AVANT

Financial Results Briefing

for the fiscal year ended June 30, 2019

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 TSE1)

2nd August 2019

Contents

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Ⅰ. Summary of financial results
for the fiscal year ended June 30, 2019

Ⅱ. Earnings and Dividend Forecast

Ⅲ. Update on Medium-term Management Plan

＊Figures in this material are rounded down to the unit of display

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I. Summary of financial results for the fiscal year ended June 30, 2019

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Results Highlights

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Another year of record results

- Favorable growth in top line in all three businesses. Especially so with Business Intelligence business, and consolidated revenue hit record level
- Revenue growth, together with efforts to improve project quality and productivity, led to four consecutive years of growth in operating income, ordinary income and net income

(Millions of Yen)

	FY18/06	FY19/06	Year-on-Year	
			Variance	%CHG
Revenue	12,110	14,077	+ 1,967	+ 16.2%
Cost of Revenue	6,946	7,779	+ 832	+ 12.0%
SG&A expences	3,532	4,332	+ 799	+ 22.6%
Operating Income	1,631	1,966	+ 335	+ 20.5%
OP Margin	13.5%	14.0%	-	+ 0.5 point
Ordinary Income	1,632	1,972	+ 340	+ 20.8%
Net Income	1,062	1,317	+ 254	+ 24.0%

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Analysis of Change in Operating Income

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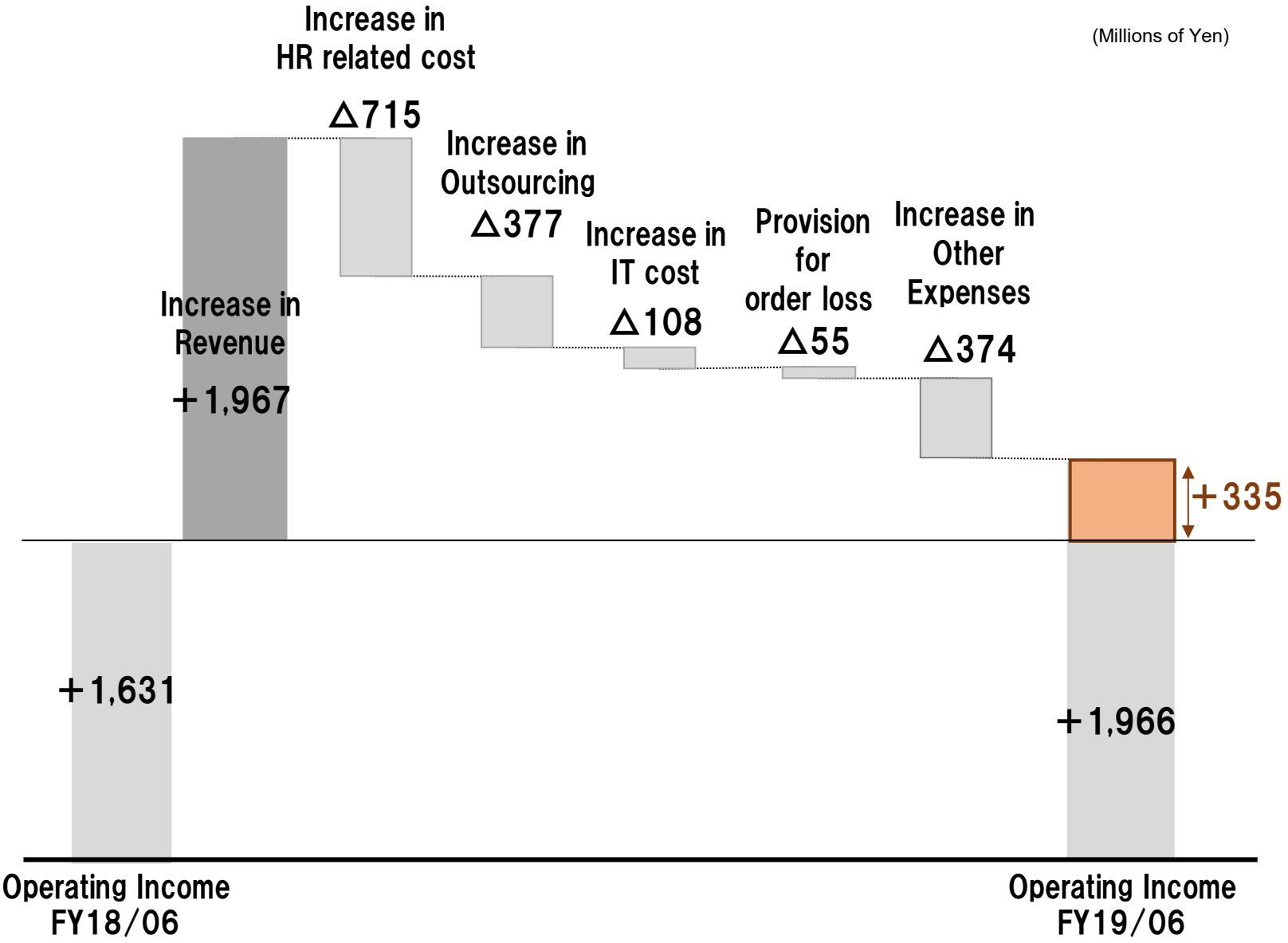
(Millions of Yen)



