

AVANT

Investor Presentation

AVANT CORPORATION

(Code:3836 TSE1)

September 2020

Who we are

Creating a 100-Year Company

We value management philosophy based on Japanese culture to regard our company as a public organization as a cultural asset and aspire to develop as an organization that exists for the development of society



Mission

Spreading Accountability

As advances in information technology have brought major changes to society, the Group's mission is to help disclose corporate management information throughout the organization so that it contributes to the sustainable development of the company and society



Vision

BE GLOBAL

With increased information availability, society has become globalized and we need to position ourselves from a global perspective. We shall create a competitive business and organization, with performance benchmarked against world-class SaaS companies



OPEN

VALUE

STRETCH

OPEN, VALUE and STRETCH

We value an organizational culture that emphasizes honest relationships with all stakeholders. We work to create new value and pursue the highest level of customer satisfaction. We enjoy change and pursue growth to accomplish challenges.

Holding company

Operating companies

AVANT

DIVA[®]



株式会社 インターネットディスクロージャー
Internet Disclosure Co.,Ltd.

ZEAL[®]
BI EVANGELISTS

FIERTE

Consolidated Accounting

Business Intelligence

Outsourcing

Maximizing corporate value of the Group

- Establish group governance
- Establish framework to generate group synergies
- Stay engaged with investment communities
- Take alternative actions supplementing existing business to achieve growth target
 - ✓ Incorporating external growth
 - ✓ Investment in new business

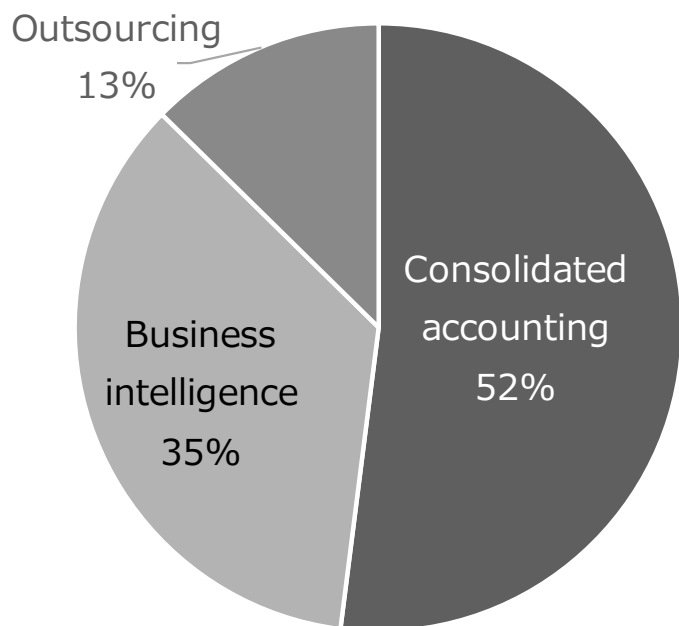
Maximizing business value of OpCo

- Focus on maximizing value proposition to clients
- Execute business plan
- Transform business model, if necessary, to achieve business plan
- Develop new products based on accumulated knowledge

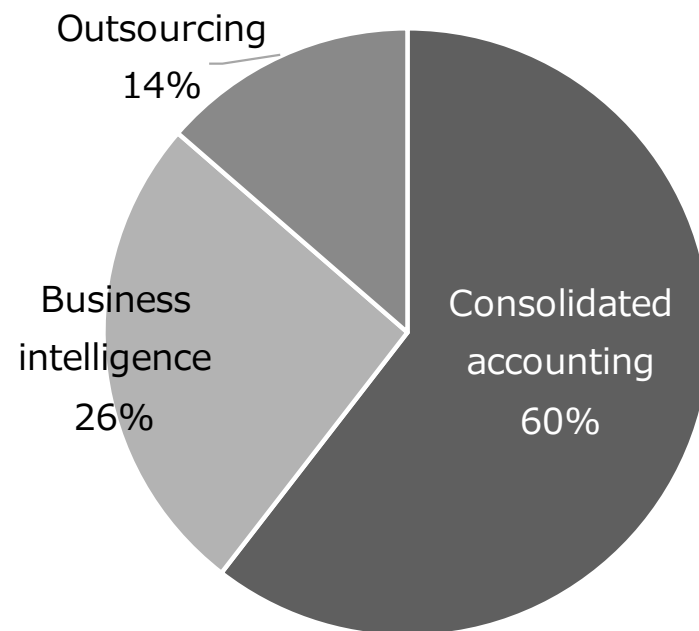
Segment Information (FY June 2020)

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Revenue ¥15.69B



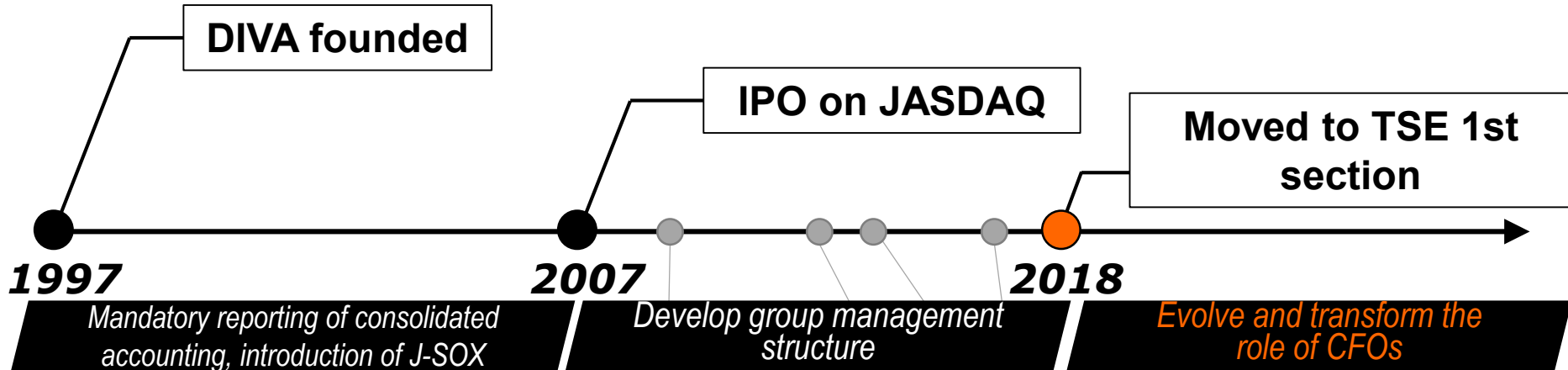
OP income ¥2.27B



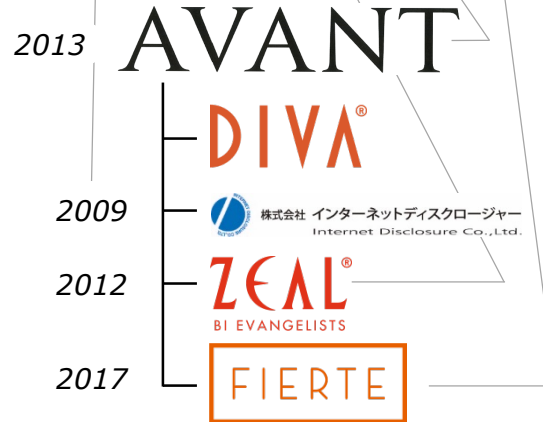
| Segment | YoY |
|-------------------------|--------|
| Consolidated Accounting | +5.6% |
| Business Intelligence | +15.6% |
| Outsourcing | +26.5% |
| Consolidated | +11.5% |

| Segment | OP Margins |
|-------------------------|------------|
| Consolidated Accounting | 19.1% |
| Business Intelligence | 12.0% |
| Outsourcing | 17.7% |
| Consolidated | 14.5% |

