

# Financial Results Briefing

## for the second quarter of Fiscal Year June 2021

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*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)

January 29, 2021

## I . Summary of financial results for the second quarter of FY June 2021

## II . Earnings and Dividend Forecast

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

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# **I. Summary of financial results for the second quarter of FY June 2021**

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# Results Highlights

## Positive growth in revenues and OP for the last three months of the first half, moving to a recovery phase in line with expectations

- Cumulative revenue fell YoY, but quarterly revenue began to increase. Cumulative and quarterly operating income increased by double digits due to cost controls, and operating income margin exceeded 20% in the last quarter
- Orders and order backlog also returned to positive growth. Steady recovery in light of the difficult comparison against the previous fiscal year and the impact of COVID-19

(millions of yen)

	FY20/06 Q2<YtD>	FY21/06 Q2<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	7,734	7,637	96	1.2%
Cost of Revenue	4,355	4,111	243	5.6%
SG&A expenses	2,290	2,230	59	2.6%
Operating Income	1,089	1,296	+ 206	+ 19.0%
OP Margin	14.1%	17.0%	-	+ 2.9 point
Ordinary Income	1,093	1,305	+ 212	+ 19.4%
Net Income	673	824	+ 151	+ 22.5%
EBITDA	1,178	1,417	+ 239	+ 20.3%

# Results by Business Segment

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- Consolidated Accounting-related business segment sales down YoY, but profit margin continues to improve. The Business Intelligence turned to higher sales and achieved a high profit margin with a 30% increase in profits in the last quarter. Outsourcing business maintained high growth and high profitability

(millions of yen)

		FY20/06 Q2<YtD>	FY21/06 Q2<YtD>	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Revenue	4,165	3,897	267	6.4%
	Operating Income	709	843	+ 134	+ 18.9%
	OP Margin	17.0%	21.7%	-	+ 4.6 point
Business Intelligence	Revenue	2,870	2,878	+ 7	+ 0.3%
	Operating Income	352	341	10	2.9%
	OP Margin	12.3%	11.9%	-	0.4 point
Outsourcing	Revenue	993	1,179	+ 186	+ 18.7%
	Operating Income	234	295	+ 60	+ 25.9%
	OP Margin	23.6%	25.1%	-	+ 1.4 point

## Improved profitability thanks to successful cost-cutting efforts

- Revenues continued to decrease, but it was related to the increase in licensing revenue in the same period of the previous fiscal year. Recurring revenue grew steadily
- Profit margin improved significantly due to reductions of cost that are not necessary or urgent.
- Customer demand to strengthen governance are revitalizing, and both orders and inquiries are recovering

(millions of yen)

	FY20/06 Q2<YtD>	FY21/06 Q2<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	4,165	3,897	267	6.4%
Operating income	709	843	+ 134	+ 18.9%
OP Margin	17.0%	21.7%		+4.6point
New Orders	3,901	3,667	234	6.0%
Outstanding Orders	1,910	1,769	140	7.4%

## Quarterly OP income increased by 30%

- Revenue recovered to an upward trend
- Decrease in cumulative first half, but increase in the second quarter
- Some projects that have been postponed or suspended because of COVID have also resumed.
- Double-digit growth in both orders and order backlog, centered on data platform construction projects

(millions of yen)

	FY20/06 Q2<YtD>	FY21/06 Q2<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	2,870	2,878	+ 7	+ 0.3%
Operating income	352	341	10	2.9%
OP Margin	12.3%	11.9%		0.4point
New Orders	2,912	3,462	+ 550	+ 18.9%
Outstanding Orders	1,245	1,438	+ 192	+ 15.5%

## Maintain high growth and profitability

- Quarterly revenue recovered to an increase of 25% YoY as the year-on-year rebound began to run its course.
- Profit margin improved along with recurrent revenue growth
- Steady progress in the hardening of the pipeline

(millions of yen)

	FY20/06 Q2<YtD>	FY21/06 Q2<YtD>	Year-on-Year	
			Variance	%CHG
Revenue	993	1,179	+ 186	+ 18.7%
Operating income	234	295	+ 60	+ 25.9%
OP Margin	23.6%	25.1%		+1.4point
New Orders	1,068	1,237	+ 168	+ 15.8%
Outstanding Orders	928	1,008	+ 80	+ 8.7%