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Results by Business Segment

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(Millions of Yen)

		FY18/06	FY19/06	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Revenue	7,261	8,034	+ 773	+ 10.6%
	Operating Income	1,030	1,293	+ 263	+ 25.5%
	OP Margin	14.2%	16.1%	-	+ 1.9 point
Business Intelligence	Revenue	3,953	4,990	+ 1,036	+ 26.2%
	Operating Income	324	636	+ 311	+ 96.1%
	OP Margin	8.2%	12.8%	-	+ 4.5 point
Outsourcing	Revenue	1,313	1,629	+ 316	+ 24.1%
	Operating Income	213	318	+ 104	+ 48.9%
	OP Margin	16.3%	19.5%	-	+ 3.3 point

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Consolidated Accounting Business

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Profit growth led by improvements in project quality

- Large-scale project in the previous fiscal year continued to contribute to increased revenue
- While we had to provide allowance for that project as we anticipate support expenses when it goes operational in the next fiscal year, we worked to improve quality in other projects and achieved growth in operating income and OP margin for the segment
- Order backlog was impacted by our response to that large-scale project, orders progressed steadily and cumulative customer win surpassed 1,000 companies (Remained number one among consolidated accounting software vendors)

(Millions of Yen)

	FY18/06	FY19/06	Year-on-Year	
			Variance	%CHG
Revenue	7,261	8,034	+ 773	+ 10.6%
Operating Income	1,030	1,293	+ 263	+ 25.5%
OP Margin	14.2%	16.1%	-	+1.9point
Outstanding Order	2,433	2,173	△ 260	△ 10.7%

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Business Intelligence Business

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Profits boosted by number of large projects and improvement measures

- Revenue increased significantly on the back of multiple large-scale project wins
- By increasing the proportion of high margin primary contract and semi-delegating contracts, we achieved reduction in risks associated with contracting projects and occurrence of unprofitable projects, and achieved improved profitability
- These measures absorbed an increase in fixed expenses related to the increase of personnel and resulted in a significant profit increase

(Millions of Yen)

	FY18/06	FY19/06	Year-on-Year	
			Variance	%CHG
Revenue	3,953	4,990	+ 1,036	+ 26.2%
Operating Income	324	636	+ 311	+ 96.1%
OP Margin	8.2%	12.8%	-	+4.5point
Outstanding Order	929	1,204	+ 274	+ 29.6%

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Outsourcing Business

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Remarkable increase in sales and profits

- Success in diversification of revenue base contributed to improvement of the Group's recurring revenue ratio
- Higher revenue absorbed expenses related to increased personnel such as the opening of a new office and led to significant growth in profits

(Millions of Yen)

	FY18/06	FY19/06	Year-on-Year	
			Variance	%CHG
Revenue	1,313	1,629	+ 316	+ 24.1%
Operating Income	213	318	+ 104	+ 48.9%
OP Margin	16.3%	19.5%	-	+3.3point
Outstanding Order	675	852	+ 177	+ 26.3%

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Selected Quarterly Financial Data

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■ Invested in personnel & office in the latest quarter to ensure further growth

(Millions of Yen)

