

AVANT

AVANT CORPORATION

Analyst Meeting

This is 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 TSE 1)
August 17, 2020

Review of FY June 2020

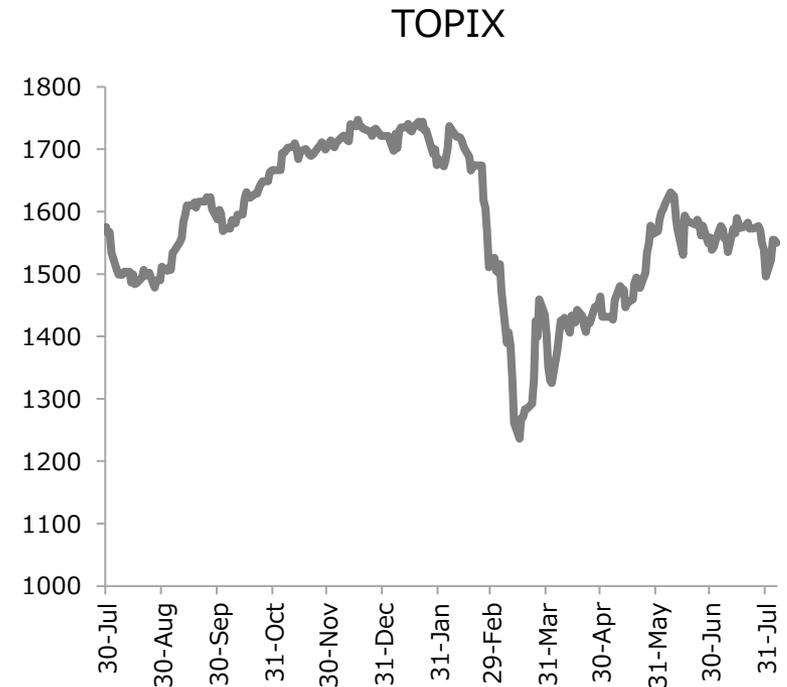
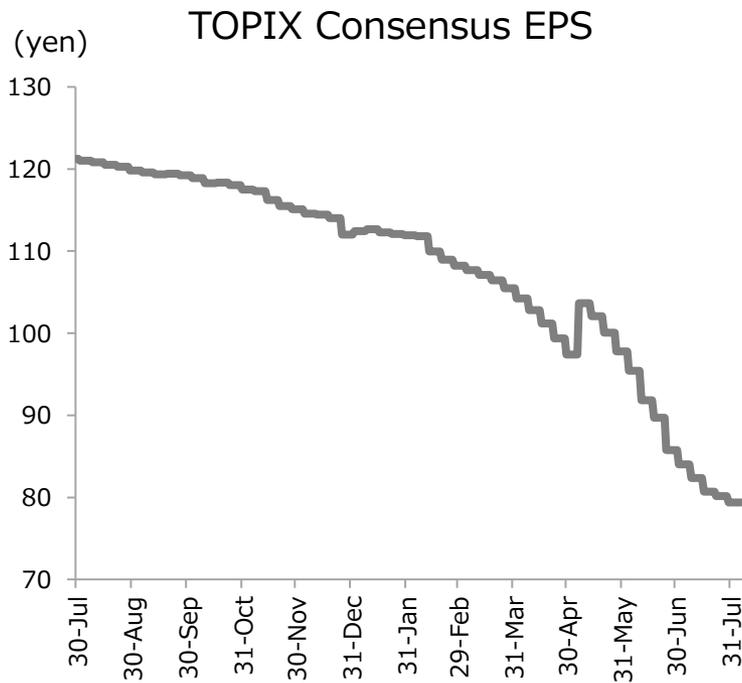
- Five consecutive growth and record-breaking revenue and profit
- Recurrent revenue ratio was flat. Margin improved but revenue growth slowed, pushing GPP lower
- Maintained ROE over 20%

	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	24.6%	→	 23.5%	⇒	Over 20%
Dividends	¥7.5	→	 ¥9	⇒	Over ¥15

Business Environment

Uncertainty in Corporate Earnings

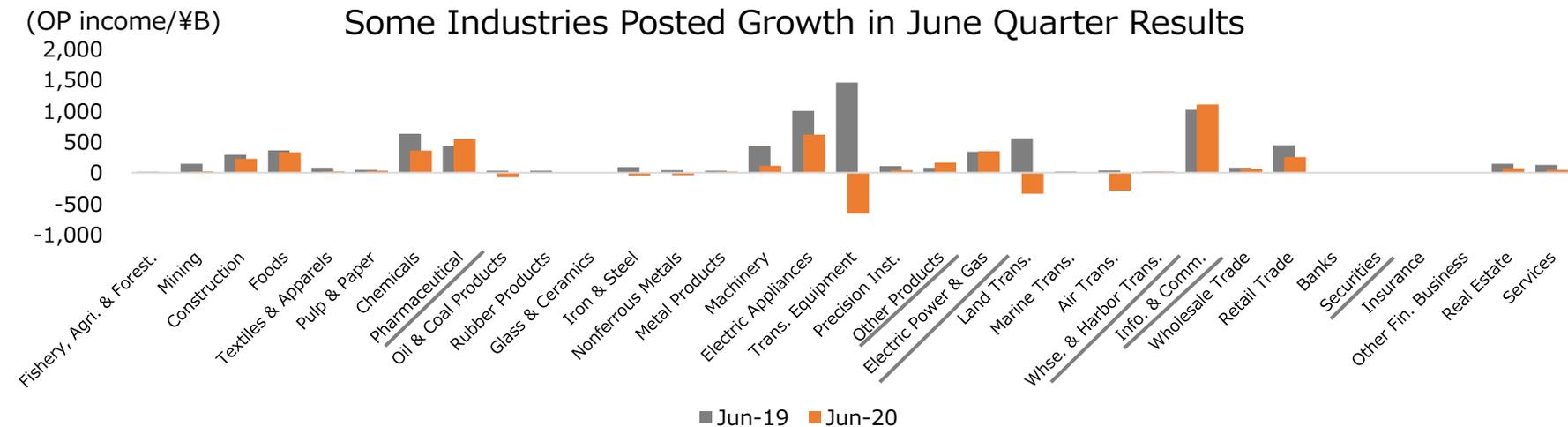
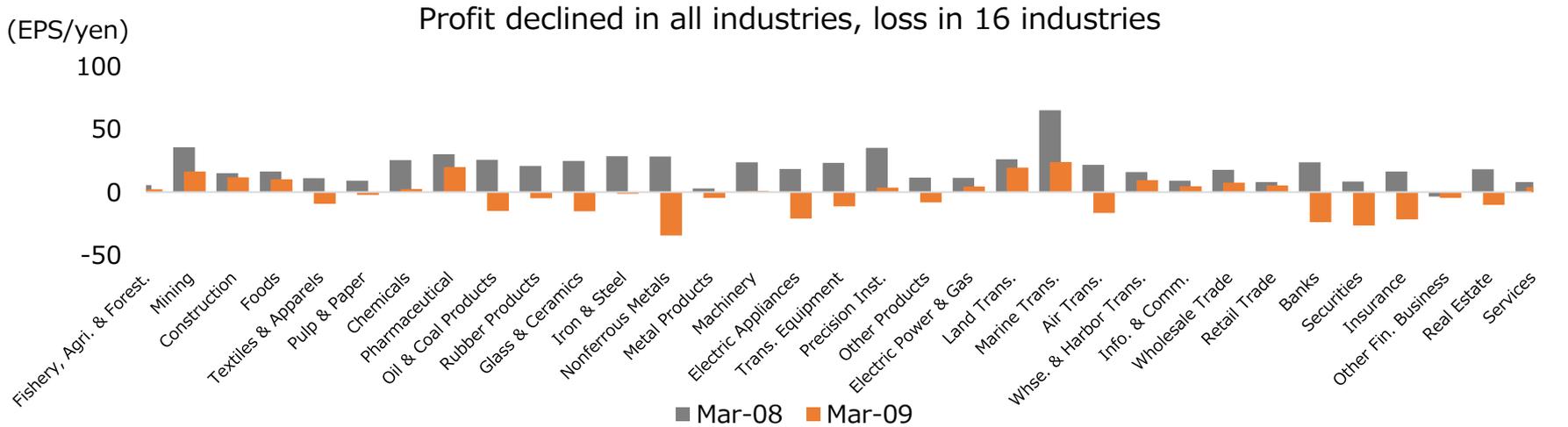
- Market continue to revise down consensus EPS on the back of COVID-19, when 56% of the companies with fiscal year ending March didn't provide the forecast for the current fiscal year.
- Forecasts are divided in two, food, paper, pharmaceutical, and banking sectors fared better and they provided forecasts
- Stock prices recovered temporarily following the lifting of the state of emergency but remained within the narrow range due to the resurgence of new COVID cases.