# Selected Quarterly Financial Data

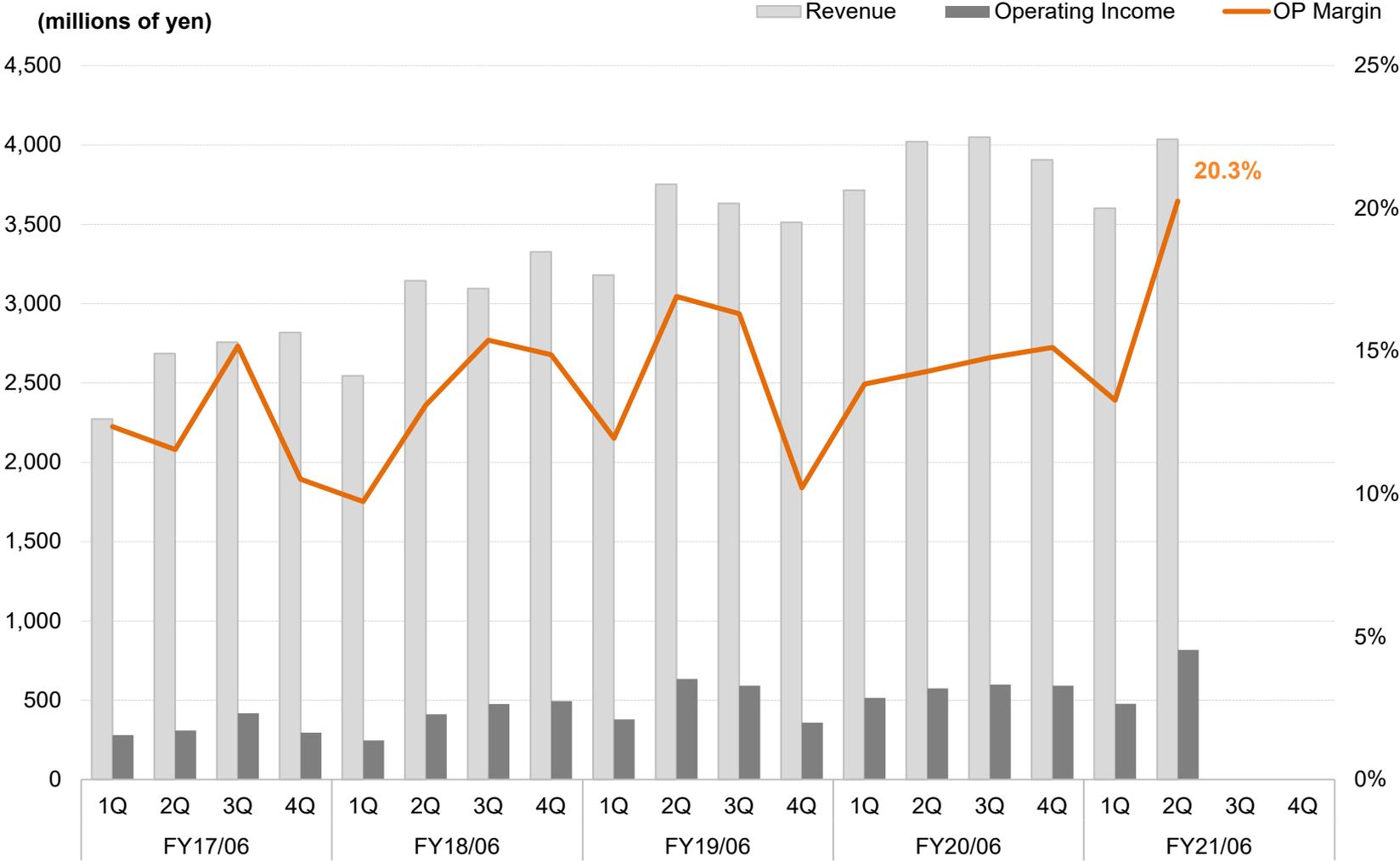
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■ Quarterly OP margin in excess of 20%

(Millions of Yen)