	FY15/06				FY16/06				FY17/06				FY18/06				FY19/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	1,944	2,250	2,237	2,496	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
Cost of Revenue	1,183	1,205	1,289	1,455	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
Gross Profit	761	1,044	948	1,041	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
SG&A expences	628	776	732	852	744	822	698	784	703	930	847	910	781	865	898	986	1,027	1,188	982	1,133
Operating Income	132	268	216	188	197	224	268	419	280	310	418	296	247	412	476	494	380	634	592	358
OP Margin	6.8	11.9	9.7	7.5	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
Ordinary Income	130	265	213	185	196	222	268	425	280	315	416	296	248	415	472	495	380	633	593	364
Net Income	84	168	123	25	130	118	118	293	183	−0	250	230	162	269	311	318	237	403	389	286
EBITDA	196	324	276	246	251	283	328	483	341	370	481	359	300	436	504	524	417	673	634	408
EBITDA Margin (%)	10.1	14.4	12.3	9.9	11.5	11.9	13.6	18.4	15.0	12.7	17.5	12.7	11.8	13.9	16.3	15.8	13.1	17.9	17.5	11.6

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Quarterly Trends in Major KPIs

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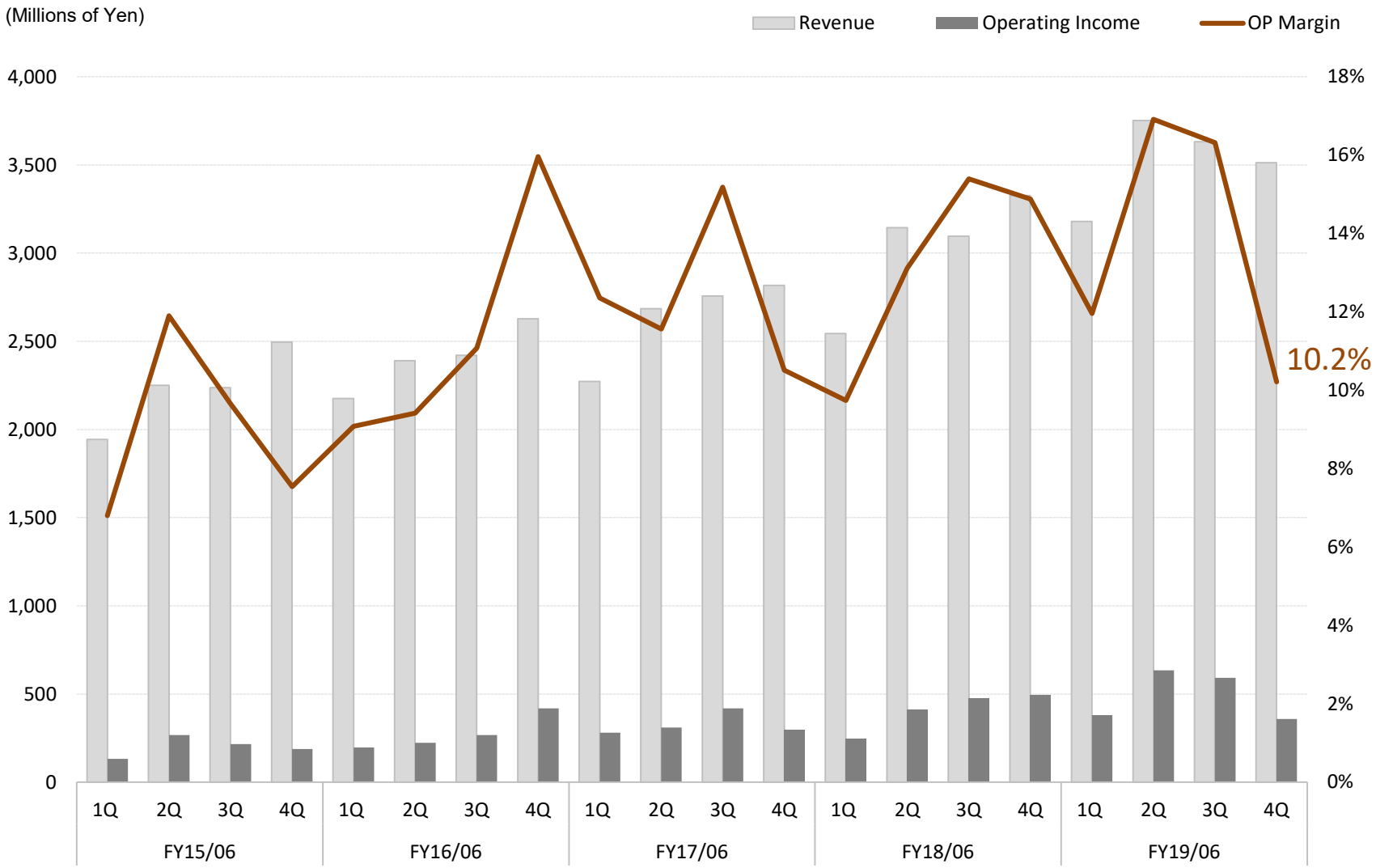

