

AVANT

AVANT CORPORATION

Analyst Meeting

AVANT CORPORATION
(Code: 3836 TSE 1)
August 23, 2021

Update on Mid-term Business Plan

Overview of Avant Group Mid-term Business Plan

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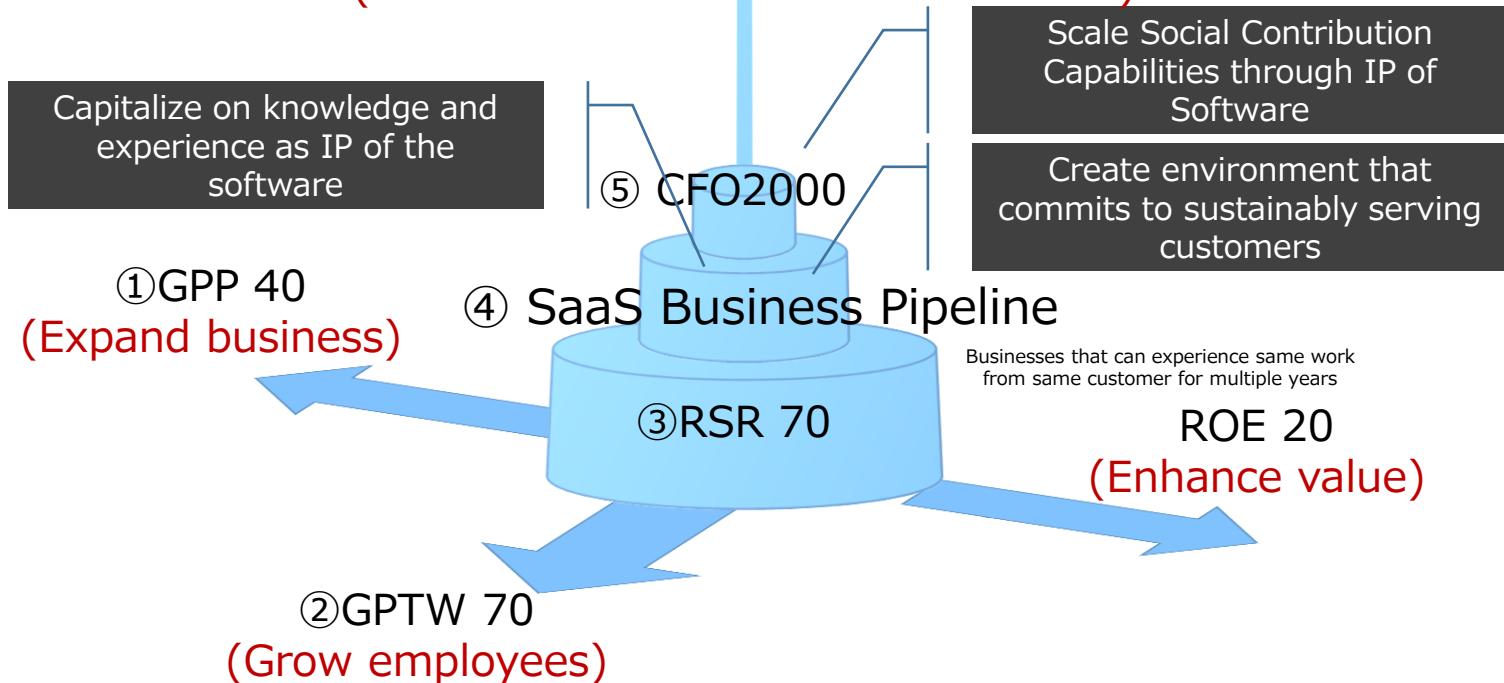
- The Plan helps us to achieve the vision of BE GLOBAL under the management philosophy "Creation of a 100-year company".
- Three axes of challenges: business expansion, employee growth, and enhancement of corporate value
- We will create "de-facto," by expanding work environment where employee engages themselves in and incorporating our know-how into software

To **BE** a Sustainable **GLOBAL** Software Company

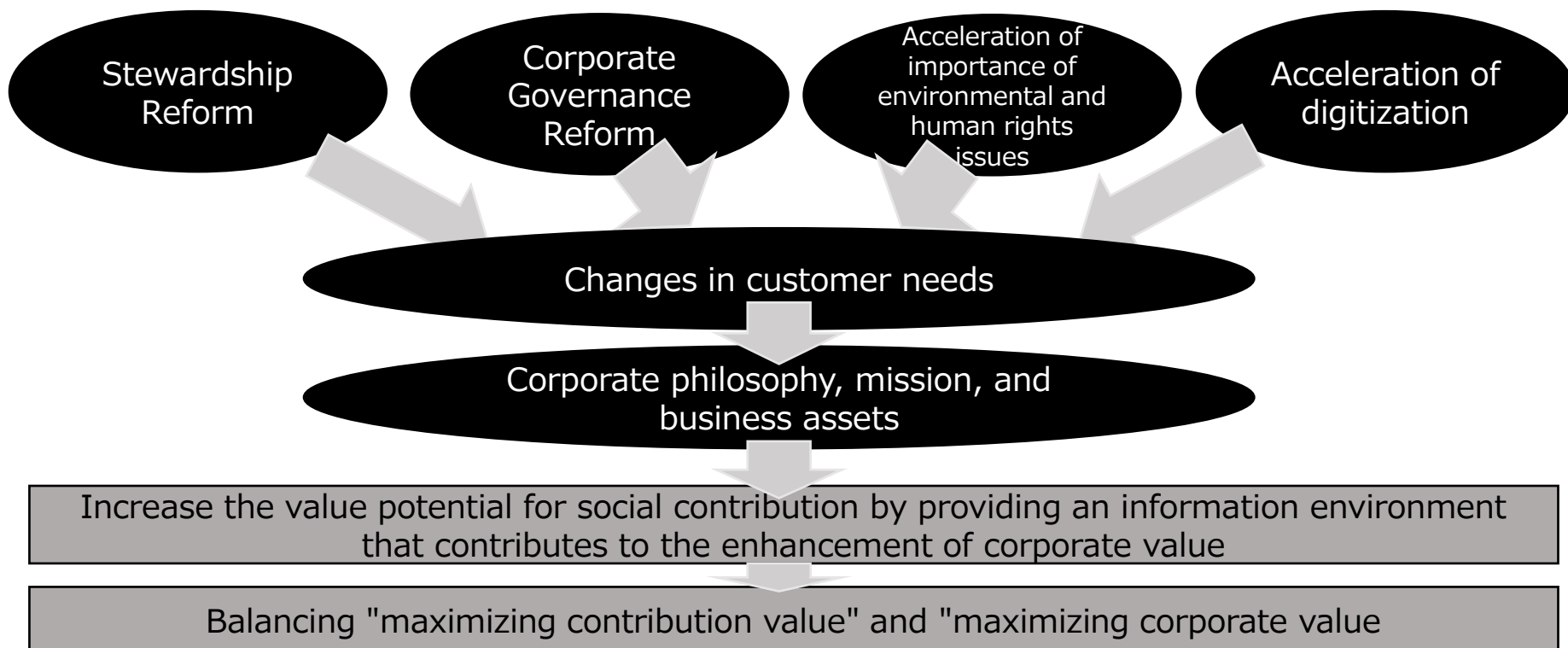
"Spreading Accountability"

Contribute to the sound development of society by providing an information environment that contributes to the enhancement of corporate value

(Enhance value of social contribution)



Contribution scope of "spreading accountability" is expanding



- Strengthen the Group's ability to provide integrated proposals and services
- Improve social recognition as a company with high social contribution value
- Enhancement of the Group's management capabilities

Increase Value through “Spreading Accountability”

Group companies provide components needed to carry out mission

**Solutions to IT
technology
application skills**

**DX Consulting
& SI Business**

ZEAL®
BI EVANGELISTS

**Solutions for further
utilization of
business and IT**

**Business software
SaaS Business**

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.

