

## 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	645	68.7	11.0	-
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 FY06/2017		2,272	280	280	183	-	-	-
Q1 FY06/2017	YoY	4.5%	42.2%	42.6%	40.4%	-	-	-

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

### 1.0 Executive Summary (6 December 2016)

#### Horizontal Expansion

AVANT, running operations associated with DivaSystem as the key earnings pillar, is seeing surging earnings. The Company is involved with development and licensing for this packaged software to deal with consolidated management & accounting mainly for major listed corporations in Japan as well as offering related maintenance & services. While sales of operations to purchase and sell third-party packaged software carrying low gross profit margin are coming down sharply, sales are buoyant for maintenance & services associated with DivaSystem. Collectively, the market-largest 914 corporations have adopted DivaSystem as of the end of September 2016. On top of this, the Company has started seeing increasing sales on a full-fledged basis for new services offered to said customer base. Thus, the Company is now starting to benefit from horizontal expansion in services to existing customer base acquired by development and licensing of DivaSystem. Specifically, this is represented by contracted outsourcing services to undertake duties of consolidated accounting & tax payment. Meanwhile, sales of new services to offer solutions for domains of a) management accounting, b) governance and c) management are emerging at the same time. Collective sales stemming from all those new services currently account for some 20% of sales as a whole for the Company and more importantly there is a large room for the Company to horizontally expand said operations given above-mentioned ample customer base. Given favorable prospect like this, the Company is trying to get at capacity increases by investing in human resource to cope with ongoing increases of demand going forward.

In Q1 FY06/2017, sales came in at ¥2,272m (up 4.5% YoY), operating profit ¥280m (up 42.2%) and operating profit margin 12.4% (up 3.3% points). Sales of Licensing came in at ¥110m (down 36.5%), Consulting Services ¥1,298m (up 5.5%) and Support & Information Retrieval Services ¥864m (up 12.2%). 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 to be purchased and sold plummeted. In regards to Consulting Services, sales associated with DivaSystem increased favorably and so did sales stemming from offering of solutions for management accounting. On top of this, those of newly-started management kicked in. Elsewhere, sales were also favorable for consigned operations to work on projects from major system integrators. In regards to Support & Information Retrieval Services, the mainstay sales associated with DivaSystem and those of contracted outsourcing services to undertake duties of consolidated accounting & tax payment increased from the same period in the previous year. Still, improving operating profit margin was partially driven by one-off factor. Due to accounting issue, unexpected cutback of expenses took place, while the Company has failed to invest in human resources as much as initially planned.

FY06/2017 initial Company forecasts have remained unchanged, 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). While Company forecasts assume increasing expenses stemming from aggressive frontloaded investment in human resources, this is not to reappear in FY06/2018. Thus, midterm management plan is 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) in FY06/2018. The above-mentioned results in Q1 FY06/2017 suggest that future demand is likely to be firm as expected, while there is a concern whether the Company would be able to invest in human resources as much as initially planned or not.

