

Financial Results Briefing

for the third 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 Prime Market)

April 28, 2022

- I . Summary of financial results
for the third 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 third 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 third 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 third quarter of the fiscal year ending June 30, 2022 before the application of the "Accounting Standard for Revenue Recognition."

Results Highlights

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Full-year forecasts revised up based on better-than-expected progress

- The Group Governance Business's sales increase and the Digital Transformation Promotion Business's improved project mix exceeded expectations, resulting in an increase in profit even excluding the impact of changes in accounting standards.
- The company has revised its full-year forecasts upward, believing that there will be no change in the business environment and that it will be able to absorb increased expenses for the future.

(millions of yen)

	FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q3<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	11,909	13,786	13,832	+ 1,922	+ 16.1%
Cost of Revenue	6,319	7,095	7,300	+ 980	+ 15.5%
SG&A expenses	3,422	4,067	4,067	+ 644	+ 18.8%
Operating Income	2,167	2,622	2,463	+ 296	+ 13.7%
OP Margin	18.2%	19.0%	17.8%	-	0.4 point
Ordinary Income	2,185	2,565	2,406	+ 220	+ 10.1%
Net Income	1,371	1,572	1,469	+ 98	+ 7.2%
EBITDA	2,343	2,871	2,712	+ 368	+ 15.7%

Results by Business Segment

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DX Business Drove Sales and Profit Increase

- Group Governance Business sales accelerated, reflecting an improvement in orders received from the previous quarter. Personnel and outsourcing costs also increased, but the profit margin improved significantly due to an increase in the composition of highly profitable projects in the DX Business.

(millions of yen)

		FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q3<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
					Variance	%CHG
Group Governance	Net Sales	5,937	6,806	6,618	+ 680	+ 11.5%
	Operating Income	1,374	1,554	1,431	+ 56	+ 4.1%
	OP Margin	23.1%	22.8%	21.6%	-	1.5 point
Digital Transformation	Net Sales	4,613	5,273	5,506	+ 893	+ 19.4%
	Operating Income	660	981	945	+ 284	+ 43.1%
	OP Margin	14.3%	18.6%	17.2%	-	+ 2.8 point
Outsourcing	Net Sales	1,841	2,252	2,252	+ 410	+ 22.3%
	Operating Income	460	578	578	+ 117	+ 25.6%
	OP Margin	25.0%	25.7%	25.7%	-	+ 0.7 point

Sales returned to double-digit growth, but operating margin deteriorated slightly

- In addition to strong growth in license sales and consulting and service sales, the pace of revenue growth accelerated as the shift to cloud products continued to accelerate.
- Operating income margin deteriorated slightly due to an increase in outsourcing and processing costs accompanying the revenue growth and upfront investments to strengthen development and consulting capabilities.

(millions of yen)

	FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q3<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	5,937	6,806	6,618	+ 680	+ 11.5%
Operating income	1,374	1,554	1,431	+ 56	+ 4.1%
OP Margin	23.1%	22.8%	21.6%	-	1.5point
New Orders	5,579	6,814	6,814	+ 1,235	+ 22.1%
Outstanding Orders	1,642	2,358	2,546	+ 904	+ 55.1%

New record high operating income for the three months of the third quarter

- Strong demand for data platform construction projects led to a high pace of revenue growth.
- Despite an increase in personnel and outsourced processing costs due to higher revenues, the operating margin improved significantly due to an increased reliance on highly profitable data platform construction projects, and the non-consolidated quarterly operating margin exceeded 20% for the second quarter in a row.

(millions of yen)

	FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q3<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	4,613	5,273	5,506	+ 893	+ 19.4%
Operating income	660	981	945	+ 284	+ 43.1%
OP Margin	14.3%	18.6%	17.2%	-	+2.8point
New Orders	5,112	4,838	5,121	+ 8	+ 0.2%
Outstanding Orders	1,354	809	859	494	36.6%

Continued high growth while maintaining high profitability

- New contracts are coming into service smoothly, and sales continue to grow at a high level. Operating profit margin remained at the same level, absorbing the cost increase due to office expansion.
- New contracts continue to accumulate, and orders and order backlogs are also growing strongly.

