

## AVANT (3836)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2015		8,928	805	795	402	42.8	9.0	291.8
FY06/2016		9,612	1,109	1,112	660	70.4	11.0	352.7
FY06/2017CoE		10,050	1,025	1,025	390	41.5	11.0	-
FY06/2016	YoY	7.7%	37.9%	39.8%	64.3%	-	-	-
FY06/2017CoE	YoY	4.5%	(7.7%)	(7.9%)	(41.0%)	-	-	-
Consolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2016		4,564	422	419	249	-	-	-
Q3 to Q4 FY06/2016		5,047	687	693	411	-	-	-
Q1 to Q2 FY06/2017		4,958	591	595	183	-	-	-
Q3 to Q4 FY06/2017CoE		5,091	433	429	206	-	-	-
Q1 to Q2 FY06/2017	YoY	8.6%	40.0%	42.1%	(26.5%)	-	-	-
Q3 to Q4 FY06/2017CoE	YoY	0.9%	(36.9%)	(38.1%)	(49.7%)	-	-	-

Source: Company Data, WRJ Calculation (Per share data: retroactively adjusted for 1:2 share split effective on 1 Dec. 2016)

### 1.0 Executive Summary (2 March 2017)

#### New Growth Drivers

AVANT, running operations mainly associated with DivaSystem (packaged software for consolidated management and accounting) as the key earnings pillars, is currently seeing firm earnings. Collectively, 926 corporations based in Japan (the largest amongst the peers), including many major listed ones, have adopted the Company's proprietary DivaSystem sold on a licensing basis as of the end of December 2016. The Company is heavily involved with maintenance & services associated with DivaSystem at the same time, while sales on a licensing basis are still increasing most recently, bringing steady growth to operations as a whole for DivaSystem, which are the key earnings pillars for the Company. On top of this, new services basically for customer base cultivated here are now starting to take off on a full-fledged basis, while adoptions of said new services for new customers sometimes lead to new adoptions of DivaSystem according to the Company. Thus, the Company is seeing new growth drivers nicely coming out. Specifically, sales and earnings of contracted outsourcing services to undertake duties of consolidated accounting & tax payment are currently surging as far as we could gather, while the situations are similar in regards to CPM (Corporate Performance Management) to provide solutions on management accounting which sees sales the largest second only to outsourcing services out of the new services. More importantly, the Company is looking to further growth for sales and earnings of both in the near future. Because, to date, the Company cultivated just a tiny part of overall customer through adoptions of DivaSystem. Although it is too much to cultivate all of them at the end of the day, there still remains a huge room to cultivate going forward.


In Q1 to Q2 FY06/2017, sales came in at ¥4,958m (up 8.6% YoY), operating profit ¥591m (up 40.0%) and operating profit margin 11.9% (up 2.7% points). Sales of Licensing came in at ¥322m (down 11.2%), Consulting Services ¥2,855m (up 7.7%) and Support & Information Retrieval Services ¥1,780m (up 14.8%). In regards to Licensing, sales of the mainstay DivaSystem increased over the same period in the previous year, while sales of third-party packaged software (procured and sold) plummeted. In regards to Consulting Services, sales of services associated with DivaSystem were firm and it appears that sales surged for CPM (Corporate Performance Management) to provide solutions on management accounting. Elsewhere, sales were also favorable for consigned operations to work on projects obtained through major system integrators. In regards to Support & Information Retrieval Services, sales associated with maintenance of DivaSystem steadily increased, while sales of contracted outsourcing services to undertake duties of consolidated accounting & tax payment appear to have surged. Meanwhile, gross profit margin came in at 44.9% (up 1.3% points) as a whole for the Company and the ratio of SG&A expenses to sales 33.0% (down 1.4% points), having resulted in operating profit margin improved and thus driven operating profit. Increasing sales and improving sales mix appear to have driven gross profit margin, while the ratio of SG&A expenses came down due to the Company's capability to cope with increasing sales with limited increases of SG&A expenses.

FY06/2017 Company forecasts are going for prospective sales of ¥10,050m (up 4.5% YoY), operating profit of ¥1,025m (down 7.7%) and operating profit margin of 10.2% (down 1.3% points). Company forecasts assume major increases of expenses stemming from strategic and aggressive investments to be carried out on a frontloaded basis in human recourses, etc. for long-term growth, resulting in prospective increases of sales but decreases of earnings. Meanwhile, the Company's midterm management plan assumes that this is not to reappear in the following year, i.e., FY06/2018, going for prospective sales of ¥11,740m (up 16.8% over FY06/2017 Company forecasts), operating profit of ¥1,360m (up 32.7%) and operating profit margin of 11.6% (up 1.4% points). Nevertheless, Q1 to Q2 FY06/2017 results suggest that said frontloaded investments are delayed due mainly to difficulties to newly hire employees as planned earlier.