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## 2.0 Company Profile

### Providing Consolidated Management & Accounting with Solutions

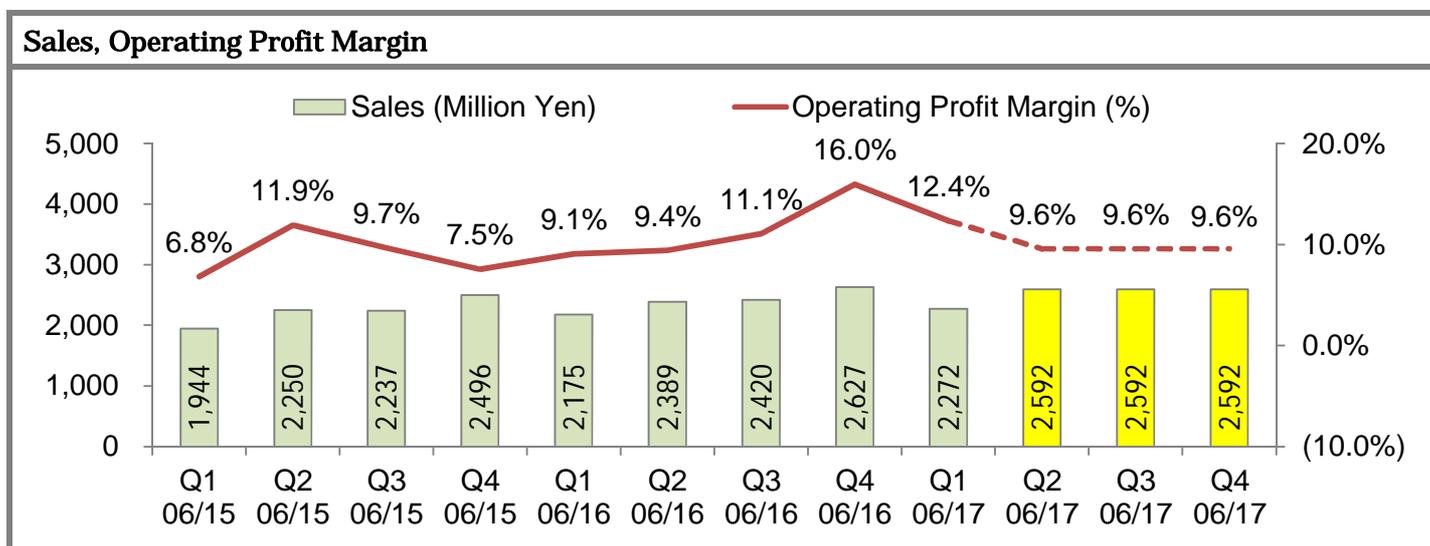
<b>Company Name</b>	AVANT CORPORATION <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price</a>	
<b>Established</b>	26 May 1997	
<b>Listing</b>	8 February 2007: Tokyo Stock Exchange JASDAQ Growth (Ticker: 3836)	
<b>Capital</b>	¥288m (As of the end of September 2016)	
<b>No. of Shares</b>	4,694,000 shares, including 297 treasury shares (As of the end of Sep. 2016)	
<b>Main Features</b>	<ul style="list-style-type: none"><li>● Licensing self-developed packaged software, i.e., DivaSystem</li><li>● Adopted by more than half of the top 50 market cap corporations in Japan</li><li>● Focus on horizontal expansion with 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 11.19%, Tsuyoshi Noshiro 6.98% (As of the end of June 2016)	
<b>Headquarters</b>	Minato-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 615, Parent: 52 (As of the end of September 2016)	

Source: Company Data

## 3.0 Recent Trading & Prospects

### Q1 FY06/2017 Results

In Q1 FY06/2017, sales came in at ¥2,272m (up 4.5% YoY), operating profit ¥280m (up 42.2%), recurring profit ¥280m (up 42.6%) and net profit ¥183m (up 40.4%), while operating profit margin 12.4% (up 3.3% points).