(Sources) Thomson Reuters

Results are Mixed

All industries posted decline in profit, 16 industries reported loss immediately after GFS
Some industries posted growth in June quarter this year

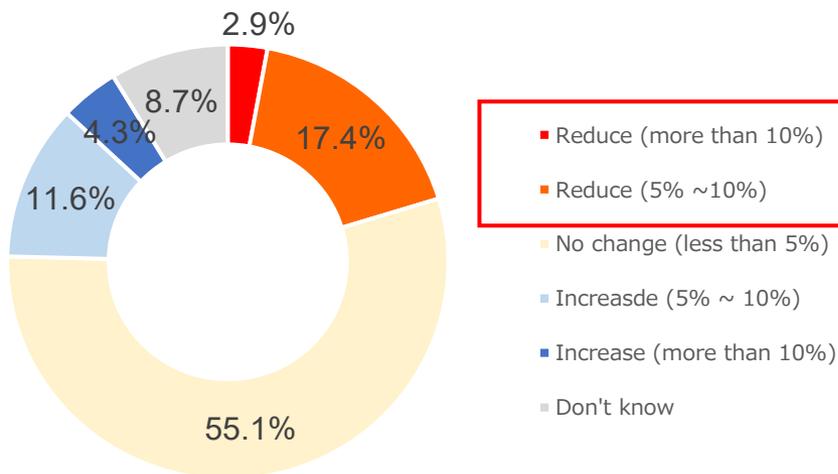


(Sources) Thomson Reuters

“CIO poll on impact of COVID-19” by Nomura Research Institute, June 4, 2020

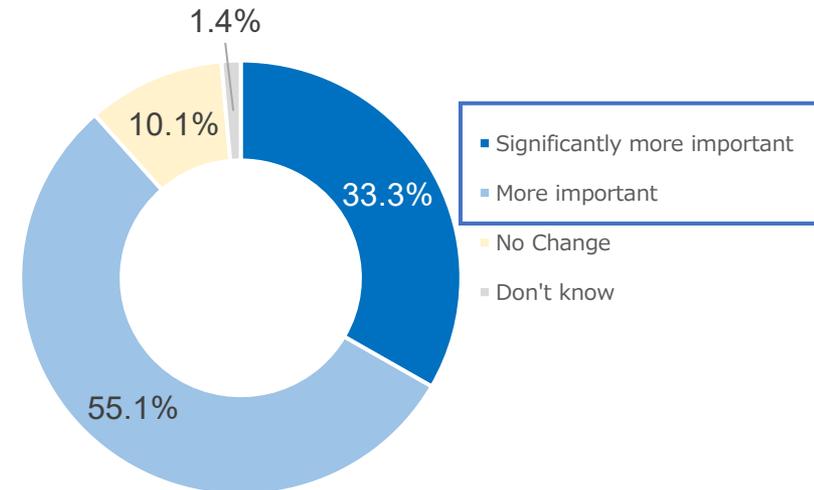
Outlook for IT Digital Investments Budgets

Only twenty percent consider reducing investments



Importance of Adjusting Business Model or Initiation of New Business using IT and Digital Innovation

Awareness of importance of IT and digital transformation restated



(Source) Nomura Research Institute

“Corporate Management in the aftermath of COVID-19” by Yano Research Institute, June 2, 2020

[Summary]

1. Impact of COVID-19

If the COVID impact peter out by June, the decline in full-year sales will be only 8% against the forecast.

However, if the timing is pushed back to the October to December quarter, the downside will widen to 27%. Hard-hit industries such as accommodations and restaurant services, sales will decline 30% if COVID persist after June, and by 54% if COVID persist towards the year-end.

Direct factors behind the deterioration in business performance included the decline in demand due to restraint on business outing and requests for suspension of operations, and the resulting decline in orders receiveds from domestic business partners.

In addition, constraints on sales activities due to telecommuting and the loss of sales opportunities due to the cancellation of events and exhibitions have a major impact on business performance.

2. New initiatives triggered by COVID-19

55% said they started working from home and teleworking. Introduction of flex working hours and discretionary labor (15%) and acceptance of sidelines are promoting diversification of working styles. **On the business front, companies are reviewing its business portfolio by reviewing its production and sales systems and diversifying its businesses.** In addition, **38% of respondents cited expansion of R&D investment** as an issue, and 34% pointed out changes in production systems in China.