AVANT Group for the next 10 years



Established itself as top developer of consolidated accounting software



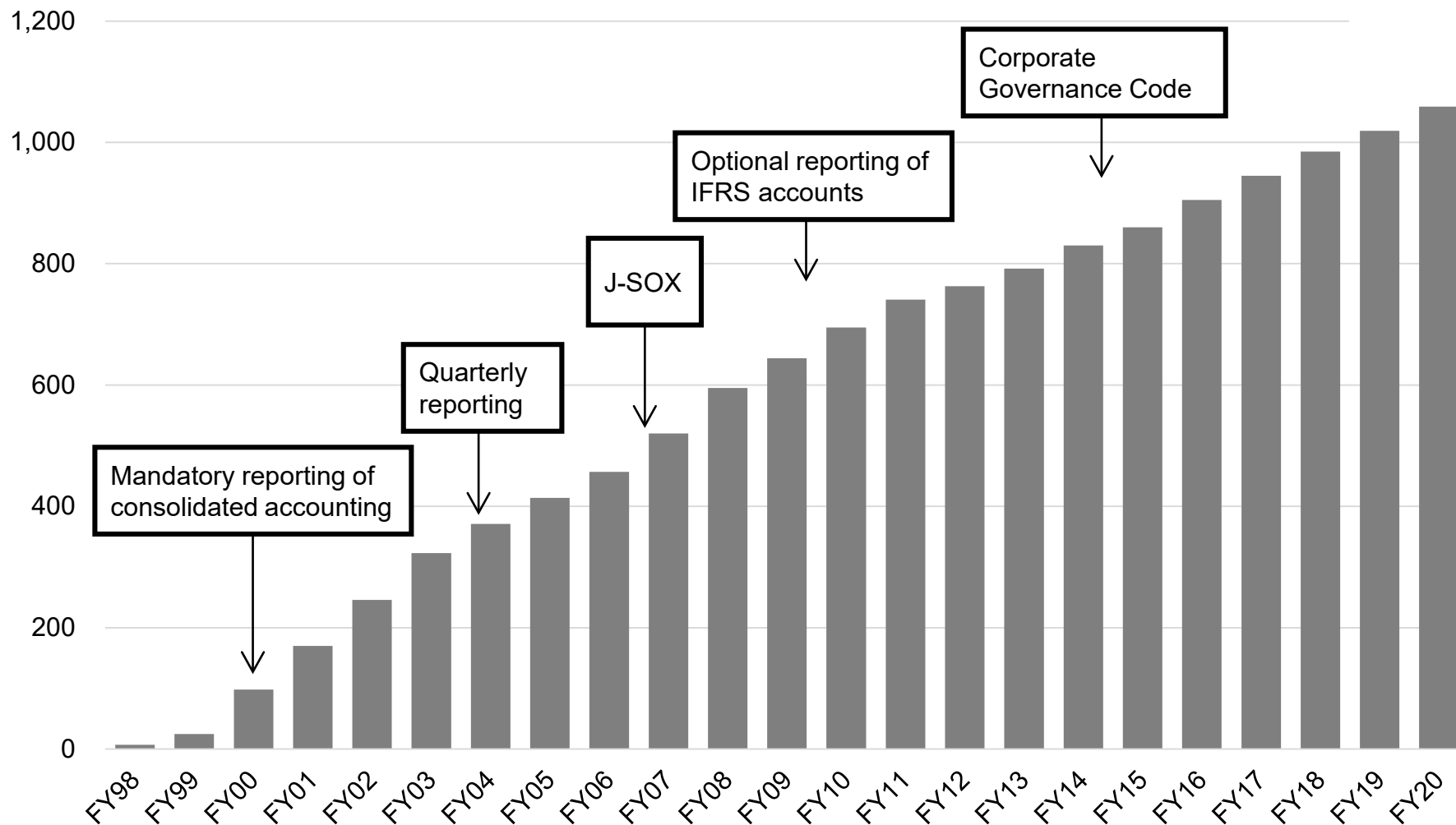
Shifted to a holding company and evolved its group management structure

AVANT Group
supports solution to, and transformation of CIFO organizations
CIFO ACCELERATOR

The Group stands poised to generate new value to stakeholders

DIVA System: Solid History

We have increased our client base as disclosure requirement evolved..



Evolution of Governance in Japan

AVANT

Issues shifting to group company management and internal controls...

Cabinet

Abenomics

**Japan Revitalization Strategies
(2014-2016)**

*call for a change in corporate
governance in Japan*

**Future Investment Strategies
(2017, 2018)**

Society 5.0 (2018)

- ✓ *Management of group companies*
- ✓ *Offensive / defensive governance*
- ✓ *Business portfolio optimization*

JPX / FSA

**Corporate Governance
Code (2015)**

- ✓ *Cross shareholdings*
- ✓ *More than two outside directors*

**Revised Corporate
Governance Code (2018)**

- ✓ *Selection / removal of CEO,
remuneration*
- ✓ *Stronger role of auditors*
- ✓ *Business portfolio management
based on cost of capital*

METI

**Corporate Governance System
Study Group (2016)**

“Practical Guidance for Corporate
Governance Systems (2017)”

“Guidance to integrated disclosure
and company-investor dialogue for
value creation (2017)”

**Corporate Governance System
Study Group (2019)**

- ✓ *Business portfolio management*
- ✓ *Group internal control*
- ✓ *Group internal audit*

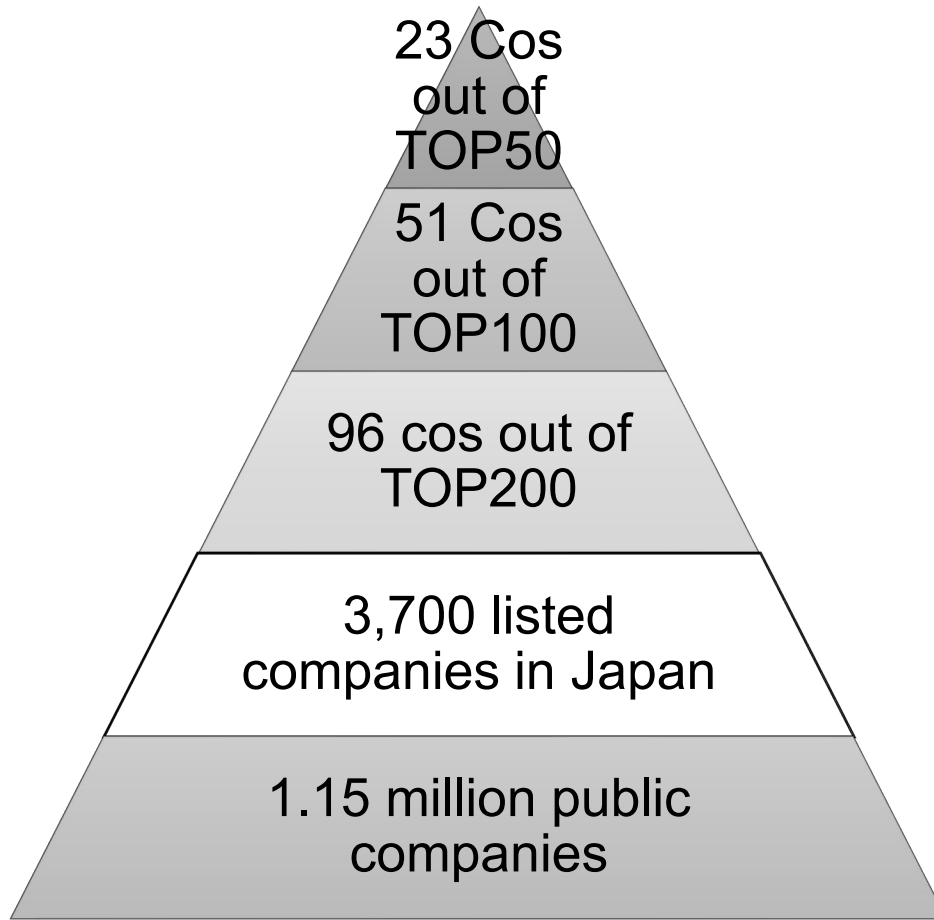
**Guideline on Digital
Transformation (2018)**

