

AVANT

Financial Results Briefing

for the third quarter of Fiscal Year June 2020

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, 2020

- . Summary of financial results
for the third quarter of FY June 2020
- . 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 2020

Results Highlights

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Positive growth(excluding tax impact) momentum continued

- Profit margins continued to improve on a quarterly basis, as increase in revenues backed by stable demand in each business segment offset the increase in fixed costs
- Currently, the impact of the new coronavirus infectious disease is negligible, and the earnings forecast remains unchanged. However, as the direction for future earnings, we will consider counter measures while closely monitoring the IT investment behavior of large companies, our customers

(millions of yen)

	FY19/06 Q3<YtD>	FY20/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	10,565	11,784	+ 1,219	+ 11.5%
Cost of Revenue	5,758	6,468	+ 709	+ 12.3%
SG&A expenses	3,198	3,628	+ 429	+ 13.4%
Operating Income	1,607	1,687	+ 79	+ 5.0%
OP Margin	15.2%	14.3%	-	△ 0.9 point
Ordinary Income	1,607	1,692	+ 84	+ 5.3%
Net Income	1,030	1,018	△ 12	△ 1.2%
EBITDA	1,725	1,837	+ 111	+ 6.5%

Results by Business Segment

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(millions of yen)

		FY19/06 Q3<YtD>	FY20/06 Q3<YtD>	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Revenue	6,016	6,330	+ 313	+ 5.2%
	Operating Income	953	1,088	+ 134	+ 14.1%
	OP Margin	15.9%	17.2%	-	+ 1.3 point
Business Intelligence	Revenue	3,784	4,381	+ 597	+ 15.8%
	Operating Income	546	561	+ 14	+ 2.6%
	OP Margin	14.5%	12.8%	-	△ 1.6 point
Outsourcing	Revenue	1,199	1,535	+ 335	+ 27.9%
	Operating Income	281	368	+ 87	+ 31.0%
	OP Margin	23.4%	24.0%	-	+ 0.6 point

Strengthening Cost Management amid Increased Revenue

- Balanced accumulation of new contracts for both statutory accounting and managerial accounting solutions, with positive growth in orders and backlog
- Increased revenues offset new office operation costs, and profitability continues to improve. Consider controlling fixed costs in order to respond to future changes in demand.

(millions of yen)

	FY19/06 Q3<YtD>	FY20/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	6,016	6,330	+ 313	+ 5.2%
Operating income	953	1,088	+ 134	+ 14.1%
OP Margin	15.9%	17.2%		+1.3point
New Orders	5,195	5,846	+ 651	+ 12.5%
Outstanding Orders	1,611	1,689	+ 77	+ 4.8%

Robust growth thanks to IT investment boom

- The investment demand for DX continues to be strong, achieving a double-digit increase over the previous fiscal year, which increased by 30%, and maintaining a double-digit increase in cumulative sales.
- Higher fixed costs accompanying higher remuneration levels and new office operations will continue to improve profitability on a quarterly basis by focusing on highly profitable projects

(millions of yen)

	FY19/06 Q3<YtD>	FY20/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	3,784	4,381	+ 597	+ 15.8%
Operating income	546	561	+ 14	+ 2.6%
OP Margin	14.5%	12.8%		△1.6point
New Orders	3,899	4,103	+ 204	+ 5.2%
Outstanding Orders	1,044	926	△ 118	△ 11.3%

Revenue growth absorbed expansion costs

- Continue to close new contracts for outsourcing and treasury management solutions. Orders and orders outstanding grew very high, and recurring revenue continued to grow.
- Operating income margin exceeded the previous year's level due to higher run-rates, despite an increase in fixed-type costs associated with office expansion.