**Solutions to the
shortage of human
resource**

**Specialized
BPO Business**

FIERTE

**The source of our value is accumulation of business know-how and
improvement of ability to transfer it to software**

- Group management has become inevitable for Japanese companies to improve efficiency, reorganize industries, and expand overseas. The consolidated accounting system market should grow at around 6% due to the need to accelerate the settlement of accounts and strengthen disclosure.
- As companies are required to ensure sustainability through DX, they need solutions to integrate and analyze various information for management decision making, execution and reporting. Management accounting and IBP market should grow by 30%

TAM for **DIVA®**



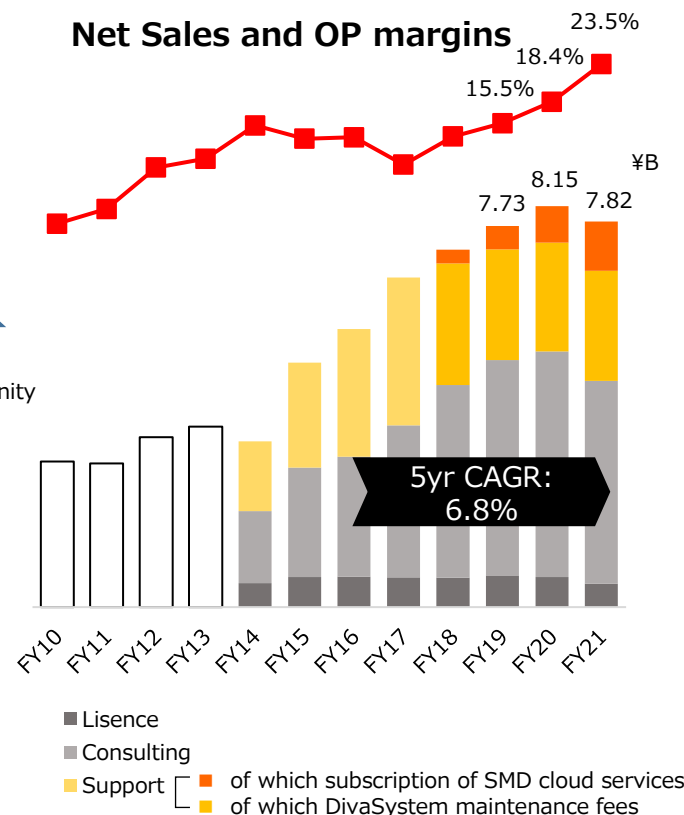
>¥20B

>¥20B

Growth Opportunity

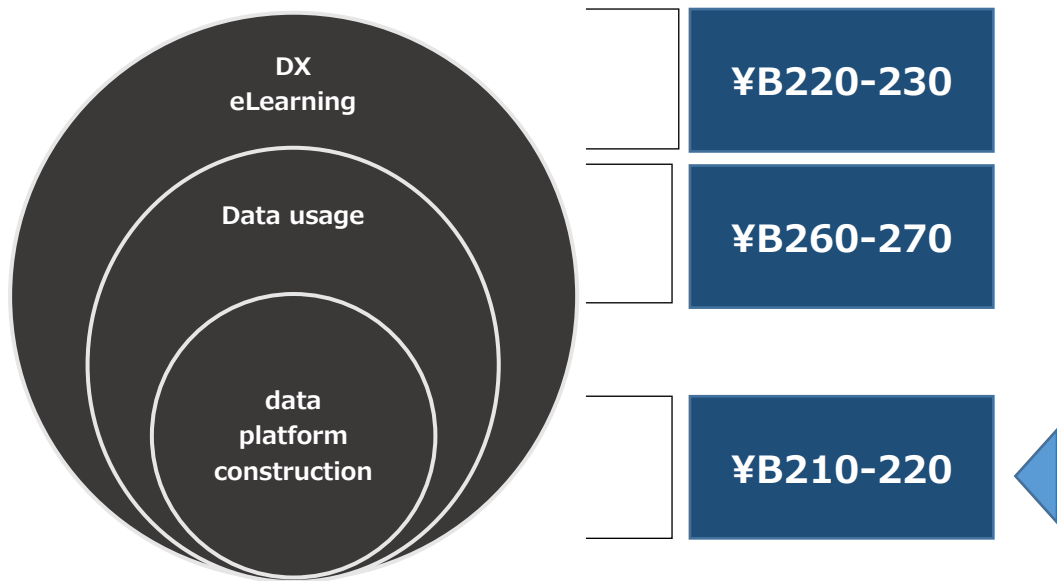
Main Market

Net Sales and OP margins

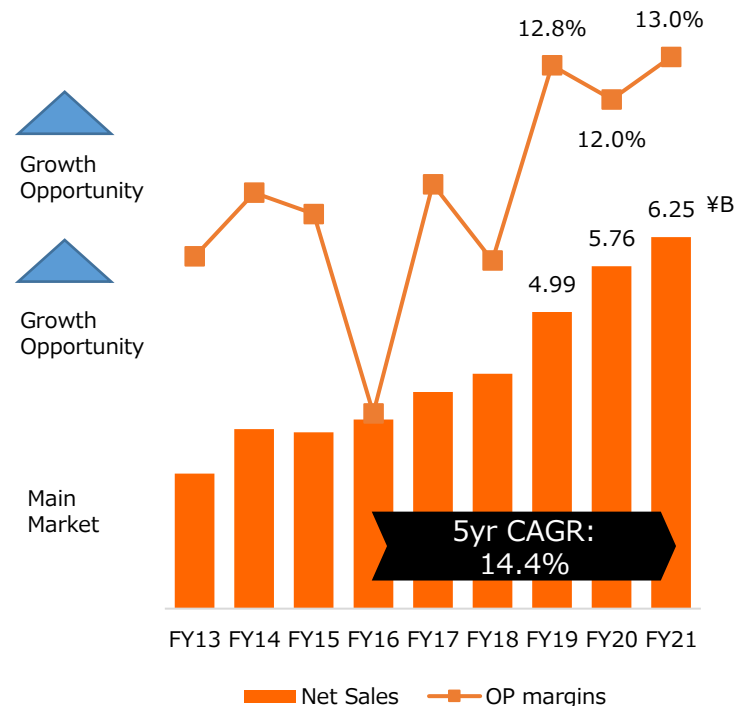


- It has been two years since the Ministry of Economy, Trade and Industry (METI) released its "DX Report" with the aim of overcoming the "cliff of 2025" and promoting digital transformation (DX). Even in the DX Report 2, which was released in light of the changes in the environment during this period, only 5% of companies have adopted DX in earnest.
- ZEAL provides comprehensive support for corporate digital transformation, from data platform construction to digital transformation human resource development.