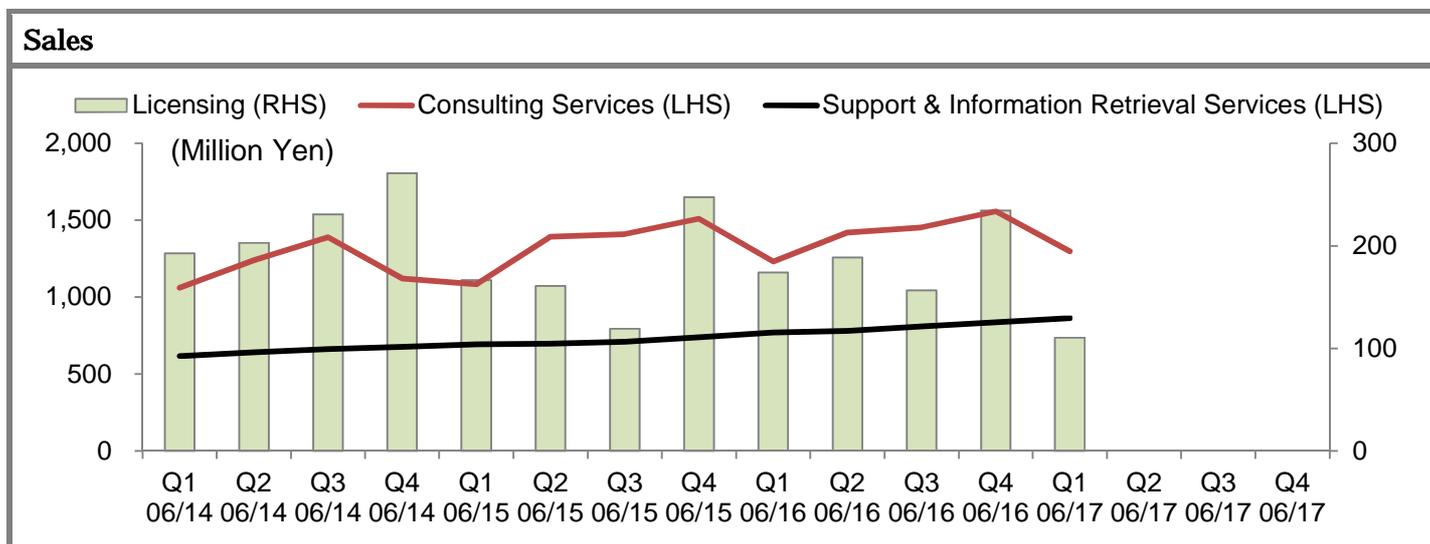


Source: Company Data, WRJ Calculation (Q2 to Q4 FY06/2017: Company forecasts during the same period, pro rata)

Out of full-year Company forecasts, the Company has achieved 22.6% in sales, 27.4% in operating profit, 27.3% in recurring profit and 28.5% in net profit. The progress rate for sales was in roughly line with equivalents in past years. Due mainly to seasonal factor sales in Q1 are relatively smaller every year. Meanwhile, operating profit saw progress rate exceeding by almost 10% points from results in FY06/2016. Even when excluding impacts from one-off accounting issue, the progress rate would have exceeded by 6% points to 7% points. It appears that this was partially due to shortfall of investment in human resources in Q1.

By business domain, sales of Licensing came in at ¥110m (down 36.5%), Consulting Services ¥1,298m (up 5.5%) and Support & Information Retrieval Services ¥864m (up 12.2%).

In Licensing, it appears that almost all sales were accounted for by packaged software to deal with consolidated management & accounting (DivaSystem). Sales of Licensing accounted for no more than 4.9% of sales as a whole for the Company, but the contents, i.e., DivaSystem, are self-developed packaged software and thus carry gross profit margin pretty high as far as we could gather. Meanwhile, sales associated with DivaSystem are still increasing over the previous year, although many corporations have already adopted since the launch in the market almost 20 years ago. However, sales associated with third-party packaged software carrying low gross profit margin came down sharply from the same period in the previous year when demand was driven by special procurement.



Source: Company Data, WRJ Calculation

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 from 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. It appears that new adoptions of DivaSystem are going on and thus sales in here are steadily increasing. On the other hand, sales of new services to offer solutions for domains of a) management accounting, b) governance and c) management basically offered to customers who have adopted DivaSystem are emerging on a full-fledged basis. In particular, it should be mentioned that sales associated with a) management accounting have become large amongst others while carrying high gross profit margin. On top this, the Company saw favorable startup for those of c) management.

Meanwhile, the latter represents BI-related services. BI stands for Business Intelligence and it means 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.

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 mainstay maintenance & services and version upgrades for DivaSystem, sales are stably increasing in line with ongoing increases of the number for DivaSystem being in utilization.

Elsewhere, sales are also favorable for offering of outsourcing services, which is the largest category out of sales associated with horizontal expansion. Still, consistently increasing sales have resulted in capacity utilization rate rather beyond limit in terms of human resources allocated to said operations and the Company is quite keen on investing in new human resources to solve this problem now. As a result, the Company suggests that gross profit margin in here is currently under pressure although this is one-off.

The third constituent of Support & Information Retrieval Services, i.e., information retrieval services represents 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.

On the earnings side, operating profit margin came in at 12.4% (up 3.3%) as a whole for the Company. Gross profit margin came in at 43.3% (unchanged from 43.3% during the same period in the previous year) and the ratio of SG&A expenses to sales 30.9% (down 3.3% points). Gross profit margin have remained unchanged as a whole for the Company, although there were increases and/or decreases for each business domain and/or each subdomain, while SG&A expenses came in at ¥703m (down 5.5%). One of the factors behind this was that the Company saw unexpected cutback of expenses due to one-off accounting issue, while the Company saw decreases of provision to be booked for bonus and changes of allocation for personnel expenses to cost of sales from SG&A expenses in line with changes for a few personnel between divisions.