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Total Number of Group Employees

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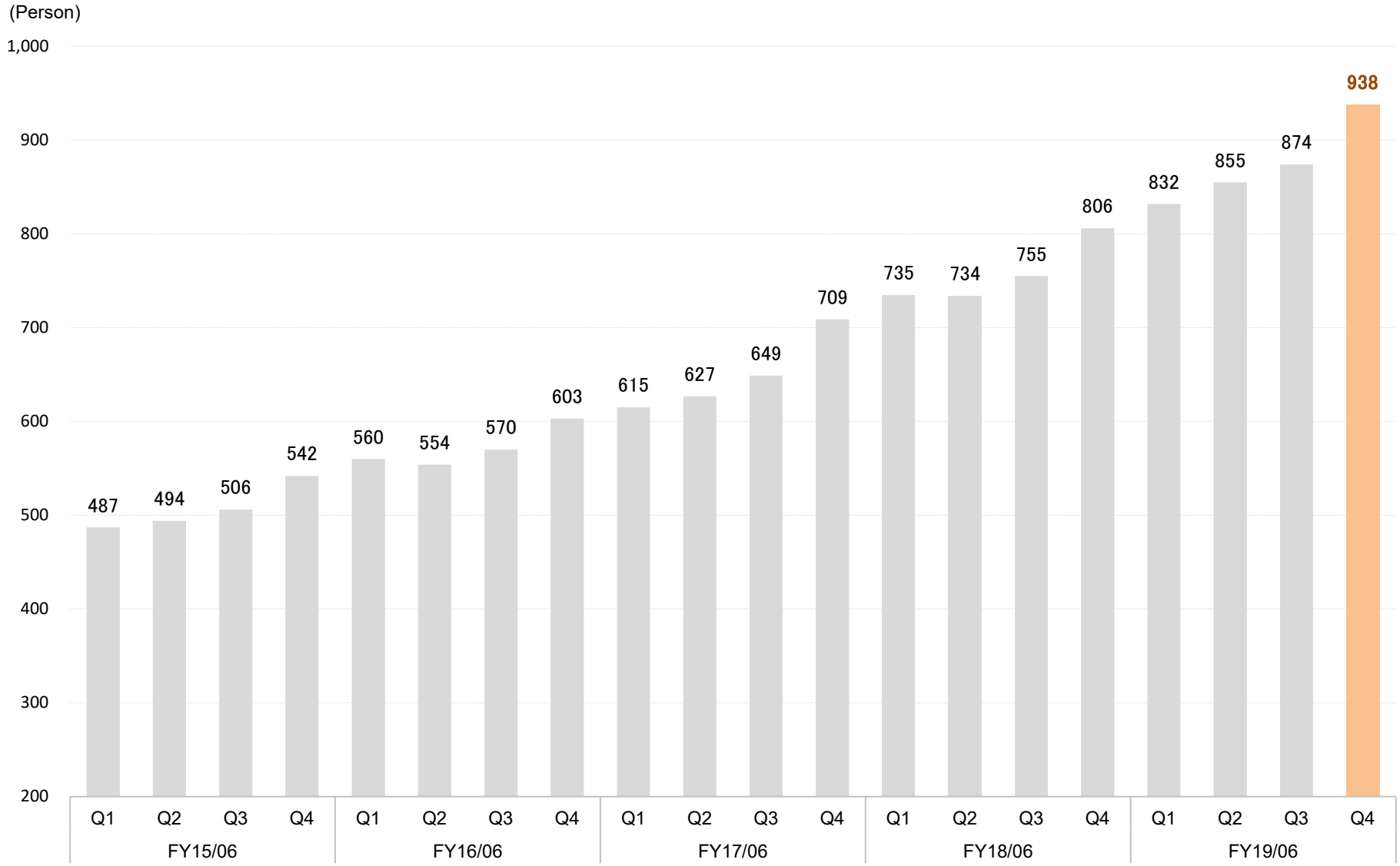