TAM for **ZEAL**
BI EVANGELISTS

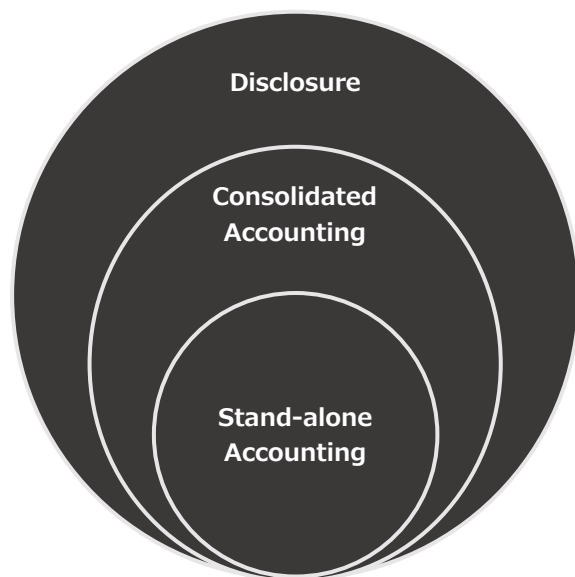


Net Sales and OP margins



- There is no other company that provides a wide range of outsourcing services from settlement of accounts to disclosure, and its strength lies in the know-how it has accumulated through the development, implementation and maintenance of consolidated accounting systems.
- The market is growing 20-25%, supported by needs for DX reforms, siloing, work style reforms, and enhanced governance.

TAM for FIERTE



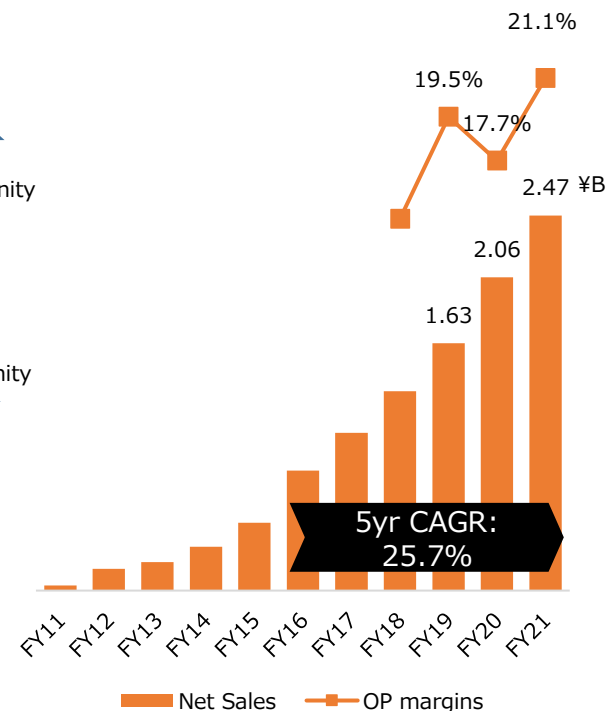
¥B17.5

¥B36.0

¥B15.0



Net Sales and OP margins



Toward best breed of specialty businesses

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	Consolidated Accounting Related Business	Business Intelligence Business	Outsourcing Business
Strength	<ul style="list-style-type: none"> The know-how accumulated by specializing in the development, implementation, and maintenance of consolidated accounting systems Strong relationships with clients, mainly listed companies 	<ul style="list-style-type: none"> Know-how built up by specializing in business intelligence Strong relationships with major SIers and domestic and overseas vendors Unique training know-how for engineers 	<ul style="list-style-type: none"> The only company in the industry capable of providing outsourcing services ranging from financial statement preparation to disclosure Diversified services including cash management solutions and financial closing consulting
Weakness	<ul style="list-style-type: none"> Delay in converting know-how into software Ability to provide consulting services is still under development Relationship with Corporate Planning and CFO 	<ul style="list-style-type: none"> High dependence on flow business 	<ul style="list-style-type: none"> High dependence on man-day business
Opportunity	<ul style="list-style-type: none"> DX reform, ROIC management, ESG (sustainability) management 	<ul style="list-style-type: none"> DX reform, ESG management (visualization of financial and non-financial information) 	<ul style="list-style-type: none"> DX reform, work style reform, governance enhancement
Threat	<ul style="list-style-type: none"> Market entry of major vendors and consultants 	<ul style="list-style-type: none"> Retreat of corporate IT investment sentiment 	<ul style="list-style-type: none"> Market entry of BPO competitors

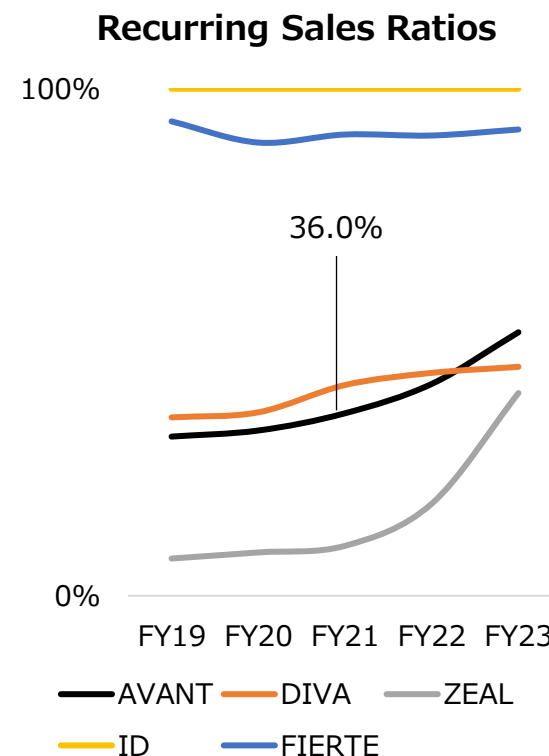
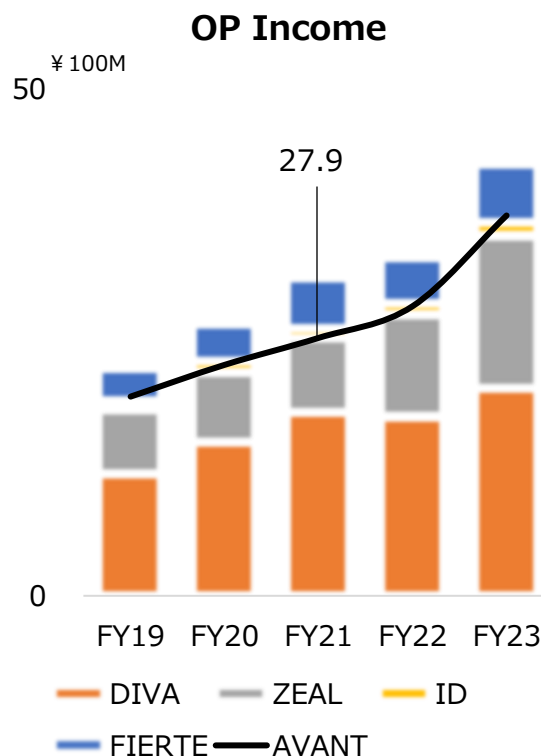
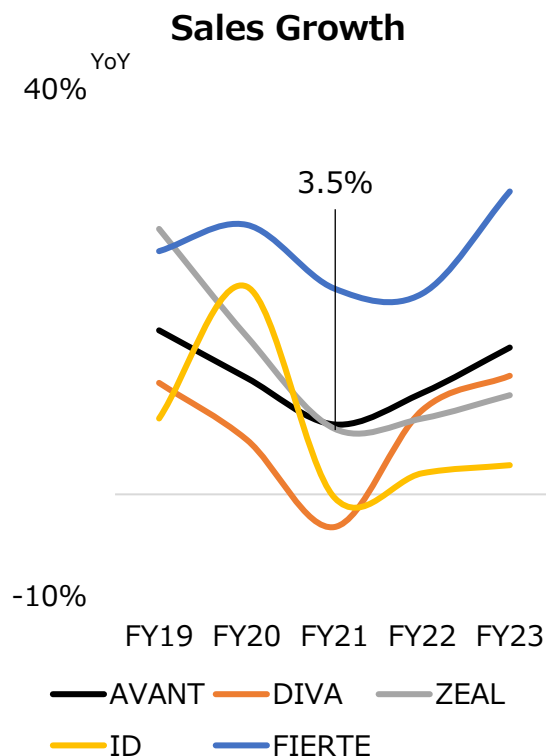
Toward the best breed of specialty businesses

- In response to the changes in the environment caused by the spread of COVID-19, we have begun to transform our cost structure in order to maintain the top line and to generate profits even if demand falls sharply.
- On the other hand, we are taking measures to create synergies within the Group, reform the organization, and secure human resources to support the expansion of stock sales in the medium to long term.