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## 2.0 Company Profile

### Providing Consolidated Management & Accounting with Solutions

<b>Company Name</b>	AVANT CORPORATION <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price</a>	
<b>Established</b>	26 May 1997	
<b>Listing</b>	8 February 2007: Tokyo Stock Exchange JASDAQ Growth (Ticker: 3836)	
<b>Capital</b>	¥288m (As of the end of December 2016)	
<b>No. of Shares</b>	9,388,000 shares, including 662 treasury shares (As of the end of December 2016)	
<b>Main Features</b>	<ul style="list-style-type: none"><li>● Licensing proprietary packaged software, i.e., DivaSystem</li><li>● Adopted by more than half of the top 50 market cap corporations based in Japan</li><li>● Focus on introducing new services for existing customer base</li></ul>	
<b>Businesses</b>	. Software Business	
<b>Top Management</b>	President & CEO: Tetsuji Morikawa	
<b>Shareholders</b>	Tetsuji Morikawa 36.22%, ESOP 11.00%, Tsuyoshi Noshiro 6.98% (As of the end of December 2016)	
<b>Headquarters</b>	Minato-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 627, Unconsolidated: 52 (As of the end of December 2016)	

Source: Company Data

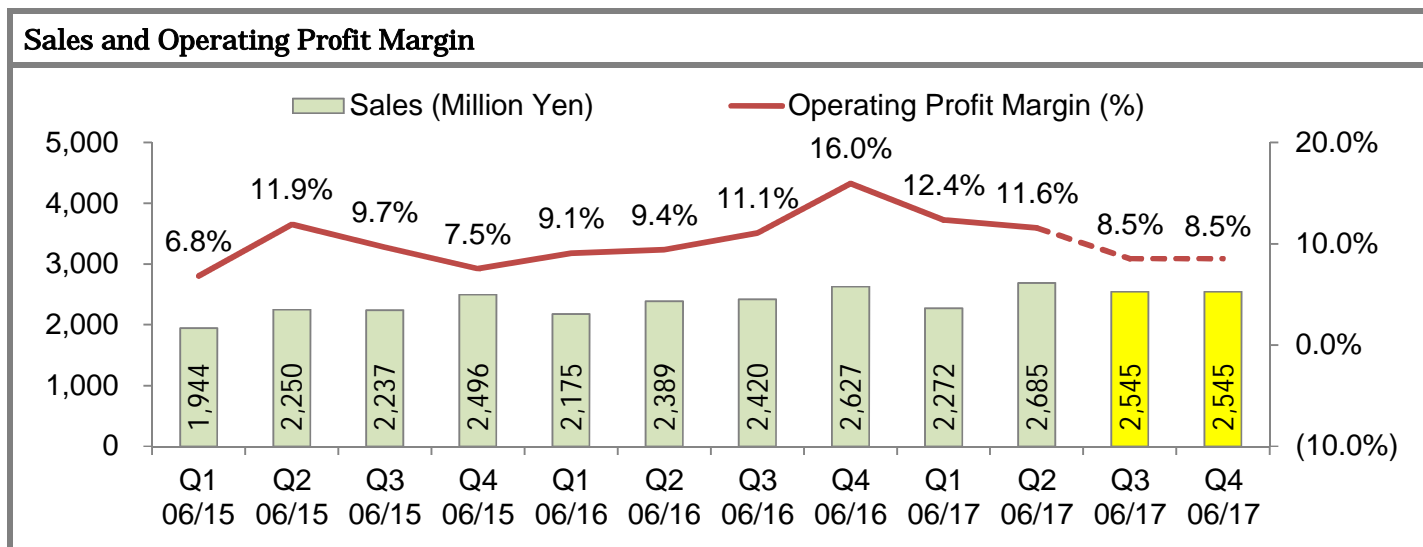
## 3.0 Recent Trading & Prospects

### Q1 to Q2 FY06/2017 Results

In Q1 to Q2 FY06/2017, sales came in at ¥4,958m (up 8.6% YoY), operating profit ¥591m (up 40.0%), recurring profit ¥596m (up 42.1%) and net profit ¥183m (down 26.5%), while operating profit margin 11.9% (up 2.7% points).

Net profit came down due to extraordinary loss, but steady increases of sales nicely drove operating profit and recurring profit. At the cost of sales level, the Company suffered from booking of provision of ¥28m for loss on order, but this negative impact was rather limited as far as we could see. On top of having seen some additional expenses to cope with defects of a project that had been booking provision for loss on order towards the end of FY06/2016, the Company suffered from some more loss elsewhere stemming from problems of estimates and progress management.

In regards to a project to have been discussed with customer over obligation to pay reparations on a basic ordering agreement basis, there was reconciliation for the Company to see extraordinary loss of ¥326m as announced on 20 December 2016. To date, FY06/2017 Company forecasts have remained unchanged as far as sales, operating profit and recurring profit are concerned, but downgraded for net profit by ¥255m (39.5%) to ¥390m from ¥645m in line with the announcement of said extraordinary loss.

