

Financial Results Briefing

for the third quarter of Fiscal Year June 2021

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)

May 7, 2021

- I . Summary of financial results
for the third quarter of FY 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 third quarter of FY June 2021

Results Highlights

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Sales and profits return to growth trend, full-year earnings forecast revised

- Both quarterly and year-to-date sales exceeded the same period last year. In particular, the Business Intelligence Business showed a strong recovery in quarterly sales, increasing about 15% YoY
- Both profit margin and profit value improved significantly due to the effects of cost reductions implemented since the third quarter of the previous fiscal year

(millions of yen)

	FY20/06 Q3<YtD>	FY21/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	11,784	11,909	+ 124	+ 1.1%
Cost of Revenue	6,468	6,319	148	2.3%
SG&A expenses	3,628	3,422	205	5.7%
Operating Income	1,687	2,167	+ 479	+ 28.4%
OP Margin	14.3%	18.2%	-	+ 3.9 point
Ordinary Income	1,692	2,185	+ 493	+ 29.1%
Net Income	1,018	1,371	+ 353	+ 34.7%
EBITDA	1,837	2,343	+ 506	+ 27.6%

Results by Business Segment

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Profitability improved in all segments

- Although the Consolidated Accounting related Business was still affected by the large projects that peaked off during the previous fiscal year, the profit margin improved significantly. The Business Intelligence and Outsourcing Businesses also continued to improve profit margins on the back of increased revenue.

(millions of yen)

		FY20/06 Q3<YtD>	FY21/06 Q3<YtD>	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Net Sales	6,330	5,937	393	6.2%
	Operating Income	1,088	1,374	+ 286	+ 26.3%
	OP Margin	17.2%	23.1%	-	+ 6.0 point
Business Intelligence	Net Sales	4,381	4,613	+ 231	+ 5.3%
	Operating Income	561	660	+ 99	+ 17.8%
	OP Margin	12.8%	14.3%	-	+ 1.5 point
Outsourcing	Net Sales	1,535	1,841	+ 306	+ 20.0%
	Operating Income	368	460	+ 91	+ 24.9%
	OP Margin	24.0%	25.0%	-	+ 1.0 point

Cost reduction took effects

- Both quarterly and year-to-date sales continued to decline YoY due to the impact of the large projects that peaked off during the previous fiscal year. New contracts for both regulatory accounting and managerial accounting have been steady, and the order backlog is on a recovery trend.
- The operating profit margin improved significantly by 6 points YoY as a result of increasing the in-house production ratio in advance of the sales recovery and cutting costs by reducing commuting and utility costs through telecommuting.

(millions of yen)

	FY20/06 Q3<YtD>	FY21/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	6,330	5,937	393	6.2%
Operating income	1,088	1,374	+ 286	+ 26.3%
OP Margin	17.2%	23.1%		+6.0point
New Orders	5,846	5,579	267	4.6%
Outstanding Orders	1,689	1,642	47	2.8%

Profitability improved due to increased sales

- In addition to BI solution implementation projects, the company increased orders for data platform installation projects, resulting in an increase in sales of approximately 15% YoY in the third quarter. Both orders and order backlogs showed high growth.
- Despite the increase in costs due to the increase in the number of staff, double-digit profit growth was achieved in the third quarter due to the effect of higher sales and an improved contract mix. The profit margin reached a record high level.

(millions of yen)

	FY20/06 Q3<YtD>	FY21/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	4,381	4,613	+ 231	+ 5.3%
Operating income	561	660	+ 99	+ 17.8%
OP Margin	12.8%	14.3%		+1.5point
New Orders	4,103	5,112	+ 1,009	+ 24.6%
Outstanding Orders	926	1,354	+ 427	+ 46.2%

High level of growth continued

- The impact of the rebound from the same period of the previous year has subsided and the pace of revenue growth has returned to 20%. Significant increase in orders and order backlog.
- Although the profit margin declined in the third quarter due to an increase in the workforce, the cumulative total for the three quarters continued to improve compared to the previous year, and operating profit growth was also high.