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Financial Condition & Cash Flows

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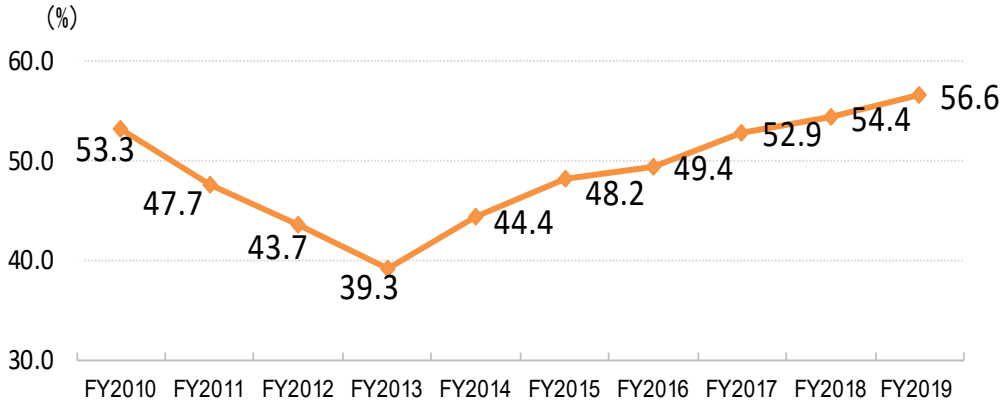
Financial Status

(100 million yen)

Total Assets 104	Total Liabilities 45
	Net Assets 59

Equity Ratio



Cash Flow

(Millions of yen)

	FY18/06	FY19/06
Operating CF	1,159	1,320
Investment CF	(353)	(455)
Financial CF	(184)	(232)
Free CF	805	864

Key Factors for change

(millions of yen)

・Income before income taxes and minotiy interests	2,003
・Increase in account receivable	(512)
・Increase in provision	242
・Increase in deffered revenue	182
・Depreciation expense	167
・Income taxes paid	(792)
・Paid deposit	(215)
・Purchase of tangible fixed assets	(127)
・Payment of shareholder dividends	(225)

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Return on Equity (ROE) trends

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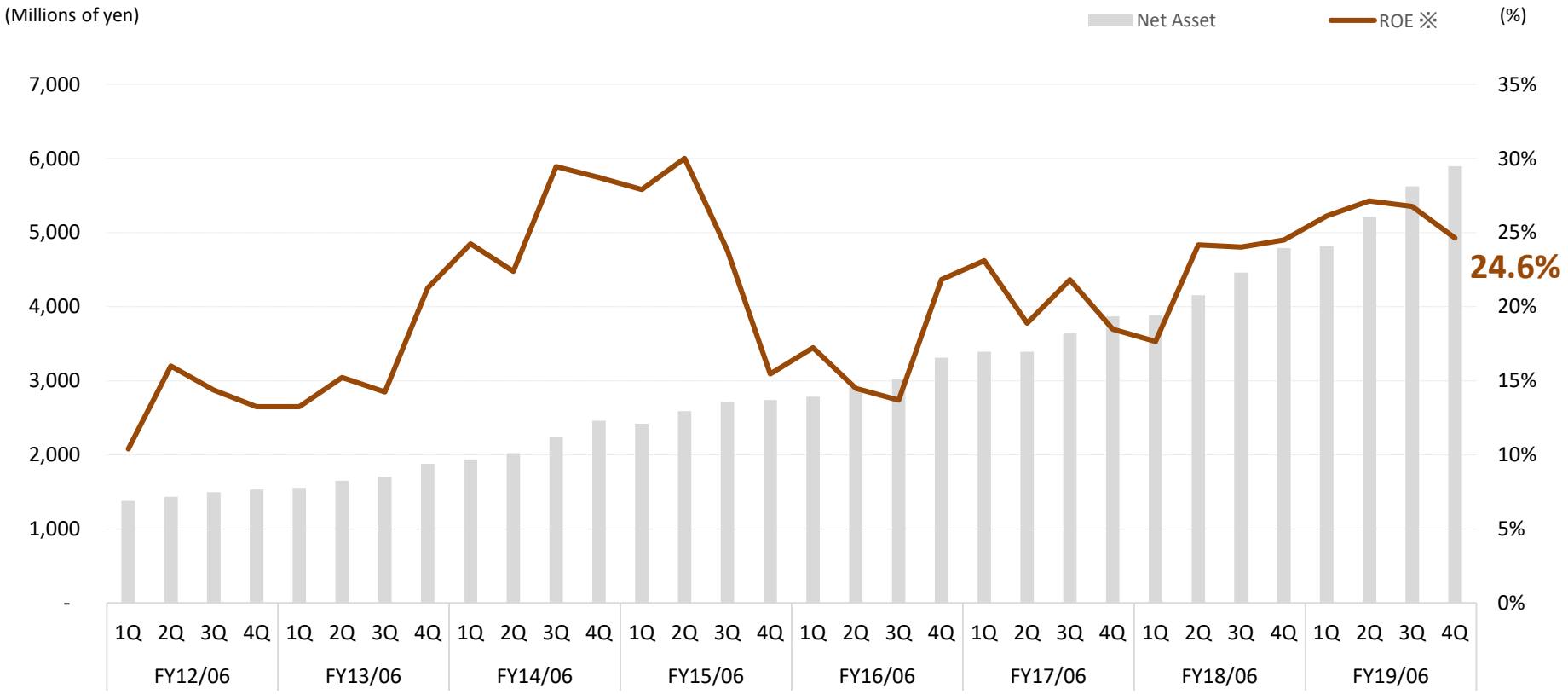
Our goal is to maintain over 20% on average in the mid- to long-term

