

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 Q1 to Q3 (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY06/2015		6,431	616	609	376	-	-	-
Q1 to Q3 FY06/2016		6,985	690	687	367	-	-	-
Q1 to Q3 FY06/2016	YoY	8.6%	11.9%	12.7%	(2.5%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (2 June 2016)

Steady Recovery of Earnings

AVANT, running operations to develop and sell packaged software for consolidated management & accounting (DivaSystem) mainly for major listed corporates in Japan, as well as offering related services, as the key earnings pillar, is seeing steady recovery of earnings. In FY06/2015, the Company saw earnings coming down from the previous year, due to major adjustments for sales of DivaSystem licensing, but they have been increasing over the previous year so far in FY06/2016. On top of this, the Company well benefits from increasing demand, from customers, associated with IFRS (International Financial Reporting Standards) and improving sophistication of governance on a group basis, resulting in firm sales of SI (System Integration) services to meet said demand. Meanwhile, in regards to contracted outsourcing services to undertake duties of consolidated accounting & tax payment, currently fostered as a new earnings pillar for the Company, it appears that sales and earnings are accelerating, given order intake of large-scale project. The Company basically provides corporates that have adopted DivaSystem, almost 900 in number, including unlisted ones, with said outsourcing services, while penetration rate having remained not very high to date. Thus, there is a great room for future developments, according to the Company. At the same time, the Company, managing collective five operating companies (all of them are 100% consolidated subsidiaries) as holding company, is to make a merger between two of them to improve management efficiency, given some resemblances between the two in terms of operations. As far as we could see, this implies that the Company is aggressively making corporate efforts to meet earnings target of its midterm management plan (FY06/2016 to FY06/2018), calling for CAGR of 9.6% for sales and 19.1% for earnings during the period.

In Q1 to Q3 FY06/2016, sales came in at ¥6,985m (up 8.6% YoY), operating profit ¥690m (up 11.9%) and operating profit margin 9.9% (up 0.3% points). It has been revealed that DIVA BUSINESS INNOVATION CORPORATION (DBI), one of the operating companies, is to see cost of sales far exceeding initial assumptions for project to introduce/install ERP (Enterprise Resource Planning), whose order intake took place in FY06/2015. As a result, the Company booked provision for loss on order received of ¥134m as a part of cost of sales. However, sales and earnings as a whole for the Company increased over the previous year, as the negative impacts have been more than compensated for by strengths of the mainstay operations associated with DivaSystem, contracted outsourcing services, etc. Meanwhile, it was on 6 May 2016 that the Company disclosed DIVA CORPORATION, the key operating company, is to merge with DBI toward the end of FY06/2016. DIVA CORPORATION is in charge of operations to develop and sell DivaSystem as well as of related services, etc., while said related services include SI services to introduce/install DivaSystem. Thus, DIVA CORPORATION is involved with SI services as in the case for DBI. Given this, management came up with an idea for DIVA CORPORATION to merge with DBI for the sake of improving management efficiency, while trying to avoid cost overrun as above-mentioned to reappear, going forward.

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%) and operating profit margin of 9.7% (up 0.7% points). Meanwhile, forecast annual dividend of ¥22.0 has also remained unchanged, implying a payout ratio of 18.1%. In regards to DBI, sales are to fall short, as it has been focusing all the resources on solutions for cost overrun issues, while suffering from unexpected loss. However, recent trading benefits from above-mentioned positive factors and thus initial Company forecasts are to be met. Meanwhile, the Company has not adopted consolidated taxation system, due to estimated demerits larger than estimated merits for the Company. As a result, loss generated by DBI led to high tax rate (the ratio of corporate tax, etc. against pretax profit) for the Company in Q1 to Q3. Nevertheless, the Company is to see tax rate normalized on a full-year basis, because DBI to make loss is to be merged with by DIVA CORPORATION to make money larger than said loss, as of the end of fiscal year.