(millions of yen)

	FY20/06 Q3<YtD>	FY21/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Net Sales	1,535	1,841	+ 306	+ 20.0%
Operating income	368	460	+ 91	+ 24.9%
OP Margin	24.0%	25.0%		+1.0point
New Orders	1,573	2,003	+ 429	+ 27.3%
Outstanding Orders	891	1,112	+ 220	+ 24.7%

Selected Quarterly Financial Data

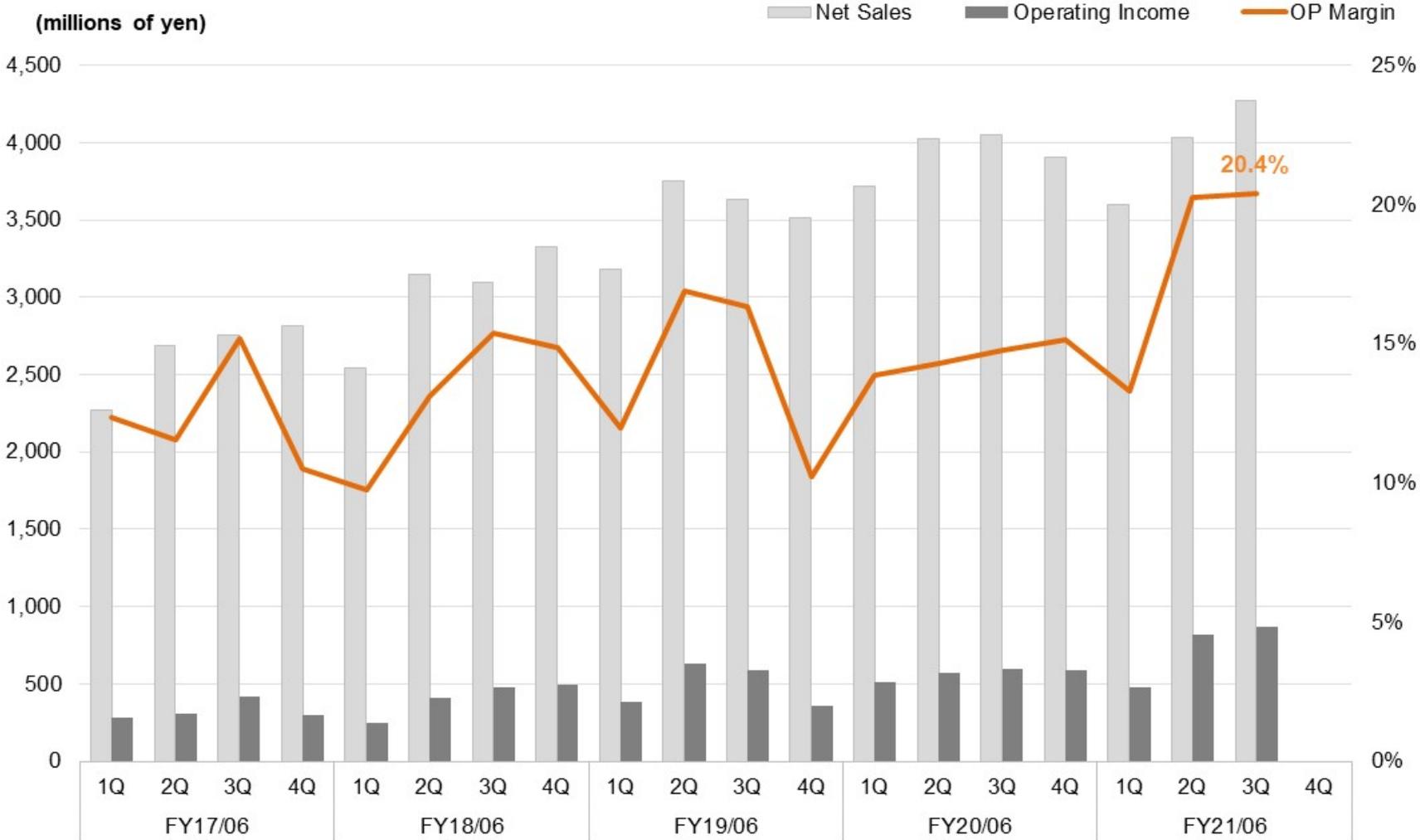
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■ Margins continue to improve

(Millions of Yen)

	FY17/06				FY18/06				FY19/06				FY20/06				FY21/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q												
Net Sales	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	
Cost of Revenue	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	
Gross Profit	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	
SG&A expenses	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	
Operating Income	280	310	418	296	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	
OP Margin	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	
Ordinary Income	280	315	416	296	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	
Net Income	183	-0	250	230	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	
EBITDA	341	370	481	359	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	
EBITDA Margin (%)	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	