## 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.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
<b>Sales</b>	<b>2,175</b>	<b>4,564</b>	<b>6,985</b>	<b>9,612</b>	<b>2,272</b>	-	-	-		<b>+97</b>
Cost of Sales	1,233	2,575	4,029	5,452	1,288	-	-	-		+55
Gross Profit	941	1,989	2,955	4,159	984	-	-	-		+42
SG&A	744	1,567	2,265	3,050	703	-	-	-		(40)
<b>Operating Profit</b>	<b>197</b>	<b>422</b>	<b>690</b>	<b>1,109</b>	<b>280</b>	-	-	-		<b>+83</b>
Non Operating Balance	(1)	(3)	(3)	2	0	-	-	-		0
<b>Recurring Profit</b>	<b>196</b>	<b>419</b>	<b>687</b>	<b>1,112</b>	<b>280</b>	-	-	-		<b>+83</b>
Extraordinary Balance	0	0	0	(176)	0	-	-	-		0
Pretax Profit	196	419	687	936	280	-	-	-		+83
Tax Charges, etc.	65	170	320	275	96	-	-	-		+30
<b>Net Profit</b>	<b>130</b>	<b>249</b>	<b>367</b>	<b>660</b>	<b>183</b>	-	-	-		<b>+52</b>
Sales YoY	+11.9%	+8.8%	+8.6%	+7.7%	+4.5%	-	-	-		-
Operating Profit YoY	+49.2%	+5.4%	+11.9%	+37.9%	+42.2%	-	-	-		-
Recurring Profit YoY	+50.3%	+5.8%	+12.7%	+39.8%	+42.6%	-	-	-		-
Net Profit YoY	+54.5%	(1.6%)	(2.5%)	+64.3%	+40.4%	-	-	-		-
Gross Profit Margin	43.3%	43.6%	42.3%	43.3%	43.3%	-	-	-		+0.0%
SG&A / Sales	34.2%	34.3%	32.4%	31.7%	30.9%	-	-	-		(3.3%)
Operating Profit Margin	9.1%	9.3%	9.9%	11.5%	12.4%	-	-	-		+3.3%
Recurring Profit Margin	9.0%	9.2%	9.8%	11.6%	12.3%	-	-	-		+3.3%
Net Profit Margin	6.0%	5.5%	5.3%	6.9%	8.1%	-	-	-		+2.1%
Tax Charges, etc. / Pretax Profit	33.3%	40.6%	46.6%	29.4%	34.3%	-	-	-		+1.0%

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.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017		
<b>Sales</b>	<b>2,175</b>	<b>2,389</b>	<b>2,420</b>	<b>2,627</b>	<b>2,272</b>	-	-	-		<b>+97</b>
Cost of Sales	1,233	1,341	1,454	1,423	1,288	-	-	-		+55
Gross Profit	941	1,047	966	1,204	984	-	-	-		+42
SG&A	744	822	698	784	703	-	-	-		(40)
<b>Operating Profit</b>	<b>197</b>	<b>224</b>	<b>268</b>	<b>419</b>	<b>280</b>	-	-	-		<b>+83</b>
Non Operating Balance	(1)	(2)	0	5	0	-	-	-		0
<b>Recurring Profit</b>	<b>196</b>	<b>222</b>	<b>268</b>	<b>425</b>	<b>280</b>	-	-	-		<b>+83</b>
Extraordinary Balance	0	0	0	(176)	0	-	-	-		0
Pretax Profit	196	222	268	248	280	-	-	-		+83
Tax Charges, etc.	65	104	149	(44)	96	-	-	-		+30
<b>Net Profit</b>	<b>130</b>	<b>118</b>	<b>118</b>	<b>293</b>	<b>183</b>	-	-	-		<b>+52</b>
Sales YoY	+11.9%	+6.2%	+8.2%	+5.2%	+4.5%	-	-	-		-
Operating Profit YoY	+49.2%	(16.2%)	+24.1%	+122.8%	+42.2%	-	-	-		-
Recurring Profit YoY	+50.3%	(16.1%)	+25.7%	+128.8%	+42.6%	-	-	-		-
Net Profit YoY	+54.5%	(29.9%)	(4.2%)	-	+40.4%	-	-	-		-
Gross Profit Margin	43.3%	43.9%	39.9%	45.8%	43.3%	-	-	-		+0.0%
SG&A / Sales	34.2%	34.4%	28.8%	29.9%	30.9%	-	-	-		(3.3%)
Operating Profit Margin	9.1%	9.4%	11.1%	16.0%	12.4%	-	-	-		+3.3%
Recurring Profit Margin	9.0%	9.3%	11.1%	16.2%	12.3%	-	-	-		+3.3%
Net Profit Margin	6.0%	4.9%	4.9%	11.2%	8.1%	-	-	-		+2.1%
Tax Charges, etc. / Pretax Profit	33.3%	47.0%	56.0%	-	34.3%	-	-	-		+1.0%

