

AVANT (3836)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2014		8,300	1,088	1,079	623	132.8	27.0	524.3
FY06/2015		8,928	805	795	402	85.7	18.0	583.6
FY06/2016CoE		9,600	935	925	572	121.9	22.0	-
FY06/2015	YoY	7.6%	(26.1%)	(26.3%)	(35.5%)	-	-	-
FY06/2016CoE	YoY	7.5%	16.1%	16.3%	42.3%	-	-	-
Consolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2015		4,194	400	396	253	-	-	-
Q3 to Q4 FY06/2015		4,734	404	399	148	-	-	-
Q1 to Q2 FY06/2016		4,564	422	419	249	-	-	-
Q3 to Q4 FY06/2016CoE		5,035	512	505	322	-	-	-
Q1 to Q2 FY06/2016	YoY	8.8%	5.4%	5.8%	(1.6%)	-	-	-
Q3 to Q4 FY06/2016CoE	YoY	6.4%	26.8%	26.7%	117.0%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (25 February 2016)

Utilizing Customers as Assets

AVANT, running operations to develop and sell consolidated management & accounting packaged software (DivaSystem) mainly for major listed corporates in Japan, as well as offering related services, as the core business, is currently seeing favorable business performance. In recent trading, sales of licensing for DivaSystem are buoyant, while demand is firm for offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments. To date, almost 900 corporates, collectively, including unlisted ones, have adopted the Company's DivaSystem. This has generated sales and earnings for the Company on a flow basis, in regards to sales of licensing for the software and offering of consulting services at the adoptions, while persistently generating sales and earnings on a stock basis, in regards to offering of maintenance & services and version upgrades. In this sense, the Company has accumulated customer assets to persistently generate sales and earnings. On top of this, it enables the Company to utilize all those customer assets that it is also involved with offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments. Out of the corporates that have adopted the Company's DivaSystem, the number of those that have also adopted said outsourcing services is currently limited. Going forward, however, the Company is looking to the number to steadily go on increasing in a long-term view, while the contents of duties to undertake are inclined to diversify. In the Company's midterm management plan, incorporating this as one the growth drivers, sales as a whole for the Company are expected to see CAGR of 9.6%, through FY06/2016 to FY06/2018 and 19.1% for earnings.

In Q1 to Q2 FY06/2016, sales came in at ¥4,564m (up 8.8% YoY), operating profit ¥422m (up 5.4%) and operating profit margin 9.3% (down 0.3% points). Demand from customers is picking up nicely for licensing of DivaSystem and related services, driven by issues associated with IFRS (International Financial Reporting Standards) and improving sophistication of governance on a group basis, having resulted in sales for this area increasing over the previous year. At the same time, sales surged, in regards to offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments, although not much in terms of absolute value out of the Company as a whole. Thus, the Company has succeeded in cultivating new customers, while having well utilized customers as assets, as far as DivaSystem is concerned. Meanwhile, elsewhere, the Company saw additional expenses stemming from cost overrun in the past and some provisions of order loss booked as a part of cost of sales. Nevertheless, negative impacts from here were limited, in that gross profit as a whole for the Company increased by 10.2% to ¥1,989m, while gross profit margin up 0.5% points to 43.6%. Meanwhile, SG&A expenses came in at ¥1,567m (up 11.5%) and the ratio of SG&A expenses to sales 34.3% (up 0.8% points). This is the reason why operating profit margin came down, albeit not much, while the increases of SG&A expenses were due partly to one-off issue. Given better-than-expected earnings of DIVA CORPORATION, i.e., the key group company (100% subsidiary) in charge of licensing of DivaSystem and related services, the Company saw some unexpected frontloaded booking of provisions for incentives to be paid partially in line with short-term business performance. Still, this is almost all due to frontloading, basically working adversely in H2.

FY06/2016 Company forecasts have remained unchanged, going for prospective sales of ¥9,600m (up 7.5% YoY), operating profit of ¥935m (up 16.1%), and operating profit margin of 9.7% (up 0.7% points). Meanwhile, the forecast annual dividend has also remained unchanged at ¥22.0, implying payout ratio of 18.1%. When superficially looking at progress rates, the Q1 to Q2 results should suggest that recent trading is rather below assumptions of full-year Company forecasts. While the Company saw frontloaded booking of expenses as mentioned above, Company forecasts do not assume any provisions of order loss. On top of this, group company (100% subsidiary) in charge of SI (System Integration) services to have generated provisions of order loss is currently focusing all the resources on thoroughly terminate this problem, leading to sluggish new order intake. As a result, it cannot be avoided that sales of said group company to fall short of Company forecasts, according to the Company. Although this is to be well compensated for by business performance better-than-expected for licensing of DivaSystem and related services at the operating level, the Company may suffer from shortfalls at the net level. The Company, not having adopted consolidated tax payment scheme, is likely to see effective tax rate higher than initially expected, due to unexpected loss at said group company.