Consolidated Accounting Related Business	FY21 Actuals		<ul style="list-style-type: none">● Separate management of DivaSystem's development, implementation, and maintenance divisions and consulting business as in-house companies● Secure and train consulting personnel● Raise the ratio of in-house production and reduce unnecessary and unnecessary costs● Closed unnecessary offices by reforming the way of working, mainly by telecommuting.
	Sales growth: -4%	GPP: 20%	
	OP margin: 24%		
	Recurring sales ratio	44%	
Business Intelligence Business	FY21 Actuals		<ul style="list-style-type: none">● Shifting from BI implementation to data platform construction in response to changing needs● Some of the projects include data utilization from platform construction● Started external sales of e-learning system for training engineers● Challenges in achieving group synergies and raising the ratio of stock sales
	Sales growth: 8%	GPP: 21%	
	OP margin: 13%		
	Recurring sales ratio	9%	
Outsourcing Business	FY21 Actuals		<ul style="list-style-type: none">● Aggressively winning contracts for fiscal year-end outsourcing amid prolonged contract judgments due to the Corona disaster● Thoroughly implement corona countermeasures in offices● Decided to expand office to accommodate increase in personnel (FY22)
	Sales growth: 20%	GPP: 41%	
	OP margin: 21%		
	Recurring sales ratio	92%	

Gap filling to achieve the mid-term plan

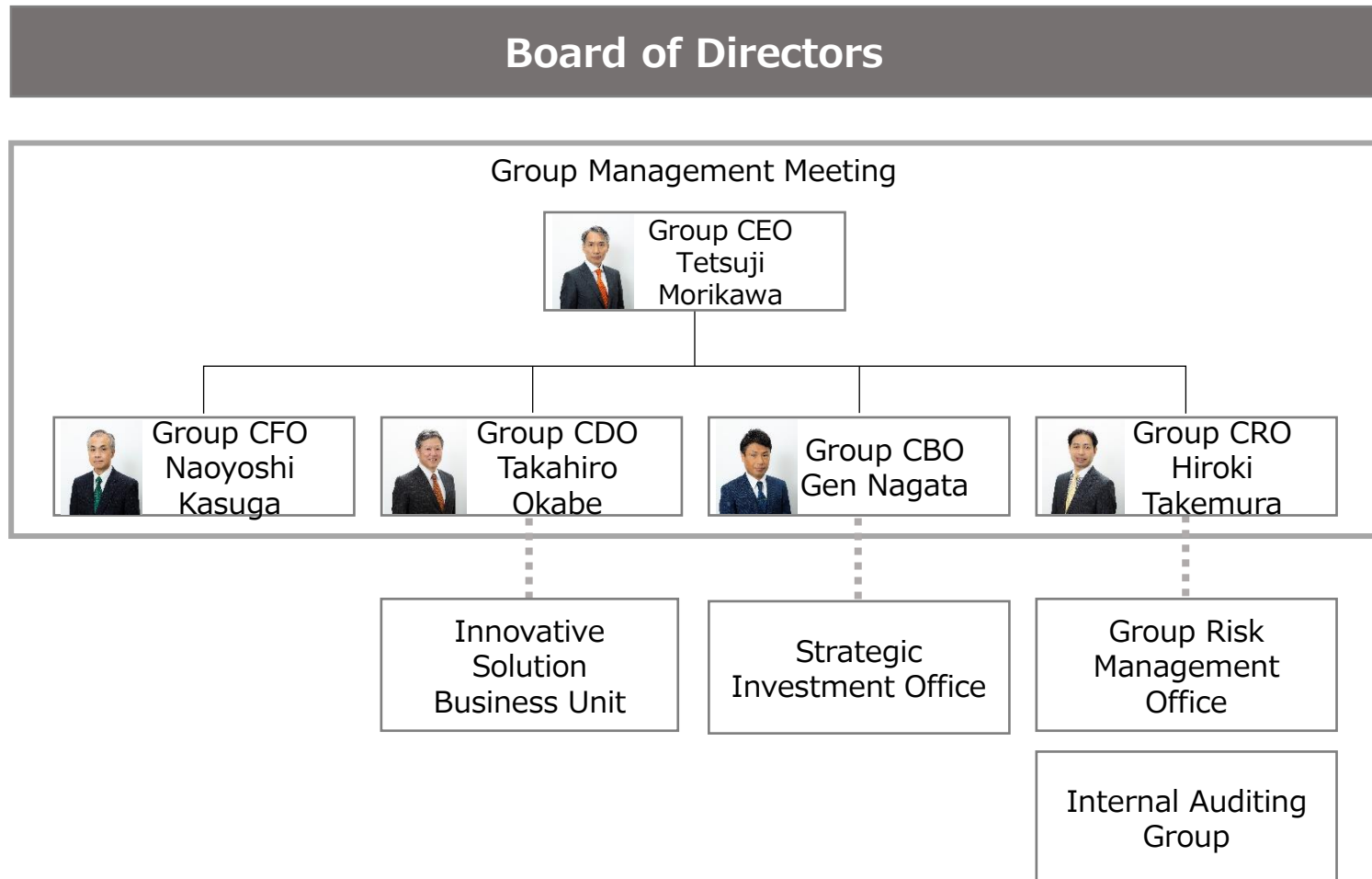
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- **Consolidated Accounting:** Sales of LCA to new customers, transition of existing customers to LCA, consulting sales of products and solutions for ESG management and disclosure support such as SMD, Compass, Empower, etc.
- **Business Intelligence:** Support customers in promoting DX, promote conversion of DX projects to ongoing BPO contracts, collaborate with AVANT, provide unique IP solutions including ZEUSCloud and e-learning, and strengthen human resource development
- **Outsourcing:** Accelerate growth by expanding the number of customers and diversifying the solutions provided, and invest in human resource development and efficiency improvement

New organization to drive group transformation

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CEO : Chief Executive Officer
CFO : Chief Finance Officer
CDO : Chief Digital-transformation Officer
CBO : Chief Business-development Officer
CRO : Chief Risk-management Officer

Initiative for Mid-term Plan “BE GLOBAL 2023”

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

	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Forecast	FY23 Target
Net Sales (B yen)	14.07	15.69	16.23	17.82	18~22
Recurring Sales Ratio (%)	31.4	32.7	36.0	UP	70
OP Income (B yen)	1.96	2.27	2.79	2.86	3.1~3.8
Sales Growth + OP Margin (points)	30.2	26.0	20.7	—	Over 40
ROE (%)	24.6	23.5	23.6	—	Over 20
Dividends (yen)	7.5	9.0	11.0	12.0	Over 15

Updates on Financials

Earnings forecast for FY June 30, 2022

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- Assuming that the impact of the expansion of COVID-19 will converge to some extent within 2021, and that economic activities of domestic companies will gradually start to normalize in 2022.
- Assuming an accelerated growth trend in all segments by strengthening our ability to understand customer needs and make proposals.
- Operating profit margin is expected to deteriorate slightly. This is because we will focus on strengthening product development and securing and training proposal-oriented human resources in order to accelerate the pace of stock sales increase to achieve the mid-term plan. Operating income is expected to increase, marking the seventh consecutive year of higher sales and profits.