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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 March 2016)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of March 2016)	
Main Features	<ul style="list-style-type: none">● Licensing proprietary packaged software, i.e., 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	. 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: 570 (As of the end of March 2016)	

Source: Company Data

3.0 Recent Trading & Prospects

Q1 to Q3 FY06/2016 Results

In Q1 to Q3 FY06/2016, sales came in at ¥6,985m (up 8.6% YoY), operating profit ¥690m (up 11.9%), recurring profit ¥687m (up 12.7%) and net profit ¥367m (down 2.5%), while operating profit margin 9.9% (up 0.3% points).

When progress rate against initial full-year Company forecasts is simply compared with equivalent of the previous year's results, it is implied that sales are marginally running ahead, while operating profit and recurring profit slightly falling short. As an underlying trend, recent trading is in line, as far as we could see. Net profit significantly falling short is to be temporary, as discussed earlier.

Progress Rate

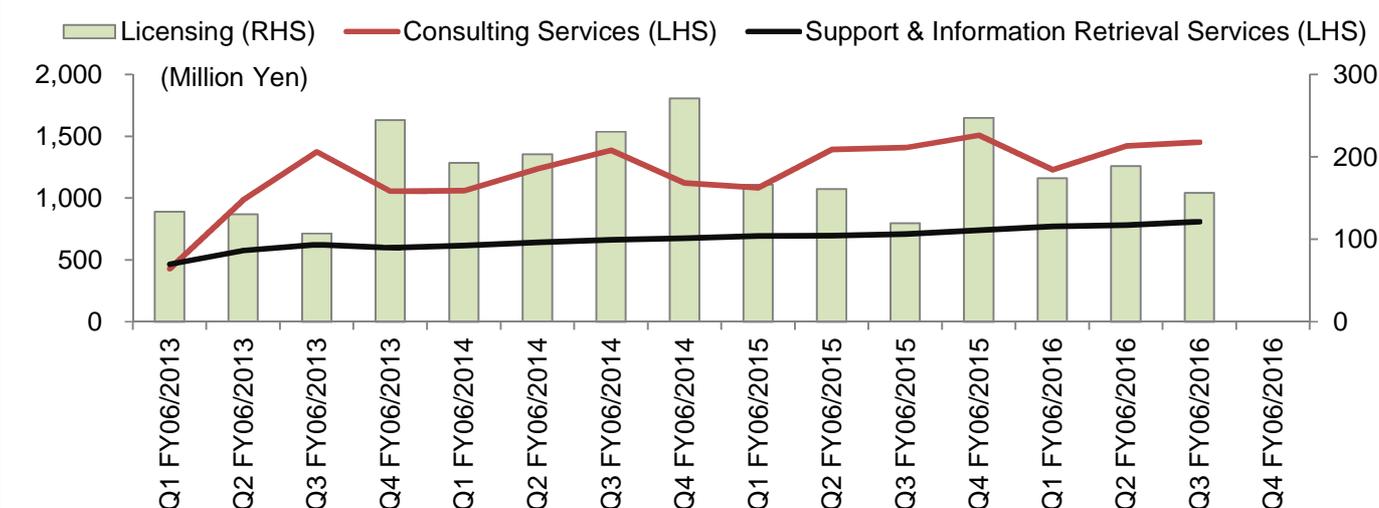
(Million Yen)			Sales	OP	RP	NP
FY06/2015	Full-Year Results	A	8,928	805	795	402
	Q1 to Q3 Results	B	6,431	616	609	376
	Progress Rate	A / B	72.0%	76.6%	76.6%	93.6%
FY06/2016	Full-Year Forecasts	A	9,600	935	925	572
	Q1 to Q3 Results	B	6,985	690	687	367
	Progress Rate	A / B	72.8%	73.8%	74.3%	64.2%
Progress Rate (YoY)			+0.7%	(2.8%)	(2.3%)	(29.4%)

Source: Company Data, WRJ Calculation

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By business domain, sales of Licensing came in at ¥519m (up 16.2%), Consulting Services ¥4,104m (up 5.6%) and Support & Information Retrieval Services ¥2,361m (up 12.5%).