(millions of yen)

	FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q3<YtD> (Before accounting impact)	Year-on-Year (Before accounting impact)	
				Variance	%CHG
Net Sales	1,841	2,252	2,252	+ 410	+ 22.3%
Operating income	460	578	578	+ 117	+ 25.6%
OP Margin	25.0%	25.7%	25.7%	-	+0.7point
New Orders	2,003	2,511	2,511	+ 507	+ 25.4%
Outstanding Orders	1,112	1,716	1,716	+ 604	+ 54.3%

Group Cost Structure

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Outsourcing costs increase due to accelerated revenue growth, but personnel cost increase is within expectations

- Fixed personnel and other expenses increased due to an increase in personnel to strengthen product development and consulting sales, but within the expected range. Outsourcing expenses increased in the G Governance and DX Promotion businesses due to the accelerated pace of revenue growth.
- Operating margins declined only slightly, as the increase in fixed costs was partially offset by sales expansion and improved profitability in the third quarter.

(millions of yen)

	FY21/06 Q3<YtD>	FY22/06 Q3<YtD>	FY22/06 Q<YtD> (Before accounting impact)	Year-on-Year	
				Variance	%CHG
Net Sales	11,909	13,786	13,832	+1,922	+16.1%
Personnel expenses	5,641	6,709	6,709	+1,067	+18.9%
Basic compensation	4,339	5,086	5,086	+746	+17.2%
Performance-related	1,302	1,622	1,622	+320	+24.6%
Outsourcing expenses	1,776	2,020	2,020	+243	+13.7%
Office expenses	722	689	689	-33	-4.6%
Others	1,601	1,744	1,948	+347	+21.7%
Total expenses	9,742	11,163	11,368	+1,625	+16.7%
Operating income	2,167	2,622	2,463	+296	+13.7%
Operating income	18.2%	19.0%	17.8%	-	- 0.4 point

(Note) Expense items are shown on an incurred basis, and adjustments in cost of sales calculations are included in "Others. The adoption of the revenue recognition accounting standard had an impact on net sales and cost of sales, but not on SG&A expenses.

Selected Quarterly Financial Data

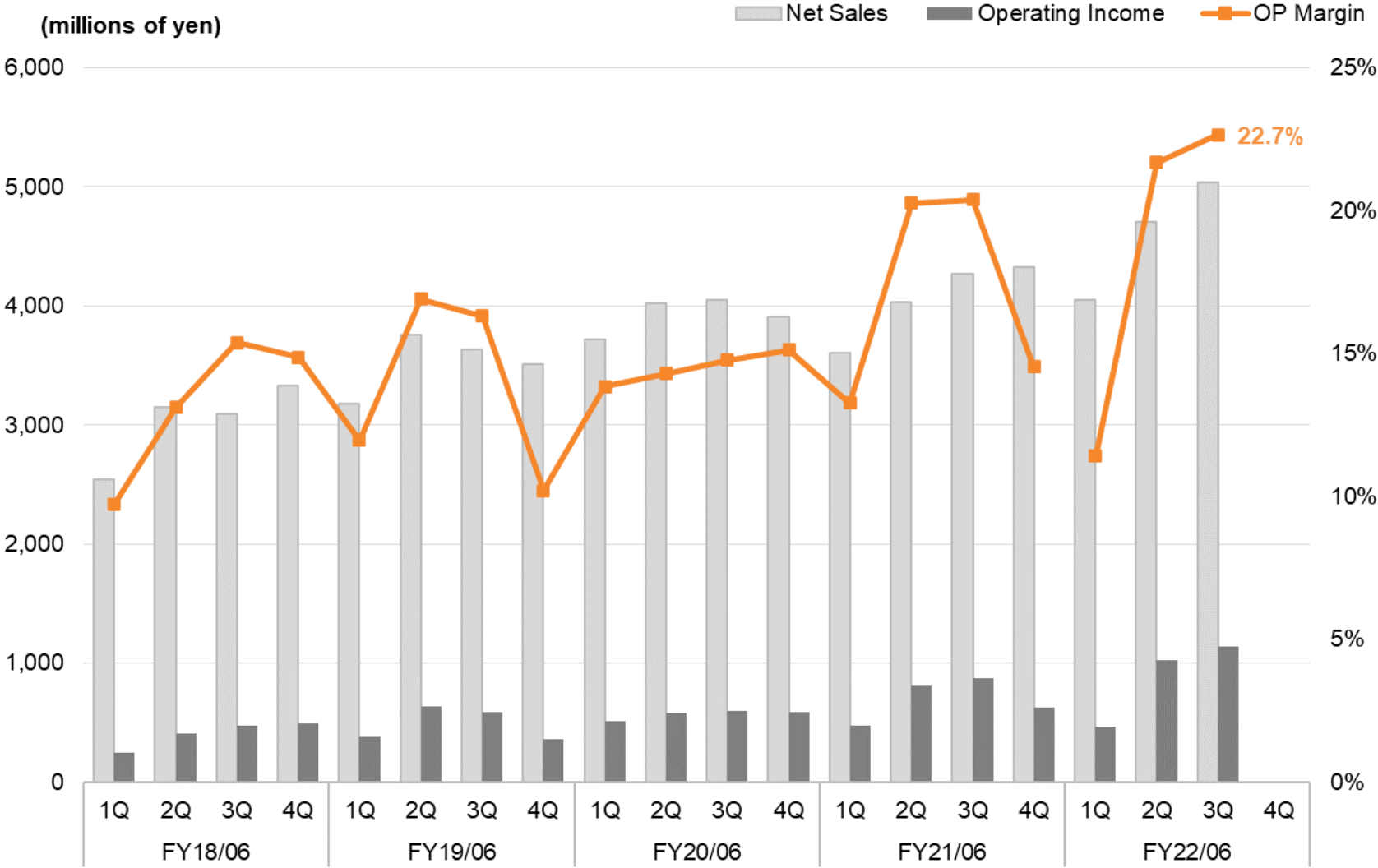
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- Record quarterly non-consolidated operating income due to increased revenue and improved mix.