**Net
sales
17.82B
yen**

YoY

-

**OP
income
2.86B
yen**

YoY

-

**Net
income
1.90B
yen**

YoY

-

Five Steps of revenue recognition

Identify the contract with the customer

Identify performance obligations in contracts

Calculate the transaction price

Allocate the transaction price to performance obligations

Recognize revenue as performance obligations are met or satisfied

★Point

If the contractor is the principal who is obligated to perform, the gross amount should be recorded; if the contractor is the agent, the net amount should be recorded.

Decreased sales in the last fiscal year: Amount was about 200 million yen

★Point

Revenue is recognized when the performance obligation is satisfied, if the performance obligation is satisfied at a point in time, or when the performance obligation is satisfied over a period of time, revenue is recognized as the obligation is satisfied.

Previous year's earnings fluctuate: Impact on sales & profit Impact on sales & profit - under scrutiny

Consolidated Accounting Related Business	<ul style="list-style-type: none">● Pace of sales increase accelerated due to expansion of products such as DivaSystem LCA, SMD, Compass, and DIVA Empower and proposal-based sales.● Margins will be under downward pressure due to the increase in the number of staff to support the increase in sales, especially those who provide consulting services.● Recurring sales ratio to increase.
Business Intelligence Business	<ul style="list-style-type: none">● Aggressive sales of data platform construction, data utilization, e-learning, etc., based on the trend of aggressive investment in DX● While increasing the number of employees to support increased sales, some offices will be closed to maintain profitability due to the regularization of telecommuting.● Recurring sales ratio to increase due to progress in BPO contracts
Outsourcing Business	<ul style="list-style-type: none">● Continued high level of growth expected due to a rash of new contracts at the end of the previous fiscal year and with the launch of services● Operating profit margin is expected to decline temporarily due to aggressive investment in efficiency improvement.● Recurring sales ratio will remain at a high level

Financial Status

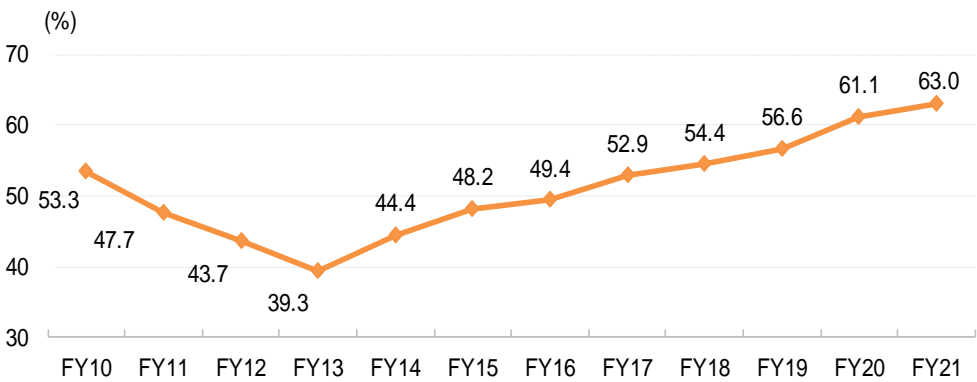
Jun 2021

Total Assets
13.9
billion yen

Total Liabilities
5.1
billion yen

Net Assets
8.7
billion yen

Equity Ratios



Key Factors for change

(millions of yen)

• Income before income taxes and minority interests	2,808
• Depreciation expense	254
• Increase in account receivable	(242)
• Increase in deferred revenue	203
• Decrease in accrued expencies and others	(83)
• Increase in provision for bonuses	57
• Income taxes paid	(650)
• Purchase of intangible assets	(429)
• Purchase of shares of subsidiaries and associates	(269)
• Payment of shareholder dividends	(338)

Cash Flows

FY20/06

FY21/06

(millions of yen)

Operating CF

1,890

2,561

Investment CF

(420)

(789)

Free CF

1,470

1,771

Financial CF

(294)

(359)

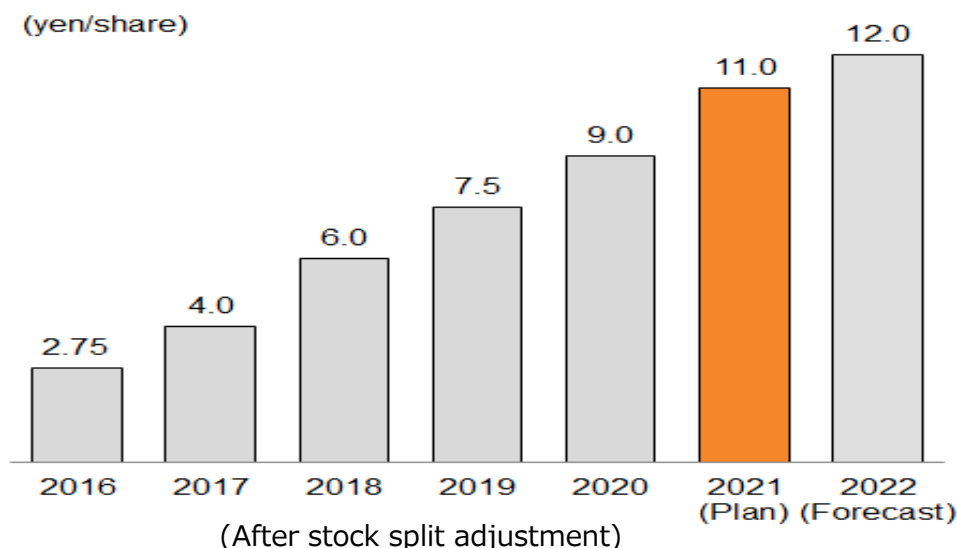
Shareholder Return Policy

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- The dividend for the fiscal year ending June 30, 2021 will be raised from 10 yen to 11 yen, an increase of 2 yen from the previous fiscal year, in consideration of better-than-expected full-year results; in line with the policy of maintaining stable dividends for the fiscal year ending June 30, 2022, the dividend is expected to increase for the seventh consecutive year to 12 yen per share.
- DOE for the fiscal year ending June 30, 2021 is expected to be 5.2%, much higher than the average (12-month) DOE of 2.7% for companies listed on the Tokyo Stock Exchange.

<AVANT's shareholder return policy>

- The Company regards dividends as an important part of its shareholder return policy.
- By focusing on indicators such as the ratio of dividends to net assets, we aim to maintain or increase the amount of dividends in a stable manner without being greatly affected by the business performance of each fiscal year.
- We will gradually raise the ratio of dividends to net assets to a level that is consistently higher than the average of all companies listed on the Tokyo Stock Exchange, and over the medium to long term, we will aim for 8%, which is the average of the top 10% of companies in terms of the ratio of dividends to net assets.



	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Plan	FY2022 Forecast
Dividends per share (yen)	2.25	2.75	4.0	6.0	7.5	9.0	11.0	12.0
DOE (AVANT)	3.25%	3.41%	4.18%	5.20%	5.27%	5.17%	5.18%	-
DOE (TSE Average)	2.43%	2.64%	2.70%	2.86%	2.93%	2.94%	2.72%	-

Note: The average ratio of dividends to net assets for companies listed on the Tokyo Stock Exchange is a weighted average of the monthly figures for the 12-month period ending in June.