Sales (by Business Domain, Quarterly)



Source: Company Data, WRJ Calculation

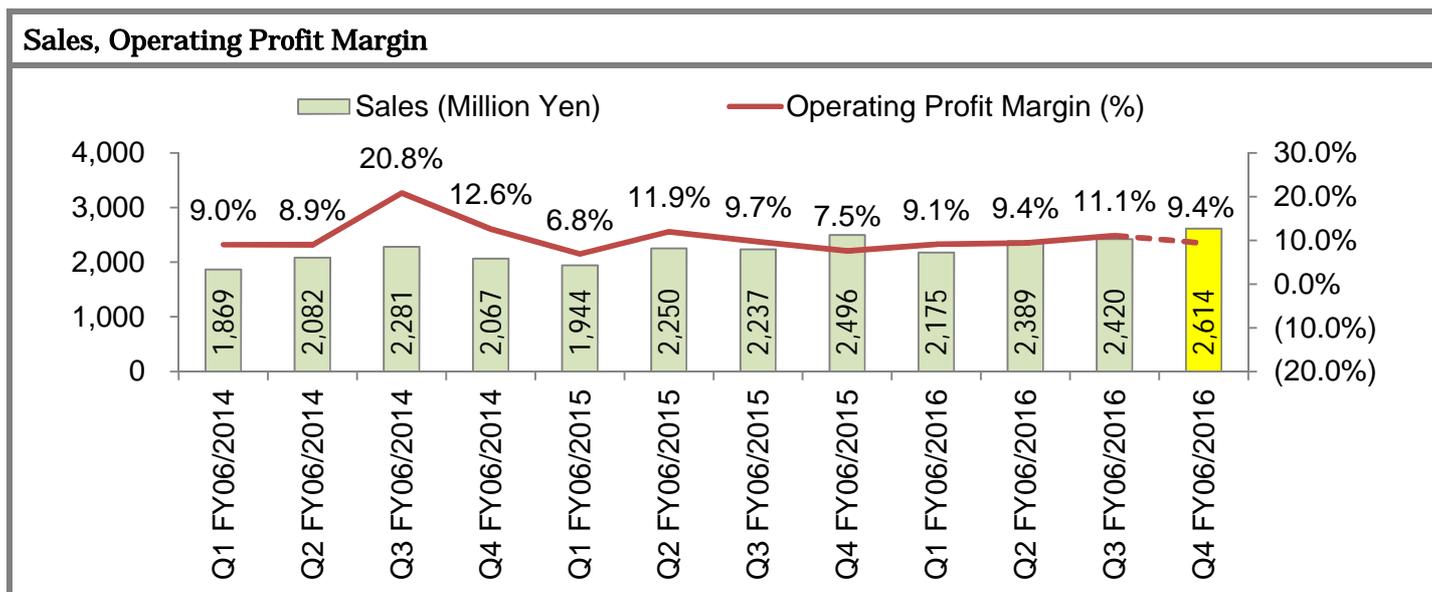
In Licensing, sales of the mainstay DivaSystem, estimated to account for 80% to 90% of sales in this business domain, increased over the previous year, due to launch of new version, etc. In regards to remaining 10% to 20% of sales, comprising of other packaged software, the Company saw substantial increases, in line with successful and aggressive sales promotions on the BI-related SI services side. Licensing accounted for no more than 7.4% of sales as a whole for the Company, but far more in terms of gross profit, as far as we could gather. DivaSystem, accounting for the bulk of sales in here, represents proprietary packaged software to carry gross profit margin very high. Meanwhile, the Company procures and sells on the other packaged software side.