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	Q1 to Q4	Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	06/2017	
Licensing	174	362	519	753	110	-	-	-	-	(63)
Consulting Services	1,230	2,650	4,104	5,660	1,298	-	-	-	-	+67
Support & Information Retrieval Services	770	1,551	2,361	3,198	864	-	-	-	-	+93
<b>Sales</b>	<b>2,175</b>	<b>4,564</b>	<b>6,985</b>	<b>9,612</b>	<b>2,272</b>	-	-	-	-	<b>+97</b>
Licensing	+4.7%	+10.8%	+16.2%	+8.6%	(36.5%)	-	-	-	-	-
Consulting Services	+13.5%	+7.0%	+5.6%	+4.9%	+5.5%	-	-	-	-	-
Support & Information Retrieval Services	+11.0%	+11.5%	+12.5%	+12.7%	+12.2%	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+11.9%</b>	<b>+8.8%</b>	<b>+8.6%</b>	<b>+7.7%</b>	<b>+4.5%</b>	-	-	-	-	-
Licensing	8.0%	8.0%	7.4%	7.8%	4.9%	-	-	-	-	(3.1%)
Consulting Services	56.6%	58.1%	58.8%	58.9%	57.1%	-	-	-	-	+0.5%
Support & Information Retrieval Services	35.4%	34.0%	33.8%	33.3%	38.0%	-	-	-	-	+2.6%
<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>+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	Q4	Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	06/2017	
Licensing	174	188	156	234	110	-	-	-	-	(63)
Consulting Services	1,230	1,420	1,453	1,556	1,298	-	-	-	-	+67
Support & Information Retrieval Services	770	780	810	836	864	-	-	-	-	+93
<b>Sales</b>	<b>2,175</b>	<b>2,389</b>	<b>2,420</b>	<b>2,627</b>	<b>2,272</b>	-	-	-	-	<b>+97</b>
Licensing	+4.7%	+17.2%	+31.1%	(5.3%)	(36.5%)	-	-	-	-	-
Consulting Services	+13.5%	+2.0%	+3.2%	+3.0%	+5.5%	-	-	-	-	-
Support & Information Retrieval Services	+11.0%	+12.1%	+14.3%	+13.2%	+12.2%	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+11.9%</b>	<b>+6.2%</b>	<b>+8.2%</b>	<b>+5.2%</b>	<b>+4.5%</b>	-	-	-	-	-
Licensing	8.0%	7.9%	6.5%	8.9%	4.9%	-	-	-	-	(3.1%)
Consulting Services	56.6%	59.4%	60.0%	59.2%	57.1%	-	-	-	-	+0.5%
Support & Information Retrieval Services	35.4%	32.7%	33.5%	31.9%	38.0%	-	-	-	-	+2.6%
<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>+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	Q1 to Q4	Net Chg.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	06/2017	
Operating Cash Flow	(320)	(6)	328	1,135	86	-	-	-	-	+406
Investment Cash Flow	(27)	(74)	(245)	(301)	(91)	-	-	-	-	(64)
<b>Operating CF &amp; Investment CF</b>	<b>(347)</b>	<b>(81)</b>	<b>83</b>	<b>834</b>	<b>(5)</b>	-	-	-	-	<b>+342</b>
Financing Cash Flow	(116)	(173)	(211)	(243)	(135)	-	-	-	-	(19)

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.
	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	06/2017	
Operating Cash Flow	(320)	313	335	807	86	-	-	-	-	+406
Investment Cash Flow	(27)	(46)	(170)	(56)	(91)	-	-	-	-	(64)
<b>Operating CF &amp; Investment CF</b>	<b>(347)</b>	<b>266</b>	<b>164</b>	<b>751</b>	<b>(5)</b>	-	-	-	-	<b>+342</b>
Financing Cash Flow	(116)	(57)	(38)	(32)	(135)	-	-	-	-	(19)