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2.0 Company Profile

Providing Solutions with Consolidated Management & Accounting

Company Name	AVANT CORPORATION Company Website IR Information Share Price	
Established	26 May 1997	
Listing	8 February 2007: Tokyo Stock Exchange JASDAQ Growth (Ticker: 3836)	
Capital	¥288m (As of the end of December 2015)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of December 2015)	
Main Features	<ul style="list-style-type: none"> ● Sales, introductions, maintenance & services for self-developed packaged software DivaSystem ● DivaSystem, adopted by more than half of top 50 market cap corporates in Japan ● Also involved with SI (system integration) services and outsourcing services 	
Businesses	I . Software Business	
Top Management	President & CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 36.2%, ESOP 11.2%, Tsuyoshi Noshiro 6.9% (As of the end of December 2015)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 554 (As of the end of December 2015)	

Source: Company Data

3.0 Recent Trading & Prospects

Q1 to Q2 FY06/2016 Results

In Q1 to Q2 FY06/2016, sales came in at ¥4,564m (up 8.8% YoY), operating profit ¥422m (up 5.4%), recurring profit ¥419m (up 5.8%) and net profit ¥249m (down 1.6%), while operating profit margin 9.3% (down 0.3% points).

Progress Rates

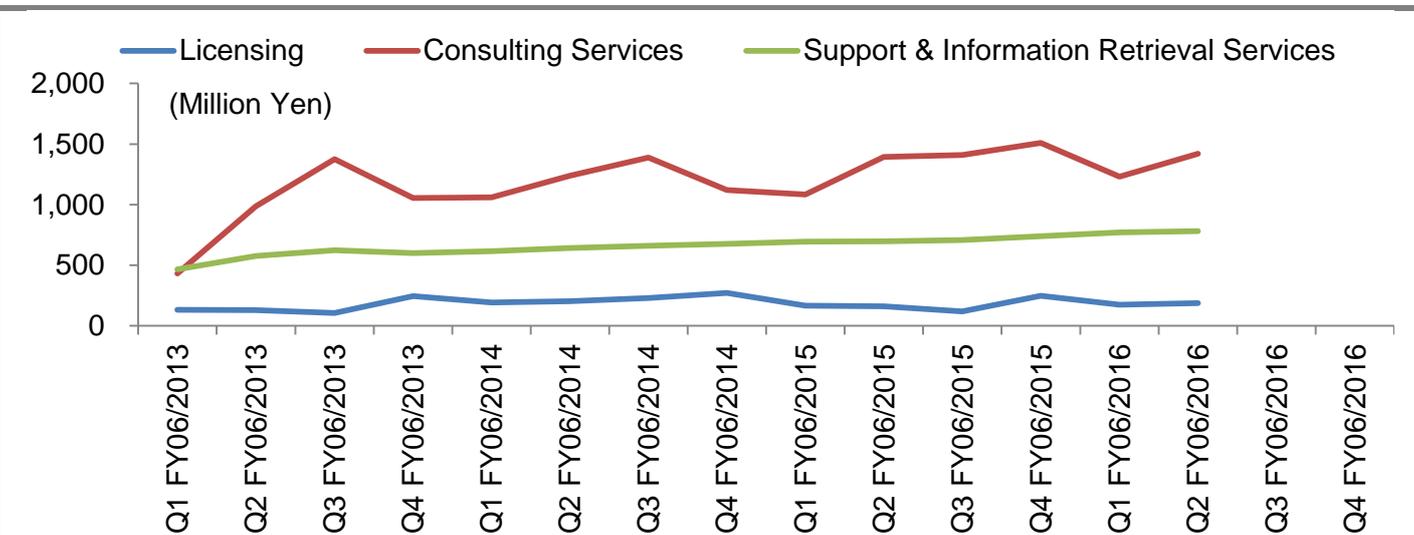
(Million Yen)			Sales	OP	RP	NP
FY06/2015	Full-Year Results	A	8,928	805	795	402
	Q1 to Q2 Results	B	4,194	400	396	253
	Progress Rates	A / B	47.0%	49.8%	49.8%	63.0%
FY06/2016	Full-Year Forecasts	A	9,600	935	925	572
	Q1 to Q2 Results	B	4,564	422	419	249
	Progress Rates	A / B	47.6%	45.2%	45.3%	43.6%
Progress Rates (YoY)			+0.6%	(4.6%)	(4.5%)	(19.4%)

Source: Company Data, WRJ Calculation

When progress rates against full-year Company forecasts are simply compared with equivalents of the previous year's results, it is implied that sales are marginally running ahead, but earnings falling short. Shortfalls at operating and recurring levels are due mainly to reasons mentioned earlier, while the Company sees another issue at the net level, resulting in larger shortfalls. Effective tax rate was high than initially expected due to unexpected loss from group company (100% subsidiary) which saw provisions of order loss. The Company has not adopted consolidated tax payment scheme.