With respect to Consulting Services comprising of various SI (system integration) services, those of DivaSystem account for more than half of gross profit in here. For example, the Company is heavily involved with, so-called, implementations (producing and/or modifying hardware and software in order to realize intended functions in computers, etc.) for DivaSystem, which is necessary when being introduced and/or installed. On top of this, the Company is also involved with SI services to meet increasing demand, from customers, to cope with IFRS (International Financial Reporting Standards) and with improving sophistication of governance on a group basis. In Q1 to Q3, it appears that the Company saw increasing sales on the latter, in particular.

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. BI-related ones are literally those of BI (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 this side is concerned, the Company has outstanding expertise, resulting in reasonably high gross profit margin, despite its role as a subcontractor. Meanwhile, ERP-related ones are those where the Company suffered from aforementioned cost overrun. In the first place, sales have been small and gross profit low.

Support & Information Retrieval Services comprises of three sub-domains, 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 payment 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, it appears that the Company is seeing accelerating sales and earnings, in regards to offering of contracted outsourcing services, due to order intake of large-scale project kicking in, etc., although sales in here remain not significant as a constituent of this business domain and thus the Company. In regards to Information retrieval services, the Company offers 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 already adopted the services for their regular use and thus sales in here are almost stable, according to the Company.

Meanwhile, gross profit as a whole for the Company came in at ¥2,955m (up 7.3%) and SG&A expenses ¥2,265m (up 6.0%). When compared with assumptions of Company forecasts, both were marginally smaller, eventually having resulted in operating profit roughly in line, according to the Company. As has been disclosed beforehand (28 April 2016), the Company saw unexpected provision for loss on order received of ¥134m as a part of cost of sales, stemming from aforementioned cost overrun in Consulting Services. However, Company has been seeing sales and gross profit larger than expected, in regards to operations associated with DivaSystem, contracted outsourcing services, etc., according to the Company. Meanwhile, SG&A expenses increased not as much as expected, due mainly to shortfall of expenses associated with hiring new human resources. New hiring has failed to expand as much as expected.



Source: Company Data, WRJ Calculation

Income Statement (Cumulative, Quarterly)

Income Statement	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)	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		Net Chg.
Sales	1,944	4,194	6,431	8,928	2,175	4,564	6,985	-		+553
Cost of Sales	1,183	2,388	3,677	5,133	1,233	2,575	4,029	-		+351
Gross Profit	761	1,805	2,754	3,795	941	1,989	2,955	-		+201
SG&A	628	1,405	2,137	2,990	744	1,567	2,265	-		+128
Operating Profit	132	400	616	805	197	422	690	-		+73
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	(3)	(3)	-		+4
Recurring Profit	130	396	609	795	196	419	687	-		+77
Extraordinary Balance	0	0	0	(5)	0	0	0	-		0
Pretax Profit	130	396	609	790	196	419	687	-		+77
Tax Charges, etc.	45	143	233	388	65	170	320	-		+86
Net Profit	84	253	376	402	130	249	367	-		(9)
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	-		-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	+5.4%	+11.9%	-		-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	+5.8%	+12.7%	-		-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	(1.6%)	(2.5%)	-		-
Gross Profit Margins	39.2%	43.1%	42.8%	42.5%	43.3%	43.6%	42.3%	-		(0.5%)
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	34.3%	32.4%	-		(0.8%)
Operating Profit Margins	6.8%	9.6%	9.6%	9.0%	9.1%	9.3%	9.9%	-		+0.3%
Recurring Profit Margins	6.7%	9.4%	9.5%	8.9%	9.0%	9.2%	9.8%	-		+0.4%
Net Profit Margins	4.4%	6.0%	5.9%	4.5%	6.0%	5.5%	5.3%	-		(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	40.6%	46.6%	-		+8.3%