Strong Customer Base

AVANT

DIVA[®]

- Sold to over 1,000 companies¹
- Leading market share of 45.3%² in FY2020. More than half of TSE listed top 100 companies

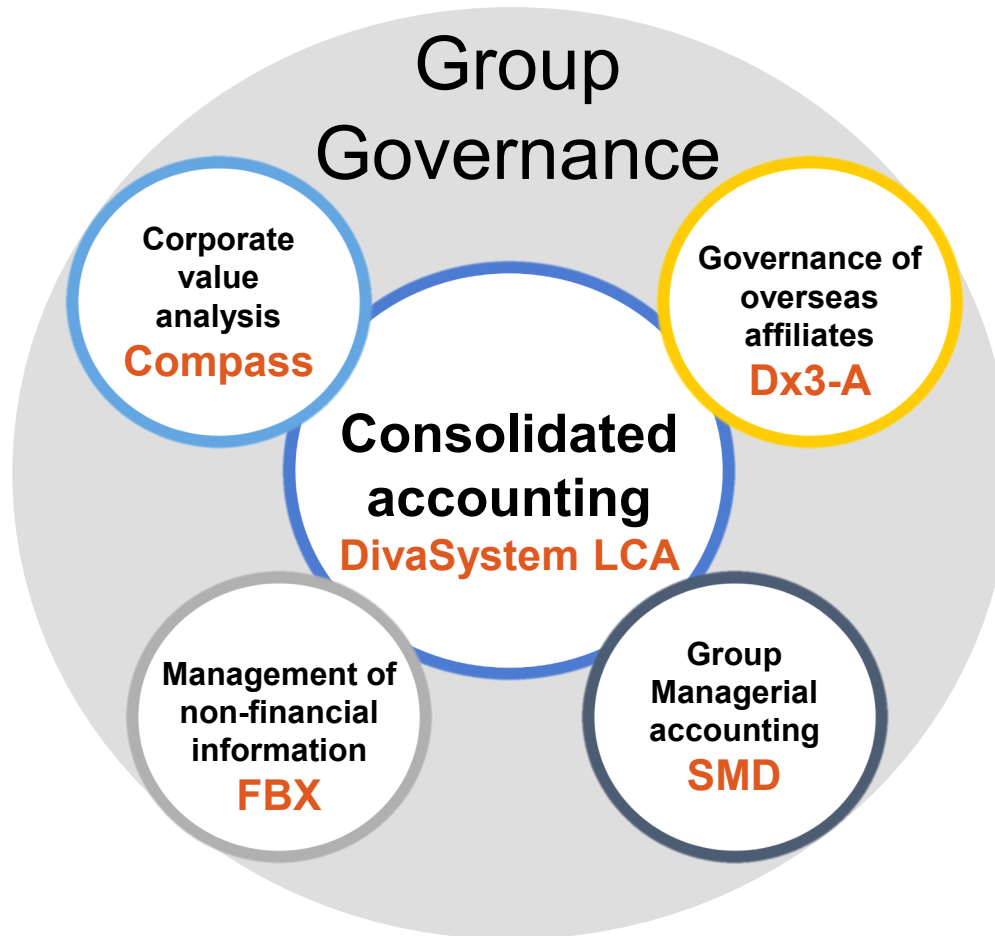


Toyota Motor Corporation
Nippon Telegraph and Telephone
Chugai Pharmaceutical Co., Ltd.
NTT DoCoMo, Inc.
KDDI Corporation
Daikin Industries, Ltd.
Kao Corporation
Astellas Pharma Inc.
Denso Corporation
Hitachi Group
Seven & i Holdings Co., Ltd.
Nippon Paint Holdings Co., Ltd.
Bridgestone Corporation
Nitori Holdings Co., Ltd.
Fujifilm Holdings
etc.

¹ As of June 2020

² Fuji-Keizai Management “2020 Software Business New Market” Consolidated Accounting Software (Package) Market Share

DIVA System product portfolio evolves into a comprehensive platform for Group Governance



Business Intelligence: ZEAL Corporation

AVANT



- Founded in 1991, acquired in 2012. More than 25 years of experience in business intelligence
- Installation of BI/DWH system to more than 900 clients
- Close relationship with Microsoft, Oracle, IBM, SAP and more

Recent cases

| | | | |
|---|---|---|---|
| Yamaha Moto Co., Ltd. -Installation & operation of Data analysis platform | Kao Group Customer Marketing KK -Installation of marketing analysis environment | Kracie Pharmaceutical, Ltd. -Installation of marketing analysis environment | BEAMS Holdings Co., Ltd. -Installation of planning and budgeting system |
| Life Corporation -Installation of planning and budgeting system | KU Holdings Co., Ltd. -Installation of planning and budgeting system | Nippon Access, Inc. -Installation of big data platform and business analysis solution | cocokara fine Inc. -Installation of planning and budgeting system |
| Sushiro Global Holdings -Installation of sales support system | Real Estate Shop Nakajitsu Co., Ltd. -Installation of Data analysis platform | Golf Digest Online Inc. -Renewal of integrated information platform | FITS Corporation K.K. -Installation of marketing analysis environment |

Major Products

ABEJA Platform / Actian Analytics Platform / Adaptive Suite / Amazon Web Service / ASTERIA WARP / BOARD / BusinessSPECTRE / CCH TAGETIK / DataSpider Servista / Denodo / Dr.Sum / Excellent / IBM Cognos Analytics / IBM Planning Analytics / IBM InforSphere Data Strage / IBM SPSS / IJ GIO / Incorta Enterprise Analytics / Infor d/EPM / Informatica PowerCenter / intra-mart Accel Platform / Microsoft Azure / Microsoft Power BI / Microsoft SharePoint Server / Microsoft AQL Server / MicroStrategy / MotionBoard / Mjgen / Oracle Hyperion Planning / Oracle Business Intelligence / Oracle Data Integrator / Oracle Essbase / Oracle Exadata / Oracle Exalytics / Oracle EPM Cloud-Planning (PBCS) / Pentaho / Pivotal Greenplum / QlikView / Sagent Data Flow / SAP Business Planning and Consolidation / SAP BusinessObjects / SAP HANA / SAP IQ / SAS Enterprise Miner / SAS Visual Analytics / SkyLink / Syncsort DMExpress / Tableau / Talend / Teradata Data Warehouse Appliance / WebQuery / WebReport 2.0 Smart / Yellowfin / 軽技Web / Zoomdata