Meanwhile, sales by business domain came in as follows: ¥362m (up 10.8%) for Licensing, ¥2,650m (up 7.0%) for Consulting Services and ¥1,511m (up 11.5%) for Support & Information Retrieval Services.

Sales by Business Domain (Quarterly)



Source: Company Data, WRJ Calculation

In Licensing, the Company is mainly involved with sales of licensing for DivaSystem, i.e., self-developed packaged software for consolidated management & accounting. Sales in here are rather accelerating on a time series basis, in terms of year-on-year increases, benefiting from launch of new version and improving market sentiments, i.e., up 4.7% in Q1, which was followed by up 17.2% in Q2. *DivaSystem 10*, having had been introduced in the market by the end of FY06/2015, incorporates functionality and operability far superior to existing equivalents. As far as we could gather, all those favorable characteristics led to sales accelerating in Q2, in terms of year-on-year increases.

Some 90% of sales in this business domain are accounted for by licensing for DivaSystem, while the remaining some 10% by that of 3rd party packaged software. On top of favorable sales of the former, sales of the latter were also favorable, according to the Company. Meanwhile, the former far exceeds the latter, in terms of gross profit margin. Given some 90% exposure to the former carrying gross profit margin so high, Licensing meaningfully exceeds Consulting Services and Support & Information Retrieval Services, in terms of gross profit margin.

With respect to Consulting Services, comprising of various SI (system integration) services, those associated with proprietary packaged software of DivaSystem, presumably accounting for more than half of earnings in here, performed well. Specifically, in line with increasing sales of licensing for DivaSystem, sales increased for implementations (producing and/or modifying hardware and software in order to realize intended functions in computers, etc.) for customers where DivaSystem has been newly licensed. Given that only the Company has the necessary expertise to perform such implementations (as DivaSystem is proprietary), we believe gross profit margin for implementations should be quite high, though not as high as the packaged software.

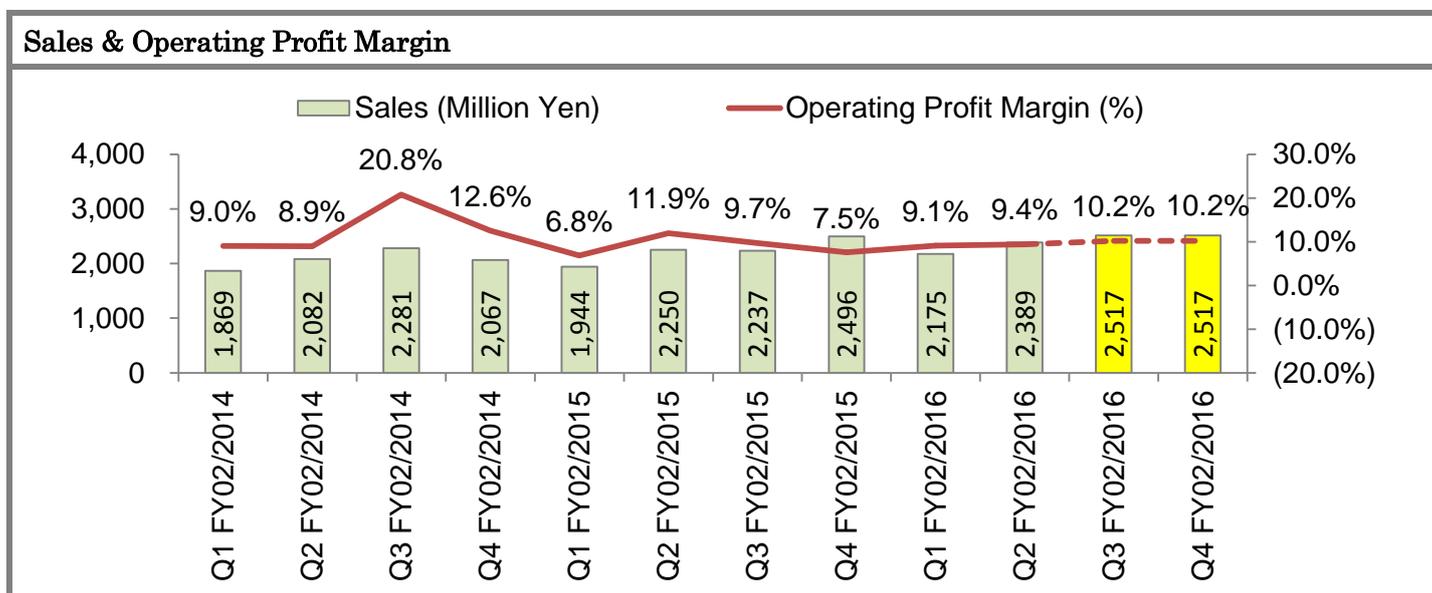
Elsewhere, in Consulting Services, the Company is involved with BI-related SI services and ERP-related ones. Basically, all those operations in both are of subcontracted for the Company to undertake projects to have been obtained by major system integrators, while the both areas are of niche. In Q2, the Company suffered from addition expenses, in here, stemming from cost overrun in the past, having booked some provisions of order loss as a part of cost of sales. However, the negative impacts would not be substantial, according to the Company.