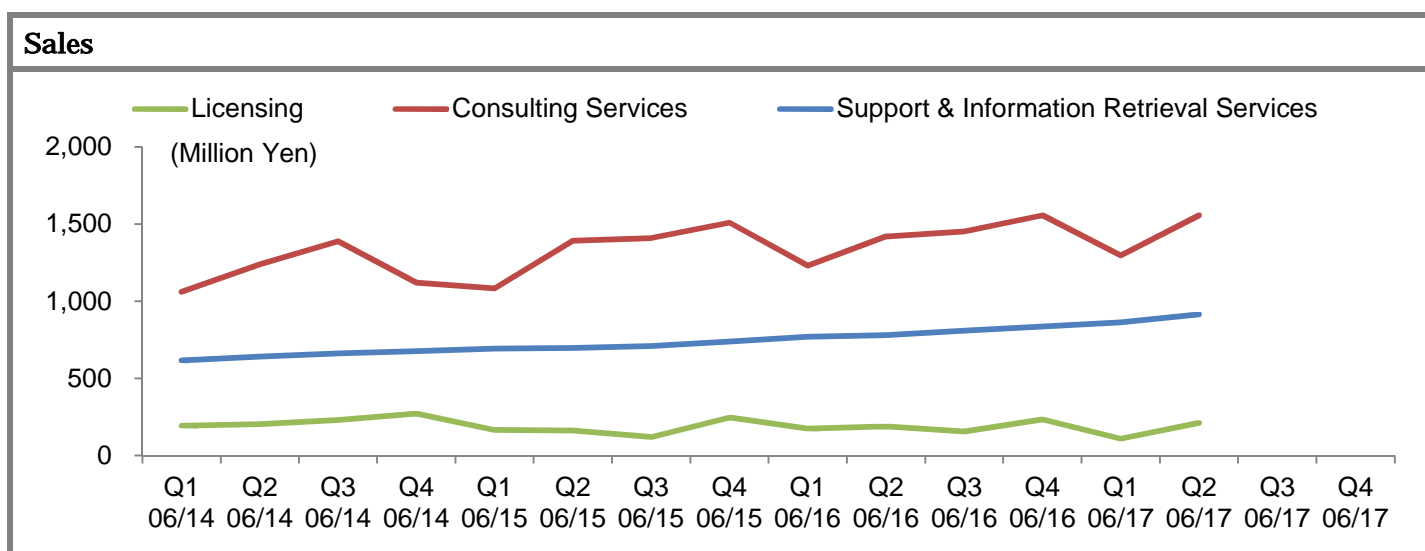


Source: Company Data, WRJ Calculation (Q3 and Q4 FY06/2017: H2 Company forecasts, pro rata)

Meanwhile, when assuming full-year Company forecast are to be met, the Company saw progress rate (out of full-year figures) of 49.3% in sales, 57.7% in operating profit, 58.1% in recurring profit and 47.0% in net profit, suggesting levels higher than regular years for the Company to apt to see concentration of sales and thus earnings in H2. When compared with results in FY06/2016, progress rate was higher by 1.8% points in sales, 19.6% points in operating profit, 20.4% points in recurring profit and 9.3% points in net profit.

Sales are effectively running ahead, while earnings across the board are benefiting from delayed frontloaded investments to a meaningful extent as far as we could gather. FY06/2017 Company forecasts assume major increases of expenses stemming from strategic and aggressive investments to be carried out on a frontloaded basis in human recourses, etc. for long-term growth, but said frontloaded investments are delayed due mainly to difficulties to newly hire employees as planned earlier.

By business domain, sales of Licensing came in at ¥322m (down 11.2%), Consulting Services ¥2,855m (up 7.7%) and Support & Information Retrieval Services ¥1,780m (up 14.8%).



Source: Company Data, WRJ Calculation

Sales of Licensing accounted for no more than 6.5% of sales as a whole for the Company, but those of DivaSystem, i.e., packaged software for consolidated management and accounting, to be estimated to have accounted for some 90% of total here, carry gross profit margin very high as far as we could gather. Meanwhile, sales are still on the rise, although almost 20 years have passed since the launch in FY06/1998 with adoptions by so many corporations so far, i.e., by collective 926 corporations (the largest amongst the peers) as of the end of December 2016. Meanwhile, sales of third-party packaged software (procured and sold) to carry gross profit margin low, having accounting for the remaining 10% of total here, plummeted as one-off pickup in demand to have occurred during the same period in the previous year did not reappear.

With respect to Consulting Services, sales are equally divided into two categories, when roughly speaking, i.e., those of customers directly cultivated with DivaSystem and those of consigned operations through major system integrators.

The core part of the former represents so-called *implementation* (producing and/or modifying hardware and software in order to realize intended functions in computers, etc.) for DivaSystem, which is necessary when being initially introduced and/or installed. New adoptions of DivaSystem are going on and thus sales here are also increasing as far as we could gather. Meanwhile, it appears that sales of CPM (Corporate Performance Management) to provide solutions on management accounting, basically provided to customers who have adopted DivaSystem, increased fast.

On the other hand, the latter represents BI-related services. BI stands for Business Intelligence, meaning a method to facilitate corporate decision-making by means of analyzing and processing vast in-house data accumulated by business systems, etc. As far as BI is concerned, the Company has outstanding expertise, resulting in reasonably high gross profit margin despite its role as a subcontractor. Most recently, the Company has started to get involved with projects for customers to have self-cultivated too, while dealing with hardware, etc. but for ones of major vendors. According to the Company, the operations here are now starting to see gross profit margin higher than before with all those recent issues.

Support & Information Retrieval Services mainly comprises of maintenance & services and version upgrades for DivaSystem already up and running and of offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payment. In regards to the former sales are stably increasing in line with ongoing increases of the number for DivaSystem being in utilization, according to the Company. In regards to the latter, it appears that sales are increasing fast. It should be the case that existing customers are inclined to renew the contracts of the services while the Company successfully cultivates customers to newly adopt the services.