	FY17/06				FY18/06				FY19/06				FY20/06				FY21/06			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q												
<b>Revenue</b>	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	3,906	3,601	4,036		
<b>Cost of Revenue</b>	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	2,056	1,997	2,113		
<b>Gross Profit</b>	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	1,849	1,603	1,922		
<b>SG&amp;A expenses</b>	703	930	847	910	781	865	898	986	1,027	1,188	982	1,133	1,050	1,239	1,338	1,258	1,125	1,104		
<b>Operating Income</b>	280	310	418	296	247	412	476	494	380	634	592	358	514	574	598	591	478	817		
<b>OP Margin</b>	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	15.1	13.3	20.3		
<b>Ordinary Income</b>	280	315	416	296	248	415	472	495	380	633	593	364	520	573	598	589	482	823		
<b>Net Income</b>	183	-0	250	230	162	269	311	318	237	403	389	286	334	339	344	519	303	520		
<b>EBITDA</b>	341	370	481	359	300	436	514	534	417	673	634	408	557	621	658	669	537	880		
<b>EBITDA Margin (%)</b>	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	17.1	14.9	21.8		

# Quarterly Trends in Major KPIs



# Selected Quarterly Segment Data

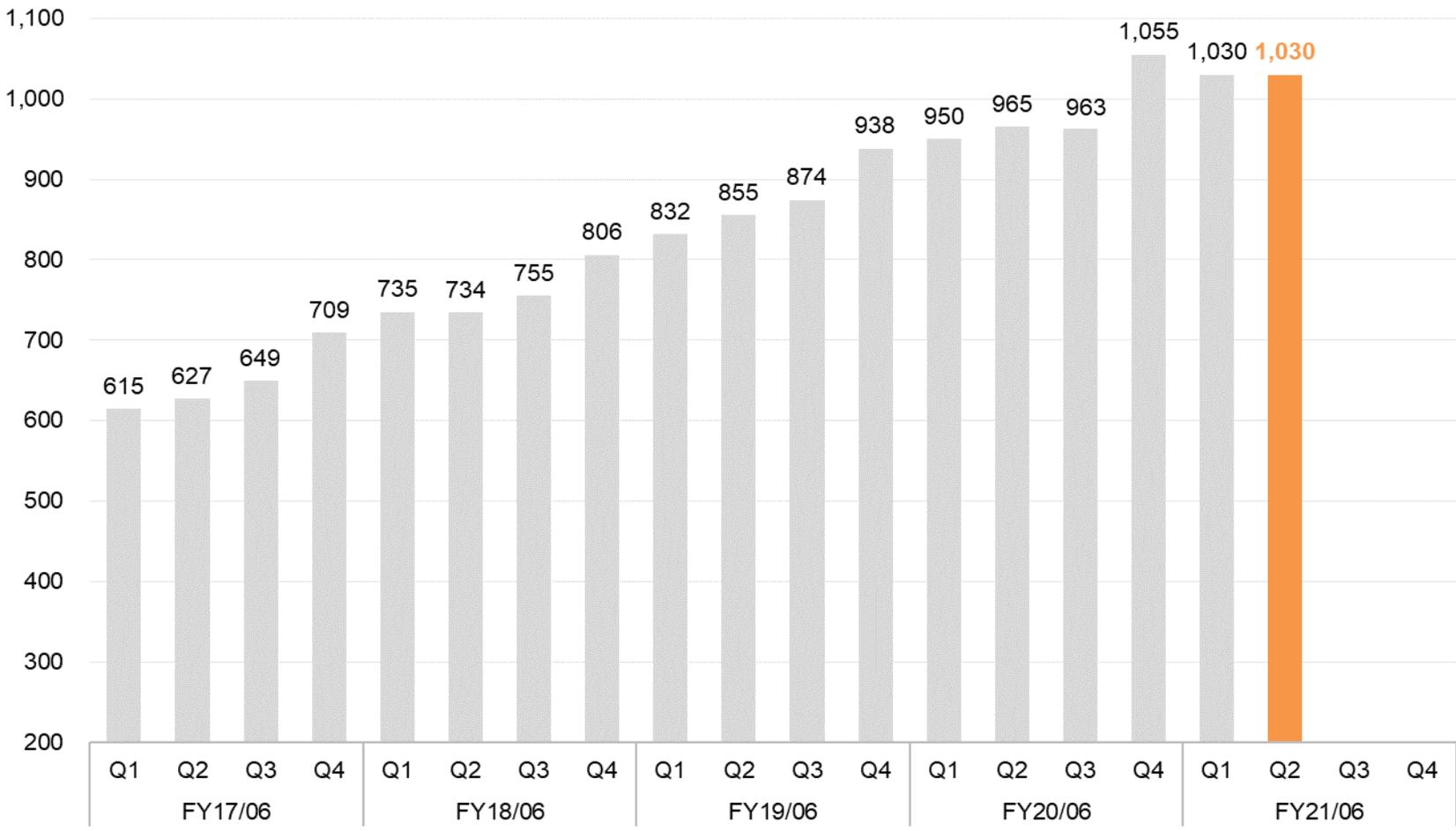
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(millions of yen)

