

AVANT (3836)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2015		8,928	805	795	402	85.7	18.0	583.6
FY06/2016		9,612	1,109	1,112	660	140.8	22.0	705.4
FY06/2017CoE		10,050	1,025	1,025	645	137.4	22.0	-
FY06/2016	YoY	7.7%	37.9%	39.8%	64.3%	-	-	-
FY06/2017CoE	YoY	4.5%	(7.7%)	(7.9%)	(2.4%)	-	-	-
Consolidated Quarter (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY06/2016		2,175	197	196	130	-	-	-
Q2 FY06/2016		2,389	224	222	118	-	-	-
Q3 FY06/2016		2,420	268	268	118	-	-	-
Q4 FY06/2016		2,627	419	425	293	-	-	-
Q1 FY06/2016	YoY	11.9%	49.2%	50.3%	54.5%	-	-	-
Q2 FY06/2016	YoY	6.2%	(16.2%)	(16.1%)	(29.9%)	-	-	-
Q3 FY06/2016	YoY	8.2%	24.1%	25.7%	(4.2%)	-	-	-
Q4 FY06/2016	YoY	5.2%	122.8%	128.8%	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (5 September 2016)

Spending Expenses on Growth

AVANT, running operations of development and licensing for packaged software to deal with consolidated management & accounting (DivaSystem) mainly for major listed corporations in Japan as well as offering related maintenance & services as the key earnings pillar, is currently in the process of implementing and/or considering measures to spend expenses on fostering new earnings pillar to drive further growth. In regards to DivaSystem, having been adopted by more than collective 900 corporations including unlisted ones by the end of FY06/2016, sales of licensing are entering stable phase preceded by growth phase, as far as we could gather. At the same time, it should be taken for granted that sales of product (DivaSystem) should give direct impacts to those of related maintenance & services. Meanwhile, in FY06/2016, it appears that sales and earnings increased nicely, having driven those as a whole for the Company, in regards to contracted outsourcing services to undertake duties of consolidated accounting & tax payment, currently fostered as new earnings pillar for the Company. Basically said services are those of add-ons being offered to corporations that have adopted DivaSystem, while the penetration has remained low to date out of more than collective 900 corporations (that have adopted DivaSystem), implying huge room remaining for new cultivations, going forward. However, short-term, the Company sees capacity constrains for said services, currently running operations almost exclusively depending on human wave tactics. Thus, expenses are to be spent on building new capacity to cope with increasing demand, which is one of the key factors for the Company to see earnings coming down in FY06/2017 over the previous year. Still, midterm management

plan, having been disclosed again on 19 August 2016, is calling for prospective operating profit of ¥1,360m (up 32.7% YoY) in FY06/2018.

In FY06/2016, sales came in at ¥9,612m (up 7.7% YoY), operating profit ¥1,109m (up 37.9%) and operating profit margin 11.5% (up 2.5% points). Sales of Licensing came in at ¥753m (up 8.6%), Consulting Services ¥5,660m (up 4.9%) and Support & Information Retrieval Services ¥3,198m (up 12.7%). In regards to Licensing, sales of the mainstay DivaSystem increased over the previous year, while sales of third-party packaged software to have been procured externally were so firm, due partly to one-off factor. In regards to Consulting Services, sales were driven by increasing demand associated with adoptions of IFRS (International Financial Reporting Standards) and sophistications of governance on a group basis. In regards to Support & Information Retrieval Services, sales increased in line with increasing sales of contracted outsourcing services to undertake duties of consolidated accounting & tax payment, currently fostered as new earnings pillar. Meanwhile, gross profit margin came in at 43.3% (up 0.8% points) as a whole for the Company and the ratio of SG&A expenses to sales 31.7% (down 1.8% points). Thus, gross profit margin improved over the previous year, while SG&A expenses did not increase as much as sales, having resulted in improving operating profit margin. As far as we could gather, Support & Information Retrieval Services played the most important role to drive sales and gross profit as a whole for the Company, specifically, those of outsourcing services.