(millions of yen)

	FY19/06 Q3<YtD>	FY20/06 Q3<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	1,199	1,535	+ 335	+ 27.9%
Operating income	281	368	+ 87	+ 31.0%
OP Margin	23.4%	24.0%		+0.6point
New Orders	1,122	1,573	+ 451	+ 40.2%
Outstanding Orders	597	891	+ 294	+ 49.2%

Selected Quarterly Financial Data

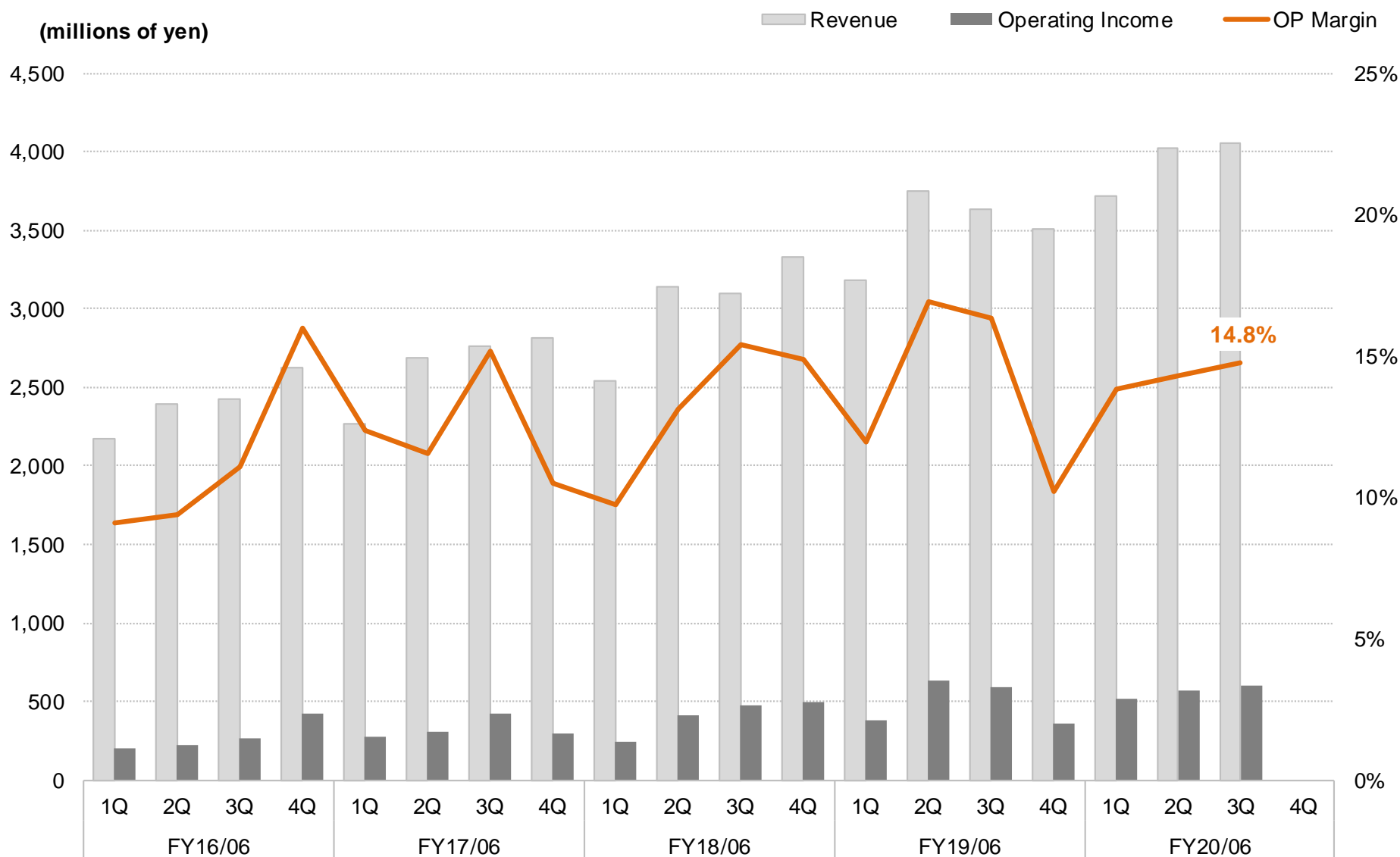
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- Income and profit margin decreased from the previous year due to increase in fixed-type expenses, but steady improvement in the quarter

(Millions of Yen)