Source: Company Data, WRJ Calculation

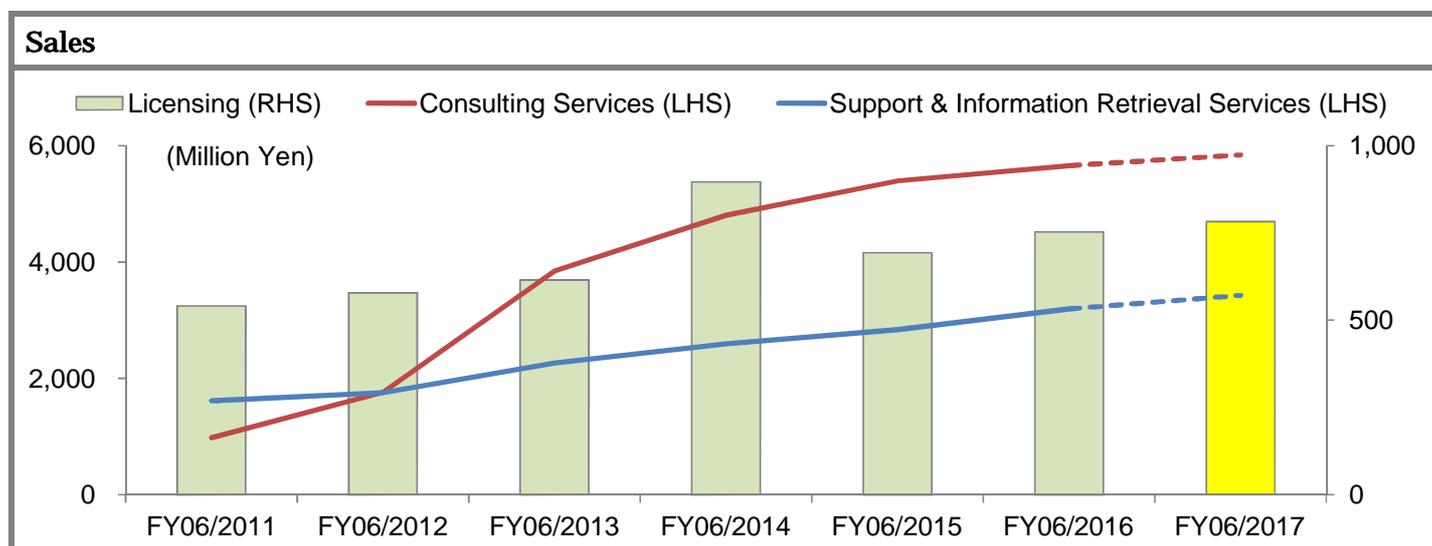
## Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	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		
Cash & Deposit	2,351	2,560	2,686	3,404	3,263	-	-	-		+912
Accounts Receivables	1,538	1,496	1,429	1,555	1,161	-	-	-		(377)
Inventory	184	234	223	120	142	-	-	-		(42)
Other	568	564	538	656	636	-	-	-		+68
<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>+560</b>
Tangible Assets	245	234	231	210	204	-	-	-		(41)
Intangible Assets	271	240	217	201	171	-	-	-		(99)
Investments & Other Assets	400	403	529	559	617	-	-	-		+217
<b>Fixed Assets</b>	<b>916</b>	<b>878</b>	<b>978</b>	<b>971</b>	<b>992</b>	-	-	-		<b>+75</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>+636</b>
Accounts Payables	272	313	347	336	253	-	-	-		(19)
Corporate Bond (Less Than 1 Year)	30	-	-	-	-	-	-	-		(30)
Short Term Debt	122	122	122	122	115	-	-	-		(6)
Other	2,103	2,175	2,185	2,794	2,314	-	-	-		+210
<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>+155</b>
Corporate Bond	-	-	-	-	-	-	-	-		-
Long Term Debt	120	96	59	28	4	-	-	-		(115)
Other	124	123	123	116	115	-	-	-		(8)
<b>Fixed Liabilities</b>	<b>245</b>	<b>220</b>	<b>182</b>	<b>145</b>	<b>120</b>	-	-	-		<b>(124)</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>+30</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>+610</b>
Adjustments	2	2	-	-	(1)	-	-	-		(4)
<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>+605</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>+636</b>
Equity Capital	2,785	2,903	3,019	3,311	3,391	-	-	-		+606
Interest Bearing Debt	273	219	181	151	120	-	-	-		(152)
Net Debt	(2,078)	(2,341)	(2,504)	(3,253)	(3,142)	-	-	-		(1,064)
Equity Capital Ratio	50.1%	50.6%	51.6%	49.4%	54.7%	-	-	-		+4.6%
Net-Debt-Equity Ratio	(74.6%)	(80.7%)	(83.0%)	(98.3%)	(92.7%)	-	-	-		(18.1%)
ROE (12 months)	17.2%	14.5%	13.7%	21.8%	23.1%	-	-	-		+5.9%
ROA (12 months)	16.4%	15.3%	16.1%	18.0%	20.4%	-	-	-		+3.9%
Total Assets Turnover	157%	167%	165%	157%	147%	-	-	-		-
Quick Ratio	154%	155%	155%	152%	165%	-	-	-		-
Current Ratio	184%	186%	184%	176%	194%	-	-	-		-