(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	5,035	
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	2,492	
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	2,542	
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	1,401	
Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	871	629	461	1,020	1,140	
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	22.7	
Ordinary Income	248	415	472	495	380	633	593	364	520	573	598	589	482	823	880	622	441	995	1,128	
Net Income	162	269	311	318	237	403	389	286	334	339	344	519	303	520	546	517	262	603	706	
EBITDA	300	436	514	534	417	673	634	408	557	621	658	669	537	880	926	695	519	1,097	1,254	
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	24.9	

Quarterly Trends in Major KPIs



Selected Quarterly Segment Data

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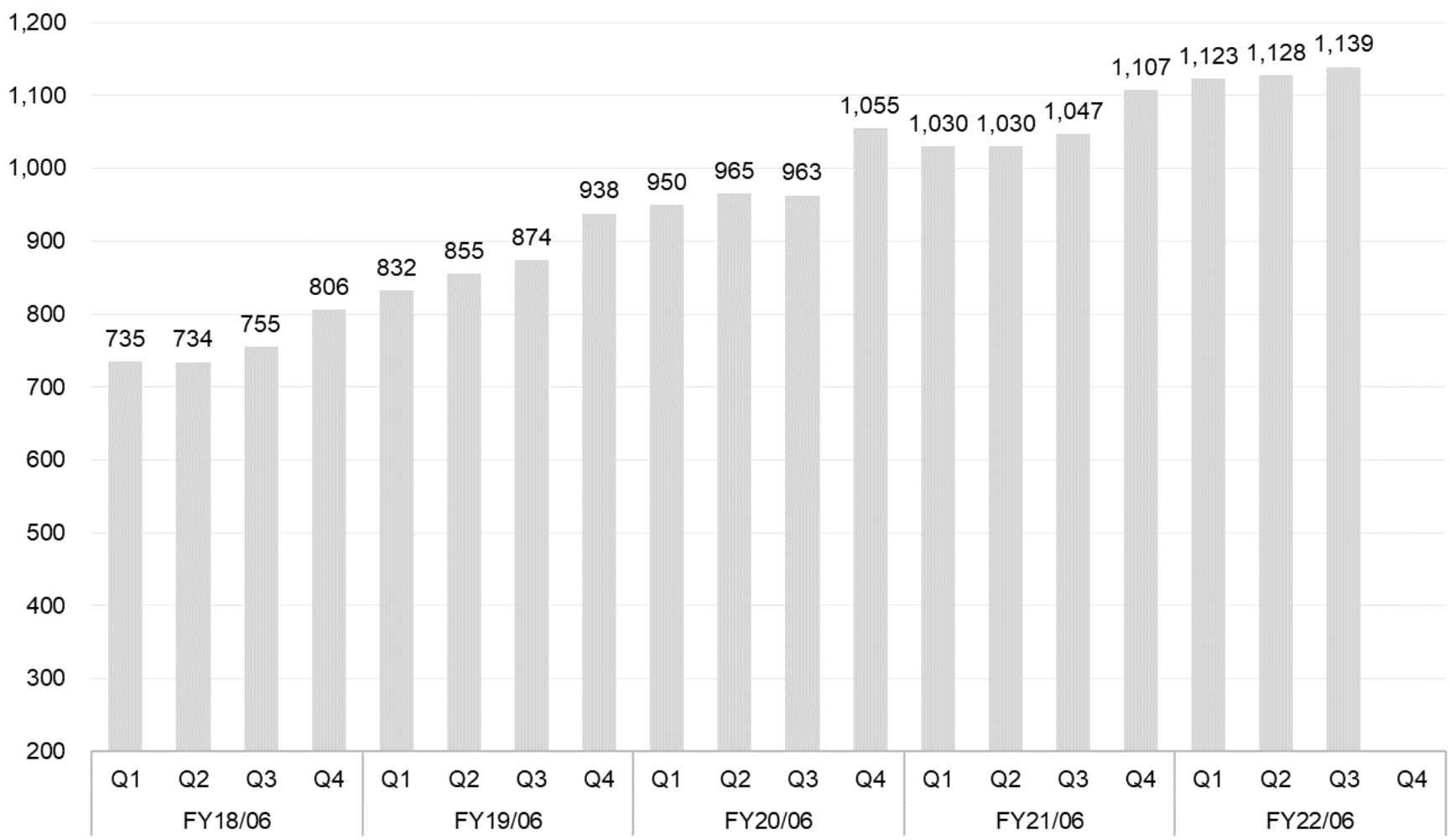
(millions of yen)

		FY June 2018				FY June 2019				FY June 2020				FY June 2021				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	2,298	
	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	1,464	
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586	765	983	722	1,223	565	
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201	-223	-161	-238	-164	-172	
	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	4,154	
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	2,358	