BI-related ones are literally those of BI (Business Intelligence), meaning a method for users to facilitate corporate decision-making by means of analyzing and processing vast in-house data, accumulated by business systems, etc. As far as this is concerned, the Company has outstanding expertise, resulting in reasonably high gross profit margin, despite its role as a subcontractor. Meanwhile, the Company suggests that sales in here were favorable in Q1 to Q2.

On the other hand, ERP-related ones are of Microsoft's Dynamics AX, i.e., ERP (Enterprise Resource Planning). Sales in here are small and gross profit margin not high.

Support & Information Retrieval Services comprises of three areas, i.e., maintenance & services and version upgrades for DivaSystem already up and running, offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments and information retrieval services. In regards to maintenance & services and version upgrades for DivaSystem, which is estimated to be the mainstay in here, sales are stably increasing in line with ongoing increases of the number for DivaSystem being utilized. Meanwhile, the Company is seeing surging sales and earnings in offering of outsourcing services, driven by persistently increasing demand, although the impacts to sales and earnings to this business domain is limited due to its limited exposure out of total.

In regards to Information retrieval services, the Company offers ASP services for users, effectively all 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 already adopted the services for their regular use and thus sales in here are rather stable, according to the Company.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY06/2016 forecasts, based on half-year Company forecasts pro rata)

Income Statement (Cumulative, Quarterly)

Income 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.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		
Sales	1,944	4,194	6,431	8,928	2,175	4,564	-	-	-	+370
Cost of Sales	1,183	2,388	3,677	5,133	1,233	2,575	-	-	-	+186
Gross Profit	761	1,805	2,754	3,795	941	1,989	-	-	-	+183
SG&A	628	1,405	2,137	2,990	744	1,567	-	-	-	+162
Operating Profit	132	400	616	805	197	422	-	-	-	+21
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	(3)	-	-	-	+1
Recurring Profit	130	396	609	795	196	419	-	-	-	+22
Extraordinary Balance	0	0	0	(5)	0	0	-	-	-	0
Pretax Profit	130	396	609	790	196	419	-	-	-	+22
Tax Charges, etc.	45	143	233	388	65	170	-	-	-	+27
Net Profit	84	253	376	402	130	249	-	-	-	(4)
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	-	-	-	-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	+5.4%	-	-	-	-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	+5.8%	-	-	-	-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	(1.6%)	-	-	-	-
Gross Profit Margins	39.2%	43.1%	42.8%	42.5%	43.3%	43.6%	-	-	-	+0.5%
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	34.3%	-	-	-	+0.8%
Operating Profit Margins	6.8%	9.6%	9.6%	9.0%	9.1%	9.3%	-	-	-	(0.3%)
Recurring Profit Margins	6.7%	9.4%	9.5%	8.9%	9.0%	9.2%	-	-	-	(0.3%)
Net Profit Margins	4.4%	6.0%	5.9%	4.5%	6.0%	5.5%	-	-	-	(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	40.6%	-	-	-	+4.5%

Income 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.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		
Sales	1,944	2,250	2,237	2,496	2,175	2,389	-	-	-	+139
Cost of Sales	1,183	1,205	1,289	1,455	1,233	1,341	-	-	-	+136
Gross Profit	761	1,044	948	1,041	941	1,047	-	-	-	+3
SG&A	628	776	732	852	744	822	-	-	-	+46
Operating Profit	132	268	216	188	197	224	-	-	-	(43)
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	(2)	-	-	-	0
Recurring Profit	130	265	213	185	196	222	-	-	-	(42)
Extraordinary Balance	0	0	0	(5)	0	0	-	-	-	0
Pretax Profit	130	265	213	180	196	222	-	-	-	(42)
Tax Charges, etc.	45	97	90	155	65	104	-	-	-	+7
Net Profit	84	168	123	25	130	118	-	-	-	(50)
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	-	-	-	-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	(16.2%)	-	-	-	-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	(16.1%)	-	-	-	-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	(29.9%)	-	-	-	-
Gross Profit Margins	39.2%	46.4%	42.4%	41.7%	43.3%	43.9%	-	-	-	(2.6%)
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	34.4%	-	-	-	(0.1%)
Operating Profit Margins	6.8%	11.9%	9.7%	7.5%	9.1%	9.4%	-	-	-	(2.5%)
Recurring Profit Margins	6.7%	11.8%	9.5%	7.4%	9.0%	9.3%	-	-	-	(2.5%)
Net Profit Margins	4.4%	7.5%	5.5%	1.0%	6.0%	4.9%	-	-	-	(2.5%)
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	47.0%	-	-	-	+10.4%