Source: Company Data, WRJ Calculation

## FY06/2017 Company Forecasts

FY06/2017 initial Company forecasts have remained unchanged, 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 ¥11.0 per share, implying a payout ratio of 16.0% (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 marginally going up.



Source: Company Data, WRJ Calculation

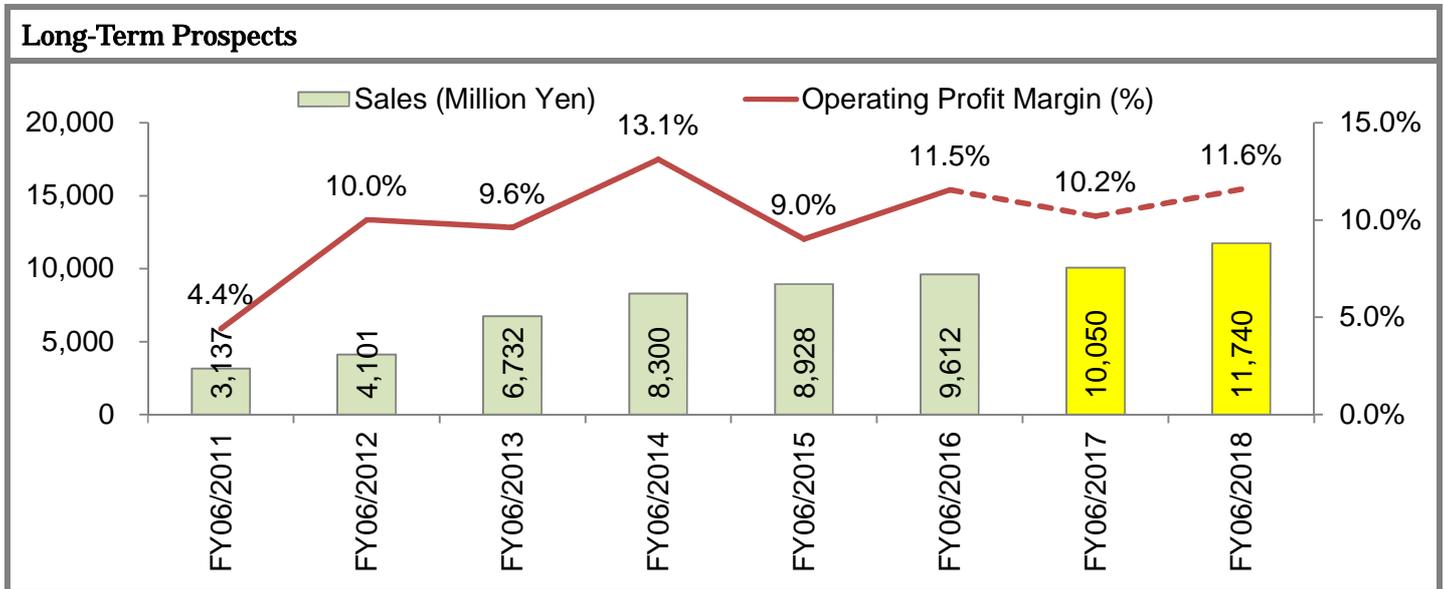
In regards to horizontal expansion represented by contracted outsourcing services to undertake duties of consolidated accounting & tax payment, there remains a great room to be further cultivated going forward. Thus, the Company reveals its intention to aggressively invest in human resources, while FY06/2017 Company forecasts do assume expenses stemming from here. Basically, the Company focuses on procurement of new human resources, while spending expenses for training existing personnel at the same time. On top of this, the Company is to invest also in issues associated with system.