Reference

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



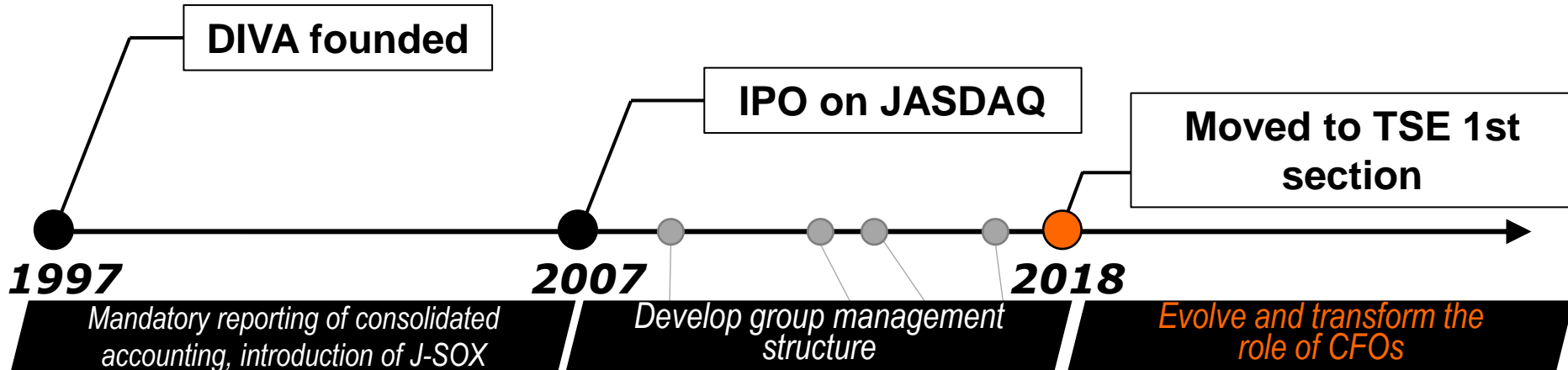
Maximizing corporate value of the Group

- 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

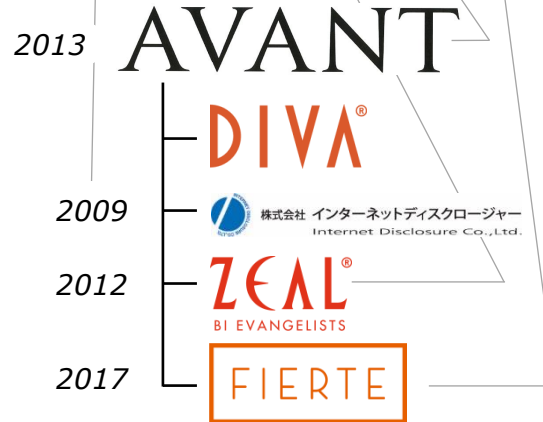
Maximizing business value of OpCo

- 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

AVANT Group for the next 10 years



DIVA



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

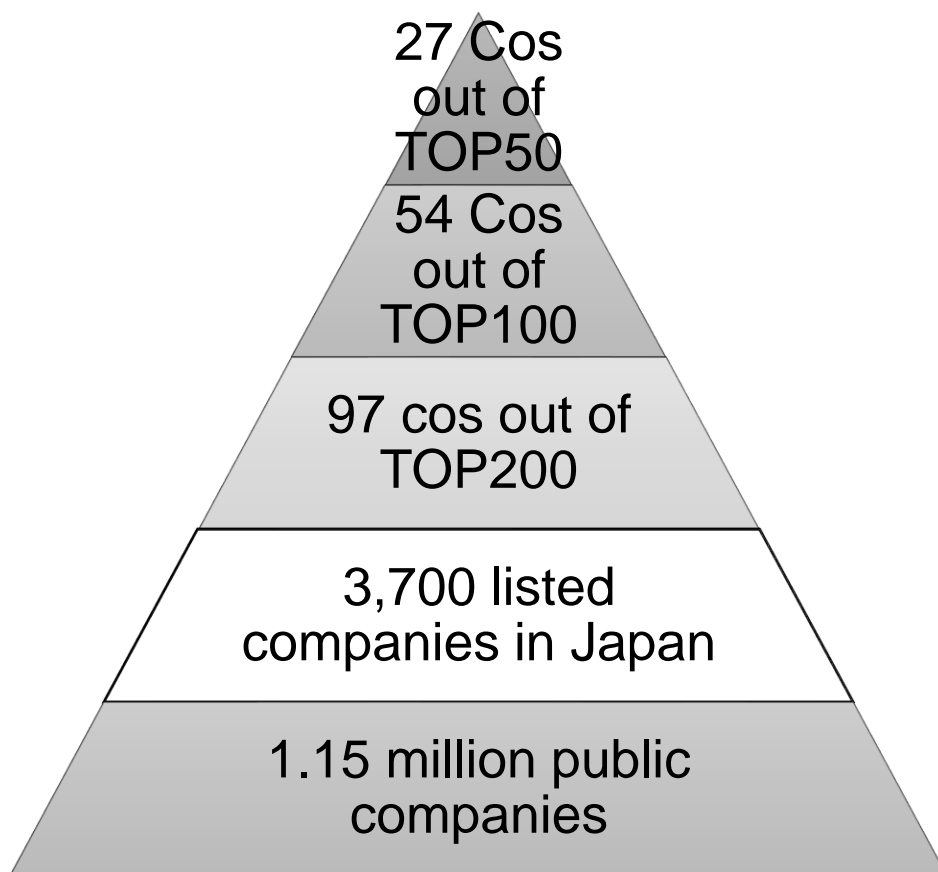
Established itself as top
developer of consolidated
accounting software

Shifted to a holding
company and evolved its
group management structure

The Group stands poised
to generate new value to
stakeholders



- Sold to over 1,100 companies¹
- Leading market share of 45.3%² in FY2020. More than half of TSE listed top 100 companies
- Offers financial and managerial accounting, governance solutions



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

¹ As of December 2020

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



- Founded in 1991, acquired in 2012. More than 30 years of experience in business intelligence
- Installation of BI/DWH system to more than 1,000 clients
- Close relationship with Microsoft, Oracle, IBM, SAP and more

Recent cases

Yamato Contact Service Co., Ltd. ~Customer sentiment analysis environment	Sojitz Corporation ~Data application and analysis training	JGC Holdings Corporation ~Data application and analysis training	JGC Holdings Corporation ~Building Data Analysis Infrastructure
Goh Shoji Co., Inc. ~Inventory management templates	Nomura Real Estate Development Co., Ltd. ~Performance management system	Audio-Technica Corporation ~Sales force automation system	Kyorindo Drug Store Co., Ltd. ~Cloud ERP
Obayashi Corporation ~Data platform	Sanko Soflan Holdings Co., Ltd. ~Marketing analysis environment	Yamaha Motor Co., Ltd. ~Data analysis environment	Kao Group Customer Marketing ~Marketing analysis environment
Kracie Pharma, Ltd. ~Marketing analysis environment	BEAMS Holdings Co., Ltd. ~Budget management system	LIFE Corporation ~Budget management system	KU Holdings Co., Ltd. ~Budget management system

Major Products

Amazon QuickSight/Amazon Redshift/Amazon Web Service/ASTERIA WARP/Birst/Board/BusinessSPECTRE/CCH Tagetik/Coracle Cloud Platform/Databricks/DataSpider Servista/Denodo/Dr.Sum/IBM InfoSphere DataStage/IBM Planning Analytics/IBM SPSS/IIJ GIO/IMB Cognos Analytics/Incorta Enterprise Analytics/Infor d/EPM/Informatica PowerCenter/Intra-mart Accel Platform/Microsoft Azure Synapse Analytics/Microsoft Power BI/Microsoft SQL Server/MicroStrategy/MotionBoard/Oracle Analytics Cloud/Oracle Business Intelligence/Oracle Data Integrator/Oracle EPM Cloud/Oracle Essbase/Oracle Exadata/Oracle Exalytics/Oracle Hyperion Planning/QlikView/SAP Analytics Cloud/SAP BusinessObjects/SAS Analytics Cloud for Planning/SAS Visual Analytics/SAS Viya/SISENSE/Snowflake/Tableau/ThoughtSpot/Workday Adaptive Planning/Yellowfin/ZEAL CO-ODE/ZEAL DX-Leading Room/ZEUSCloud

FIERTE

- Started as outsourcing department at DIVA in 2004, 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.	HIS Co., Ltd.
Tokyo FM Broadcasting Co., Ltd.	Kawasaki Heavy Industries, Ltd.	QoI Co., Ltd.	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.	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.	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Financial Group	Mitsubishi Heavy Industries, Ltd.
Mitsubishi Estate Co., Ltd.	Yoshinoya Holdings Co., Ltd.	RISA Partners, Inc.			