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). As far as we could gather, Company forecasts assume sales increasing over the previous year, respectively, for Licensing, Consulting Services and Support & Information Retrieval Services, while sales of Support & Information Retrieval Services are likely to remain being the key driver for sales as a whole for the Company, including outsourcing services to continue seeing firm sales as constituent. As mentioned above, increasing sales and earnings of outsourcing services were the key driver for those as a whole for the Company in FY06/2016, but the Company suggests an aspect that own personnel in charge of said services had excess workload. Having realized this, the Company starts spending expenses on beefing up human resources assigned for said services, while trying to get at introduction of *automation* based on self-developed system at the same time. This is one of the reasons why operating profit margin coming down over the previous year. On top of this, the Company, being keen on creating new earnings pillar also elsewhere, is likely to see generation of expenses due to frontloaded investment, etc.

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2.0 Company Profile

Providing Consolidated Management & Accounting with Solutions

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 June 2016)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of June 2016)	
Main Features	<ul style="list-style-type: none">● Licensing self-developed proprietary packaged software, i.e., DivaSystem● Adopted by more than half of top 50 market cap corporations in Japan● Also involved with SI (system integration) services and outsourcing services	
Businesses	. Software Business	
Top Management	President & CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 36.22%, ESOP 11.19%, Tsuyoshi Noshiro 6.98% (As of the end of June 2016)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 603, Parent: 49 (As of the end of June 2016)	

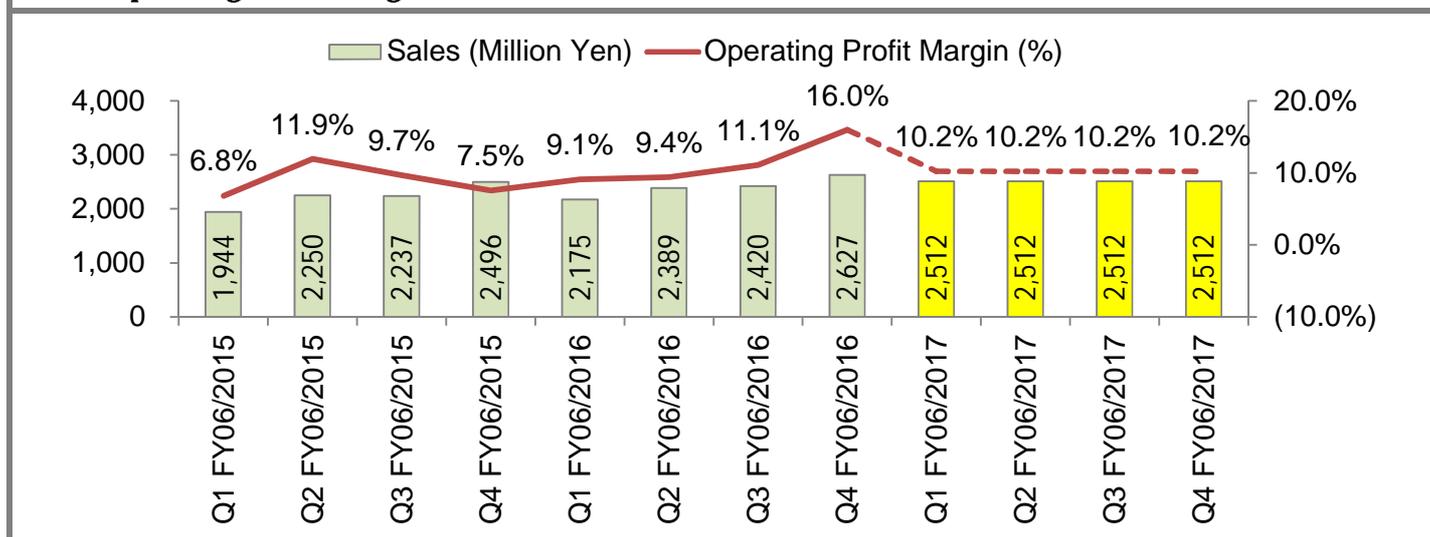
Source: Company Data

3.0 Recent Trading & Prospects

FY06/2016 Results

In FY06/2016, sales came in at ¥9,612m (up 7.7% YoY), operating profit ¥1,109m (up 37.9%), recurring profit ¥1,112m (up 39.8%) and net profit ¥660m (up 64.3%), while operating profit margin 11.5% (up 2.5% points). At the same time, it appears that the Company has written off negative legacy to a large extent.