In addition, sales stemming from maintenance & services for aforementioned BI-related services are included in Support & Information Retrieval Services as well as those of information retrieval services representing offering of ASP services for users effectively all accountants of auditing firms to comprehensively retrieve timely disclosure information based on the Financial Instruments and Exchange Act, including any word in the texts, etc. To date, some 20,000 to 30,000 CPAs (Certified Public Accountants) have adopted said services for their regular use.

## Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		YoY
(Million Yen)	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		Net Chg.
<b>Sales</b>	<b>2,175</b>	<b>4,564</b>	<b>6,985</b>	<b>9,612</b>	<b>2,272</b>	<b>4,958</b>	-	-		<b>+393</b>
Cost of Sales	1,233	2,575	4,029	5,452	1,288	2,733	-	-		+157
Gross Profit	941	1,989	2,955	4,159	984	2,225	-	-		+235
SG&A	744	1,567	2,265	3,050	703	1,633	-	-		+66
<b>Operating Profit</b>	<b>197</b>	<b>422</b>	<b>690</b>	<b>1,109</b>	<b>280</b>	<b>591</b>	-	-		<b>+168</b>
Non Operating Balance	(1)	(3)	(3)	2	0	4	-	-		+7
<b>Recurring Profit</b>	<b>196</b>	<b>419</b>	<b>687</b>	<b>1,112</b>	<b>280</b>	<b>595</b>	-	-		<b>+176</b>
Extraordinary Balance	0	0	0	(176)	0	(326)	-	-		(326)
Pretax Profit	196	419	687	936	280	269	-	-		(149)
Tax Charges, etc.	65	170	320	275	96	86	-	-		(83)
<b>Net Profit</b>	<b>130</b>	<b>249</b>	<b>367</b>	<b>660</b>	<b>183</b>	<b>183</b>	-	-		<b>(65)</b>
Sales YoY	+11.9%	+8.8%	+8.6%	+7.7%	+4.5%	+8.6%	-	-		-
Operating Profit YoY	+49.2%	+5.4%	+11.9%	+37.9%	+42.2%	+40.0%	-	-		-
Recurring Profit YoY	+50.3%	+5.8%	+12.7%	+39.8%	+42.6%	+42.1%	-	-		-
Net Profit YoY	+54.5%	(1.6%)	(2.5%)	+64.3%	+40.4%	(26.5%)	-	-		-
Gross Profit Margin	43.3%	43.6%	42.3%	43.3%	43.3%	44.9%	-	-		+1.3%
SG&A / Sales	34.2%	34.3%	32.4%	31.7%	30.9%	33.0%	-	-		(1.4%)
Operating Profit Margin	9.1%	9.3%	9.9%	11.5%	12.4%	11.9%	-	-		+2.7%
Recurring Profit Margin	9.0%	9.2%	9.8%	11.6%	12.3%	12.0%	-	-		+2.8%
Net Profit Margin	6.0%	5.5%	5.3%	6.9%	8.1%	3.7%	-	-		(1.8%)
Tax Charges, etc. / Pretax Profit	33.3%	40.6%	46.6%	29.4%	34.3%	32.1%	-	-		(8.5%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		YoY
(Million Yen)	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		Net Chg.
<b>Sales</b>	<b>2,175</b>	<b>2,389</b>	<b>2,420</b>	<b>2,627</b>	<b>2,272</b>	<b>2,685</b>	-	-		<b>+295</b>
Cost of Sales	1,233	1,341	1,454	1,423	1,288	1,444	-	-		+102
Gross Profit	941	1,047	966	1,204	984	1,241	-	-		+193
SG&A	744	822	698	784	703	930	-	-		+107
<b>Operating Profit</b>	<b>197</b>	<b>224</b>	<b>268</b>	<b>419</b>	<b>280</b>	<b>310</b>	-	-		<b>+85</b>
Non Operating Balance	(1)	(2)	0	5	0	5	-	-		+7
<b>Recurring Profit</b>	<b>196</b>	<b>222</b>	<b>268</b>	<b>425</b>	<b>280</b>	<b>315</b>	-	-		<b>+92</b>
Extraordinary Balance	0	0	0	(176)	0	(326)	-	-		(326)
Pretax Profit	196	222	268	248	280	(10)	-	-		(233)
Tax Charges, etc.	65	104	149	(44)	96	(9)	-	-		(114)
<b>Net Profit</b>	<b>130</b>	<b>118</b>	<b>118</b>	<b>293</b>	<b>183</b>	<b>0</b>	-	-		<b>(118)</b>
Sales YoY	+11.9%	+6.2%	+8.2%	+5.2%	+4.5%	+12.4%	-	-		-
Operating Profit YoY	+49.2%	(16.2%)	+24.1%	+122.8%	+42.2%	+38.0%	-	-		-
Recurring Profit YoY	+50.3%	(16.1%)	+25.7%	+128.8%	+42.6%	+41.6%	-	-		-
Net Profit YoY	+54.5%	(29.9%)	(4.2%)	-	+40.4%	-	-	-		-
Gross Profit Margin	43.3%	43.9%	39.9%	45.8%	43.3%	46.2%	-	-		+2.4%
SG&A / Sales	34.2%	34.4%	28.8%	29.9%	30.9%	34.7%	-	-		+0.2%
Operating Profit Margin	9.1%	9.4%	11.1%	16.0%	12.4%	11.6%	-	-		+2.1%
Recurring Profit Margin	9.0%	9.3%	11.1%	16.2%	12.3%	11.8%	-	-		+2.4%
Net Profit Margin	6.0%	4.9%	4.9%	11.2%	8.1%	(0.0%)	-	-		(5.0%)
Tax Charges, etc. / Pretax Profit	33.3%	47.0%	56.0%	-	34.3%	-	-	-		-