- We aim to improve ROE, while maintaining the Group's management principles, by enhancing profitability further and managing assets more efficiently



※twelve month rolling

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Ⅱ. Earnings and Dividend Forecast

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Earnings forecast for the fiscal year ending June 30, 2020

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Both revenue and profit continue high growth

- The top line is expected to expand steadily in all three businesses. While Outsourcing Business accelerates future investment, overall we maintains overall margins
- The Group expects revenue of 15.4 billion yen and operating income of 2.1 billion yen

(Millions of Yen)

	FY19/06 Full-Year (Actual)	FY20/06 Full-Year (Forecast)	Variance (FY19 vs FY20)	% CHG (FY19 vs FY20)
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%

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Dividend Forecasts

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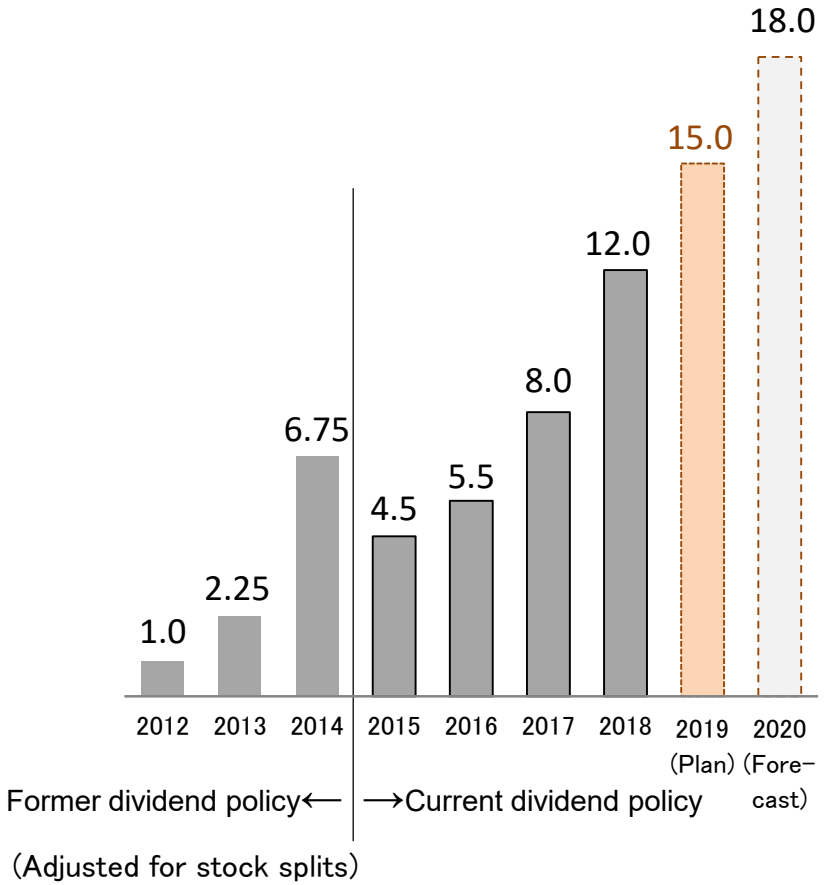
The FY 2020 dividend forecast is 18 yen per share