		FY June 2018				FY June 2019				FY June 2020				FY June 2021			
		1Q	2Q	3Q	4Q	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	2,466	1,721	1,945		
	Business Intelligence	998	1,030	1,118	1,073	1,235	1,223	1,439	1,365	1,565	1,347	1,191	1,313	1,379	2,083		
	Outsourcing	297	343	297	549	439	319	363	685	599	468	505	586	651	586		
	(Elimination of inter-segment transaction)	-72	-255	-116	-154	-201	-115	-92	-266	-102	-201	-64	-164	-149	-201		
	New Orders	2,567	3,025	2,856	4,392	3,085	3,317	3,404	4,363	3,955	3,623	3,576	4,202	3,602	4,413		
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	1,999	1,920	1,769		
	Business Intelligence	762	791	895	929	1,004	958	1,044	1,204	1,340	1,245	926	854	850	1,438		
	Outsourcing	515	524	474	675	734	650	597	852	948	928	891	950	1,031	1,008		
	(Elimination of inter-segment transaction)	-65	-187	-179	-203	-260	-232	-177	-303	-264	-312	-209	-208	-206	-242		
	Orders Outstanding	3,125	3,006	2,768	3,834	3,739	3,304	3,076	3,927	4,168	3,771	3,298	3,595	3,596	3,974		
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	2,154	1,801	2,096		
	Business Intelligence	897	1,001	1,014	1,039	1,161	1,268	1,353	1,206	1,429	1,441	1,510	1,385	1,382	1,495		
	Outsourcing	282	334	347	349	380	402	416	430	504	489	541	527	569	609		
	(Intra-segment elimination)	-27	-134	-125	-130	-144	-143	-147	-141	-141	-153	-167	-161	-152	-165		
	Revenue	2,544	3,144	3,095	3,326	3,180	3,752	3,631	3,512	3,714	4,019	4,050	3,906	3,601	4,036		
Operating Income	Consolidated Accounting	145	220	265	398	244	362	346	339	330	379	378	528	323	520		
	Business Intelligence	21	81	122	98	102	210	233	89	180	171	209	130	115	226		
	Outsourcing	50	72	53	36	101	100	79	37	118	116	133	-4	130	165		
	(Elimination of inter-segment transaction)	29	37	34	-39	-68	-39	-67	-106	-114	-93	-122	-63	-90	-94		
	Operating Income	247	412	476	494	380	634	592	358	514	574	598	591	478	817		

# Total Number of Group Employees

(person)