	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	809	
	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	1,716	
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242	-300	-290	-343	-327	-319	
	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	4,563	
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	2,526	
	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	1,902	
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609	662	637	710	755	786	
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165	-165	-171	-185	-180	-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	5,035	
Operating Income	Group Governance	145	220	265	398	244	362	346	339	330	379	378	528	323	520	530	561	286	599	669	
	Digital Transformation	21	81	122	98	102	210	233	89	180	171	209	130	115	226	319	150	187	365	428	
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165	165	62	161	195	221	
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94	-151	-136	-173	-139	-178	
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817	862	637	461	1,020	1,140	

Total Number of Group Employees

AVANT

(person)



Financial Condition & Cash Flows

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Financial Status

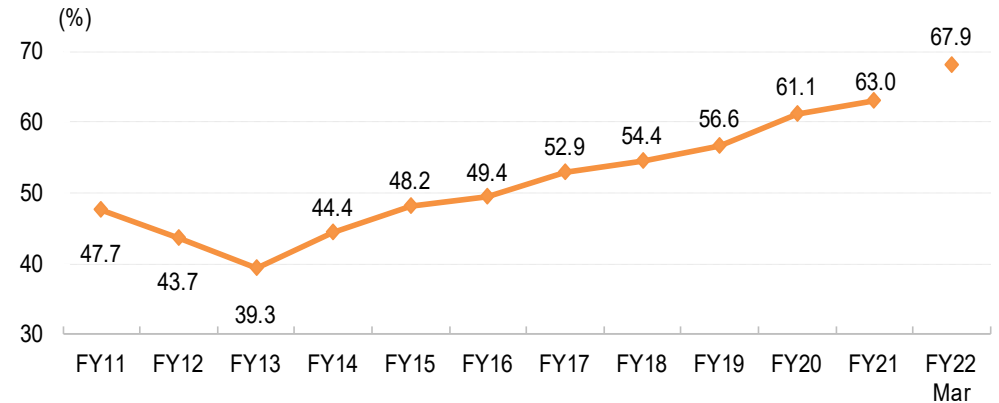
Mar 2022

Total Assets
14.8
billion yen

Total Liabilities
4.7
billion yen

Net Assets
10.0
billion yen

Equity Ratios



Cash Flows

(millions of yen)

