision for bonuses	(712)
・Increase in deposits received	691
・Decrease in unearned revenue	(133)
・Increase in A/P - other and accrued expenses	128
・Income taxes paid	(893)
・Payments of leasehold and guarantee deposits	(120)
・Proceeds from redemption of marketable securities	90
・Dividend payments	(489)

Effective from the beginning of the first quarter of 2022, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

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



Figures are calculated based on the past four quarters.
Effective from the beginning of the first quarter of 2022, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

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Ⅱ. Earnings and Dividend Forecast

Earnings forecast for the fiscal year ending June 30, 2023

Expect to maintain the pace of revenue growth, but maintain the forecast for profit 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.
- However, we expect 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 computing in existing businesses, such as the liquidation of low-profit products and projects.

(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%

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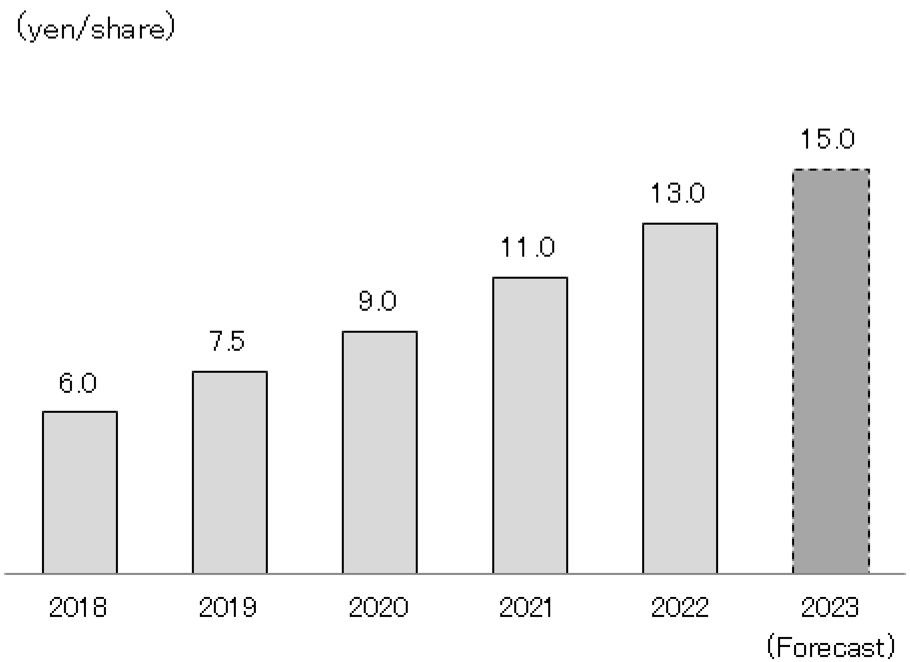
Dividend Forecasts

Dividend forecast for the fiscal year ending June 30, 2023 is 15 yen per share

- The dividend per share for the fiscal year ending June 30, 2023 will be 15 yen, as targeted in the mid-term management plan.
- DOE for the fiscal year ended June 30, 2022 was 5.1%, well above the TSE-listed company average (12 months) of 3.0%.



＜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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SUSTAINABILITY IS VALUE