Source: Company Data, WRJ Calculation

Sales by 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	Q1 to Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Licensing	166	327	446	694	174	362	-	-	-	+35
Consulting Services	1,083	2,476	3,885	5,395	1,230	2,650	-	-	-	+174
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	1,551	-	-	-	+160
Sales	1,944	4,194	6,431	8,928	2,175	4,564	-	-	-	+370
Licensing	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	+10.8%	-	-	-	-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	+7.0%	-	-	-	-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	+11.5%	-	-	-	-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	-	-	-	-
Licensing	8.6%	7.8%	6.9%	7.8%	8.0%	8.0%	-	-	-	+0.1%
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	58.1%	-	-	-	(1.0%)
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	34.0%	-	-	-	+0.8%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%

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	Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Licensing	166	161	119	247	174	188	-	-	-	+27
Consulting Services	1,083	1,392	1,408	1,510	1,230	1,420	-	-	-	+27
Support & Information Retrieval Services	693	696	708	739	770	780	-	-	-	+83
Sales	1,944	2,250	2,237	2,496	2,175	2,389	-	-	-	+139
Licensing	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	+17.2%	-	-	-	-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	+2.0%	-	-	-	-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	+12.1%	-	-	-	-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	-	-	-	-
Licensing	8.6%	7.2%	5.3%	9.9%	8.0%	7.9%	-	-	-	+0.7%
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	59.4%	-	-	-	(2.5%)
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	32.7%	-	-	-	+1.7%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%

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	Q1 to Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Operating Cash Flow	(570)	(618)	(287)	471	(320)	(6)	-	-	-	+611
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	(74)	-	-	-	+48
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	(81)	-	-	-	+660
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	(173)	-	-	-	+42

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	Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Operating Cash Flow	(570)	(47)	330	759	(320)	313	-	-	-	+361
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	(46)	-	-	-	+3
Operating CF & Investment CF	(643)	(98)	312	753	(347)	266	-	-	-	+364
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	(57)	-	-	-	0