3. How world changes

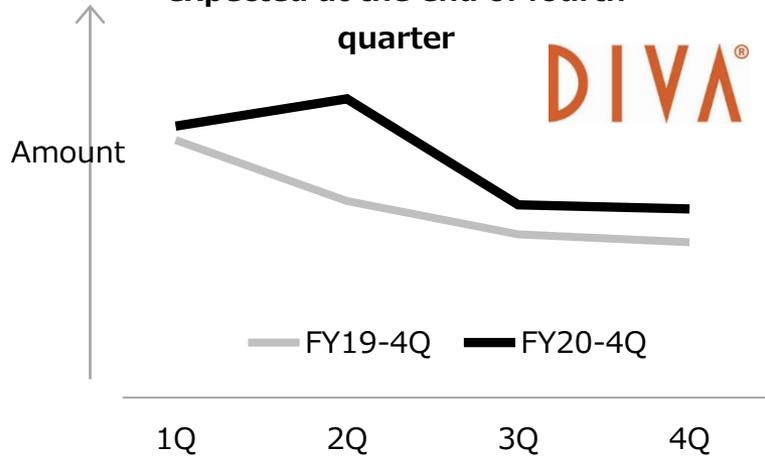
94% of the respondents said that the world will change because of the **acceleration of social IT adoption and diffusion, which will lead to the replacements between industries.** Many respondents predicted the establishment and strengthening of the principle of putting the domestic matters first (49%). Families become more defensive as they prefer stability and economical. On the other hand, 41% of respondents said that the concentration of population in cities is recognized as a risk, thus revitalizing local areas.

“Questions to 100 Presidents” buy Nikkei Shimbun, June 2, 2020

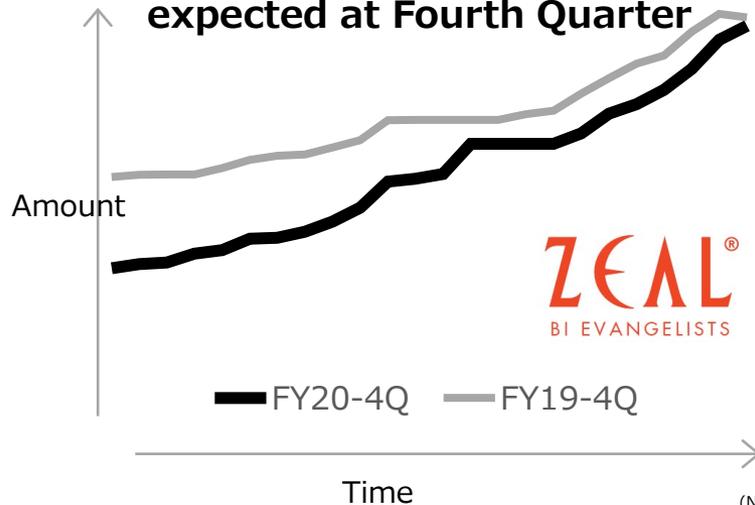
When asked about supply chain of enterprises with plants in Japan, 72.1% responded that they “need to review.” 65.3% of respondents said that they would be able to respond to crises and flexibly change their suppliers, while 57.1% said that they would be focusing on specific countries and diversifying their suppliers. In the case of enterprises with plants, measures such as “conducting body temperature inspections” (75.0%) and “reviewing line intervals and distance between workers” (60.2%) are also conspicuous.

Working styles are also likely to change. 90.9% of companies “continue telework” in their offices. 39.1 percent of companies target 50% of all employees. It accounted 63.2% when combined “all employee (4.6%)”, and “more than 50%.” 89.4% also responded “Introduce a time-difference/flex system” to promote the avoidance of “triple closes” in the workplace. COVID-19 has also triggered the shift to digital technology. **63.6% said they will “increase” their investment in digitization in the future.** 87.0% of respondents answered “remote work facilities and equipment” and 63.6% answered “enhanced security” (multiple answers). “On-line application of in-house procedures such as documentation and handling” was also high at 61.0%, and it is likely that the practices peculiar to Japan will also be reviewed.

Orders for next four quarters expected at the end of fourth quarter



First Quarter Orders expected at Fourth Quarter



Consolidated Accounting Business

- ✓ Limited number of postponement or cancellation of orders despite the state of emergency, and orders recovered from the second half of June
- ✓ Strong appetite for investment seen at IT, pharmaceuticals, and drug store industries
- ✓ In addition to the need for efficiency in legal financial accounting process, there is a strong need for sophisticated systems such as telework, budgeting, and managerial accounting.
- ✓ Global companies are trying to strengthen the governance of their overseas subsidiaries

Business Intelligence Business

- ✓ Projects were postponed or cancelled following the declaration of state of emergency, we maintained contacts through webinars and orders are steadily coming back as economic activities resume
- ✓ Strong demand in retail and food industries, and orders from large enterprises such as telecommunications and financial institutions
- ✓ There is a strong need for cloud migration of on-premises databases.

Outsourcing Business

- ✓ Inquiries are increasing amid growing uncertainty about the domestic and overseas economies, as the need for cash management on global companies is increasing
- ✓ We expect demand for outsourcing should rise as promotion of remote work has highlighted the detrimental effects of personalization and thus importance of in-house process has weakened.

(Note) The expected orders is used for internal monitoring purpose and differs from the amount of orders the Company discloses. Year-on-year changes in monetary amounts are not indicative of changes in net sales, orders received, and order backlog for the fiscal year under review.

Opportunities for AVANT Group: Executive Decision based on Data Analytics is becoming essential

AVANT



AVANT Group offers products & solutions to improve value of the client corporations



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Internet Disclosure Co.,Ltd.