Source: Company Data, WRJ Calculation

### Sales by Business Domain (Cumulative, Quarterly)

Sales by Business Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
Licensing	174	362	519	753	110	322	-	-		(40)
Consulting Services	1,230	2,650	4,104	5,660	1,298	2,855	-	-		+204
Support & Information Retrieval Services	770	1,551	2,361	3,198	864	1,780	-	-		+229
<b>Sales</b>	<b>2,175</b>	<b>4,564</b>	<b>6,985</b>	<b>9,612</b>	<b>2,272</b>	<b>4,958</b>	-	-		<b>+393</b>
Licensing	+4.7%	+10.8%	+16.2%	+8.6%	(36.5%)	(11.2%)	-	-		-
Consulting Services	+13.5%	+7.0%	+5.6%	+4.9%	+5.5%	+7.7%	-	-		-
Support & Information Retrieval Services	+11.0%	+11.5%	+12.5%	+12.7%	+12.2%	+14.8%	-	-		-
<b>Sales (YoY)</b>	<b>+11.9%</b>	<b>+8.8%</b>	<b>+8.6%</b>	<b>+7.7%</b>	<b>+4.5%</b>	<b>+8.6%</b>	-	-		-
Licensing	8.0%	8.0%	7.4%	7.8%	4.9%	6.5%	-	-		(1.4%)
Consulting Services	56.6%	58.1%	58.8%	58.9%	57.1%	57.6%	-	-		(0.5%)
Support & Information Retrieval Services	35.4%	34.0%	33.8%	33.3%	38.0%	35.9%	-	-		+1.9%
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-		<b>+0.0%</b>

Sales by Business Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
Licensing	174	188	156	234	110	211	-	-		+23
Consulting Services	1,230	1,420	1,453	1,556	1,298	1,557	-	-		+137
Support & Information Retrieval Services	770	780	810	836	864	916	-	-		+135
<b>Sales</b>	<b>2,175</b>	<b>2,389</b>	<b>2,420</b>	<b>2,627</b>	<b>2,272</b>	<b>2,685</b>	-	-		<b>+295</b>
Licensing	+4.7%	+17.2%	+31.1%	(5.3%)	(36.5%)	+12.2%	-	-		-
Consulting Services	+13.5%	+2.0%	+3.2%	+3.0%	+5.5%	+9.7%	-	-		-
Support & Information Retrieval Services	+11.0%	+12.1%	+14.3%	+13.2%	+12.2%	+17.4%	-	-		-
<b>Sales (YoY)</b>	<b>+11.9%</b>	<b>+6.2%</b>	<b>+8.2%</b>	<b>+5.2%</b>	<b>+4.5%</b>	<b>+12.4%</b>	-	-		-
Licensing	8.0%	7.9%	6.5%	8.9%	4.9%	7.9%	-	-		(0.0%)
Consulting Services	56.6%	59.4%	60.0%	59.2%	57.1%	58.0%	-	-		(1.4%)
Support & Information Retrieval Services	35.4%	32.7%	33.5%	31.9%	38.0%	34.1%	-	-		+1.4%
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-		<b>+0.0%</b>

Source: Company Data, WRJ Calculation

### Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
Operating Cash Flow	(320)	(6)	328	1,135	86	160	-	-		+167
Investment Cash Flow	(27)	(74)	(245)	(301)	(91)	(106)	-	-		(32)
<b>Operating CF &amp; Investment CF</b>	<b>(347)</b>	<b>(81)</b>	<b>83</b>	<b>834</b>	<b>(5)</b>	<b>53</b>	-	-		<b>+135</b>
Financing Cash Flow	(116)	(173)	(211)	(243)	(135)	(162)	-	-		+10

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
Operating Cash Flow	(320)	313	335	807	86	73	-	-		(239)
Investment Cash Flow	(27)	(46)	(170)	(56)	(91)	(14)	-	-		+32
<b>Operating CF &amp; Investment CF</b>	<b>(347)</b>	<b>266</b>	<b>164</b>	<b>751</b>	<b>(5)</b>	<b>58</b>	-	-		<b>(207)</b>
Financing Cash Flow	(116)	(57)	(38)	(32)	(135)	(26)	-	-		+30