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.

On the other hand, 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%, while it was 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. Meanwhile, 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.

The other thing is, 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 horizontal expansion as long-term growth driver. Apart from the mainstay contracted outsourcing services to undertake duties of consolidated accounting & tax payment, the Company now sees largest sales stemming from offering of solutions in domain of management accounting.

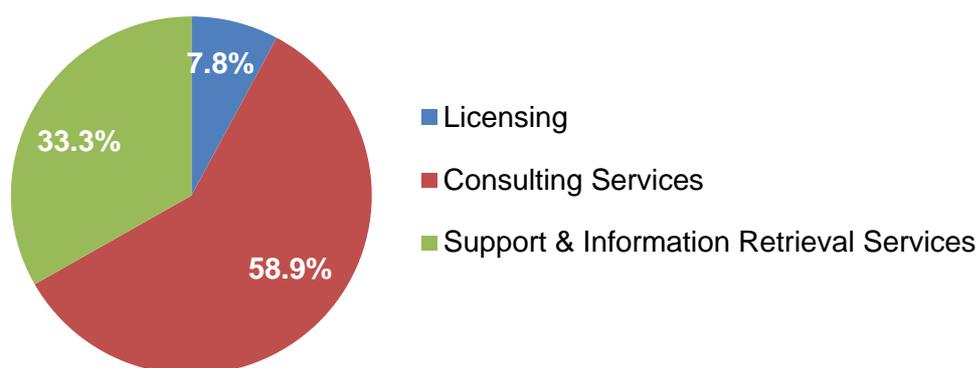
In regards to outsourcing services, the Company is trying to set up de facto standard as soon as possible with distinguished cost competitiveness leveraged by *automation* to improve productivity by replacing the bulk of existing labor-intensive operations by self-developed proprietary system.

## 4.0 Business Model

### Providing Consolidated Management & Accounting with Solutions

On 1 October 2013, the Company converted to holding company to run five operating companies collectively (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

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In Licensing, DIVA CORPORATION develops and sells DivaSystem which is packaged software for consolidated management & accounting. Meanwhile, ZEAL CORPORATION purchases 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 solutions for domains of a) management accounting, b) governance and c) management basically to the same customer base. On the other hand, ZEAL CORPORATION is in charge of offering BI-related services. On top of this, DIVA BUSINESS INNOVATION CORPORATION used to be in charge of ERP-related 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 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 development overseas in the United States, etc. through DIVA CORPORATION OF AMERICA

At the end of the day, the Company is successfully creating decent corporate value as found in the release by Tokyo Stock Exchange (24 February 2016). In here, 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).

### Divasystem (Image Pictures)

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
100損益計算書								
8100000売上高			8200010VC	8200020FC	8400010販売費	8400020一般管	8792000営業利	
合計	合計	合計	合計	合計	合計	合計	合計	合計
値	値	値	値	値	値	値	値	値
大分類A	中分類Aa	小分類001	692,350	79,800	0	35,776	121,205	455,489
中分類A	中分類A		43,992,258	26,270,857	26,985,943	2,940,492	10,843,409	-3,158,463
中分類A	中分類A		16,595	174,502,253	126,888,219	21,090,522	81,957,507	86,878,054
中分類A	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	中分類A		338,105,440	84,509,349	129,742,267	16,861,845	58,615,818	48,376,074
中分類A	中分類A		1,594,300	1,036,565	1,844,681	95,220	536,265	21,653
中分類A	中分類A		1,222,331	2,222,331	4,322,331	418,806	2,237,679	5,713,431
中分類A	中分類A		1,144,444	1,144,444	32,057,714	2,048,841	10,955,979	7,760,660
中分類A	中分類A		4,474,512	4,474,512	4,474,512	66,016	371,808	-3,134,321
中分類A	中分類A		0	0	0	0	0	0
中分類A	中分類A		0	0	0	0	0	0
中分類A	中分類A		0	0	0	0	0	0
中分類A	中分類A		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	-76,983,295
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	456,466,460	110,060,694	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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