- For the fiscal year ended June 2019, the Group plans to increase 3 yen to 15 yen compared to last year, in line with initial forecast
- In the fiscal year ending June 2020, we plan to increase dividends in line with our policy of continuing stable dividends



＜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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Ⅲ. Update on Medium-term Management Plan

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Plan Update: First year achievement

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Recurring revenue ratio dropped but amount increased by 11.8% in this stocking period, on track to achieve target

	FY18 Actual		FY19 Actual		FY23 Target
Revenue	¥12.1B		¥14.1B		¥18-22B
Recurring revenue ratio	33%		31%		70%
Operating income	¥1.63B		¥1.97B		¥3.1-3.8B
GPP: Rev. growth + OP margin	28.5pt		30.2pt		Over 40pt
ROE	24.5%		24.7%		Over 20%
Dividends	¥12		¥15		Over ¥30

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Mid-Term Management Plan: BE GLOBAL 2023

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Maximizing Corporate Value = **Fundamental Performance** × **Capital Market Evaluation**

Fundamental Performance
- **Revenue Growth + Operating Margin**
- **Operating Income JP¥3.1B～JP¥3.8B**

Capital Market Evaluation
- **Changing Existing Business Models**
- **Recurring Revenue Ratio 70%**

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AVANT Group's Mid-Term Action Plan

Maximizing Value of Existing Businesses	• Expanding customer base • Increasing product and service lines • Enhancing profitability by automation and quality control • Developing new businesses	• Accelerating the growth of outsourcing business • Shifting to a could-based consolidated accounting business • Transforming current business model of BI business
+ **M&As Capital Alliances**	• Pursuing opportunities to achieve the profit target	• Realizing opportunities to increase recurring revenue

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History of the Group

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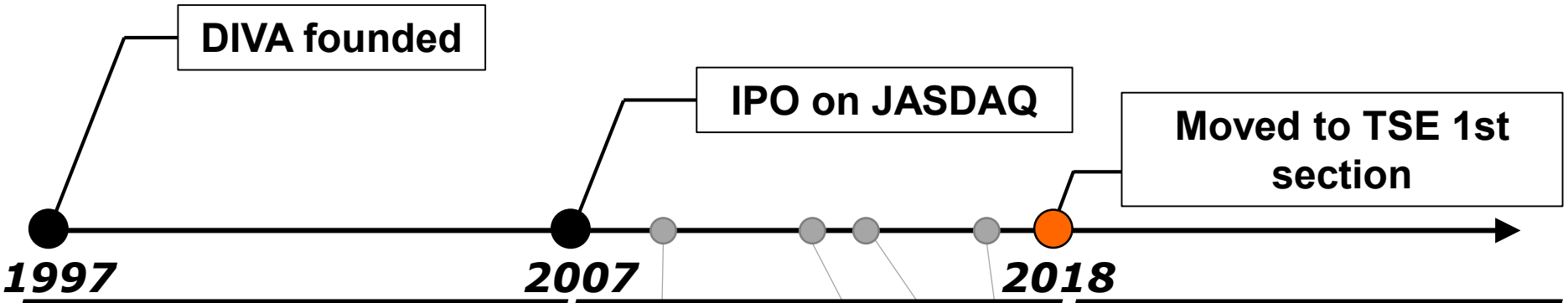
AVANT Group for the next 10 years



1997 — *Mandatory reporting of consolidated accounting, introduction of J-SOX*

DIVA

Established itself as top developer of consolidated accounting software

2007 — *Evolved group management structure*

2013 AVANT
- DIVA®
- 2009 株式会社 インターネットディスクロージャー Internet Disclosure Co.,Ltd.
- 2012 ZEAL® BI EVANGELISTS
- 2017 FIERTE

Shifted to a holding company and evolved its group management structure

2018 — *Evolve and transform the role of CFOs*

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

The Group stand poised to generate new value to stakeholders

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