Source: Company Data, WRJ Calculation

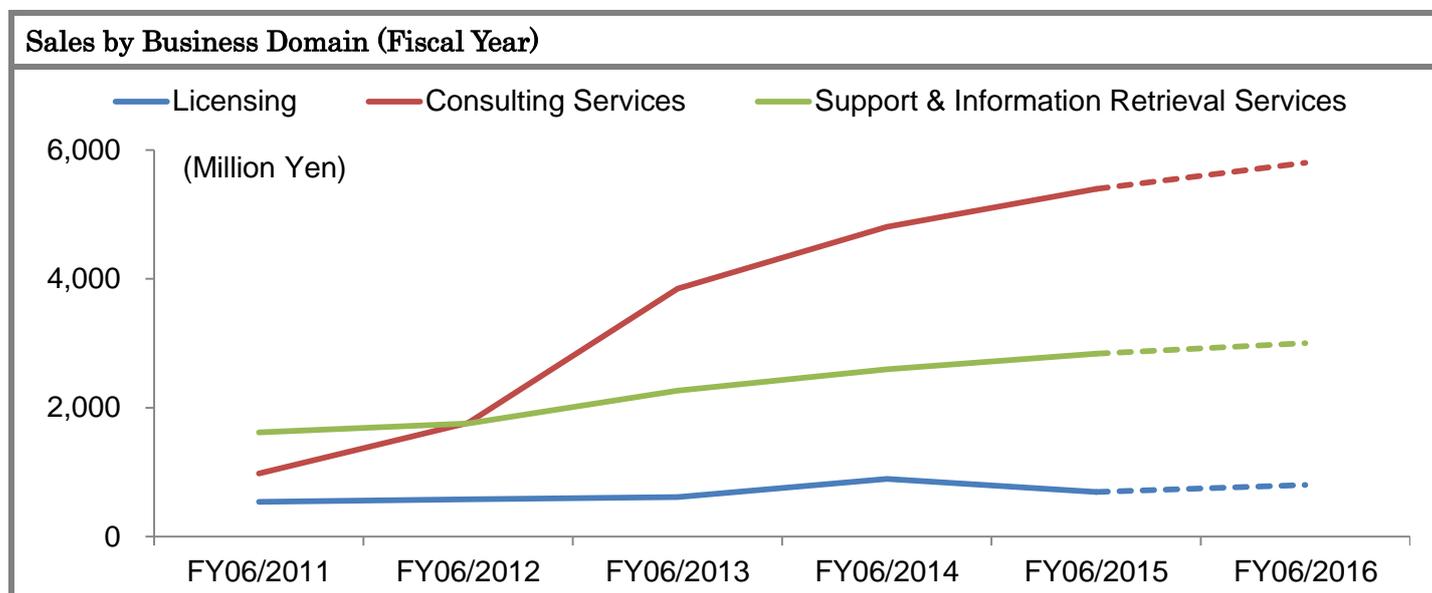
Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY Net Chg.							
	Q1 06/2015	Q2 06/2015	Q3 06/2015	Q4 06/2015	Q1 06/2016	Q2 06/2016	Q3 06/2016	Q4 06/2016	
Cash & Deposit	2,005	1,850	2,124	2,816	2,351	2,560	-	-	+710
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	1,496	-	-	(147)
Inventory	174	143	151	53	184	234	-	-	+90
Other	461	304	385	366	568	564	-	-	+260
Current Assets	3,891	3,943	4,052	4,780	4,642	4,856	-	-	+913
Tangible Assets	246	249	225	199	245	234	-	-	(15)
Intangible Assets	395	362	329	301	271	240	-	-	(121)
Investments & Other Assets	387	389	404	398	400	403	-	-	+13
Fixed Assets	1,028	1,001	958	900	916	878	-	-	(123)
Deferred Assets	1	1	-	-	-	-	-	-	(1)
Total Assets	4,921	4,946	5,012	5,681	5,559	5,734	-	-	+788
Accounts Payables	267	304	345	408	272	313	-	-	+8
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-	(60)
Short Term Debt	122	129	122	122	122	122	-	-	(6)
Other	1,663	1,528	1,468	2,109	2,103	2,175	-	-	+646
Current Liabilities	2,113	2,022	1,996	2,670	2,528	2,610	-	-	+588
Corporate Bond	30	-	-	-	-	-	-	-	0
Long Term Debt	243	212	181	151	120	96	-	-	(115)
Other	115	121	120	120	124	123	-	-	+2
Fixed Liabilities	388	333	302	271	245	220	-	-	(113)
Total Liabilities	2,502	2,356	2,299	2,942	2,773	2,831	-	-	+475
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	2,900	-	-	+313
Adjustments	1	2	2	3	2	2	-	-	0
Total Assets	2,419	2,589	2,713	2,739	2,785	2,903	-	-	+313
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	5,734	-	-	+788
Equity Capital	2,419	2,589	2,713	2,739	2,785	2,903	-	-	+314
Interest Bearing Debt	455	401	364	303	273	219	-	-	(182)
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	(2,341)	-	-	(892)
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	50.6%	-	-	(1.8%)
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(65.0%)	(91.9%)	(74.7%)	(80.7%)	-	-	(24.7%)
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	14.5%	-	-	(15.5%)
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	15.3%	-	-	(7.8%)
Total Assets Turnover	158%	182%	179%	176%	157%	167%	-	-	(15%)
Quick Ratio	154%	173%	176%	163%	154%	155%	-	-	(17%)
Current Ratio	184%	195%	203%	179%	184%	186%	-	-	(9%)

Source: Company Data, WRJ Calculation

FY06/2016 Company Forecasts

FY06/2016 initial Company forecasts have remained unchanged, going for prospective sales of ¥9,600m (up 7.5% YoY), operating profit of ¥935m (up 16.1%), recurring profit of ¥925m (up 16.3%) and net profit of ¥572m (up 42.3%), with operating profit margins of 9.7% (up 0.7% points). Meanwhile, forecast annual dividend has also remained unchanged at ¥22.0, implying payout ratio of 18.1%. Compared with ¥18.0, implying payout ratio of 21.0%, in FY06/2015, this is up ¥4.0, but payout ratio is to come down.