Sales, Operating Profit Margin

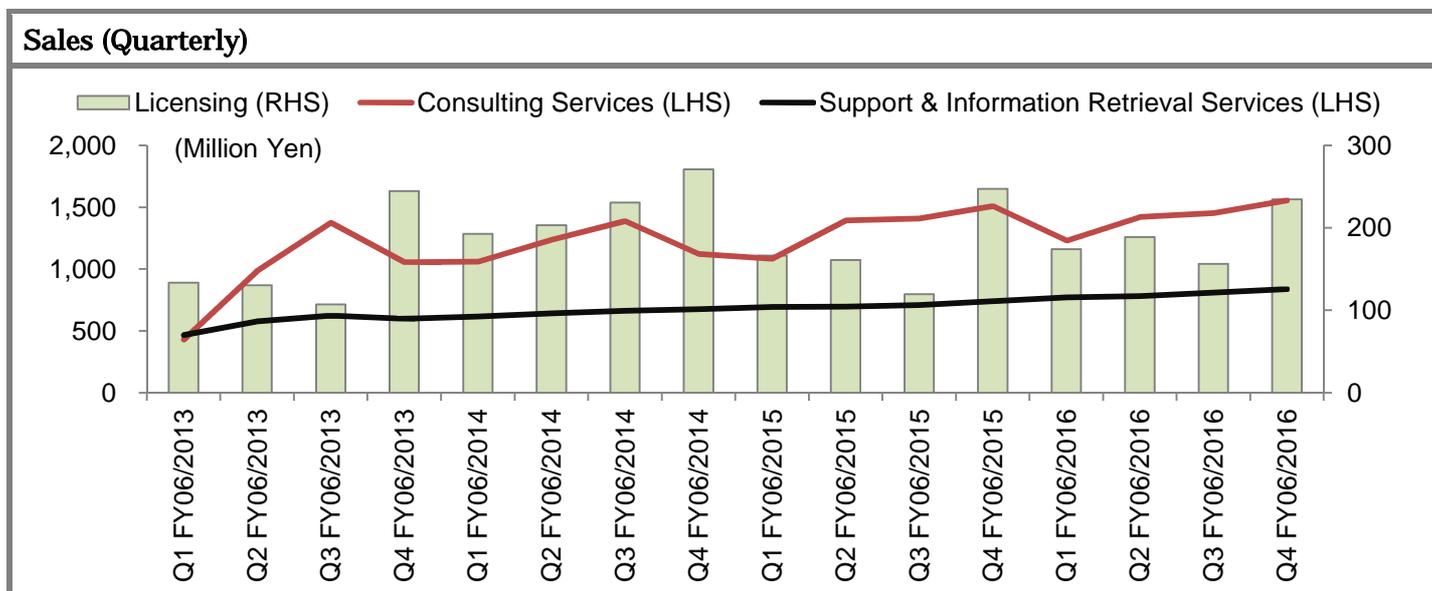


Source: Company Data, WRJ Calculation, (quarterly forecasts in FY06/2017 : full-year Company forecasts pro rata)

When compared with initial Company forecasts, sales were better by no more than ¥12m (0.1%), but operating profit better by ¥174m (18.6%), recurring profit by ¥187m (20.2%) and net profit by ¥88m (15.4%). According to the Company, some booking of sales for licensing of DivaSystem to carry gross profit margin very high took place rather frontloaded, while the Company has failed to hire new personnel as many as initially anticipated, having resulted in expenses smaller. This had major impacts particularly in Q4.

Thus, Company forecasts were exceeded in terms of operating profit and recurring profit, while also in terms of net profit to roughly the same extent as a result. Still, the real picture is that pretax profit fell short, which was compensated for by rate of tax against pretax profit smaller than expected.

The former was due mainly to booking of extraordinary loss of ¥174m, which have not been assumed in Company forecasts. The Company booked provision for compensation for damages as much as this, given damages generated by one of operating companies under management for an entrusted project. The counterpart has not agreed with the amount of settlement package, but FY06/2017 Company forecasts assume no further expenses associated with this issue. Meanwhile, the latter was due mainly to an event as of the end of the fiscal year for DIVA CORPORATION, the core operating company under management, to have merged with DIVA BUSINESS INNOVATION CORPORATION, another operating company under management. This deal put together earnings of the former and cumulative loss of the latter for taxation, having resulted in income taxes adjustment of negative ¥124m.



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, driven by successful and aggressive sales promotions on the BI-related SI services side. Still, this was also due to one-off factor to a large extent, according to the Company. Licensing accounted for no more than 7.8% of sales as a whole for the Company, but it appears far more in terms of gross profit. DivaSystem, accounting for the bulk of sales in here, represents self-developed proprietary packaged software and thus carries gross profit margin very high. Meanwhile, the Company externally procures third-party packaged software 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. Specifically, the Company is heavily involved with 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.