Quarterly Trends in Major KPIs



Selected Quarterly Segment Data

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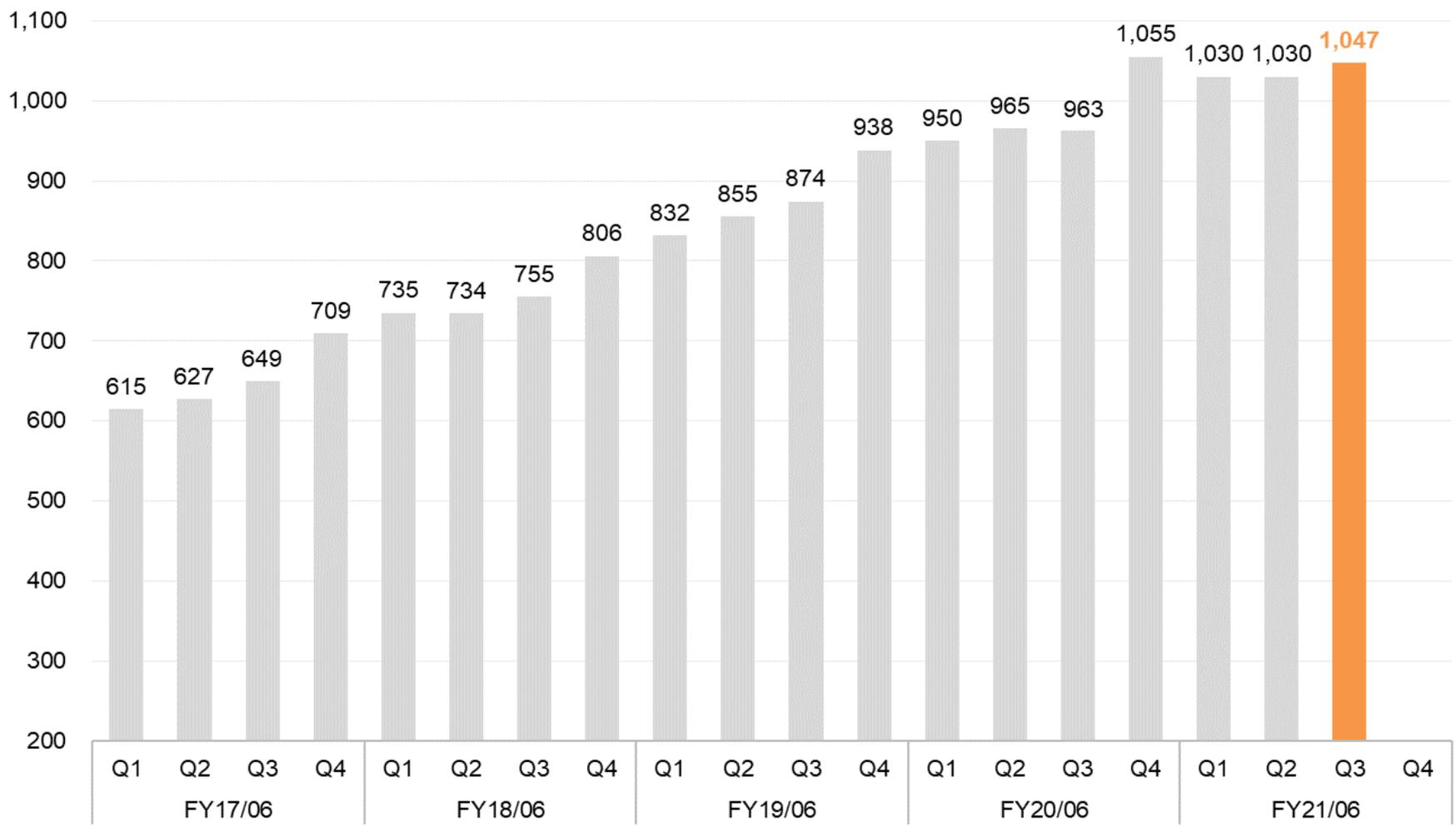
(millions of yen)

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

Total Number of Group Employees

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(person)