FY21/06

FY22/06

Q3

Q3

Operating CF

958

1,384

Investment CF

(519)

(313)

Free CF

438

1,070

Financial CF

(354)

(428)

Key Factors for change

(millions of yen)

• Profit before income taxes	2,565
• Depreciation	258
• Decrease in unearned revenue	(706)
• Increase in A/P - other and accrued expenses	329
• Increase in notes and A/R-trade and contract assets	(242)
• Increase in trade payables	168
• Income taxes paid	(1,007)

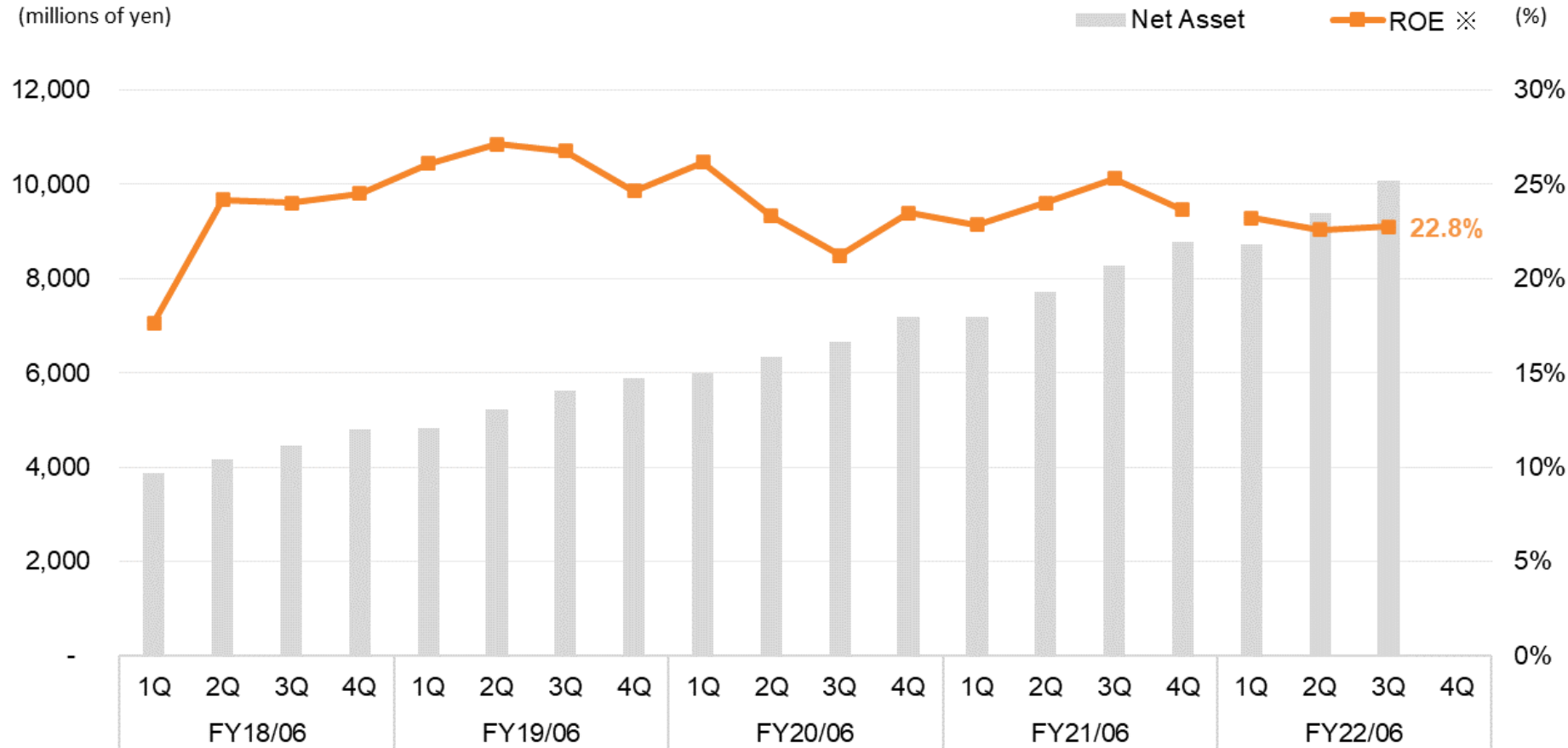
• Purchase of intangible assets	(236)
• Proceeds from refund of leasehold and guarantee deposits	216