Elsewhere, 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 have limited sales and makes loss due to cost overruns, etc.

Support & Information Retrieval Services comprises of three subdomains, 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, being estimated to be the mainstay in here, sales are stably increasing in line with ongoing increases of the number for DivaSystem being in utilization.

Meanwhile, it appears that the Company saw accelerating growth for sales and earnings, in regards to offering of contracted outsourcing services, due to order intake of large-scale project kicking in, etc. 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.

Income Statement (Cumulative, Quarterly)

Income Statement	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	9,612		+684
Cost of Sales	1,183	2,388	3,677	5,133	1,233	2,575	4,029	5,452		+319
Gross Profit	761	1,805	2,754	3,795	941	1,989	2,955	4,159		+364
SG&A	628	1,405	2,137	2,990	744	1,567	2,265	3,050		+60
Operating Profit	132	400	616	805	197	422	690	1,109		+304
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	(3)	(3)	2		+12
Recurring Profit	130	396	609	795	196	419	687	1,112		+317
Extraordinary Balance	0	0	0	(5)	0	0	0	(176)		(171)
Pretax Profit	130	396	609	790	196	419	687	936		+145
Tax Charges, etc.	45	143	233	388	65	170	320	275		(113)
Net Profit	84	253	376	402	130	249	367	660		+258
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	+7.7%		-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	+5.4%	+11.9%	+37.9%		-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	+5.8%	+12.7%	+39.8%		-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	(1.6%)	(2.5%)	+64.3%		-
Gross Profit Margin	39.2%	43.1%	42.8%	42.5%	43.3%	43.6%	42.3%	43.3%		+0.8%
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	34.3%	32.4%	31.7%		(1.8%)
Operating Profit Margin	6.8%	9.6%	9.6%	9.0%	9.1%	9.3%	9.9%	11.5%		+2.5%
Recurring Profit Margin	6.7%	9.4%	9.5%	8.9%	9.0%	9.2%	9.8%	11.6%		+2.7%
Net Profit Margin	4.4%	6.0%	5.9%	4.5%	6.0%	5.5%	5.3%	6.9%		+2.4%
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	40.6%	46.6%	29.4%		(19.7%)
Income Statement	Cons.Act	YoY								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(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	2,627		+130
Cost of Sales	1,183	1,205	1,289	1,455	1,233	1,341	1,454	1,423		(32)
Gross Profit	761	1,044	948	1,041	941	1,047	966	1,204		+163
SG&A	628	776	732	852	744	822	698	784		(68)
Operating Profit	132	268	216	188	197	224	268	419		+231
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	(2)	0	5		+8
Recurring Profit	130	265	213	185	196	222	268	425		+239
Extraordinary Balance	0	0	0	(5)	0	0	0	(176)		(171)
Pretax Profit	130	265	213	180	196	222	268	248		+67
Tax Charges, etc.	45	97	90	155	65	104	149	(44)		(200)
Net Profit	84	168	123	25	130	118	118	293		+267
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	+5.2%		-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	(16.2%)	+24.1%	+122.8%		-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	(16.1%)	+25.7%	+128.8%		-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	(29.9%)	(4.2%)	-		-
Gross Profit Margin	39.2%	46.4%	42.4%	41.7%	43.3%	43.9%	39.9%	45.8%		+4.1%
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	34.4%	28.8%	29.9%		(4.3%)
Operating Profit Margin	6.8%	11.9%	9.7%	7.5%	9.1%	9.4%	11.1%	16.0%		+8.4%
Recurring Profit Margin	6.7%	11.8%	9.5%	7.4%	9.0%	9.3%	11.1%	16.2%		+8.7%
Net Profit Margin	4.4%	7.5%	5.5%	1.0%	6.0%	4.9%	4.9%	11.2%		+10.1%
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	47.0%	56.0%	-		-

Source: Company Data, WRJ Calculation

Sales by Business Domain (Cumulative, Quarterly)