Income Statement	Cons.Act	Cons.Act	Cons.Act							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		YoY
(Million Yen)	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		Net Chg.
Sales	1,944	2,250	2,237	2,496	2,175	2,389	2,420	-		+183
Cost of Sales	1,183	1,205	1,289	1,455	1,233	1,341	1,454	-		+165
Gross Profit	761	1,044	948	1,041	941	1,047	966	-		+17
SG&A	628	776	732	852	744	822	698	-		(34)
Operating Profit	132	268	216	188	197	224	268	-		+51
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	(2)	0	-		+2
Recurring Profit	130	265	213	185	196	222	268	-		+54
Extraordinary Balance	0	0	0	(5)	0	0	0	-		0
Pretax Profit	130	265	213	180	196	222	268	-		+54
Tax Charges, etc.	45	97	90	155	65	104	149	-		+59
Net Profit	84	168	123	25	130	118	118	-		(5)
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	-		-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	(16.2%)	+24.1%	-		-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	(16.1%)	+25.7%	-		-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	(29.9%)	(4.2%)	-		-
Gross Profit Margins	39.2%	46.4%	42.4%	41.7%	43.3%	43.9%	39.9%	-		(2.5%)
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	34.4%	28.8%	-		(3.9%)
Operating Profit Margins	6.8%	11.9%	9.7%	7.5%	9.1%	9.4%	11.1%	-		+1.4%
Recurring Profit Margins	6.7%	11.8%	9.5%	7.4%	9.0%	9.3%	11.1%	-		+1.5%
Net Profit Margins	4.4%	7.5%	5.5%	1.0%	6.0%	4.9%	4.9%	-		(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	47.0%	56.0%	-		+13.7%

Source: Company Data, WRJ Calculation

Sales by Business Domain (Cumulative, Quarterly)

Sales by Business Domain	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	519	-	-	+72
Consulting Services	1,083	2,476	3,885	5,395	1,230	2,650	4,104	-	-	+218
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	1,551	2,361	-	-	+262
Sales	1,944	4,194	6,431	8,928	2,175	4,564	6,985	-	-	+553
Licensing	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	+10.8%	+16.2%	-	-	-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	+7.0%	+5.6%	-	-	-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	+11.5%	+12.5%	-	-	-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	-	-	-
Licensing	8.6%	7.8%	6.9%	7.8%	8.0%	8.0%	7.4%	-	-	+0.5%
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	58.1%	58.8%	-	-	(1.7%)
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	34.0%	33.8%	-	-	+1.2%
Sales (Composition Ratio)	100.0%	-	-	+0.0%						

Sales by Business Domain	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	156	-	-	+37
Consulting Services	1,083	1,392	1,408	1,510	1,230	1,420	1,453	-	-	+44
Support & Information Retrieval Services	693	696	708	739	770	780	810	-	-	+101
Sales	1,944	2,250	2,237	2,496	2,175	2,389	2,420	-	-	+183
Licensing	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	+17.2%	+31.1%	-	-	-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	+2.0%	+3.2%	-	-	-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	+12.1%	+14.3%	-	-	-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	-	-	-
Licensing	8.6%	7.2%	5.3%	9.9%	8.0%	7.9%	6.5%	-	-	+1.1%
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	59.4%	60.0%	-	-	(2.9%)
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	32.7%	33.5%	-	-	+1.8%
Sales (Composition Ratio)	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)	328	-	-	+616
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	(74)	(245)	-	-	(103)
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	(81)	83	-	-	+512
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	(173)	(211)	-	-	+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	335	-	-	+4
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	(46)	(170)	-	-	(152)
Operating CF & Investment CF	(643)	(98)	312	753	(347)	266	164	-	-	(147)
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	(57)	(38)	-	-	0