Financial Condition & Cash Flows

Financial Status

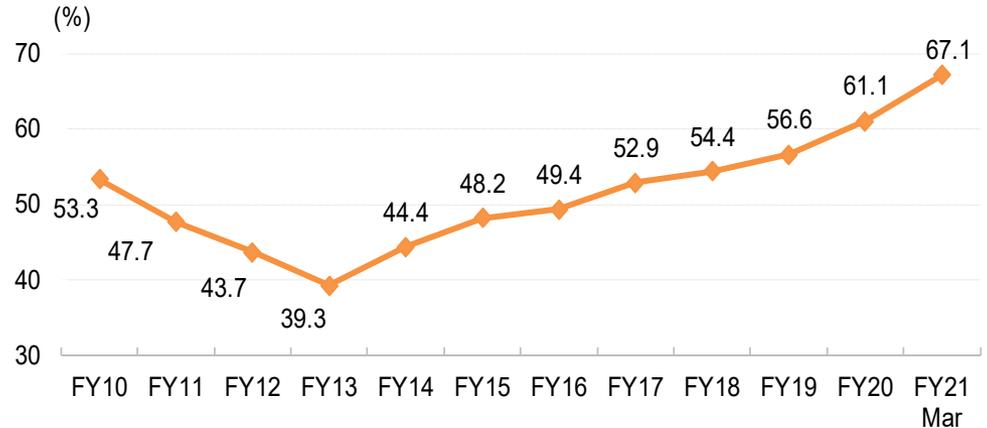
Mar 2021

Total Assets
12.3
billion yen

Total Liabilities
4.0
billion yen

Net Assets
8.2
billion yen

Equity Ratios



Key Factors for change

(millions of yen)

• Income before income taxes and minority interests	2,186
• Depreciation expense	184
• Decrease in deferred revenue	(536)
• Decrease in provision for bonuses	(252)
• Increase in accrued expenses and others	101
• Increase in notes and accounts payable – trade	85
• Income taxes paid	(649)
• Purchase of shares of subsidiaries and associates	(269)
• Purchase of intangible assets	(234)
• Payment of shareholder dividends	(338)

Cash Flows

(millions of yen)

FY20/06

FY21/06

Q3

Q3

Operating CF

467

958

Investment CF

(258)

(519)

Free CF

209

438

Financial CF

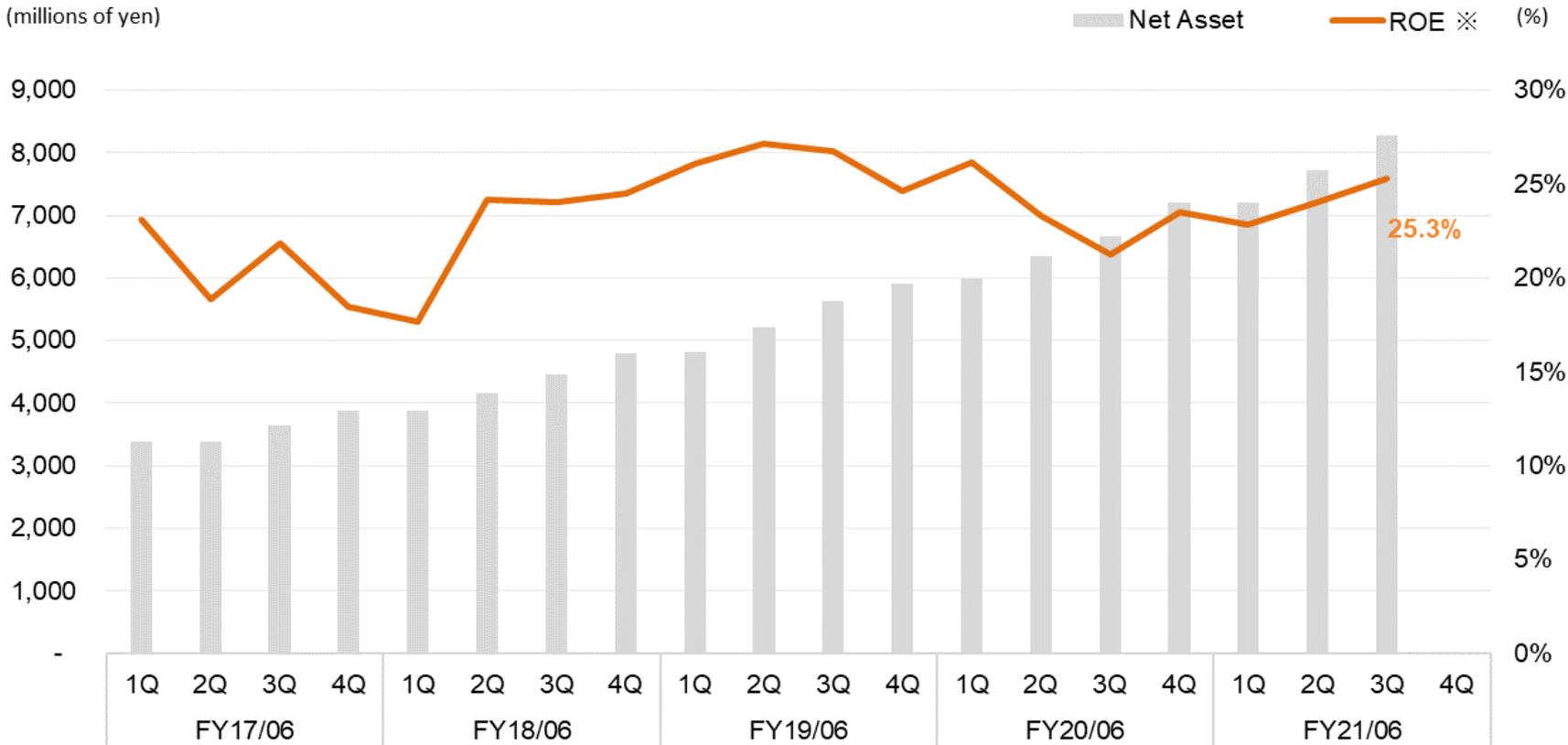
(289)