Source: Company Data, WRJ Calculation



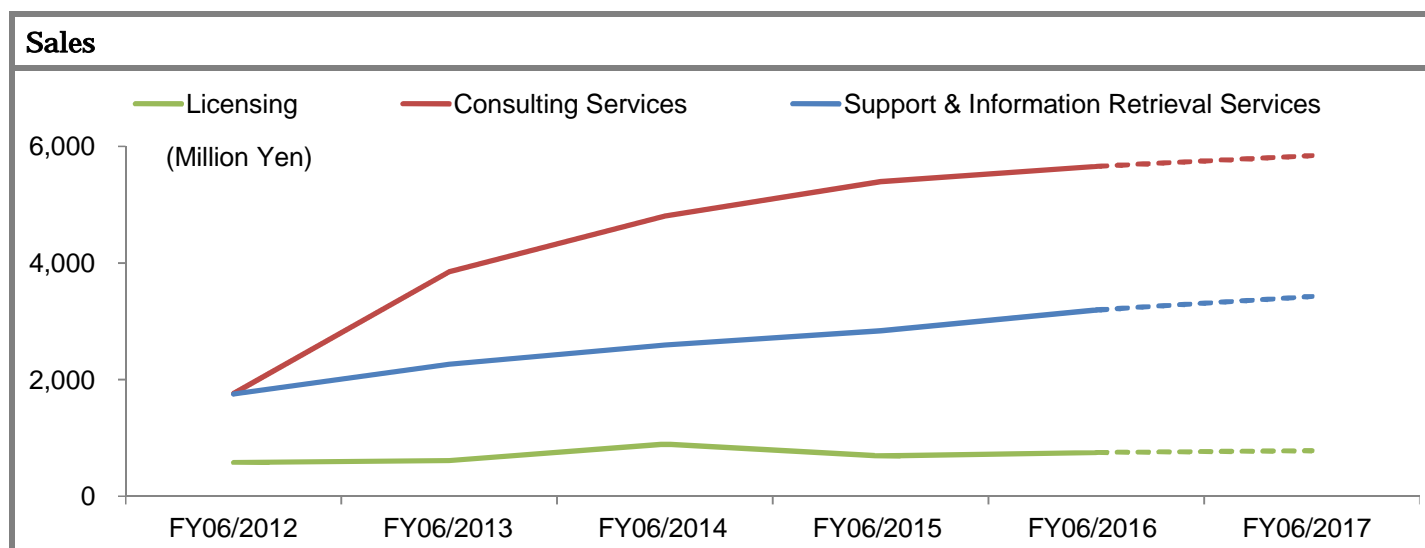
## Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	Net Chg.	
Cash & Deposit	2,351	2,560	2,686	3,404	3,263	3,296	-	-	+736	
Accounts Receivables	1,538	1,496	1,429	1,555	1,161	1,552	-	-	+56	
Inventory	184	234	223	120	142	107	-	-	(127)	
Other	568	564	538	656	636	623	-	-	+59	
<b>Current Assets</b>	<b>4,642</b>	<b>4,856</b>	<b>4,878</b>	<b>5,737</b>	<b>5,203</b>	<b>5,580</b>	-	-	<b>+724</b>	
Tangible Assets	245	234	231	210	204	177	-	-	(56)	
Intangible Assets	271	240	217	201	171	145	-	-	(95)	
Investments & Other Assets	400	403	529	559	617	758	-	-	+355	
<b>Fixed Assets</b>	<b>916</b>	<b>878</b>	<b>978</b>	<b>971</b>	<b>992</b>	<b>1,081</b>	-	-	<b>+203</b>	
<b>Total Assets</b>	<b>5,559</b>	<b>5,734</b>	<b>5,856</b>	<b>6,709</b>	<b>6,195</b>	<b>6,662</b>	-	-	<b>+927</b>	
Accounts Payables	272	313	347	336	253	319	-	-	+6	
Corporate Bond (Less Than 1 Year)	30	-	-	-	-	-	-	-	-	
Short Term Debt	122	122	122	122	115	96	-	-	(25)	
Other	2,103	2,175	2,185	2,794	2,314	2,738	-	-	+563	
<b>Current Liabilities</b>	<b>2,528</b>	<b>2,610</b>	<b>2,654</b>	<b>3,252</b>	<b>2,683</b>	<b>3,155</b>	-	-	<b>+544</b>	
Corporate Bond	-	-	-	-	-	-	-	-	-	
Long Term Debt	120	96	59	28	4	-	-	-	(96)	
Other	124	123	123	116	115	115	-	-	(8)	
<b>Fixed Liabilities</b>	<b>245</b>	<b>220</b>	<b>182</b>	<b>145</b>	<b>120</b>	<b>115</b>	-	-	<b>(105)</b>	
<b>Total Liabilities</b>	<b>2,773</b>	<b>2,831</b>	<b>2,837</b>	<b>3,398</b>	<b>2,804</b>	<b>3,270</b>	-	-	<b>+439</b>	
<b>Shareholders' Equity</b>	<b>2,782</b>	<b>2,900</b>	<b>3,018</b>	<b>3,311</b>	<b>3,392</b>	<b>3,391</b>	-	-	<b>+490</b>	
Adjustments	2	2	-	-	(1)	-	-	-	(2)	
<b>Total Assets</b>	<b>2,785</b>	<b>2,903</b>	<b>3,019</b>	<b>3,311</b>	<b>3,391</b>	<b>3,391</b>	-	-	<b>+488</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>5,559</b>	<b>5,734</b>	<b>5,856</b>	<b>6,709</b>	<b>6,195</b>	<b>6,662</b>	-	-	<b>+927</b>	
Equity Capital	2,785	2,903	3,019	3,311	3,391	3,391	-	-	+488	
Interest Bearing Debt	273	219	181	151	120	96	-	-	(122)	
Net Debt	(2,078)	(2,341)	(2,504)	(3,253)	(3,142)	(3,199)	-	-	(858)	
Equity Capital Ratio	50.1%	50.6%	51.6%	49.4%	54.7%	50.9%	-	-	+0.3%	
Net-Debt-Equity Ratio	(74.6%)	(80.7%)	(83.0%)	(98.3%)	(92.7%)	(94.4%)	-	-	(13.7%)	
ROE (12 months)	17.2%	14.5%	13.7%	21.8%	23.1%	18.9%	-	-	+4.4%	
ROA (12 months)	16.4%	15.3%	16.1%	18.0%	20.4%	20.8%	-	-	+5.5%	
Total Assets Turnover	157%	167%	165%	157%	147%	161%	-	-	-	
Quick Ratio	154%	155%	155%	152%	165%	154%	-	-	-	
Current Ratio	184%	186%	184%	176%	194%	177%	-	-	-	