Outsourcing: FIERTE Corporation

FIERTE

- Started as outsourcing department at DIVA in 2012, incorporated in August 2017
- More than 100 customers for various accounting process outsourcing and treasury management solutions

Outsourcing of accounting

| | | | | | |
|----------------------------|--|-----------------------------------|------------------------------------|------------------------------|---------------------------------|
| Ajinomoto Co., Inc. | APAMAN Co., Ltd. | Ichishin Holdings Co., Ltd. | IDOM Inc. | IMAGICA Group Inc. | Tokyo FM Broadcasting Co., Ltd. |
| MC Aviation Partners, Inc. | KUBOTA Corporation | Cosmo Energy Holdings Co., Ltd. | Japan Best Rescue System Co., Ltd. | JERA Co., Inc. | SystemSoft |
| Sojitz Corporation | Taisho Pharmaceutical Holdings Co., Ltd. | Tsumura & Co. | Tokai Carbon Co., Ltd. | Trend Micro Inc. | Nitto Denko Corporation |
| Nifco Inc. | Punch Industry Co., Ltd. | PHC Holdings Corporation | Hitachi Metal Ltd. | Hitachi Ltd. | Hitachi Transport System, Ltd. |
| Fukoku Co., Ltd. | Benefit One Inc. | Mitsubishi Heavy Industries, Ltd. | Mitsubishi Estate Co., Ltd. | Yoshinoya Holdings Co., Ltd. | RISA Partners, Inc. |

Treasury management solution

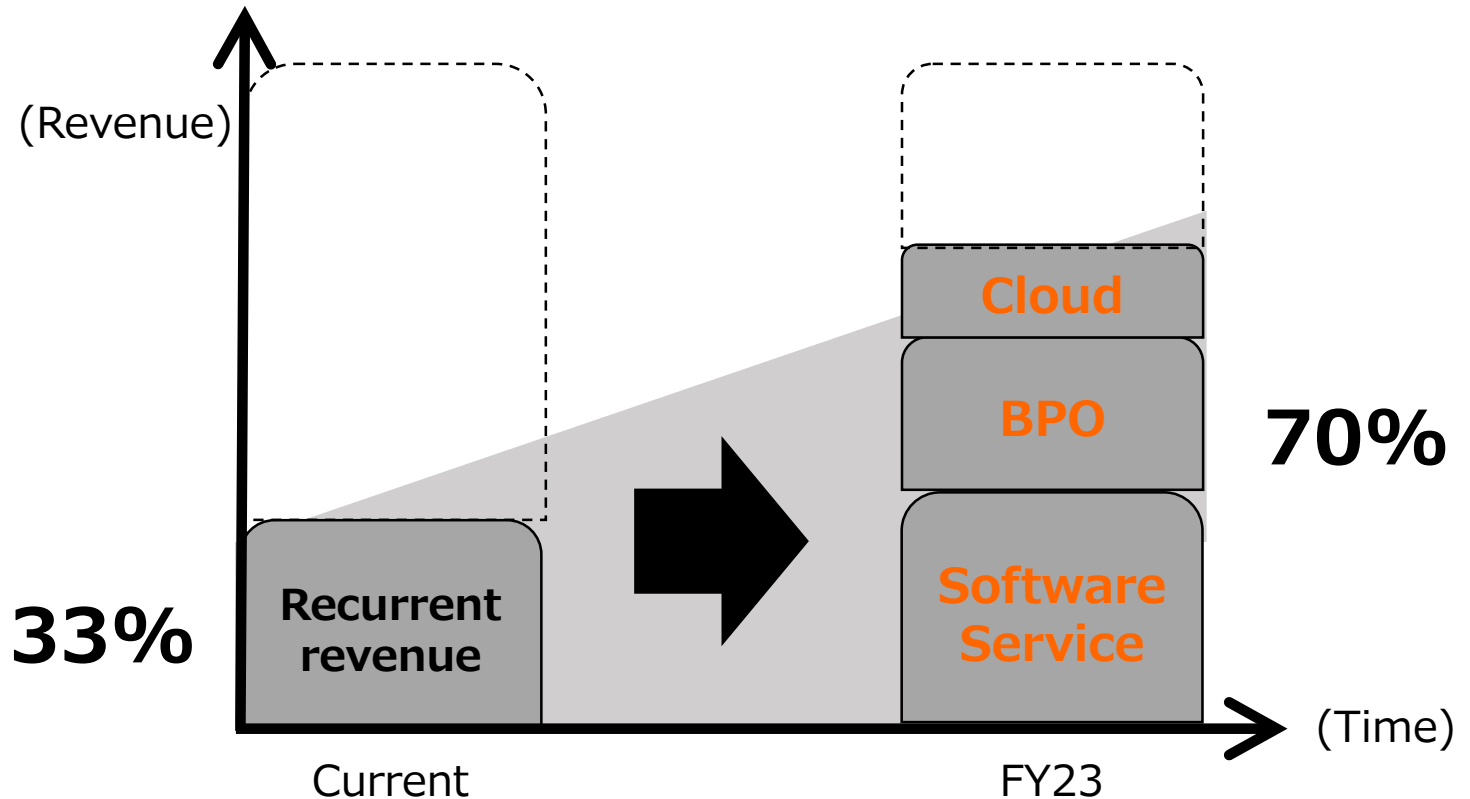
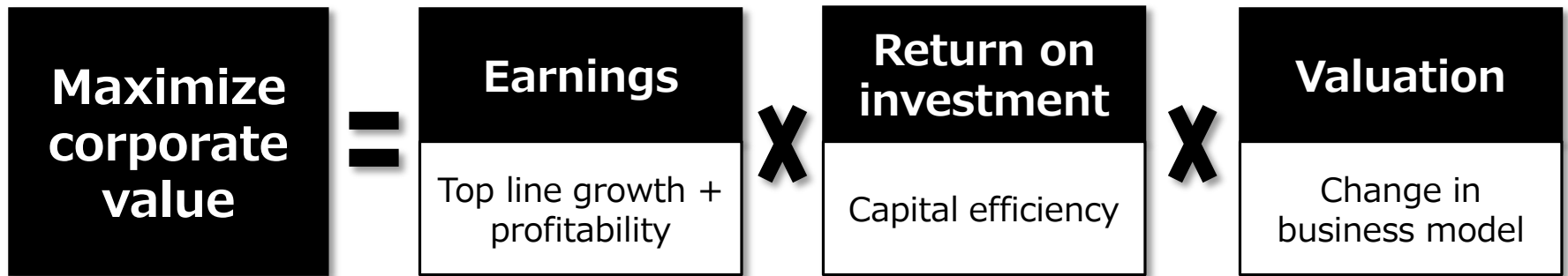
| | | | | |
|--------------------------------|------------------------|------------------|---------------|----------------|
| Kirin Holdings Company Limited | KDDI Corporation | Kobe Steel, Ltd. | THK Co., Ltd. | Toei Animation |
| Nifco Inc. | Mitsui Chemicals, Inc. | UACJ Corporation | | |

Medium-term Business Plan (FY19~23)

BE GLOBAL 2023

Our Goal during the Mid-term Business Plan

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Action for Global GGM SaaS Company

FY20

FY21

FY22

FY23

Internal investment

DIVA
DS Cloud Shift

Complete cloud shift (On premise to SaaS)

ZEAL
Micro SaaS

(i) Develop Vertical SaaS (from SI to SaaS)
(ii) Enhance lineup for BI SaaS platforms

FIERTE
BPO Automation

(i) Automation (from Software based BPO to SaaS)
(ii) Enhance lineup for BPO SaaS platforms

External investment

SaaS
Contents Expansion

Develop core contents of GGM (TMS, etc.)