Source: Company Data

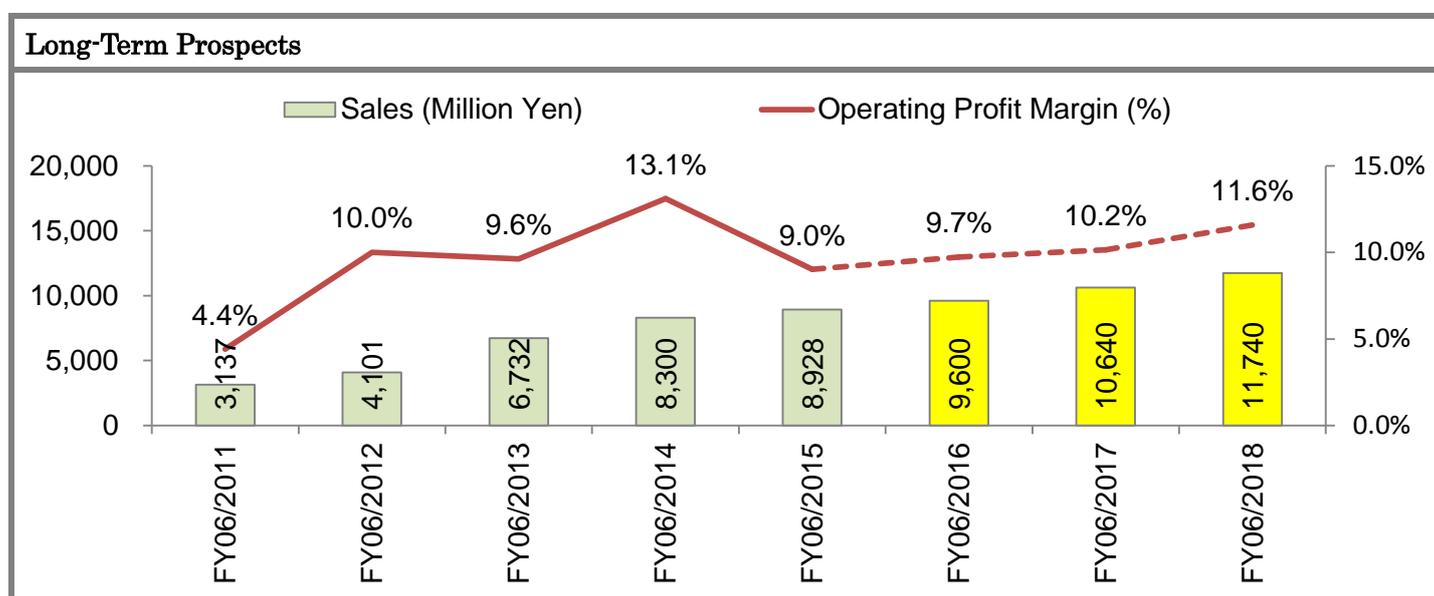
In order to meet full-year Company forecasts, it is critically important to see sales as expected for DivaSystem, self-developed packaged software, which is the mainstay of Licensing. As far as we could gather, Company forecasts assume sales up some 15% for Licensing and thus presumably for DivaSystem as well. Sales are not significant as a constituent of sales as a whole for the Company, but carrying gross profit margin very high as they are self-developed packaged software, as far as we could see. In FY06/2015, the Company failed to close on an anticipated large-sized project, due to intensifying competition, resulting in significant adjustments over FY06/2014, when a similar sized project was successfully completed.

Meanwhile, net profit is to surge over the previous year, which is primarily the result of normalization of effective tax rate. The rate was temporarily high in the previous year. Meanwhile, this accounts for increasing annual dividend and lowering payout ratio at the same time. Still, as mentioned earlier, effective tax rate could be high again for FY06/2016.

Meanwhile, at the release of midterm management plan, the Company made a change to its stated dividend policy. The existing dividend policy is based on earnings in an accounting period, which can be highly volatile. Going forward, the Company is prioritizing “Stability and Continuity” as the basic measure of dividend policy, suggesting dividend on equity will be one of the key indicators. This is based on net assets, which are very stable relative to prospective earnings in a specific accounting period, enabling the Company to reliably pay steady dividend. Forecast annual dividend ¥22.0 in FY06/2016 implies dividend on equity of 3.8%, when based on net assets per share of ¥583.64 as of the end of FY06/2015.

Long-Term Prospects

On 21 August 2015, the Company released 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 is targeting CAGR of 9.6% for sales and 19.1% for earnings, with the operating profit margin rising 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 a large-sized project of DivaSystem in Licensing, carrying high gross profit margin, and sales in this business segment came in at ¥897m (up 45.7% YoY). Due mainly to this, the Company saw operating profit margin of 13.1%. However, prospective operating profit margin suggest that midterm management plan does not assume reoccurrences of such benefits, stemming from DivaSystem, i.e., the mainstay of Licensing. Meanwhile, the write-off of goodwill (¥113m pa), associated with ZEAL CORPORATION, merged and acquired in Q1 FY06/2013, will finish in Q1 FY06/2018. Consequently, expenses are to see net decreases of ¥84m over the year, in FY06/2018, equating 0.7% of sales. Thus, the Company will see a corresponding rise in operating profit margin for FY06/2018 over FY06/2017.