Source: Company Data, WRJ Calculation

### FY06/2017 Company Forecasts

FY06/2017 Company forecasts are going for prospective sales of ¥10,050m (up 4.5% YoY), operating profit of ¥1,025m (down 7.7%), recurring profit of ¥1,025m (down 7.9%) and net profit of ¥390m (down 41.0%) with operating profit margin of 10.2% (down 1.3% points). Meanwhile, prospective annual dividend is ¥11.0 per share, implying a payout ratio of 26.5% (after retroactive adjustment for 1:2 share split effective on 1 December 2016). Compared with ¥11.0, implying a payout ratio of 15.6%, in FY06/2016, there is no change in absolute value, while payout ratio is to go up.



Source: Company Data, WRJ Calculation

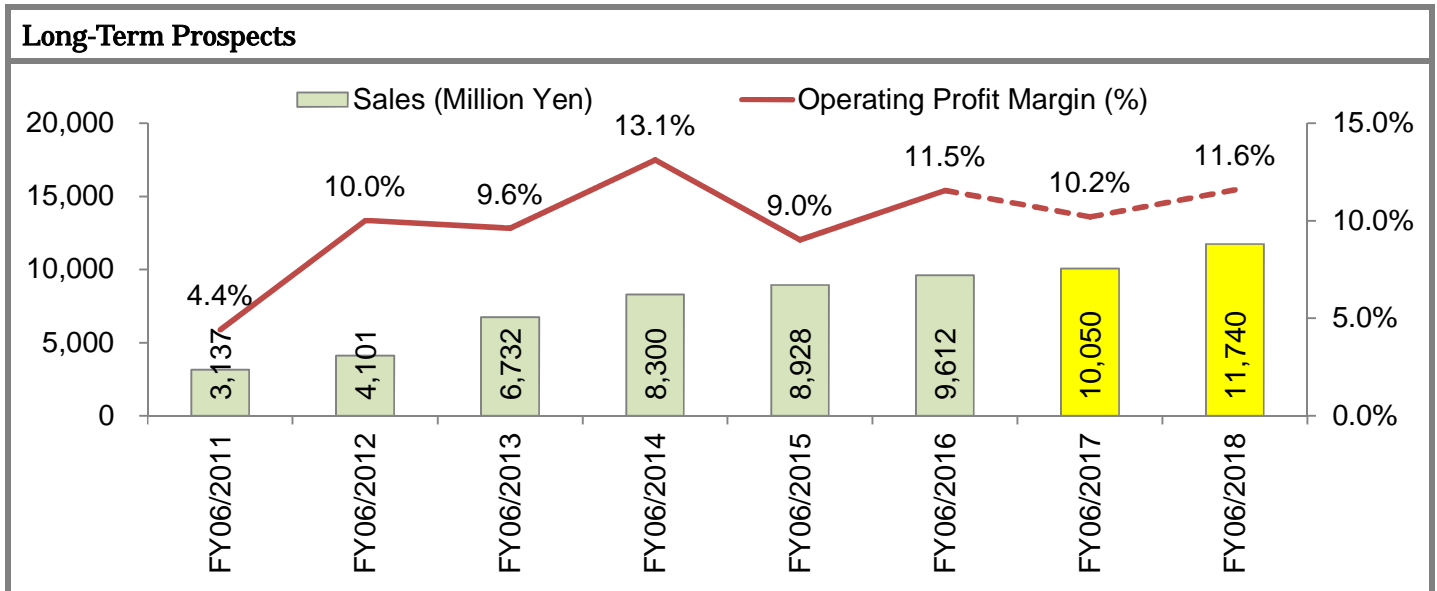
In order to further foster new growth drivers etc., represented by contracted outsourcing services to undertake duties of consolidated accounting & tax payment, the Company is trying to get at aggressive investments in human resources, while assuming increases of expenses stemming from here in FY06/2017 Company forecasts. In addition to procurement of new human resources, the Company is to beef up training for existing personnel at the same time as well as investing in issues associated with system. However, as mentioned earlier, it appears that all those frontloaded investments are delayed due mainly to difficulties to newly hire employees as planned earlier.