Source: Company Data, WRJ Calculation

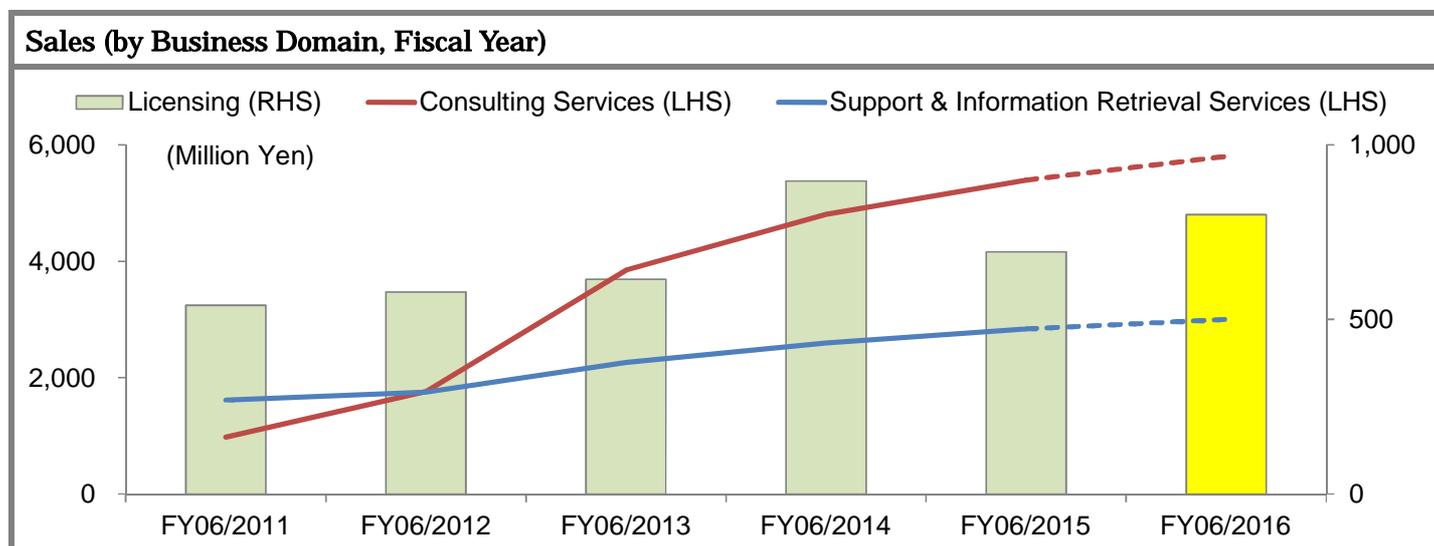
Balance Sheet (Quarterly)

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	2,686	-	+562
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	1,496	1,429	-	+38
Inventory	174	143	151	53	184	234	223	-	+71
Other	461	304	385	366	568	564	538	-	+153
Current Assets	3,891	3,943	4,052	4,780	4,642	4,856	4,878	-	+825
Tangible Assets	246	249	225	199	245	234	231	-	+6
Intangible Assets	395	362	329	301	271	240	217	-	(111)
Investments & Other Assets	387	389	404	398	400	403	529	-	+125
Fixed Assets	1,028	1,001	958	900	916	878	978	-	+19
Deferred Assets	1	1	-	-	-	-	-	-	0
Total Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	-	+844
Accounts Payables	267	304	345	408	272	313	347	-	+1
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-	(60)
Short Term Debt	122	129	122	122	122	122	122	-	0
Other	1,663	1,528	1,468	2,109	2,103	2,175	2,185	-	+716
Current Liabilities	2,113	2,022	1,996	2,670	2,528	2,610	2,654	-	+658
Corporate Bond	30	-	-	-	-	-	-	-	0
Long Term Debt	243	212	181	151	120	96	59	-	(122)
Other	115	121	120	120	124	123	123	-	+2
Fixed Liabilities	388	333	302	271	245	220	182	-	(120)
Total Liabilities	2,502	2,356	2,299	2,942	2,773	2,831	2,837	-	+538
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	2,900	3,018	-	+308
Adjustments	1	2	2	3	2	2	-	-	(1)
Total Assets	2,419	2,589	2,713	2,739	2,785	2,903	3,019	-	+306
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	-	+844
Equity Capital	2,419	2,589	2,713	2,739	2,785	2,903	3,019	-	+306
Interest Bearing Debt	455	401	364	303	273	219	181	-	(182)
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	(2,341)	(2,504)	-	(744)
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	50.6%	51.6%	-	(2.5%)
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(65.0%)	(91.9%)	(74.7%)	(80.7%)	(83.0%)	-	(18.0%)
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	14.5%	13.7%	-	(10.1%)
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	15.3%	16.1%	-	(1.1%)
Total Assets Turnover	158%	182%	179%	176%	157%	167%	165%	-	-
Quick Ratio	154%	173%	176%	163%	154%	155%	155%	-	-
Current Ratio	184%	195%	203%	179%	184%	186%	184%	-	-