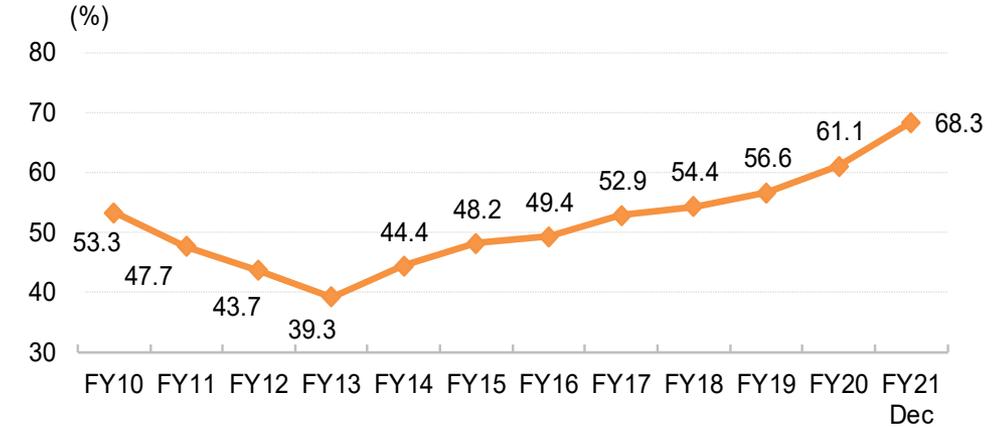
# Financial Condition & Cash Flows

## Financial Status

Dec 2020

<b>Total Assets</b> 11.2 billion yen	<b>Total Liabilities</b> 3.5 billion yen
	<b>Net Assets</b> 7.7 billion yen

## Equity Ratios



Cash Flows	FY20/06	FY21/06
(millions of yen)	Q2	Q2
<b>Operating CF</b>	<b>(13)</b>	<b>250</b>
<b>Investment CF</b>	<b>(214)</b>	<b>(102)</b>
<b>Free CF</b>	<b>(227)</b>	<b>148</b>
<b>Financial CF</b>	<b>(287)</b>	<b>(351)</b>

### Key Factors for change

(millions of yen)

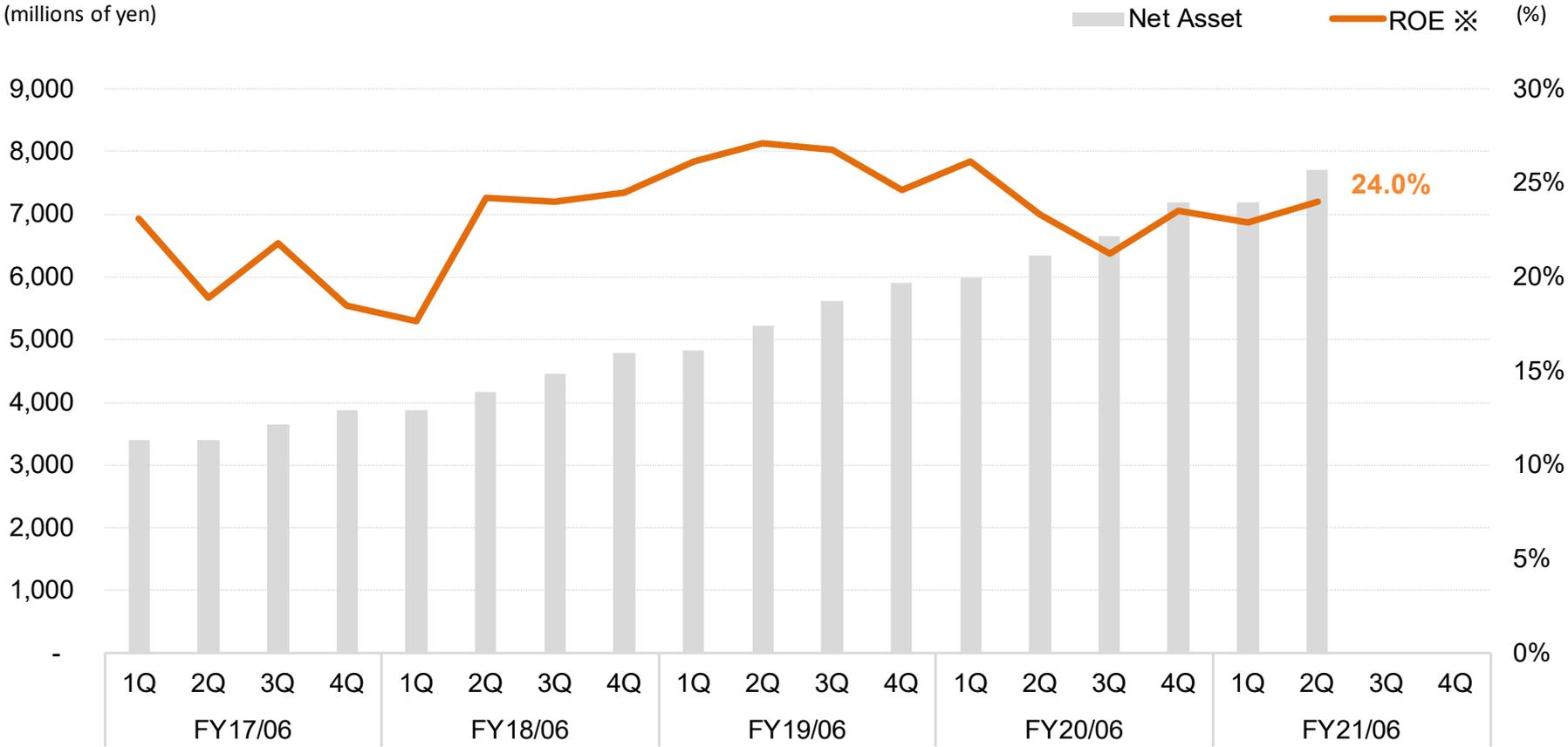
• Income before income taxes and minority inte	1,306
• Depreciation expense	126
• Decrease in deferred revenue	(357)
• Decrease in provision for bonuses	(275)
• Decrease in account receivable	251
• Increase in inventories	(95)
• Income taxes paid	(479)
• Purchase of intangible assets	(90)
• Purchase of tangible fixed assets	(78)
• Payment of shareholder dividends	(338)