Initiatives for FY June 2021

Initiatives for FY June 2021

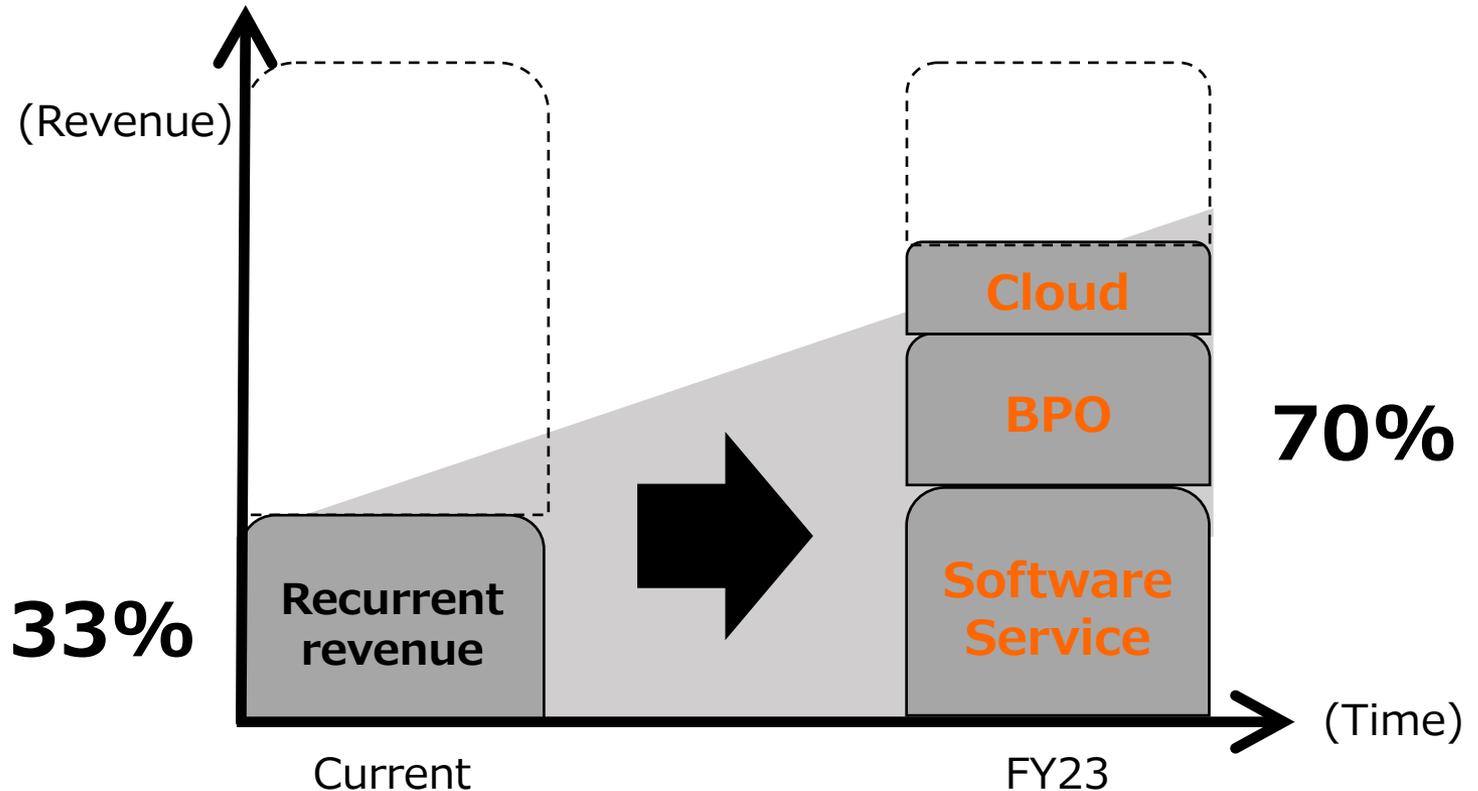
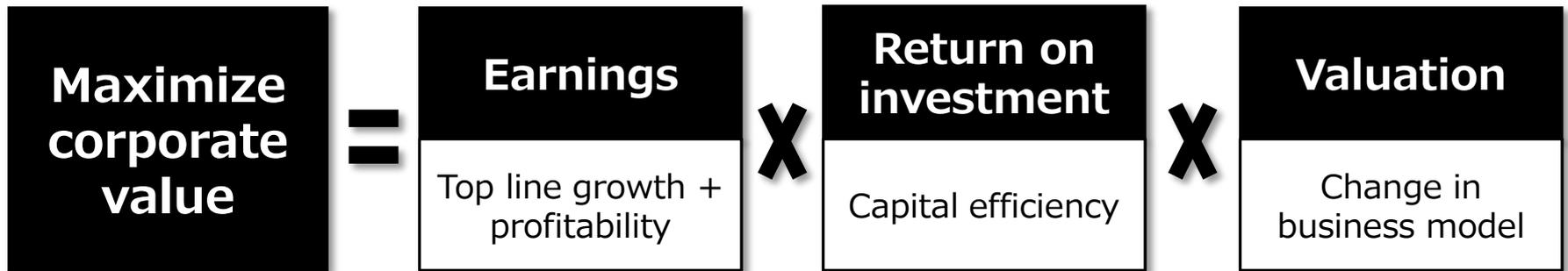
AVANT

- 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

Our Goal during the Mid-term Business Plan

AVANT





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Segment KPI

FY20 Actual		FY21 Forecast		FY23 Target	
Revenue: +6%	GPP: 25%	DOWN	UP		GPP: 40%
OP margin: 19%		UP			
Recurrent revenue ratio	39%		UP		50%

Accelerating top-line growth through cloud shift

- ✓ Introduction of new products and services for cloud adoption
- ✓ Enhancing solutions that contribute to the sophistication of management, from system accounting to planning & budgeting and managerial accounting
- ✓ Targeting better-performing industries and global players
- ✓ Profitability improvement measures (productivity improvement/flexible hiring/office space)



Segment KPI

FY20 Actual		FY21 Forecast		FY23 Target	
Revenue: +16%	GPP: 28%	DOWN	DOWN		GPP: 40%
OP margin: 12%		DOWN			
Recurrent revenue ratio	9%		UP		40%

Transformation of business model with proprietary solutions

- ✓ Launch unique solutions following ZEUSCLOUD,
- ✓ Strengthen collaboration with software vendors,
- ✓ Supporting large companies in DX-related projects,
- ✓ Reorganization into a business unit system that supports the transition



Segment KPI

FY20 Actual		FY21 Forecast		FY23 Target	
Revenue: +27%	GPP: 44%	DOWN	DOWN		GPP: 40%
OP margin: 18%		DOWN			
Recurrent revenue ratio	89%		UP		95%

Measures to maintain growth momentum

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

Financial Strategy

We expect six consecutive years of growth in revenue and profit

- Both revenues and profits are expected to be at low levels in Q1, as economic activity stagnated around April and May due to the spread of COVID-19 and the accompanying announcement of the state of emergency.
- On the other hand, projects that were suspended or delayed at the time have gradually resumed and re-started as economic activities regain ground. The Group assumes that they will recover from the second quarter onward and expects both revenues and profit to increase slightly for the fiscal year.