Global
Sales Expansion

Acquire customer base to accelerate cloud shift

GGM: Group Governance Management







Mid-term Management Plan: KPIs

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| | FY18 | | FY23 |
|-----------------------------|--------|---|-------------|
| Revenue | ¥12B | ➔ | ¥18 ~ 22B |
| Recurring revenue ratio | 33% | ➔ | 70% |
| Operating income | ¥1.6B | ➔ | ¥3.1 ~ 3.8B |
| Revenue growth + OP margins | 28.5pt | ➔ | Over 40pt |
| ROE | 24.5% | ➔ | Over 20% |
| Dividends | ¥6 | ➔ | Over ¥15 |

Where We are against Target

- Five consecutive growth and record-breaking revenue and profit
- Recurrent revenue ratio was flat. Margin improved but revenue growth slowed, pushing GPP lower
- Maintained ROE over 20%

| | FY19 Actual | | FY20 Actual | | FY23 Target |
|------------------------------------|-------------|---|--|---|-------------|
| Revenue | ¥14.07B | → |  ¥15.69B | ⇒ | ¥18~22B |
| Recurrent revenue ratio | 31.4% | → |  32.6% | ⇒ | 70% |
| Operating income | ¥1.96B | → |  ¥2.27B | ⇒ | ¥3.1~3.8B |
| Revenue growth + OP margins | 30.2pt | → |  26.0pt | ⇒ | Over 40pt |
| ROE | 24.5% | → |  23.5% | ⇒ | Over 20% |
| Dividends | ¥7.5 | → |  ¥9 | ⇒ | Over ¥15 |

Initiatives for FY June 2021

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- Promote cloud-shift, focus on basis for top-line growth
- Launch proprietary IP based products & services to improve recurrent revenue ratio
- Options for M&A at operating company level to accelerate growth

| | FY20 Actual | | FY21 Forecast | | FY23 Target |
|------------------------------------|----------------|---|------------------|---|----------------|
| Revenue | ¥15.69B | → | ¥16.11B | ⇒ | ¥18 ~ 22B |
| Recurrent Revenue Ratio | 32.7% | → | UP | ⇒ | 70% |
| Operating Income | ¥2.27B | → | ¥2.33B | ⇒ | ¥3.1 ~ 3.8B |
| Revenue growth + OP margins | 26.0pt | → | 17.2pt | ⇒ | Over 40pt |
| Dividends | ¥9 | → | ¥10 | ⇒ | Over ¥15 |

Plan Update: Path to Achievement

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Consolidated Accounting

Recurring
revenue
ratio

FY20 actual

39%

FY23 target

50%

Initiatives for FY21

Accelerate top-line growth through cloud shift

- Introduce new products and services for cloud adoption
- Enhance solutions that contribute to the sophistication of management, from system accounting to planning & budgeting and managerial accounting
- Target better-performing industries and global players
- Consider profitability improvement measures (productivity improvement/flexible hiring/office space)

Plan Update: Path to Achievement

AVANT

Business Intelligence

Recurring
revenue
ratio

FY20 actual

9%

FY23 target

40%

Initiatives for FY21

Transform business model with proprietary solutions

- Launch unique solutions following ZEUSCLOUD,
- Strengthen collaboration with software vendors,
- Support large companies in DX-related projects,
- Adopt business unit organization that supports the transition

Plan Update: Path to Achievement

AVANT

Outsourcing

Recurring
revenue
ratio

FY20 actual

89%

FY23 target

95%

Initiatives for FY21

Maintain growth momentum

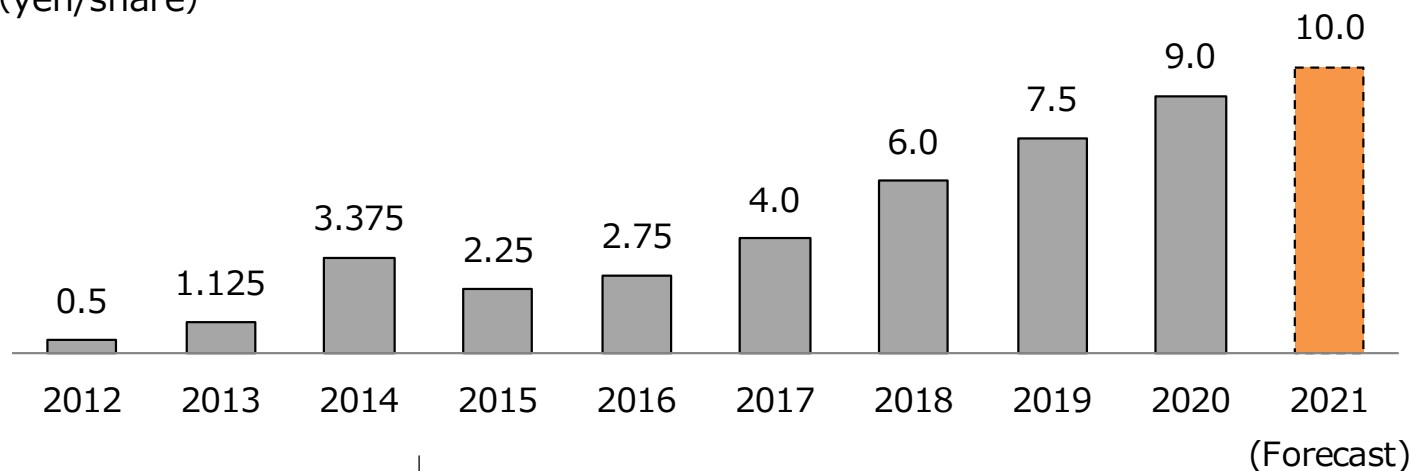
- Develop pipeline for financial closing outsourcing and cash management solutions into hard contracts
- Diversify services
- Accelerate investment in efficiency improvement and development of human resources

Shareholder Return Policy

AVANT dividend policy is to maintain sustainable growth in cash dividends per share, and our goal is to maintain dividends on equity(DoE) significantly above TSE average

Trends in Dividends per Share (adjusted for stock splits)

(yen/share)



Shareholder return policy based on DoE →

| | FY2012 Actual | FY2013 Actual | FY2014 Actual | FY2015 Actual | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Actual | FY2020 Actual |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Dividends per share (yen) | 0.5 | 1.125 | 3.375 | 2.25 | 2.75 | 4.0 | 6.0 | 7.5 | 9.0 |
| DOE (AVANT) | 1.30% | 2.47% | 5.84% | 3.25% | 3.41% | 4.18% | 5.20% | 5.27% | 5.17% |
| DOE (TSE Average) | 2.24% | 2.28% | 2.39% | 2.43% | 2.64% | 2.70% | 2.86% | 2.93% | 2.94% |

Source: JPX Group Statistics Monthly Report

Financials

Results for FY June 2020

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Improved results for the 5th consecutive year, net income setting new record

- The impact of COVID-19 can be seen in some orders towards the end of the fiscal year, but revenue exceeded expectations due to an additional order in a large-scale project in the consolidated accounting-related business.
- Operating income margin improved due to efforts to control fixed-expenses and absence of provision for loss on orders. Combined with a tax effects realized at the end of the fiscal year, net income increased 16.8% year on year.