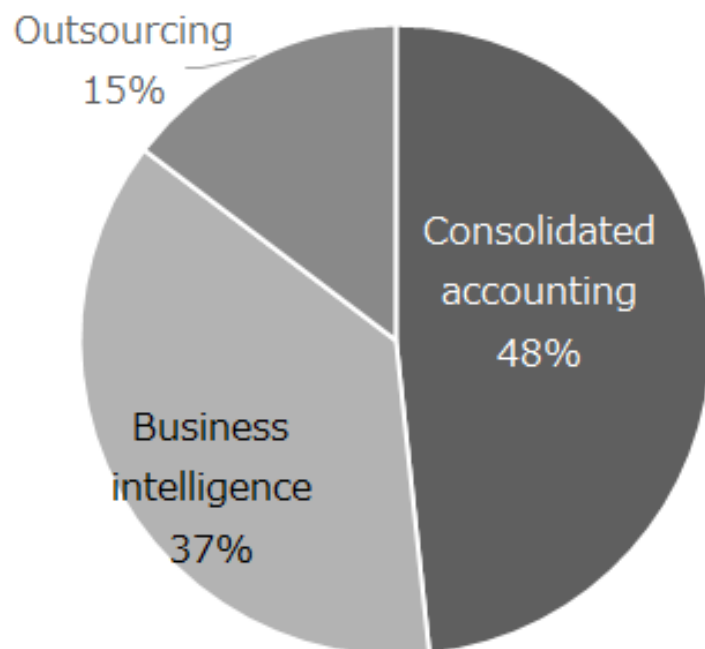
Treasury management solution

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

Segment Information (FY June 2021)

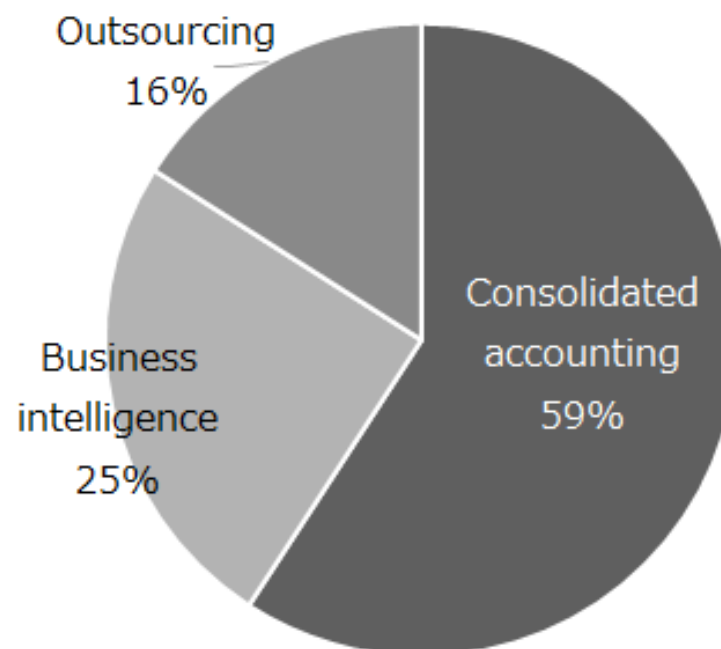
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Net sales ¥16.23B



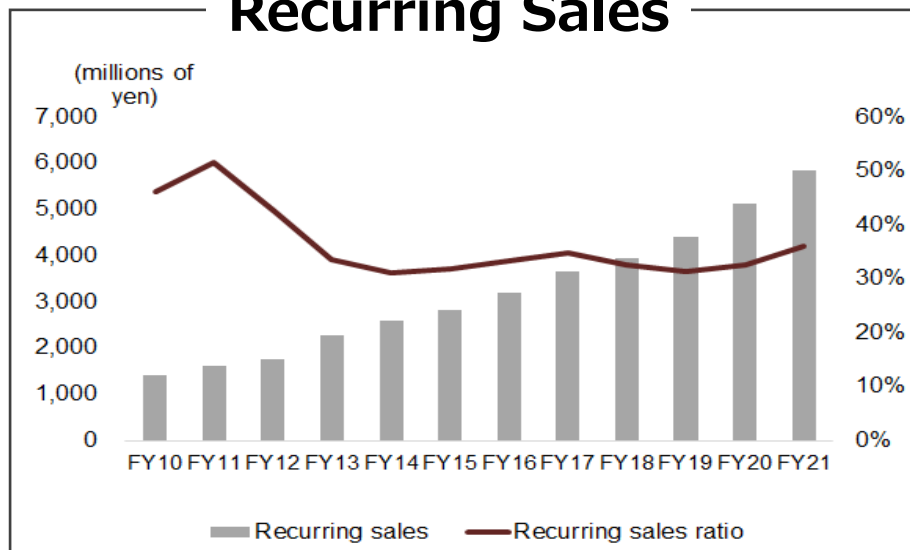
Segment	YoY
Consolidated Accounting	-3.8%
Business Intelligence	+8.4%
Outsourcing	+20.2%
Consolidated	+3.5%

OP income ¥2.79B

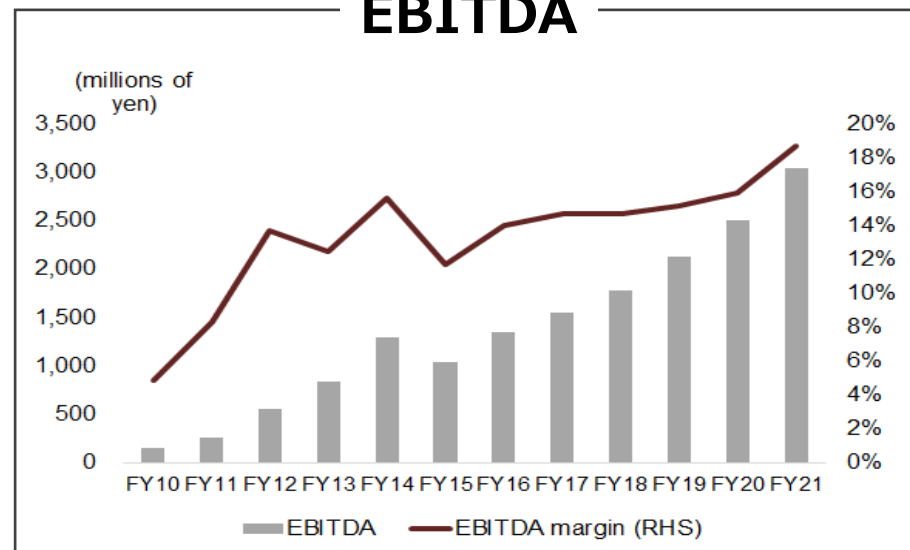


Segment	OP Margins
Consolidated Accounting	23.7%
Business Intelligence	13.0%
Outsourcing	21.1%
Consolidated	17.2%