	FY16/06				FY17/06				FY18/06				FY19/06				FY20/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	2,175	2,389	2,420	2,627	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	
Cost of Revenue	1,233	1,341	1,454	1,423	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	
Gross Profit	941	1,047	966	1,204	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	
SG&A expenses	744	822	698	784	703	930	847	910	781	865	898	986	1,027	1,188	982	1,133	1,050	1,239	1,338	
Operating Income	197	224	268	419	280	310	418	296	247	412	476	494	380	634	592	358	514	574	598	
OP Margin	9.1	9.4	11.1	16.0	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	
Ordinary Income	196	222	268	425	280	315	416	296	248	415	472	495	380	633	593	364	520	573	598	
Net Income	130	118	118	293	183	-0	250	230	162	269	311	318	237	403	389	286	331	339	344	
EBITDA	251	283	328	483	341	370	481	359	300	436	514	534	417	673	634	408	557	621	658	
EBITDA Margin (%)	11.5	11.9	13.6	18.4	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	

Quarterly Trends in Major KPIs



Selected Quarterly Segment Data

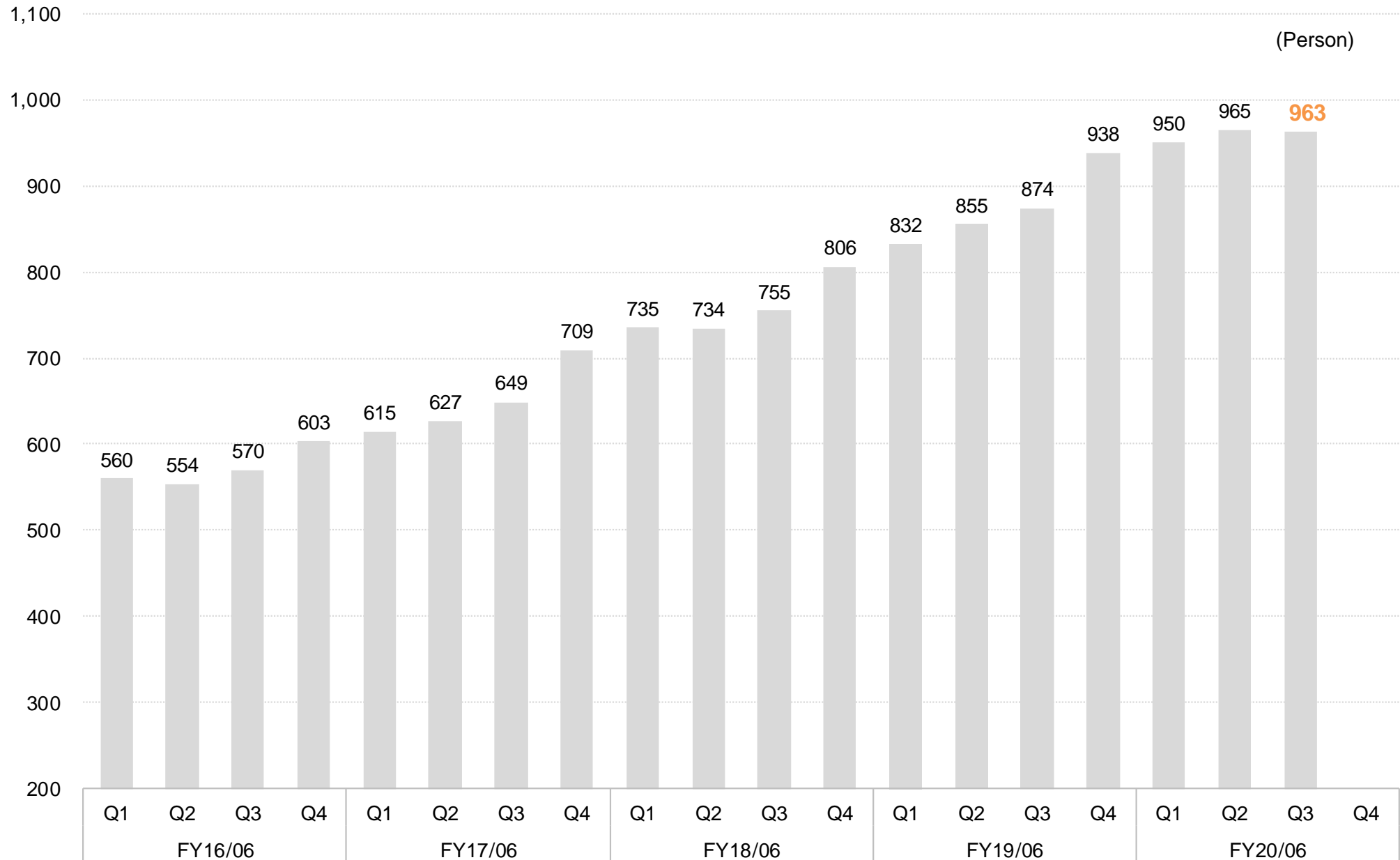
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(millions of yen)