Revenue
16.11B
yen

YoY

+2.7%

OP
income
2.33B
yen

YoY

+2.3%

Net
income
1.56B
yen

YoY

+1.5%

Earnings Forecast for FY June 2021: Segment View

AVANT Group KPI

FY20 Actual		FY21 Forecast		FY23 Target	
Revenue: 11.5%	GPP: 26.0%	DOWN	UP		GPP: 40%
OP margin: 14.5%		UP			
Recurrent revenue ratio	32.6%		UP		70%

Consolidated Accounting Business

- Continue to focus on acquiring new projects, but expect a slowdown in the revenue growth due to the completion of large-scale projects.
- Operating margin is expected to improve due to the shift of project mix and expense control.
- Recurrent revenue ratio is expected to rise

Business Intelligence Business

- Part of the IT investment may be affected by the spread of COVID-19, and we will closely monitor business environment,
- Part of fixed expenses cannot be offset by increased revenue, and operating margin is expected to decline slightly.
- Recurrent revenue ratio is expected to rise

Outsourcing Business

- Stable demand expected, but revenue growth should slow compared to FY June 2020, when there were many new projects,
- Operating margin is expected to decline temporarily due to aggressive investment in efficiency improvement,
- Recurrent revenue ratio expects to rise

Financial Status

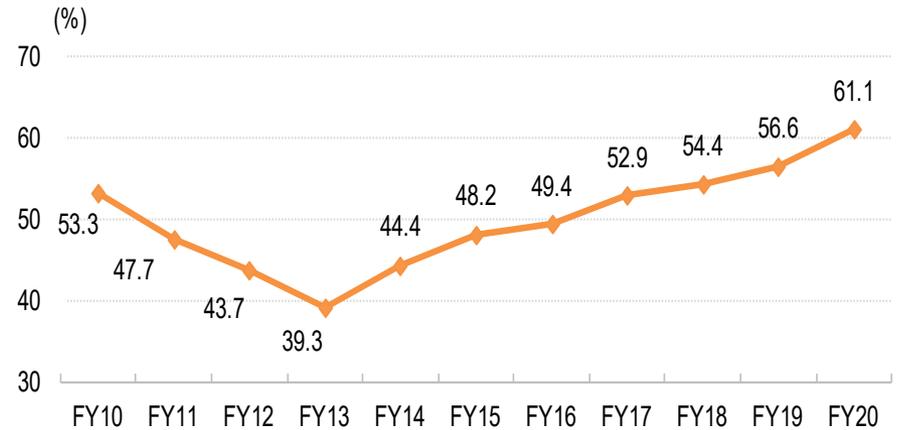
Jun 2020

Total Assets
11.7
billion yen

Total Liabilities
4.5
billion yen

Net Assets
7.1
billion yen

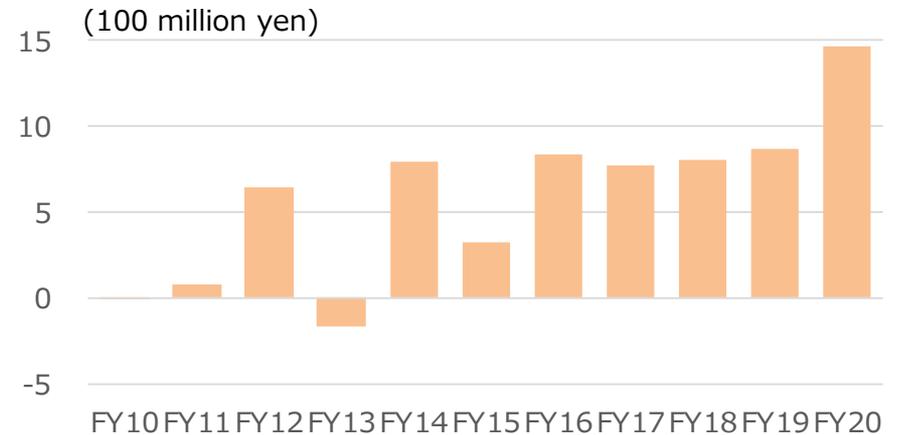
Equity Ratio



ROE



Free Cash Flow



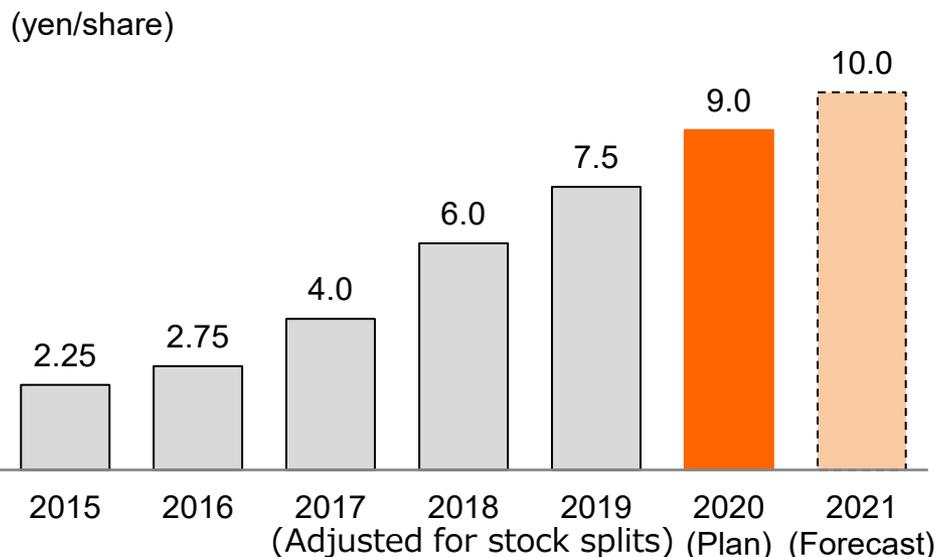
Shareholder Return Policy

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

- 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%, which is expected to reach a level 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



	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Plan	FY2021 Forecast
Dividends per share (yen)	0.5	1.125	3.375	2.25	2.75	4.0	6.0	7.5	9.0	10.0
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%	2.93%	-

(Note) The average ratio of dividends on net assets of companies listed on the Tokyo Stock Exchange is a weighted average of monthly figures for companies published in the 12 months to June. The result for the year ended June 2020 is a 12-month weighted average to April 2020.

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



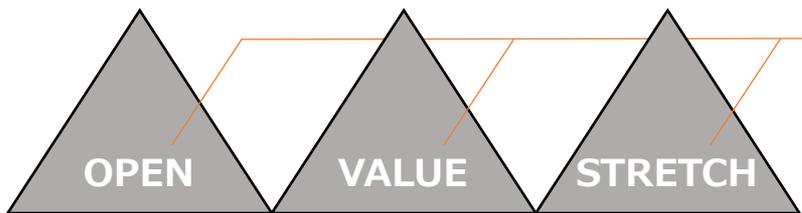
Spreading Accountability

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



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 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®