(millions of yen)

| | FY19/06 | FY20/06 | Year-on-Year | |
|------------------|---------|---------|--------------|-------------|
| | | | Variance | %CHG |
| Revenue | 14,077 | 15,691 | + 1,613 | + 11.5% |
| Cost of Revenue | 7,779 | 8,525 | + 746 | + 9.6% |
| SG&A expenses | 4,332 | 4,887 | + 555 | + 12.8% |
| Operating Income | 1,966 | 2,278 | + 312 | + 15.9% |
| OP Margin | 14.0% | 14.5% | - | + 0.6 point |
| Ordinary Income | 1,972 | 2,282 | + 309 | + 15.7% |
| Net Income | 1,317 | 1,537 | + 220 | + 16.8% |
| EBITDA | 2,133 | 2,506 | + 373 | + 17.5% |

Segment Results

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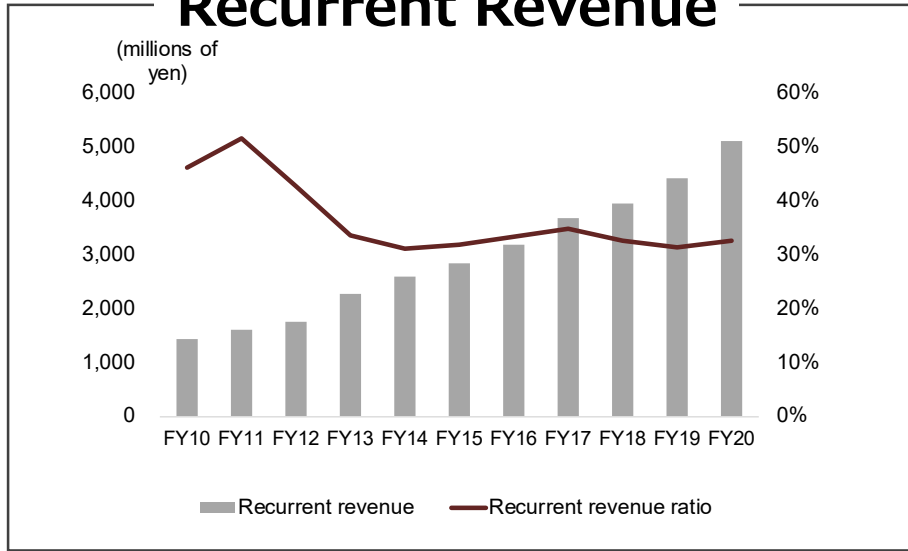
- Revenues were driven by Business Intelligence business and Outsourcing business. The outsourcing business, which boasts a high proportion of recurrent revenue, expanded to 13% of consolidated revenues
- Consolidated accounting-related businesses drove growth in operating income represented by expenses reduction Initiatives in the second half.

(millions of yen)

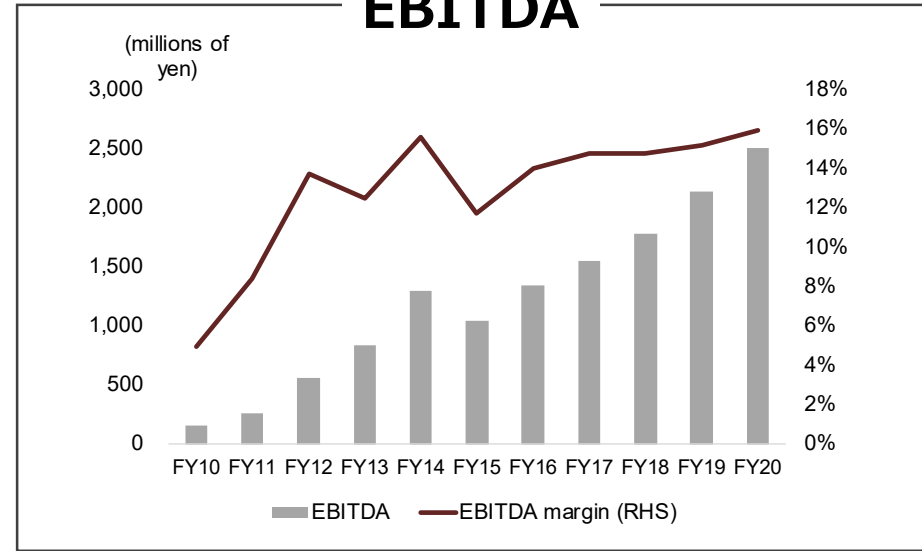
| | | FY19/06 | FY20/06 | Year-on-Year | |
|-------------------------|------------------|---------|---------|--------------|-------------|
| | | | | Variance | %CHG |
| Consolidated Accounting | Revenue | 8,034 | 8,485 | + 451 | + 5.6% |
| | Operating Income | 1,293 | 1,616 | + 323 | + 25.0% |
| | OP Margin | 16.1% | 19.1% | - | + 3.0 point |
| Business Intelligence | Revenue | 4,990 | 5,767 | + 776 | + 15.6% |
| | Operating Income | 636 | 692 | + 55 | + 8.8% |
| | OP Margin | 12.8% | 12.0% | - | 0.8 point |
| Outsourcing | Revenue | 1,629 | 2,062 | + 432 | + 26.5% |
| | Operating Income | 318 | 364 | + 45 | + 14.4% |
| | OP Margin | 19.5% | 17.7% | - | 1.9 point |