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 margin of 9.7% (up 0.7% points). Meanwhile, forecast annual dividend of ¥22.0 has also remained unchanged, implying a payout ratio of 18.1%. Compared with ¥18.0, implying a payout ratio of 21.0%, in FY06/2015, this is up ¥4.0, while payout ratio coming down.



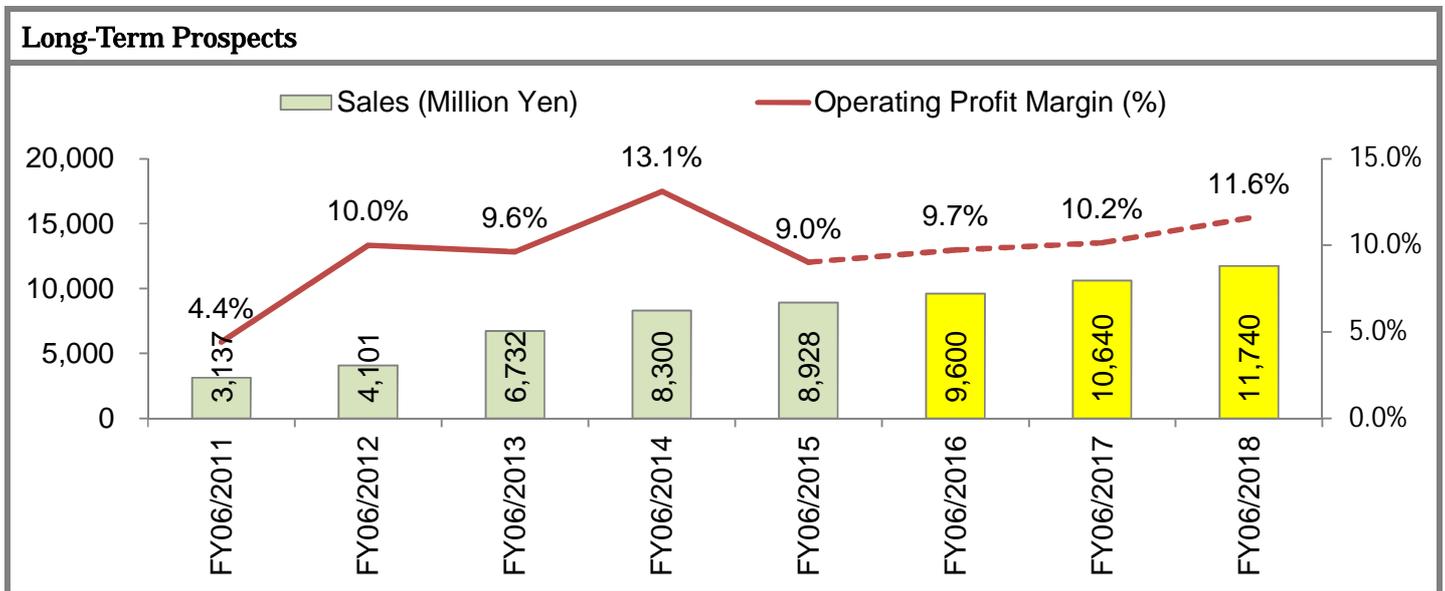
Source: Company Data

Net profit is expected to surge, as Company forecasts assume normalization of tax rate (the ratio of corporate tax, etc. against pretax profit). In FY06/2015, the Company saw tax rate higher than normal due to one-off factor. Meanwhile, Company forecasts have not assumed loss from DBI, but normalization of tax rate is to take place, as DIVA CORPORATION is to merge with DBI, as discussed earlier.