• Dividend payments	(413)
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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

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Full-year forecasts for sales and operating income were revised upward

- The initial forecast assumes accelerated growth in all segments by strengthening proposal capabilities to meet customer needs. Operating profit margin is expected to deteriorate because the company will focus on strengthening product development and securing and training proposal-oriented human resources to accelerate the pace of stock sales growth toward achieving the medium-term business plan.
- Although the business is generally in line with our forecast, we have upwardly revised our full-year sales and profit forecasts due to stronger-than-expected needs in the DX Business and a more favorable mix of projects than we had expected.

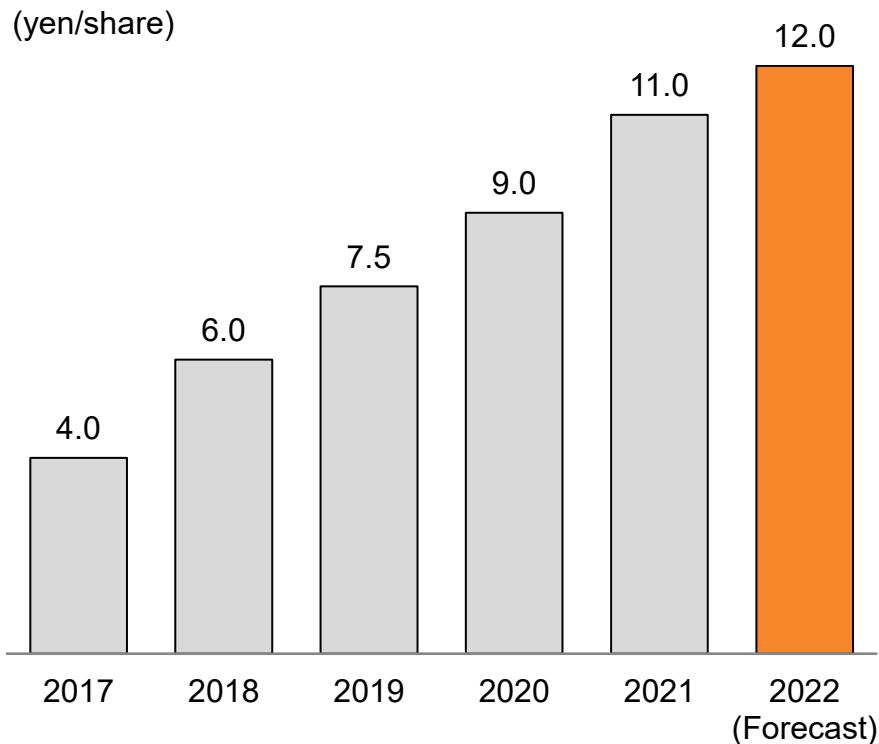
(millions of yen)

	2021 June (Actual)	2022 June (Current Forecast)	Variance	% CHG	2022 June (Disclosed on Aug 6, 2021)
Net Sales	16,236	18,700	—	—	17,820
Operating Income	2,796	3,130	—	—	2,860
OP Margin	17.2%	16.7%	—	—	16.0%
Net Income	1,888	2,032	—	—	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 12 yen per share

- In line with its policy of continuing to pay stable dividends, the company maintains its dividend forecast for FY6/2022 at 12 yen per share, the seventh consecutive year of dividend increases.
- DOE for FY6/2021 was 5.2%, well above the TSE-listed company average (12 months) of 2.9%.



(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.

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