Sales by Business Domain	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	753		+59
Consulting Services	1,083	2,476	3,885	5,395	1,230	2,650	4,104	5,660		+264
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	1,551	2,361	3,198		+359
Sales	1,944	4,194	6,431	8,928	2,175	4,564	6,985	9,612		+684
Licensing	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	+10.8%	+16.2%	+8.6%		-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	+7.0%	+5.6%	+4.9%		-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	+11.5%	+12.5%	+12.7%		-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	+7.7%		-
Licensing	8.6%	7.8%	6.9%	7.8%	8.0%	8.0%	7.4%	7.8%		+0.1%
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	58.1%	58.8%	58.9%		(1.5%)
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	34.0%	33.8%	33.3%		+1.5%
Sales (Composition Ratio)	100.0%		+0.0%							

Sales by Business Domain	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	234		(12)
Consulting Services	1,083	1,392	1,408	1,510	1,230	1,420	1,453	1,556		+46
Support & Information Retrieval Services	693	696	708	739	770	780	810	836		+97
Sales	1,944	2,250	2,237	2,496	2,175	2,389	2,420	2,627		+130
Licensing	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	+17.2%	+31.1%	(5.3%)		-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	+2.0%	+3.2%	+3.0%		-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	+12.1%	+14.3%	+13.2%		-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	+5.2%		-
Licensing	8.6%	7.2%	5.3%	9.9%	8.0%	7.9%	6.5%	8.9%		(1.0%)
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	59.4%	60.0%	59.2%		(1.3%)
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	32.7%	33.5%	31.9%		+2.2%
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	1,135		+664
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	(74)	(245)	(301)		(154)
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	(81)	83	834		+510
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	(173)	(211)	(243)		+72

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	807		+48
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	(46)	(170)	(56)		(50)
Operating CF & Investment CF	(643)	(98)	312	753	(347)	266	164	751		(2)
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	(57)	(38)	(32)		+29

Source: Company Data, WRJ Calculation

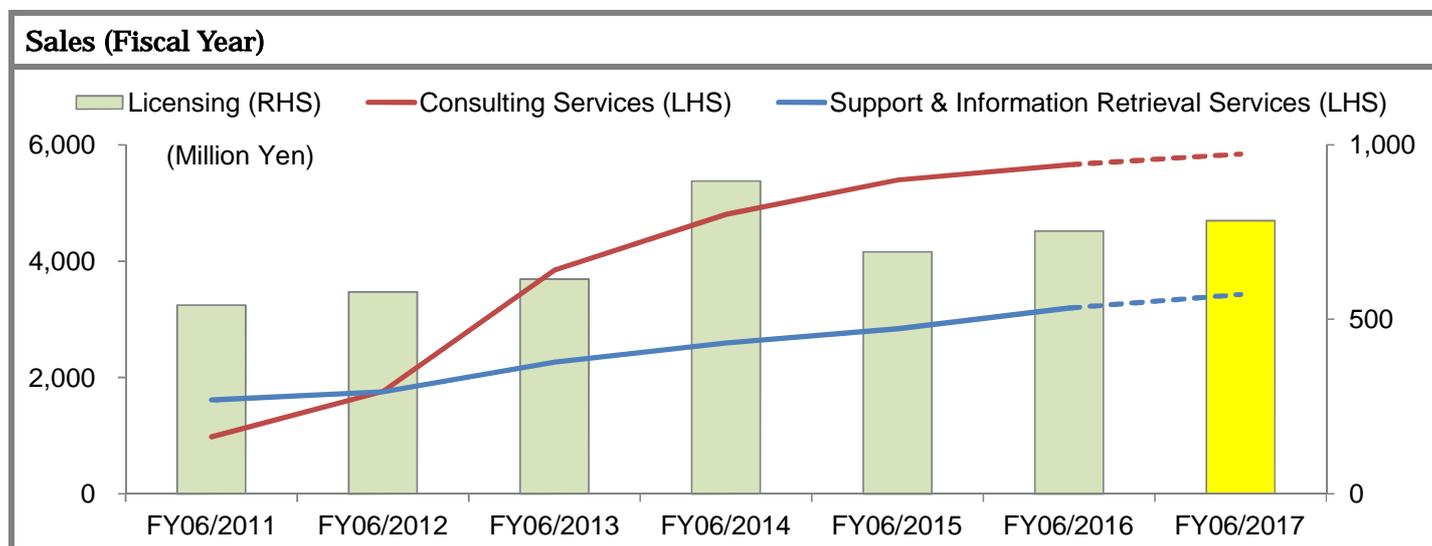
Balance Sheet (Quarterly)