		FY June 2018				FY June 2019				FY June 2020			
		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	
	Business Intelligence	998	1,030	1,118	1,073	1,235	1,223	1,439	1,365	1,565	1,347	1,191	
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	
	(Elimination of inter-segment transaction)	△ 72	△ 255	△ 116	△ 154	△ 201	△ 115	△ 92	△ 266	△ 102	△ 201	△ 64	
	New Orders	2,567	3,025	2,856	4,392	3,085	3,317	3,404	4,363	3,955	3,623	3,576	
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	
	Business Intelligence	762	791	895	929	1,004	958	1,044	1,204	1,340	1,245	926	
	Outsourcing	515	524	474	675	734	650	597	852	948	928	891	
	(Elimination of inter-segment transaction)	△ 65	△ 187	△ 179	△ 203	△ 260	△ 232	△ 177	△ 303	△ 264	△ 312	△ 209	
	Orders Outstanding	3,125	3,006	2,768	3,834	3,739	3,304	3,076	3,927	4,168	3,771	3,298	
Revenue	Consolidated Accounting	1,392	1,942	1,857	2,068	1,783	2,225	2,008	2,017	1,922	2,242	2,165	
	Business Intelligence	897	1,001	1,014	1,039	1,161	1,268	1,353	1,206	1,429	1,441	1,510	
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	
	(Intra-segment elimination)	△ 27	△ 134	△ 125	△ 130	△ 144	△ 143	△ 147	△ 141	△ 141	△ 153	△ 167	
	Revenue	2,544	3,144	3,095	3,326	3,180	3,752	3,631	3,512	3,714	4,019	4,050	
Operating Income	Consolidated Accounting	145	220	265	398	244	362	346	339	330	379	378	
	Business Intelligence	21	81	122	98	102	210	233	89	180	171	209	
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	
	(Elimination of inter-segment transaction)	29	37	34	△ 39	△ 68	△ 39	△ 67	△ 106	△ 114	△ 93	△ 122	
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	

Total Number of Group Employees

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Financial Condition & Cash Flows

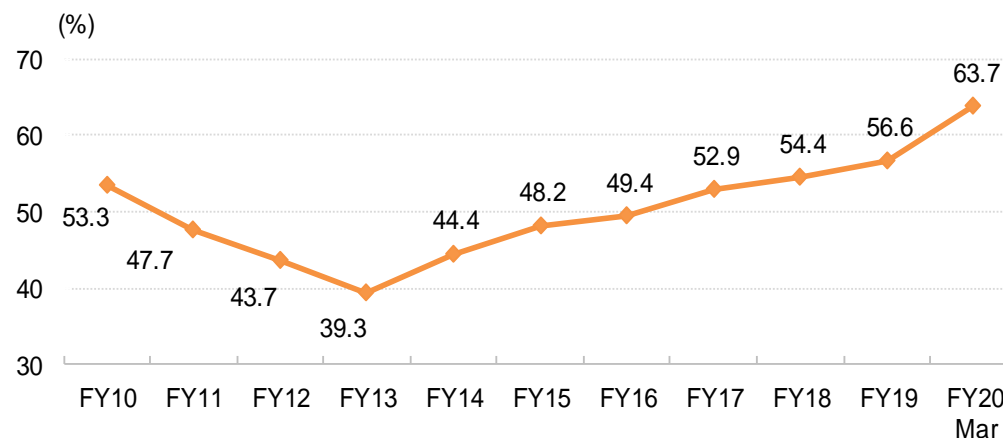
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Financial Status