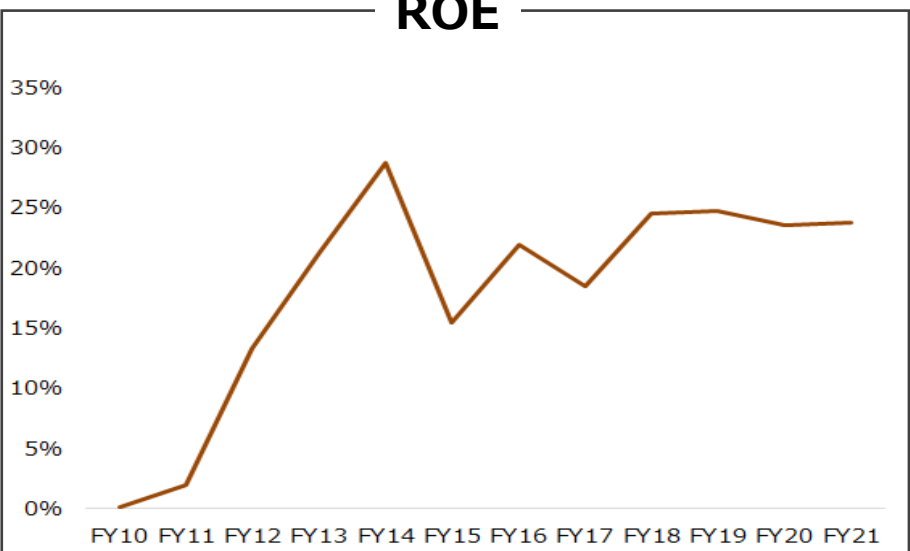
Recurring Sales



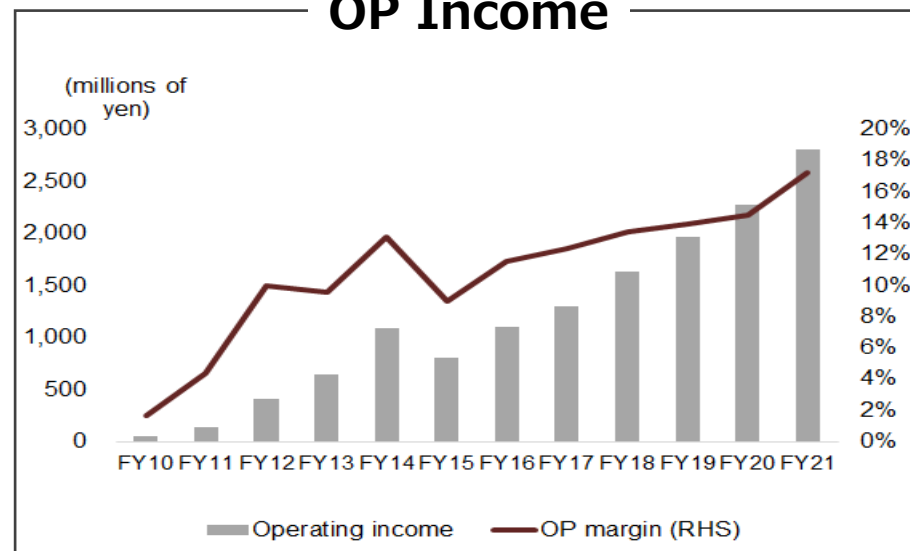
EBITDA



ROE



OP Income

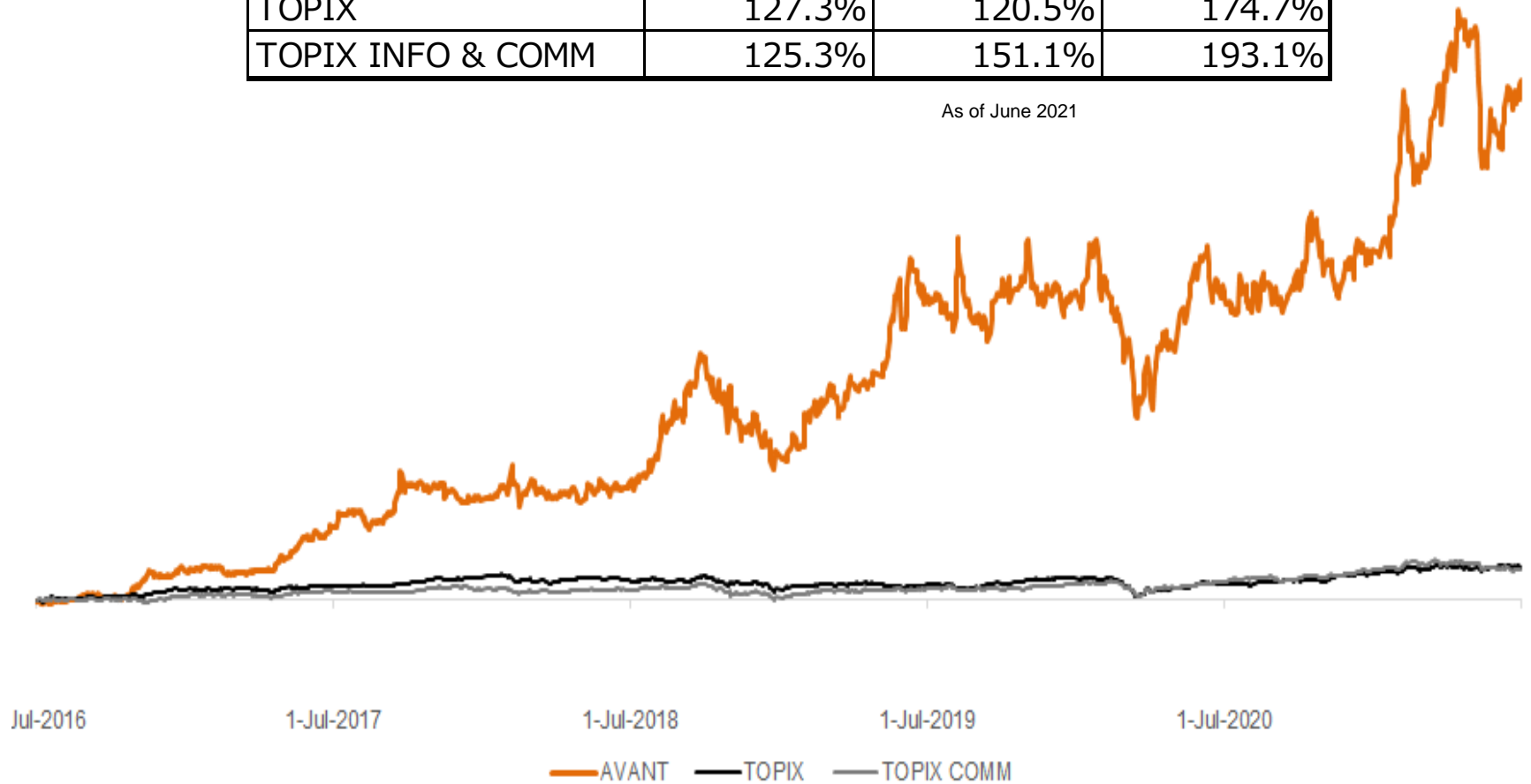


AVANT TSR vs TOPIX

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	One year	Three years	Five years
AVANT	160.1%	347.6%	1228.8%
TOPIX	127.3%	120.5%	174.7%
TOPIX INFO & COMM	125.3%	151.1%	193.1%

As of June 2021



Source: Thomson Reuters

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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.