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Consolidated Accounting

ZEAL®
BI EVANGELISTS

Business Intelligence

FIERTE

Outsourcing

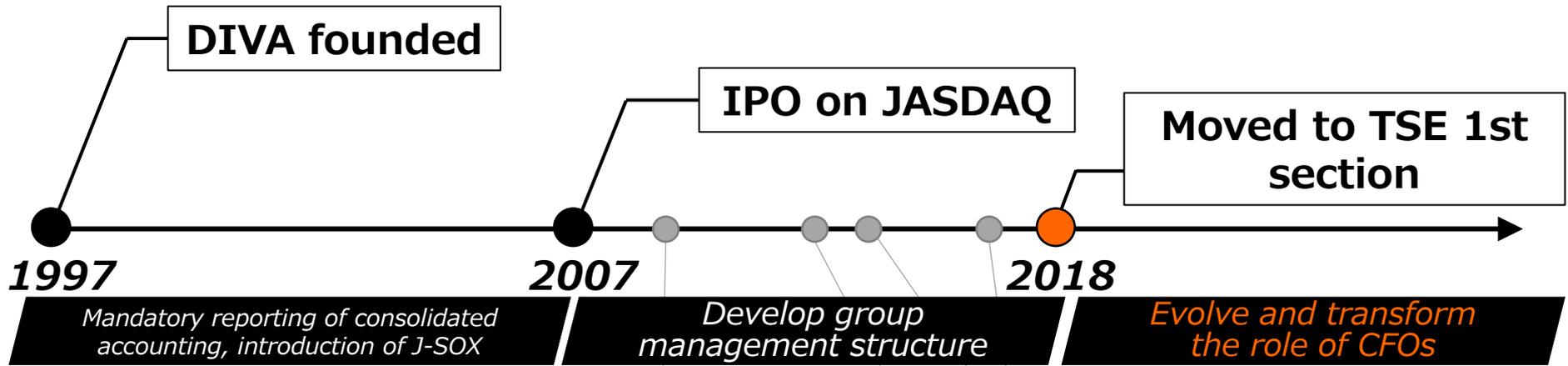
Maximizing corporate value of the Group

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

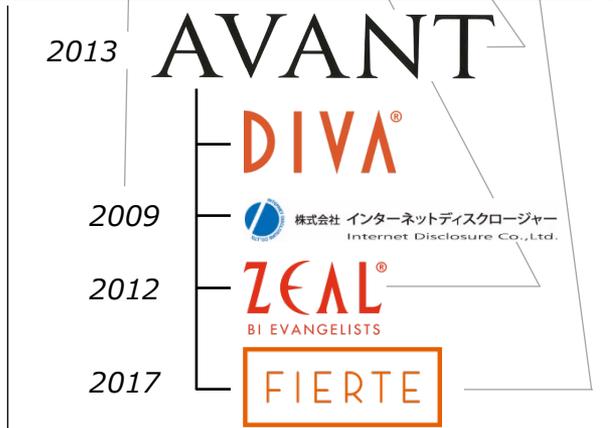
Maximizing business value of OpCo

- 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 base

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

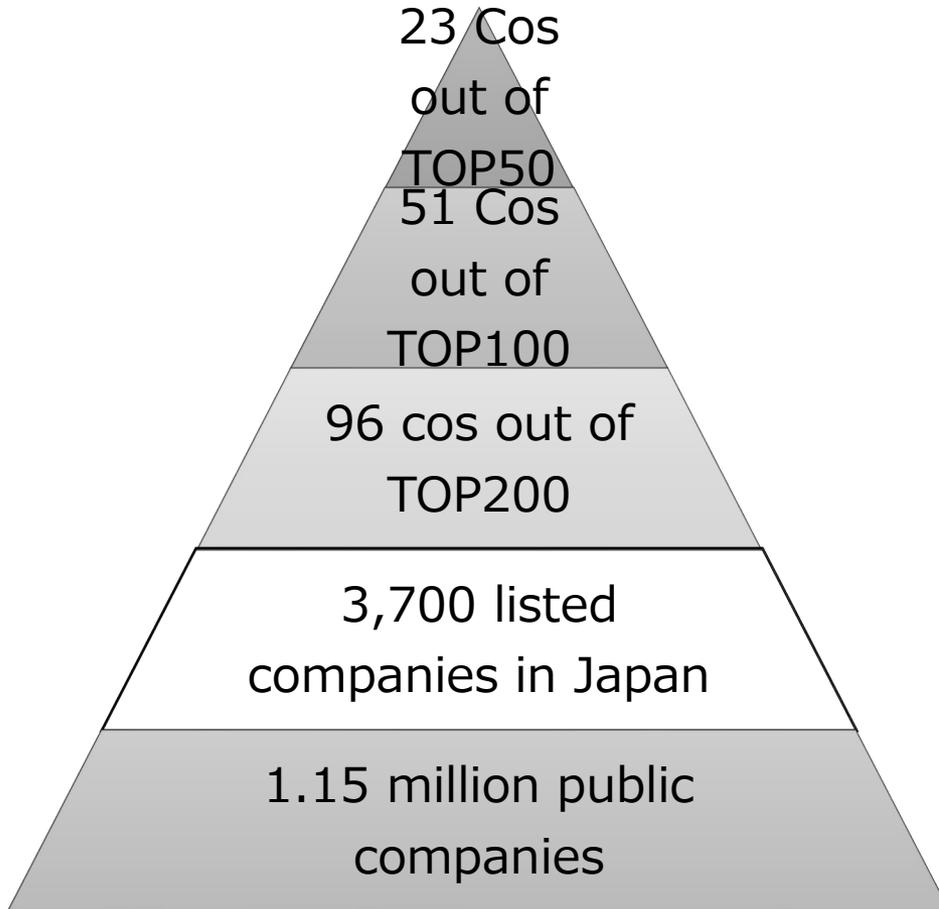
AVANT Group supports solution to, and transformation of CIFO organizations

CIFO ACCELERATOR

The Group stand poised to generate new value to stakeholders



- Sold to over 1,000 companies¹, with more than half of TSE listed top 100 companies, leading market share of 44.9%²
- Governance related solutions from statutory accounting to managerial accounting



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 "2019 Software Business New Market" Consolidated Accounting Software (Package) Market Share



- 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 Projects

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

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 / IIJ 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