Mar 2020

Total Assets 10.4 billion yen	Total Liabilities 3.7 billion yen
	Net Assets 6.6 billion yen

Equity Ratio



Cash Flow

	FY19/06	FY20/06
	Q3	Q3
(millions of yen)		
Operating CF	264	467
Investment CF	(223)	(258)
Free CF	40	209
Financial CF	(230)	(289)

Key Factors for change

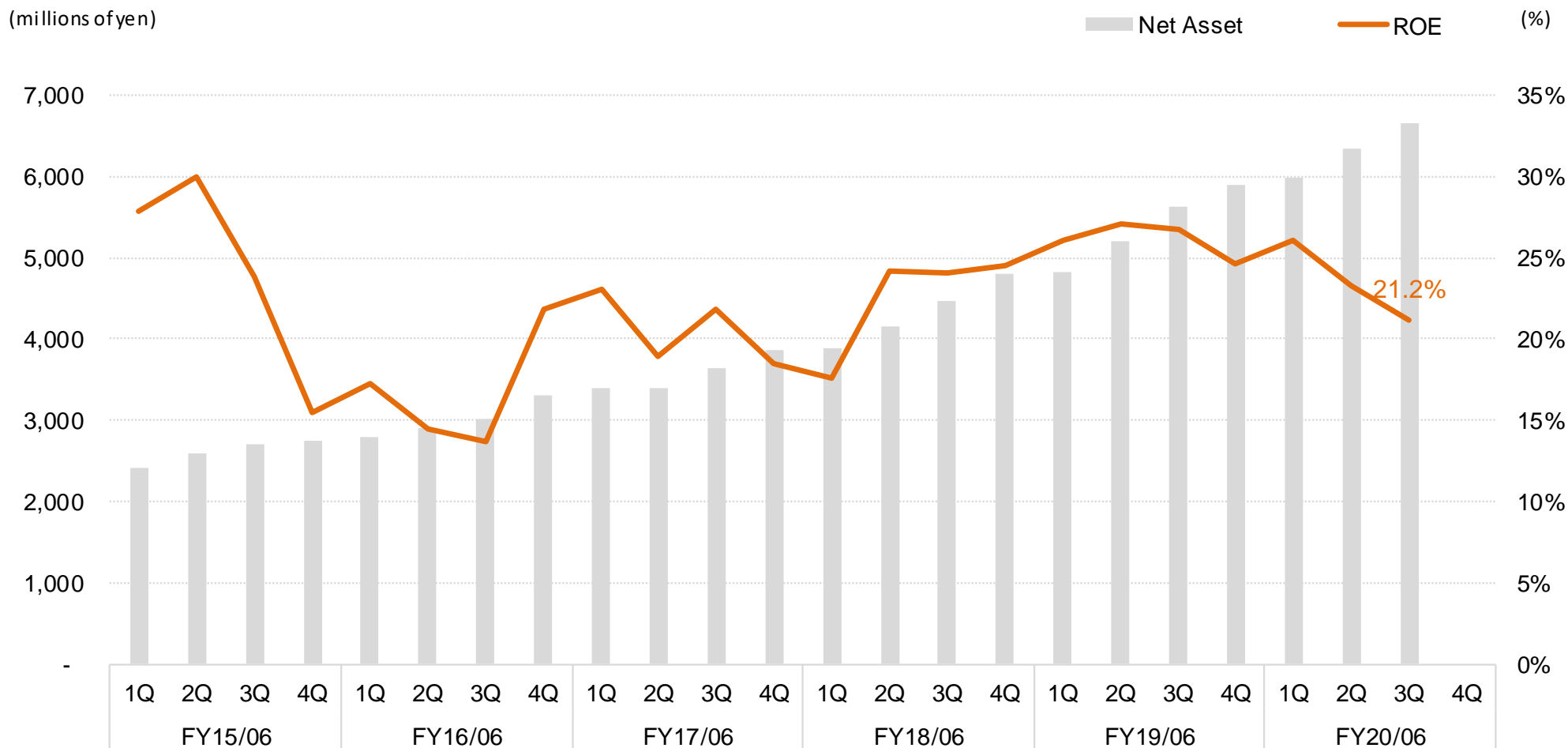
(millions of yen)