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. Currently and 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 stable relative to prospective earnings in a specific accounting period, enabling the Company to reliably pay steady dividend. Forecast annual dividend of ¥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 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. Meanwhile, due mainly to this, the Company saw operating profit margin of 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 Q1 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. Thus, the Company will see a corresponding rise of operating profit margin for FY06/2018 over FY06/2017.

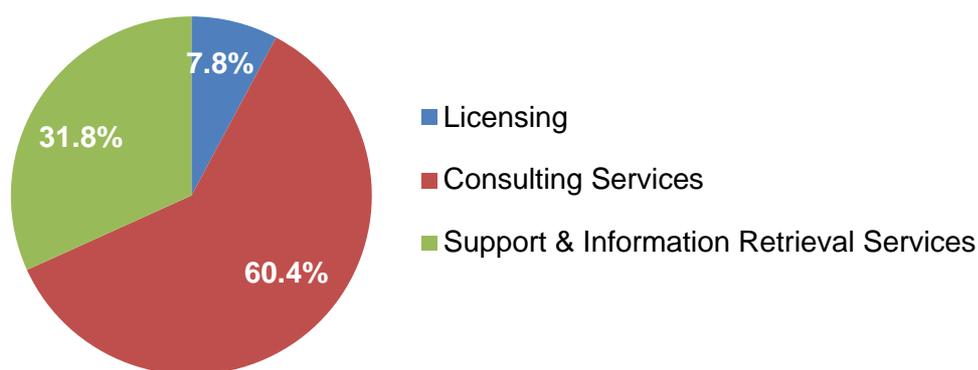
Meanwhile, the Company is looking to contracted outsourcing services, basically being offered to customers who have adopted DivaSystem, to undertake duties of consolidated accounting & tax payment as a driver for prospective earnings in a long-term view. At the moment, sales of said outsourcing services are small and thus included as a part of Support & Information Retrieval Services. Still, the Company is planning 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 proprietary systems. Most recently, demand for said outsource services is picking up sharply, boosting utilization so 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 holding company to run collective five operating companies (all of them are 100% consolidated 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 operating company are correlated to each 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 third-party packaged software, but sales are small and gross profit margin low.

In Consulting Services, DIVA CORPORATION is in charge of implementations 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 of offering contracted 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 those for future business developments overseas i.e., in the United States, etc. by running DIVA CORPORATION OF AMERICA

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		100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	692,380	79,880	0	35,776	121,205	455,489
		中分類Aa		43,992,259	26,270,857	26,985,943	2,940,492	10,843,409	-3,158,463
		中分類Ab		16,595	174,502,253	126,888,219	21,090,522	81,957,507	86,978,054
		中分類Ac		10,557	95,719,858	49,382,380	10,974,701	40,128,800	39,514,799
		中分類Ad		338,105,440	84,509,349	129,742,267	16,861,845	58,615,818	48,376,074
		中分類Ae		4,504,380	1,036,565	1,844,681	95,220	596,265	21,653
		中分類Af		1,221,653	2,221,653	4,342,924	418,806	2,237,679	5,713,431
		中分類Ag		114,654	1,146,540	1,146,540	32,057,714	2,048,841	10,955,979
		中分類Ah		4,444,800	4,444,800	4,444,800	66,016	371,808	-3,134,321
		中分類Ai		0	0	0	0	0	0
		中分類Aj		0	0	0	0	0	0
		中分類Ak		0	0	0	0	0	0
		中分類Al		0	0	0	0	0	0
	大分類B			624,185,734	342,751,036	60,125,981	55,593,475	242,759,075	-76,993,295
	分類未定(大分類)			0	48,043,316	19,747,558			-67,790,874
	合計			1,845,947,913	794,239,773	455,466,460	110,060,694	448,527,545	37,653,267



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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