Meanwhile, the Company is looking to offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments as a driver for prospective earnings in a long-term view. At the moment, sales of said outsourcing services are small and thus are included as a part of Support & Information Retrieval Services. Still, the Company is to disclose absolute value of sales, in the foreseeable future. More importantly, the Company is trying to get at setting up de facto standard for said outsourcing services, 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 system,

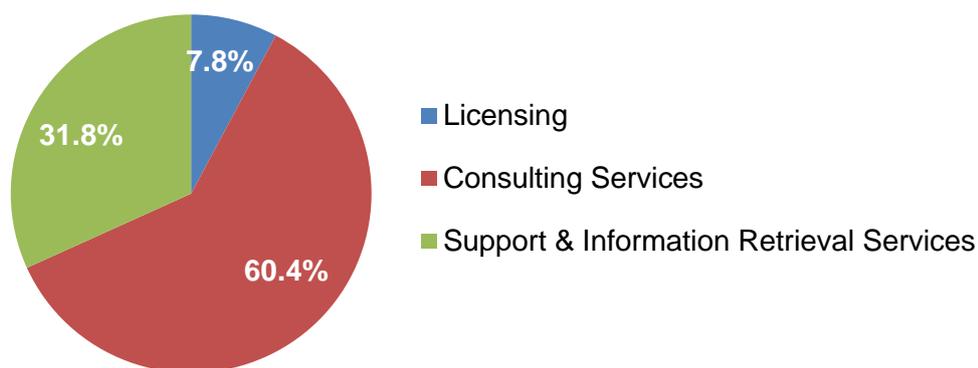
Most recently, demand for said outsource services is picking up nicely, keeping utilization very high for internal human resources allocated to this and thus gross profit margin, as far as we could gather. The Company, sticking to policy to exclusively assign own full-time headcounts to this, is currently trying to beef up mid-career recruitments to cope with increasing demand.

4.0 Business Model

Providing Solutions with Consolidated Management & Accounting

On 1 October 2013, the Company converted to a holding company to run five group companies (100% subsidiaries), which was implemented through incorporation-type company split. Own 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 group company are correlated to those by business domain as follows:

Sales Composition Ratio by Business Domain (FY06/2015)



Source: Company Data, WRJ Calculation

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In licensing, DIVA CORPORATION develops and sells DivaSystem, which is packaged software for consolidated management & accounting. Meanwhile, at the same time, ZEAL CORPORATION sells 3rd 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 ZEAL CORPORATION and DIVA BUSINESS INNOVATION CORPORATION are in charge of BI-related SI services and ERP-related ones, respectively.

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

To add to all those operations, the Company is running DIVA CORPORATION OF AMERICA, which in charge of future business development overseas, particularly in the United States.

As a whole, the Company is successfully creating decent corporate value, as found in the release by Tokyo Stock Exchange (24 February 2016). It is suggested that the Company is one of the top 50 out of all the TSE-listed corporates (some 3,500), in terms of capability to create corporate value, exceeding WACC (Weighted Average Cost of Capital), etc.

DivaSystem (Image Pictures)

データ区分	勘定科目(統一)	原料小分類							
製品大分類	データ区分		108損益計算書						
製品中分類	勘定科目(統一)		+ 8100000売上高 + 8200010VC + 8200020FC + 8400010販売費 + 8400020一般管 + 9792000営業利						
製品小分類	製品大分類	製品中分類	製品小分類	連結通貸金額	連結通貸金額	連結通貸金額	連結通貸金額	連結通貸金額	連結通貸金額
品目(統一)				合計	合計	合計	合計	合計	合計
会社				値	値	値	値	値	値
受注先				値	値	値	値	値	値
仕向地				値	値	値	値	値	値
	大分類A	中分類As	小分類001	692,950	79,880	0	35,776	121,205	455,489
		中分類A		43,992,258	26,270,857	26,985,943	2,940,492	10,843,409	-3,158,469
		中分類A		16,595	174,502,259	126,888,219	21,090,522	81,957,507	86,878,054
		中分類A		10,557	95,719,858	49,382,380	10,974,701	40,128,800	39,514,799
		中分類A		338,105,440	84,509,349	129,742,267	16,861,045	58,615,018	48,376,074
		中分類A		4534,380	1,036,565	1,844,681	95,220	596,265	21,653
		中分類A		1,227,653	4,242,333	4,242,333	418,806	2,237,679	5,713,481
		中分類A		1,145,440	1,145,440	32,057,714	2,048,841	10,955,979	7,760,660
		中分類A		444,800	444,800	444,800	66,016	371,808	-3,134,321
		中分類A		0	0	0	0	0	0
		中分類A		0	0	0	0	0	0
	大分類B			624,185,734	942,751,036	60,125,381	55,593,475	242,759,075	-76,983,295
	分類未定(大分類)			0	48,048,316	19,747,558			-67,790,874
	合計			1,845,947,913	794,239,773	455,466,460	110,068,694	448,527,545	37,653,207



Source: Company Data

Disclaimer

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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