# 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

(millions of yen)



※twelve month rolling

## **II . Earnings and Dividend Forecast**

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# Earnings forecast for the fiscal year ending June 30, 2021

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## Forecast remains unchanged. Both revenue and profit continue high growth

Our forecast is based on the assumption as follows; 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. Projects that were suspended or delayed at the time should gradually resume and re-start as economic activities regain ground. The Company assumes that business will recover from the second quarter onward and expects both revenues and profit to increase slightly for the fiscal year.

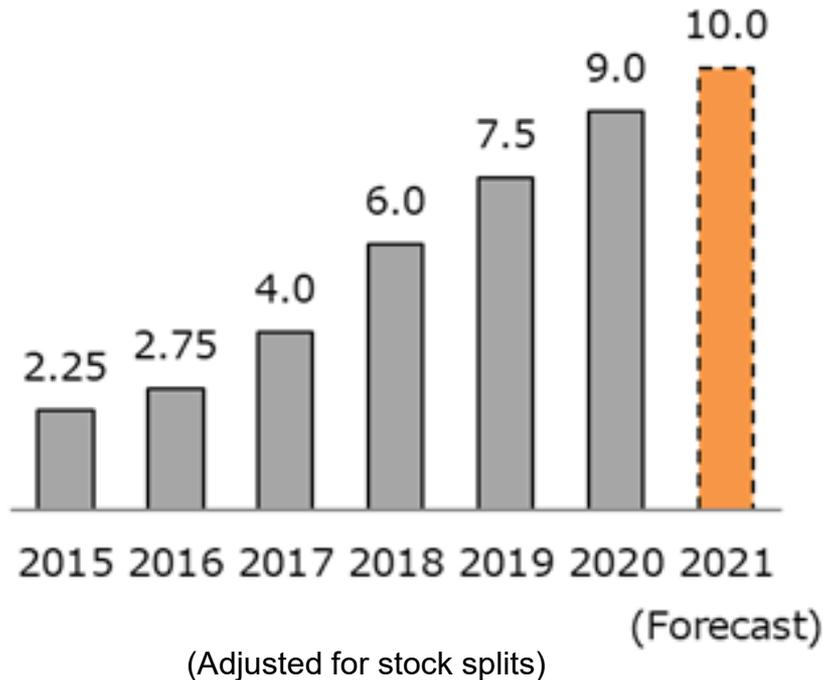
(millions of yen)

	2020 June (Actual)	2021 June (Forecast)	Variance	% CHG
Revenue	15,691	16,110	+ 418	+ 2.7%
Operating Income	2,278	2,330	+ 51	+ 2.3%
OP Margin	14.5%	14.5%	—	—
Net Income	1,537	1,561	+ 23	+ 1.5%

## 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%, significantly higher than the average of 2.9% of the company listed on the TSE (12 months)

(yen per share)



### <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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