(354)

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, 2021

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Both revenue and profit continue high growth

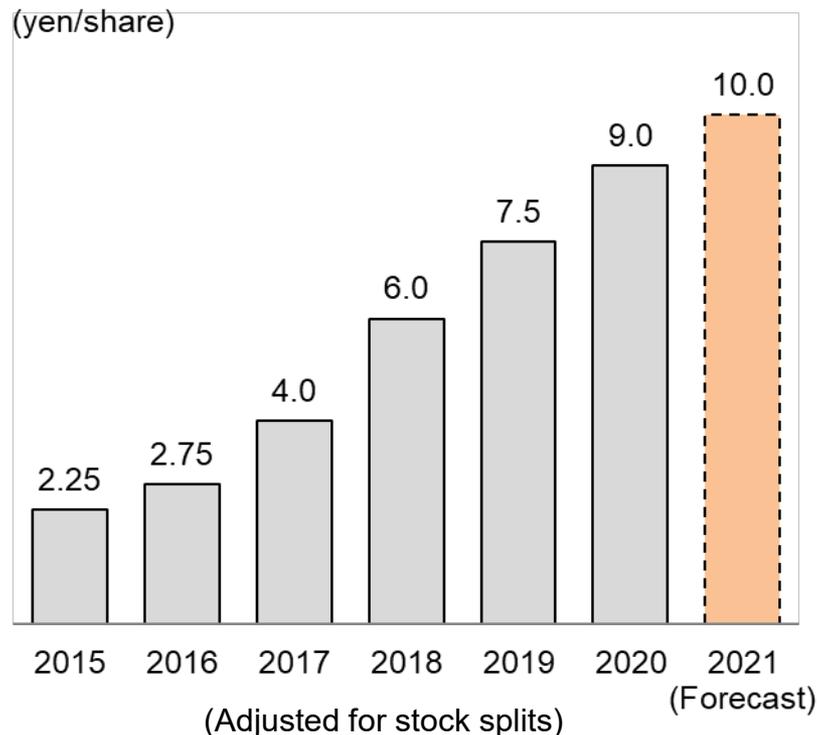
- In response to the spread of COVID-19, the company has been seeking to increase the ratio of in-house production and appropriate work styles since the second half of FY June 2020. The company was able to substantially curb some expenses such as outsourcing, transportation, and utilities costs, resulting in improved profitability that exceeded the company's initial forecast. As a result, the company revised upward its full-year forecast for operating income and other profit figures.

(millions of yen)

	2020 June (Actual)	2021 June (Current Forecast)	Variance	% CHG	2021 June (Disclosed on August 3, 2020)
Net Sales	15,691	16,110	+ 418	+ 2.7%	16,110
Operating Income	2,278	2,520	+ 241	+ 10.6%	2,330
OP Margin	14.5%	15.6%	—	—	14.5%
Net Income	1,537	1,628	+ 90	+ 5.9%	1,561

For fiscal year ending June 2021 we maintain 10 yen per share dividends forecast

- In line with the policy of continuing to pay stable dividends, we expect to increase dividends for the six consecutive fiscal year
- The DOE in Fiscal Year 06/2020 was 5.2%, significantly higher than the average of 2.9% of the company listed on the TSE (12 months)



<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

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