Meanwhile, at the release of midterm management plan (FY06/2016 to FY06/2018), the Company made a change to its stated dividend policy. Prior to this, the Company's dividend policy used to be based on earnings in an accounting period to a large extent, while currently and going forward, the Company prioritizes "Stability and Continuity" as the basic measure of the dividend policy. "Stability" in this context refers to that the Company intends to avoid decrease of dividend in any case, while not implying that the Company is trying to maintain the levels of dividend in the future.

For example, dividend on equity is now mentioned as one of the key indicators. This is based on net assets which is stable relative to prospective earnings in a specific accounting period, enabling the Company to reliably pay stable dividend. In FY06/2015, dividend on equity came in at 3.3%, which was followed by 3.4% in FY06/2016. Meanwhile, in a long-term view, the Company plans to consistently raise this ratio.

## Long-Term Prospects

On 21 August 2015, the Company released its midterm management plan (FY06/2016 to FY06/2018), calling for prospective sales of ¥11,740m, operating profit of ¥1,360m and operating profit margin of 11.6% in FY06/2018, i.e., the last year of the plan. In other words, through FY06/2016 to FY06/2018, the Company targets CAGR of 9.6% in sales and 19.1% in earnings with operating profit margin rising by 2.6% points over the three-year period. The plan does not assume any new mergers & acquisitions.



Source: Company Data, WRJ Calculation

In FY06/2014, the Company benefited from large-scale project of DivaSystem carrying gross profit margin very high, having resulted in sales of ¥897m (up 45.7% YoY) in Licensing. Due mainly to this, the Company saw operating profit margin as high as 13.1%. Going forward, prospective operating profit margin suggests that midterm management plan does not assume reoccurrences of such benefits associated with DivaSystem.

Meanwhile, write-off of goodwill (¥113m pa) associated with ZEAL CORPORATION merged and acquired in Q2 FY06/2013 will finish in Q1 FY06/2018. Consequently, expenses are to see net decreases of ¥84m over the previous year in FY06/2018, equating 0.7% of prospective sales in the same year. Thus, the Company will see a corresponding rise of operating profit margin for FY06/2018 over FY06/2017.

More importantly, the Company is looking to contracted outsourcing services to undertake duties of consolidated accounting & tax payment as new driver. Second only to this, the Company is also looking to increasing earnings from CPM (Corporate Performance Management) to provide solutions on management accounting.

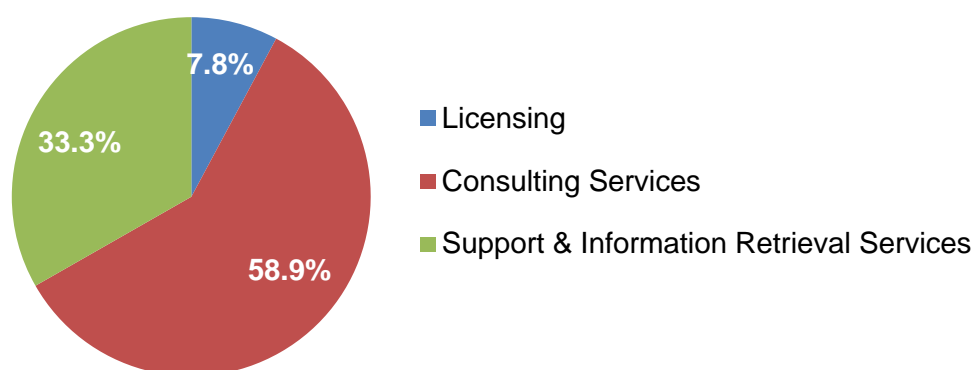
In regards to outsourcing services, the Company is trying to set up de facto standard as soon as possible with distinguished cost competitiveness leveraged by *automation* to improve productivity by replacing the bulk of existing labor-intensive operations by self-developed proprietary system.

## 4.0 Business Model

### Providing Consolidated Management & Accounting with Solutions

On 1 October 2013, the Company converted into holding company to collectively run five operating companies (all 100% consolidated subsidiaries), which was implemented through incorporation-type company split. Own business operations were succeeded by one of them, i.e., newly established DIVA CORPORATION, while the Company was newly identified as AVANT CORPORATION. Operations of each operating company are correlated to each business domain as follows:

Sales by Business Domain (FY06/2016)



Source: Company Data, WRJ Calculation

In Licensing, DIVA CORPORATION develops and sells DivaSystem which is packaged software for consolidated management & accounting. Meanwhile, ZEAL CORPORATION procures and sells third-party packaged software, but sales are small and gross profit margin low.

In Consulting Services, DIVA CORPORATION is in charge of *implementation* for customers who have newly adopted DivaSystem, while offering other services represented by CPM (Corporate Performance Management) to provide solutions on management accounting. On top of this, ZEAL CORPORATION is in charge of offering BI-related services. One more issue to mention here is that DIVA BUSINESS INNOVATION CORPORATION which used to be in charge of ERP-related services was merged with by DIVA CORPORATION as of the end of FY06/2016 and said operations were all succeeded at the same time.

In Support & Information Retrieval Services, DIVA CORPORATION runs operations of maintenance & services and version upgrades for DivaSystem as well as of offering outsourcing services at the same time. On top of this, INTERNET DISCLOSURE Co., Ltd. is in charge of information retrieval services, while maintenance & services by ZEAL CORPORATION are also run.



**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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