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

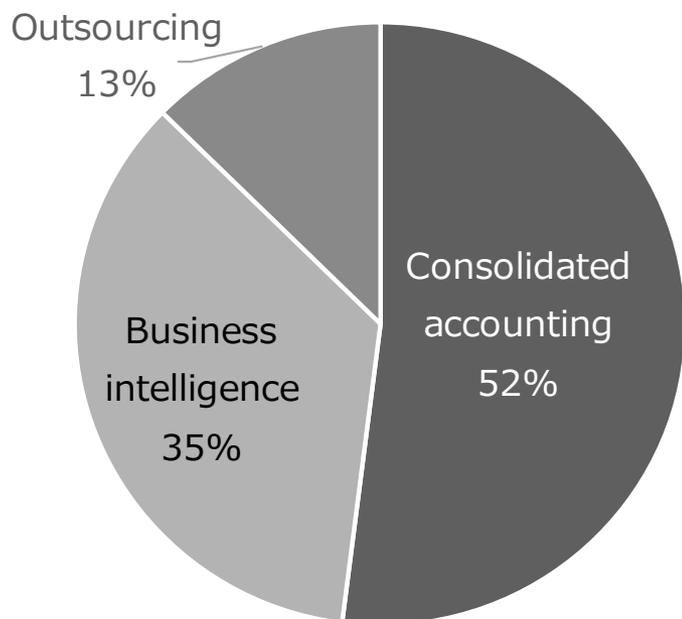
Ajinomoto Co., Inc.	APAMAN Co., Ltd.	Ichishin Holdings Co., Ltd.	IDOM Inc.	IMAGICA Group Inc.	Tokyo FM Broadcasting Co., Ltd.
MC Aviation Partners, Inc.	KUBOTA Corporation	Cosmo Energy Holdings Co., Ltd.	Japan Best Rescue System Co., Ltd.	JERA Co., Inc.	SystemSoft
Sojitz Corporation	Taisho Pharmaceutical 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 solutions

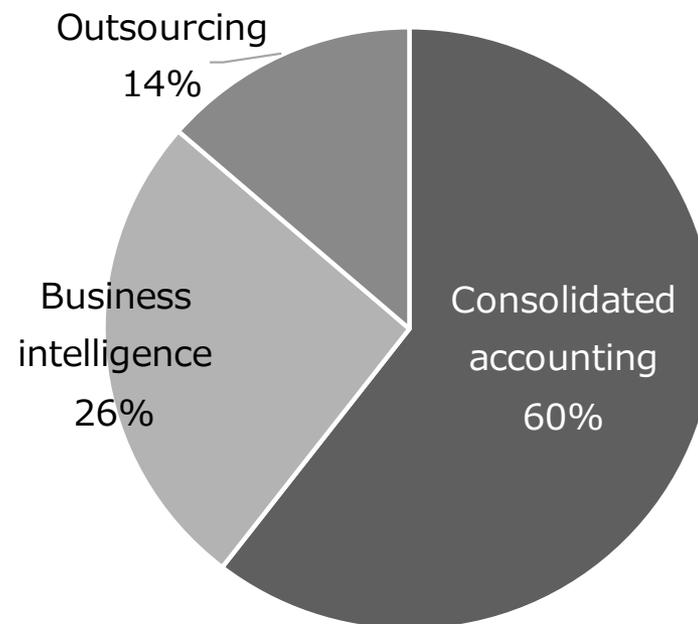
Kirin Holdings Company Limited	KDDI Corporation	Kobe Steel, Ltd.	THK Co., Ltd.	Toei Animation
Nifco Inc.	Mitsui Chemicals, Inc.	UACJ Corporation		

Segment Information (FY June 2020)

Revenue ¥15.69B



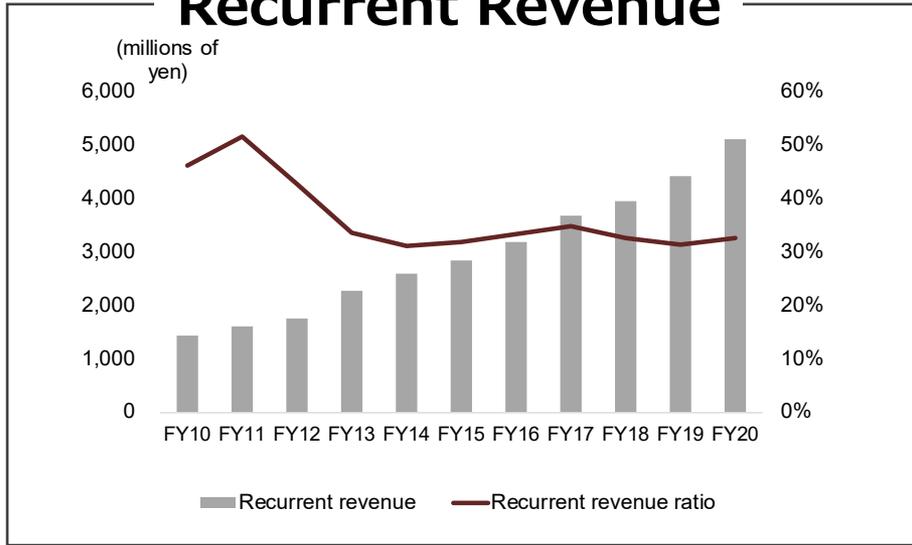
OP income ¥2.27B



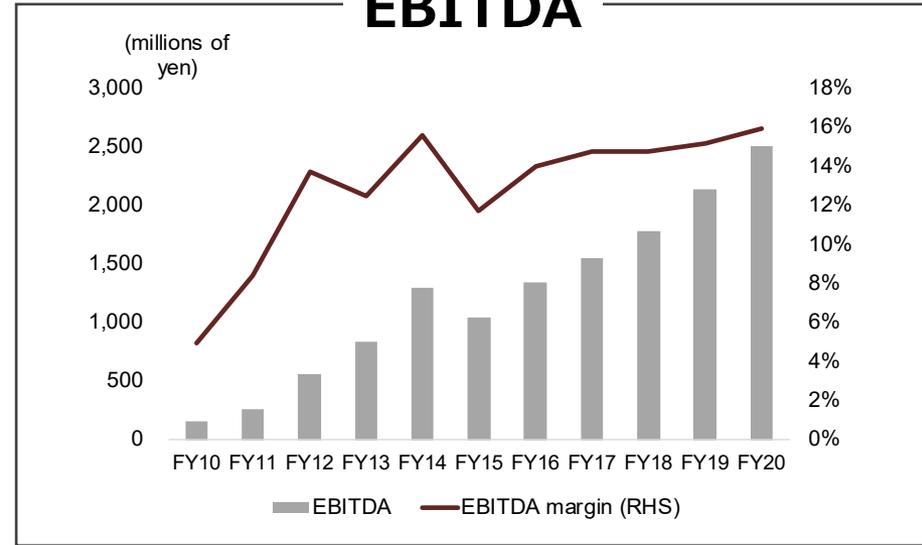
Segment	YoY
Consolidated Accounting	+5.6%
Business Intelligence	+15.6%
Outsourcing	+26.5%
Consolidated	+11.5%