Trends in Financial KPIs

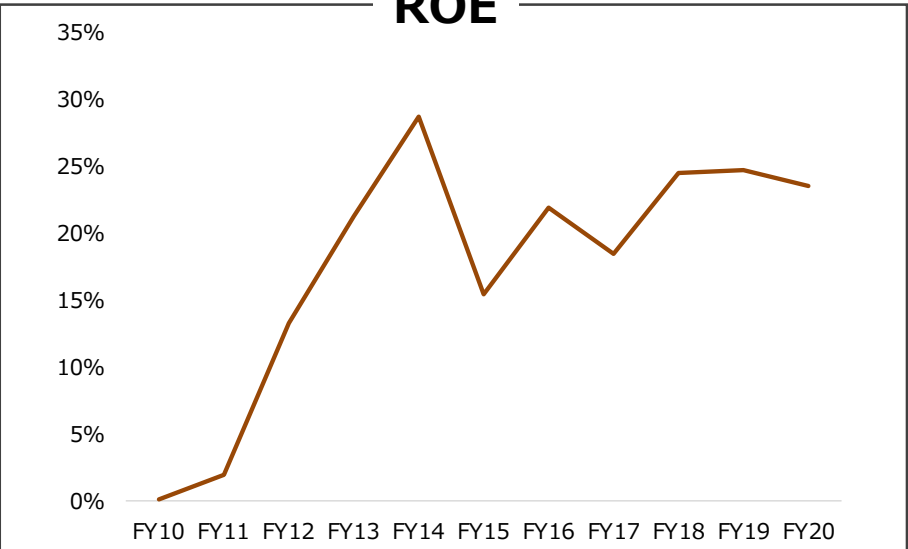
Recurrent Revenue



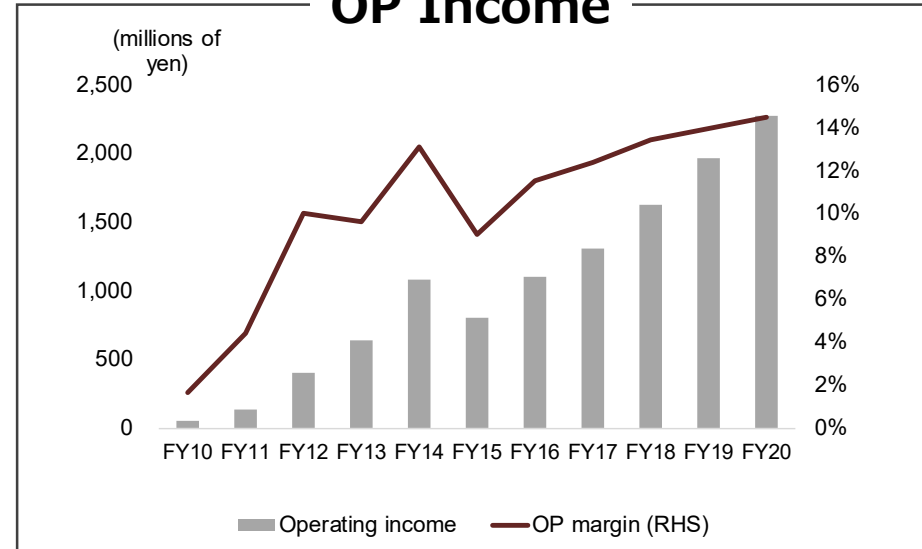
EBITDA



ROE



OP Income



10-year Financial Summary

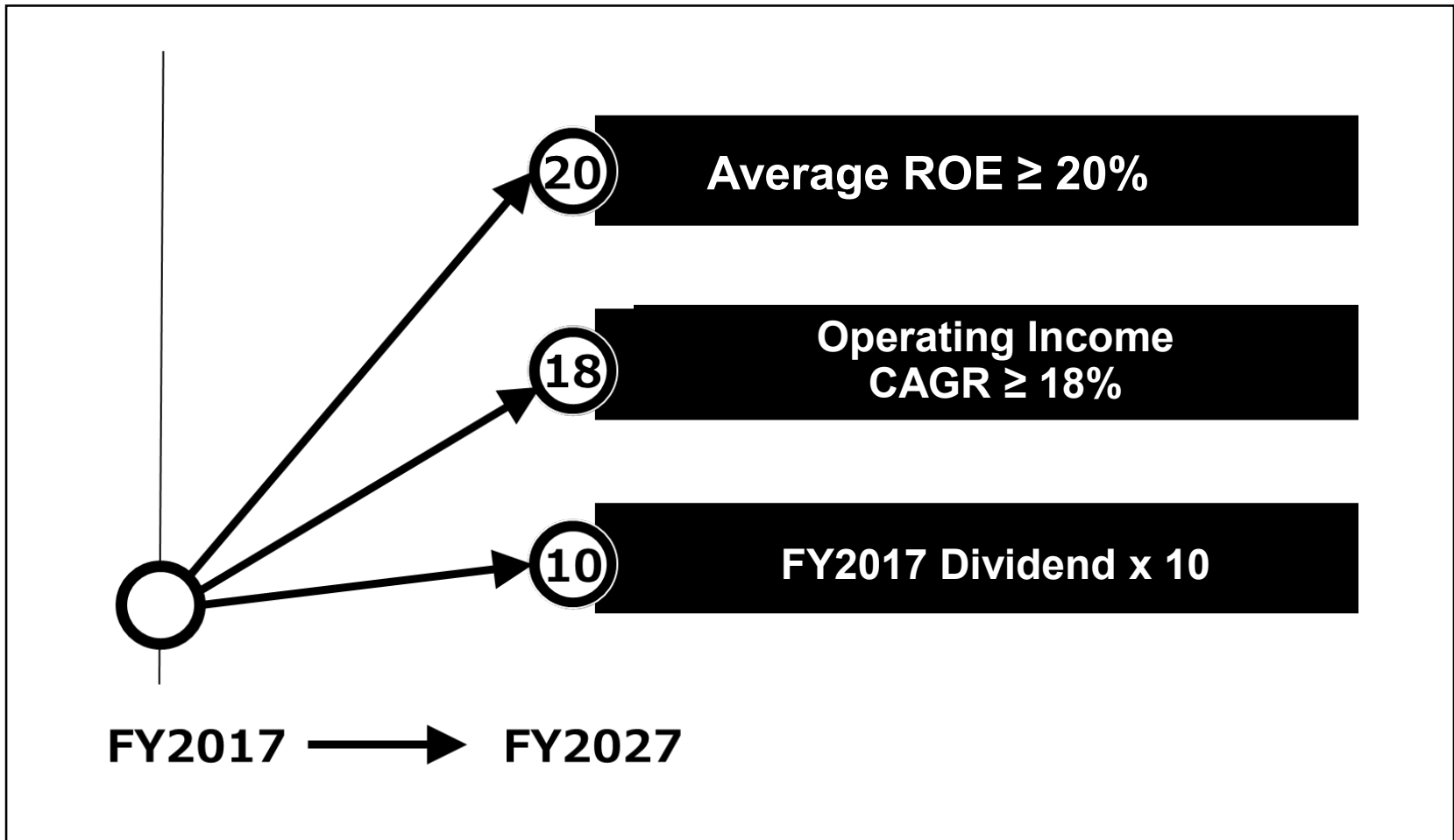
AVANT

(millions of yen, yen)

| | FY11 (11/6) | FY12 (12/6) | FY13 (13/6) | FY14 (14/6) | FY15 (15/6) | FY16 (16/6) | FY17 (17/6) | FY18 (18/6) | FY19 (19/6) | FY20 (20/6) |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 3,137 | 4,101 | 6,732 | 8,300 | 8,928 | 9,612 | 10,532 | 12,110 | 14,077 | 15,691 |
| Cost of revenue | 1,622 | 2,164 | 4,061 | 4,580 | 5,133 | 5,452 | 5,834 | 6,946 | 7,779 | 8,525 |
| Gross profit | 1,514 | 1,936 | 2,670 | 3,720 | 3,795 | 4,159 | 4,697 | 5,163 | 6,298 | 7,166 |
| SG&A expenses | 1,376 | 1,526 | 2,022 | 2,631 | 2,990 | 3,050 | 3,391 | 3,532 | 4,332 | 4,887 |
| Operating income | 138 | 410 | 647 | 1,088 | 805 | 1,109 | 1,306 | 1,631 | 1,966 | 2,278 |
| EBITDA | 153 | 535 | 822 | 1,285 | 1,033 | 1,172 | 1,279 | 1,807 | 2,170 | 2,510 |
| Net income | 25 | 191 | 362 | 623 | 402 | 660 | 663 | 1,062 | 1,317 | 1,537 |
| EPS (yen) | 0.68 | 5.09 | 9.66 | 16.60 | 10.71 | 17.60 | 17.67 | 28.28 | 35.06 | 40.92 |
| DPS (yen) | 0.31 | 0.50 | 1.13 | 3.38 | 2.25 | 2.75 | 4.00 | 6.00 | 7.50 | 9.00 |
| Total property, plant & equipment | 173 | 115 | 170 | 254 | 199 | 210 | 207 | 222 | 277 | 469 |
| Intangible assets | 128 | 67 | 522 | 405 | 301 | 201 | 100 | 172 | 165 | 191 |
| Investments and other | 253 | 252 | 288 | 377 | 398 | 559 | 747 | 921 | 1,574 | 1,614 |
| Unearned revenue | 0 | 56 | 185 | 173 | 109 | 284 | 272 | 300 | 356 | 342 |
| Current portion of L-T debt | 5 | -- | 129 | 122 | 122 | 122 | 28 | -- | -- | -- |
| Long term debt | -- | -- | 396 | 273 | 151 | 28 | -- | -- | -- | -- |
| Net assets | 1,355 | 1,535 | 1,879 | 2,460 | 2,739 | 3,311 | 3,873 | 4,792 | 5,898 | 7,194 |
| Total assets | 2,836 | 3,502 | 4,785 | 5,537 | 5,681 | 6,709 | 7,325 | 8,814 | 10,415 | 11,780 |