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	3,404	+587	
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	1,496	1,429	1,555	+12	
Inventory	174	143	151	53	184	234	223	120	+66	
Other	461	304	385	366	568	564	538	656	+289	
Current Assets	3,891	3,943	4,052	4,780	4,642	4,856	4,878	5,737	+956	
Tangible Assets	246	249	225	199	245	234	231	210	+10	
Intangible Assets	395	362	329	301	271	240	217	201	(99)	
Investments & Other Assets	387	389	404	398	400	403	529	559	+160	
Fixed Assets	1,028	1,001	958	900	916	878	978	971	+71	
Deferred Assets	1	1	-	-	-	-	-	-	-	
Total Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	6,709	+1,027	
Accounts Payables	267	304	345	408	272	313	347	336	(72)	
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-	(30)	
Short Term Debt	122	129	122	122	122	122	122	122	-	
Other	1,663	1,528	1,468	2,109	2,103	2,175	2,185	2,794	+684	
Current Liabilities	2,113	2,022	1,996	2,670	2,528	2,610	2,654	3,252	+582	
Corporate Bond	30	-	-	-	-	-	-	-	-	
Long Term Debt	243	212	181	151	120	96	59	28	(122)	
Other	115	121	120	120	124	123	123	116	(3)	
Fixed Liabilities	388	333	302	271	245	220	182	145	(126)	
Total Liabilities	2,502	2,356	2,299	2,942	2,773	2,831	2,837	3,398	+456	
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	2,900	3,018	3,311	+576	
Adjustments	1	2	2	3	2	2	-	-	(4)	
Total Assets	2,419	2,589	2,713	2,739	2,785	2,903	3,019	3,311	+571	
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	6,709	+1,027	
Equity Capital	2,419	2,589	2,713	2,739	2,785	2,903	3,019	3,311	+572	
Interest Bearing Debt	455	401	364	303	273	219	181	151	(152)	
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	(2,341)	(2,504)	(3,253)	(740)	
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	50.6%	51.6%	49.4%	+1.1%	
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(64.9%)	(91.8%)	(74.6%)	(80.7%)	(83.0%)	(98.3%)	(6.5%)	
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	14.5%	13.7%	21.8%	+6.4%	
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	15.3%	16.1%	18.0%	+3.8%	
Total Assets Turnover	158%	182%	179%	176%	157%	167%	165%	157%	-	
Quick Ratio	154%	173%	176%	163%	154%	155%	155%	152%	-	
Current Ratio	184%	195%	203%	179%	184%	186%	184%	176%	-	

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 ¥645m (down 2.4%), with operating profit margin of 10.2% (down 1.3% points). Meanwhile, prospective annual dividend is ¥22.0, implying a payout ratio of 16.0%. Compared with ¥22.0, implying a payout ratio of 15.6%, in FY06/2016, there is no change in absolute amount, while payout ratio going up.