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

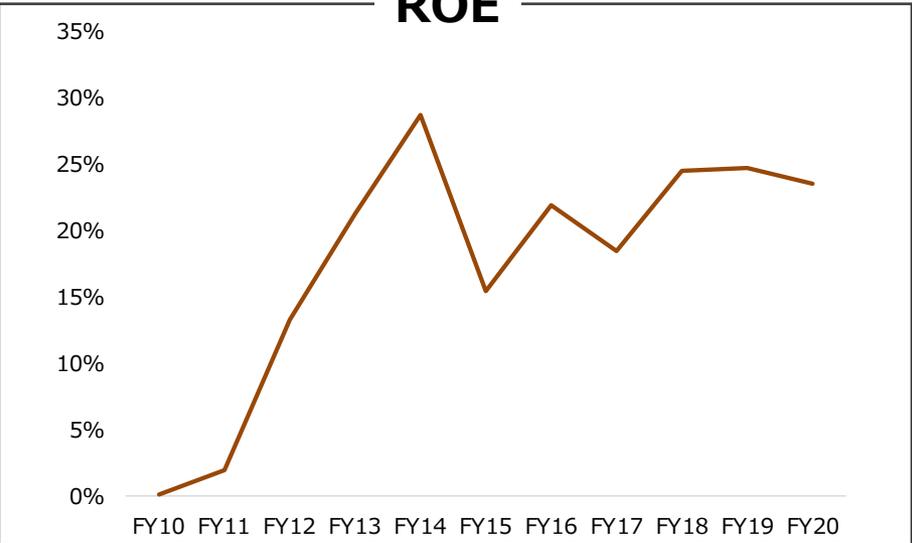
Recurrent Revenue



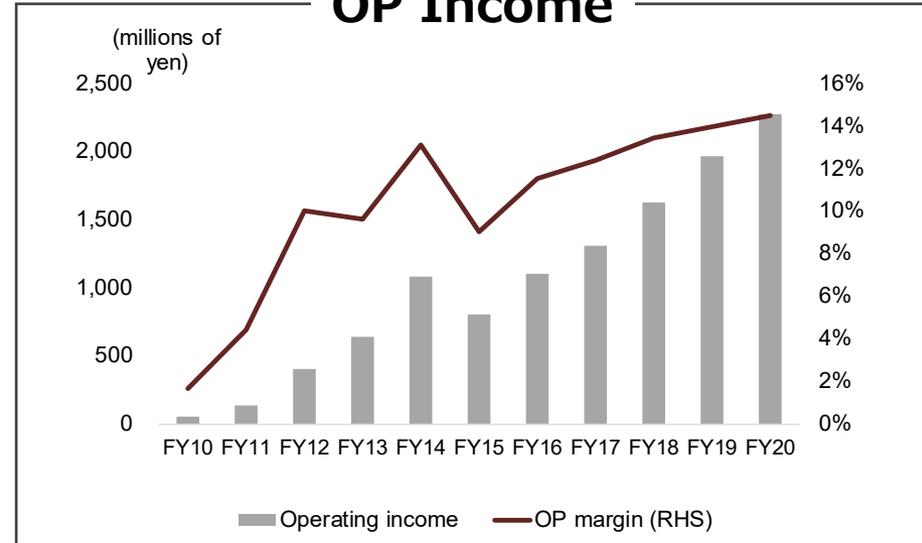
EBITDA



ROE

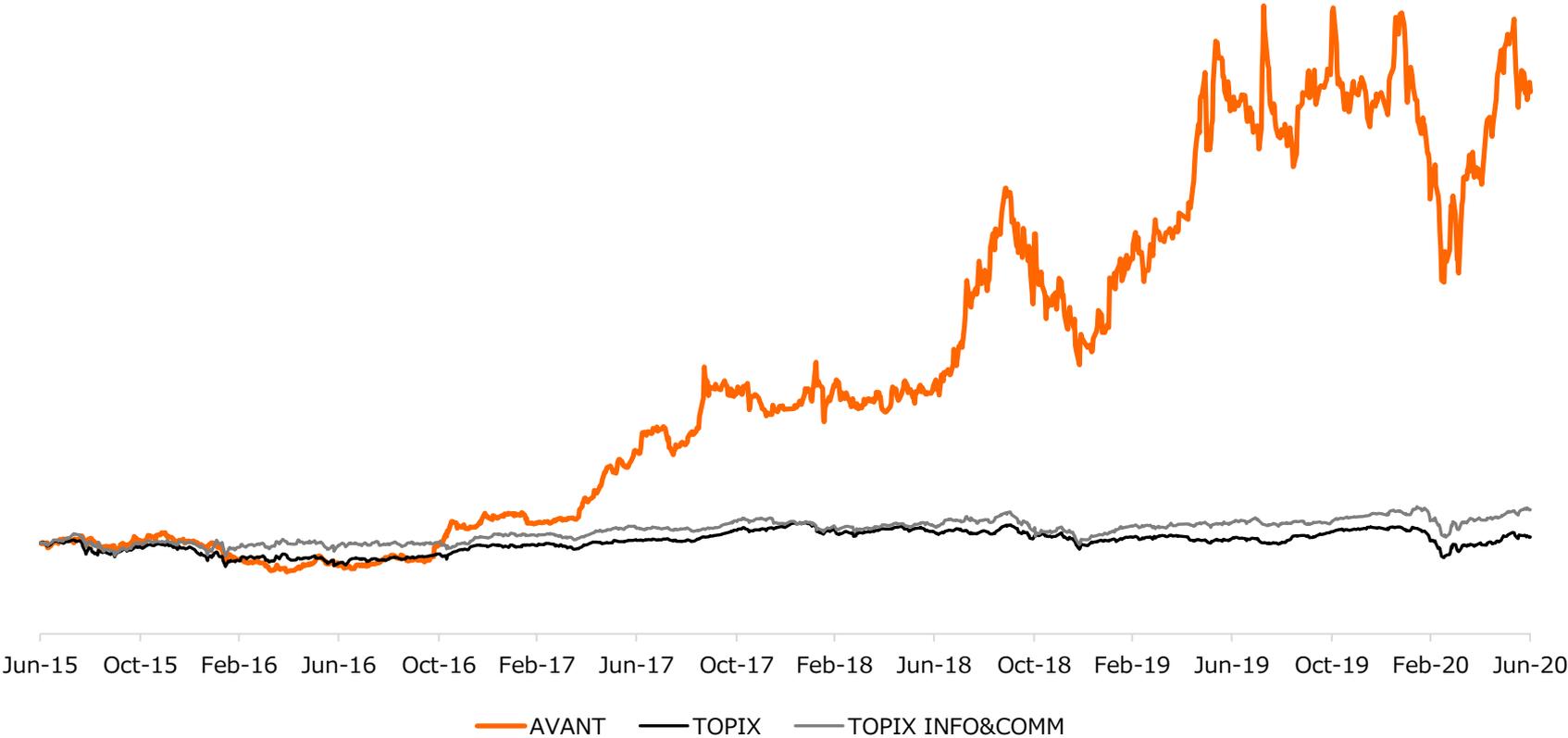


OP Income



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%



(Source) Thomson Reuters

AVANT