(Note) per share data are adjusted for two-for-one stock splits

AVANT Group's Long-Term Performance Goals for the Period from FY2017 to FY2027



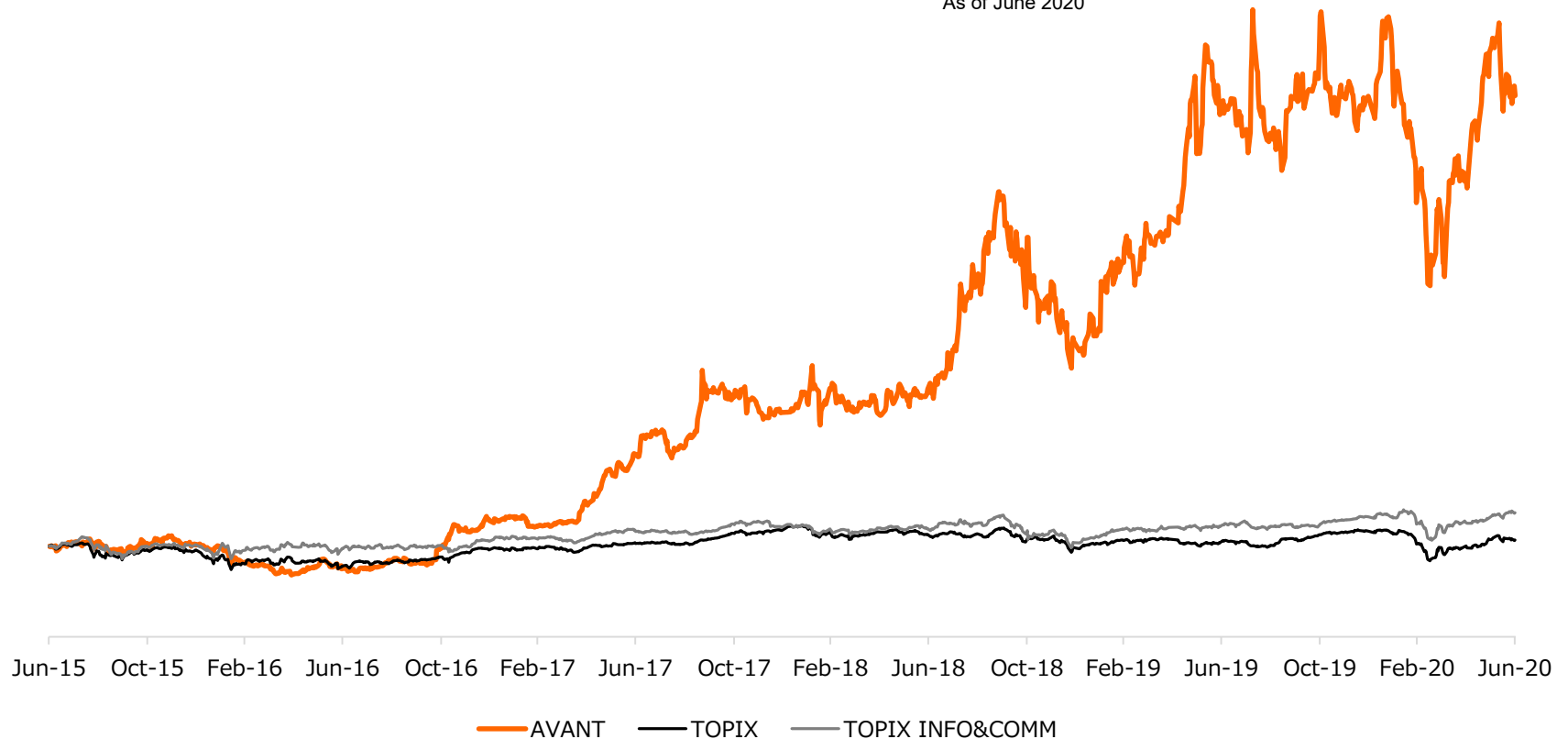
AVANT TSR vs TOPIX

AVANT

TSR

| | One year | Three years | Five years |
|-------------------|----------|-------------|------------|
| AVANT | 104.2% | 297.5% | 587.6% |
| TOPIX | 103.1% | 103.8% | 107.1% |
| TOPIX INFO & COMM | 115.7% | 126.2% | 152.9% |

As of June 2020



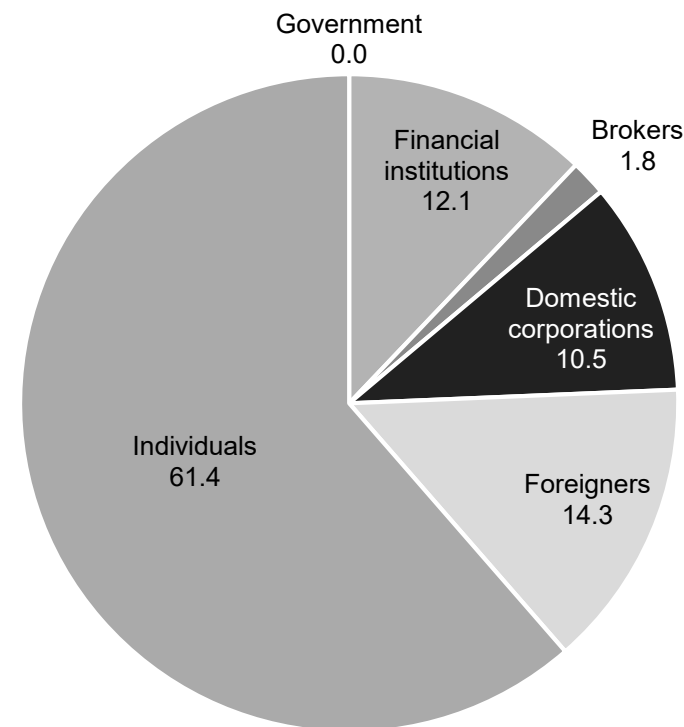
Source: Thomson Reuters

Shareholder Structure

Major Shareholders

| Name | Shares held (shares) | (%) |
|---|----------------------|-------|
| Tetsuji Morikawa | 9,764,000 | 25.98 |
| Avant Employee Stock Ownership Association | 3,195,300 | 8.50 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 2,248,500 | 5.98 |
| Tsuyoshi Noshiro | 1,868,800 | 4.97 |
| OBIC Business Consulting Co., Ltd. | 1,600,000 | 4.26 |
| PCA Corporation | 1,556,800 | 4.14 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 1,426,200 | 3.79 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 983,500 | 2.62 |
| FCP SEXTANT ATOUR DU MONDE | 811,600 | 2.16 |
| BBH/DESTINATIONS INTERNATIONAL EQUITY FUND/WASATCH ADVISORS | 653,640 | 1.74 |

Shareholders by Type



AVANT