• Income before income taxes and minority interests	1,692
• Depreciation expense	149
• Decrease in provision	(225)
• Decrease in deferred revenue	(365)
• Decrease in account receivable	121
• Increase in accrued expencies and others	49
• Income taxes paid	(926)
• Purchase of tangible fixed assets	(157)
• Purchase of intangible assets	(53)
• Payment of shareholder dividends	(281)

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

. Earnings and Dividend Forecast

Earnings forecast for the fiscal year ending June 30, 2020

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Both revenue and profit continue high growth

- While revenue growth at Consolidated Accounting business should slow to single digits as we finalize large scale projects, robust growth should continue at Business Intelligence and Outsourcing business and we expect double digit growth in revenue. We believe we could maintain OP margins.
- No visible impact by coronavirus at present, and the full-year forecast remains unchanged. However, the company is considering strengthening cost management in order to respond to changes in corporate investment behavior in the future.

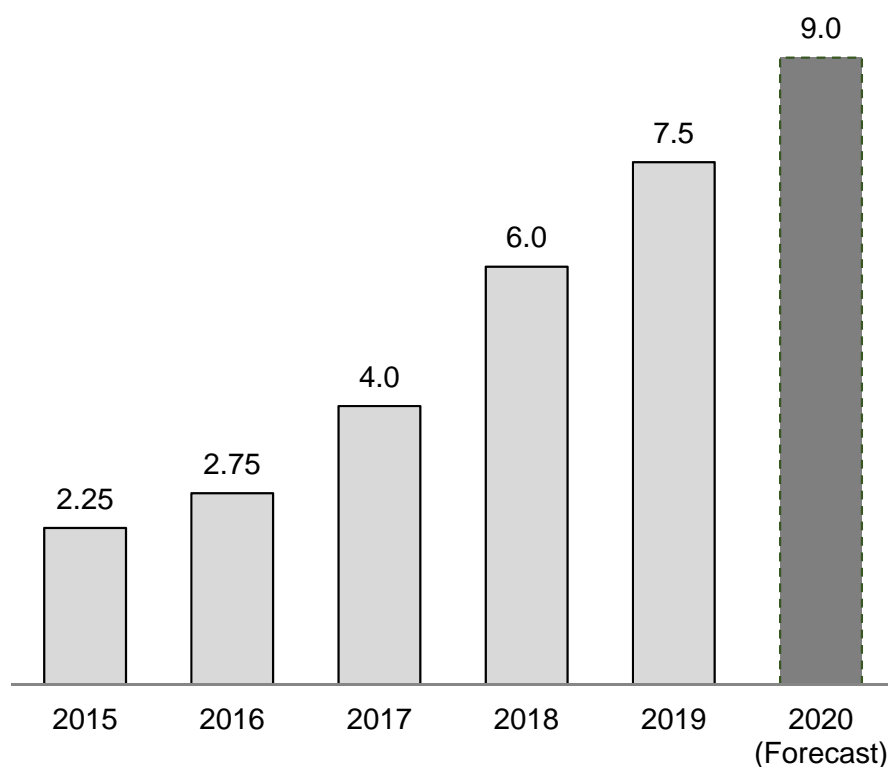
(millions of yen)

	2019 June (Actual)	2020 June (Forecast)	Variance (FY20 vs. FY19)	% CHG (FY20 vs. FY19)
Revenue	14,077	15,480	+ 1,402	+ 10.0%
Operating Income	1,966	2,165	+ 198	+ 10.1%
OP Margin	14.0%	14.0%	—	+ 0.0 point
Net Income	1,317	1,353	+ 35	+ 2.7%

The FY 2020 dividend forecast is 9 yen per share

- In the fiscal year ending June 2020, we plan to increase dividends in line with our policy of continuing stable dividends

(yen per share)



(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
- DoE ratios for AVANT should improve over time and always exceed average of all listed companies of Tokyo Stock Exchange

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