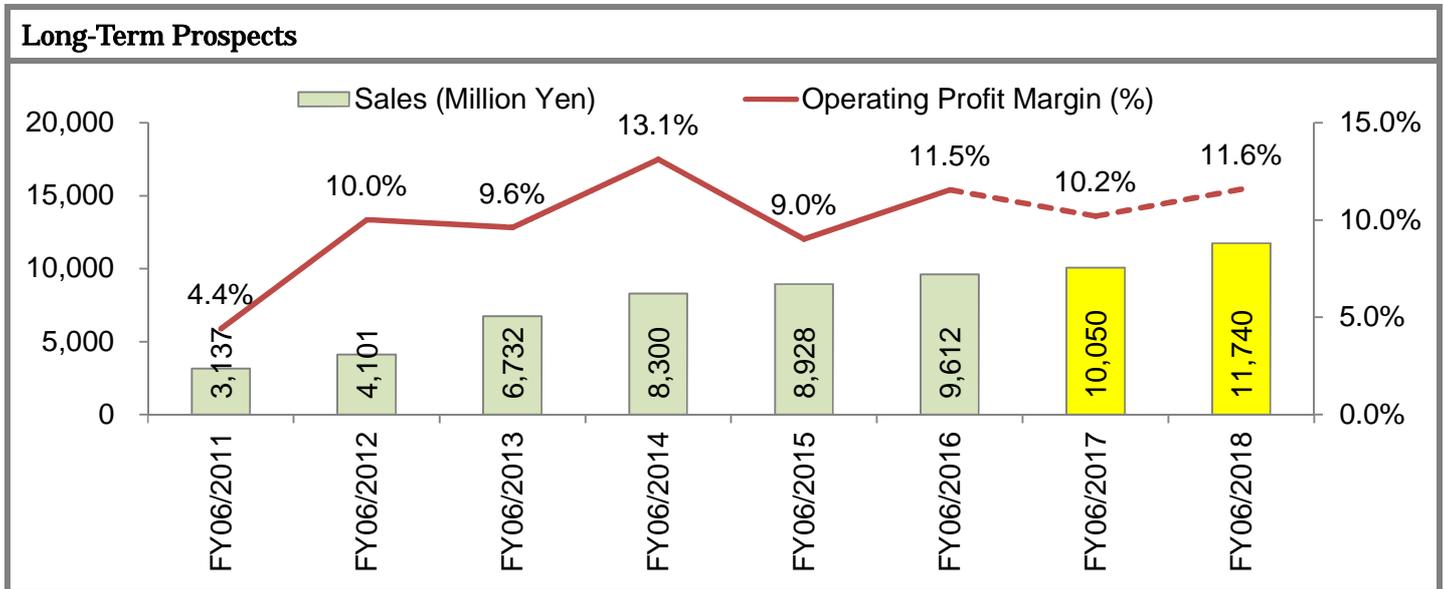
Source: Company Data, WRJ Calculation

On top of outsourcing services, the Company is trying to get at further creation of new earnings pillar, seemingly spending expenses on some issues on a frontloaded basis, including system-related investment, training of own personnel (engineers) for coping with diversifying merchandises to deal with in BI-related SI services, etc.

Meanwhile, at the release of midterm management plan (FY06/2016 to FY06/2018), 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 is 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 3.2%, while dividend on equity is to come in at 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 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 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. Thus, the Company will see a corresponding rise of operating profit margin for FY06/2018 over FY06/2017.

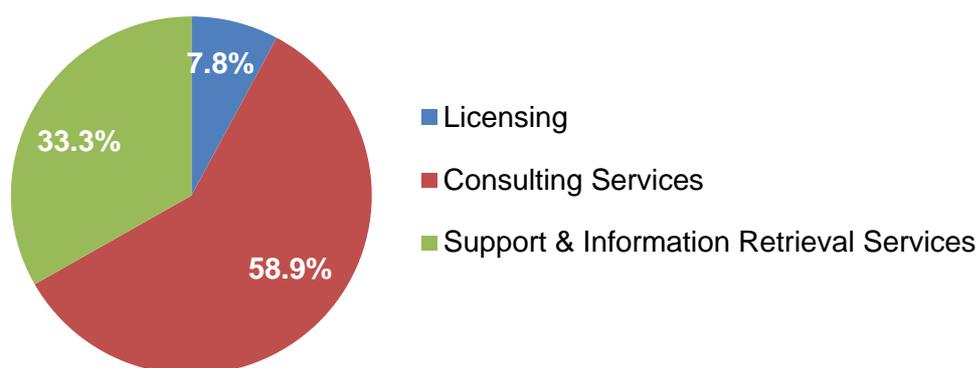
Meanwhile, the Company is looking to contracted outsourcing services, basically being offered to customers who have adopted DivaSystem, to undertake duties of consolidated accounting & tax payment as a driver for prospective earnings in a long-term view. At the moment, sales of said outsourcing services are included in those of Support & Information Retrieval Services, but 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 self-developed proprietary system. In FY06/2016, demand for said outsource services picked up sharply, boosting utilization so high for internal human resources allocated to this and thus gross profit margin at the same time, as far as we could gather. Nevertheless, enhancement of personnel is required in FY06/2017, as mentioned earlier.

4.0 Business Model

Providing Consolidated Management & Accounting with Solutions

On 1 October 2013, the Company converted to holding company to run collective 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 Composition Ratio (FY06/2016)



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 *implementation* for customers who have newly adopted DivaSystem, while ZEAL CORPORATION is in charge of BI-related SI services. On top of this, DIVA BUSINESS INNOVATION CORPORATION used to be in charge of ERP-related SI services but was merged with by DIVA CORPORATION as of the end of FY06/2016.

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 also running those for future business developments overseas in the United States, etc. through 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 corporations (some 3,500), in terms of capability to create premium 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	692,880	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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