

AVANT (3836)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	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		10,340	1,160	1,162	525	55.9	11.0	-
FY06/2016	YoY	7.7%	37.9%	39.8%	64.3%	-	-	-
FY06/2017CoE	YoY	7.6%	4.5%	4.4%	(20.5%)	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	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 FY06/2017		7,714	1,009	1,011	433	-	-	-
Q1 to Q3 FY06/2017	YoY	10.4%	46.3%	47.2%	18.0%	-	-	-

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

1.0 Executive Summary (16 May 2017)

Cultivating Even Further

AVANT, mainly running operations of selling DivaSystem, i.e., packaged software for consolidated management and accounting on a licensing basis together with related services, is currently seeing surging earnings. Sales of DivaSystem, having been developed and launched by the Company almost 20 years ago are still stable in regards to those of the software on a licensing basis and of maintenance services, while buoyant for those of introduction and other services driven by increasing needs associated with adoption of IFRS and sophistication of business administration, e.g., group governance. On top of this, sales are increasing fast for operations basically offered to corporations to have adopted DivaSystem so far, mainly comprising those to offer outsourcing services and to provide solutions for management accounting. As far as we could gather, the Company has well succeeded in further cultivating customers who have adopted DivaSystem, collectively having stood at 936 in terms of the number as of the end of March in 2017. More importantly, there remains a huge room to cultivate even further going forward. For example, on the side of operations to offer outsourcing services to undertake duties of consolidated accounting and tax payment, where sales have become large in particular, the Company suggests no more than 5% of them have adopted said services out of the collective 936 customers. Meanwhile, we have an impression that this ratio could possibility reach 20% or more at the end of the day, when estimated based on content and size of business of each suggested by the Company. This trend looks being true also of the operations to provide solutions for management accounting (CPM: Corporate Performance Management) or potentially having even more upside. It appears that the Company is to update existing midterm management plan (FY06/2016 to FY06/2018), paying respect to above-mentioned most recent issues and to come up with new one to start in FY06/2018.

In Q1 to Q3 FY06/2017, sales came in at ¥7,714m (up 10.4% YoY), operating profit ¥1,009m (up 46.3%) and operating profit margin 13.1% (up 3.2% points). Sales of Licensing came in at ¥485m (down 6.6%), Consulting Services ¥4,502m (up 9.7%) and Support and Information Retrieval Services ¥2,727m (up 15.5%). Strengths of sales, having exceeded initial assumptions, led to unexpectedly improving operating profit margin. The Company did aggressively invest in human resources to cope with increasing demand, but increasing sales have more than compensated for this as a result. In regards to Licensing, sales of the mainstay DivaSystem have remained roughly unchanged from the same period in the previous year, while sales of third-party packaged software (procured and sold) plummeted, lacking in large-scale project. In regards to Consulting Services, sales of those to introduce DivaSystem were buoyant as well as BI-related system integrations services. Sales of the operations to provide solutions for management accounting have remained not very significant as a constituent here but increased even faster. In regards to Support and Information Retrieval Services, sales of maintenance services for DivaSystem, etc. have remained stable, while sales of outsourcing services surged.

FY06/2017 Company forecasts are going for prospective sales of ¥10,340m (up 7.6% YoY), operating profit of ¥1,160m (up 4.5%) and operating profit margin of 11.2% (down 0.3% points). All those figures are after upward revision made in line with the release of Q1 to Q3 results (8 May 2017) to have exceeded initial assumptions. Sales have been upgrade by ¥290m (2.9%) and operating profit by ¥135m (13.2%). However, as far as we could see, both prospective sales and expenses in Q4 look being based on conservative assumptions. When simply calculated based on Q1 to Q3 results, sales are to be ¥2,625m (down 0.1% YoY) in Q4, operating profit ¥150m (down 64.2%) and operating profit margin 5.7% (down 10.3% points). The Company suggests that only assured issues are assumed in prospective sales here, while we have an impression that prospective sales here are to be exceeded and thus earnings.

IR Representative: Corporate Strategic Information Management, Nobue Aoki (ir@avantcorp.com)

2.0 Company Profile

Providing Consolidated Management and 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 March 2017)	
No. of Shares	9,388,000 shares, including 662 treasury shares (As of the end of March 2017)	
Main Features	<ul style="list-style-type: none">● Licensing proprietary packaged software, i.e., DivaSystem● Adopted by more than half of Japan's top 50 market cap corporations● A huge room to further cultivate existing customer base	
Businesses	. Software Business	
Top Management	President and CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 36.22%, ESOP 11.00%, Tsuyoshi Noshiro 6.99% (As of the end of December 2016)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 649, Unconsolidated: 48 (As of the end of March 2017)	

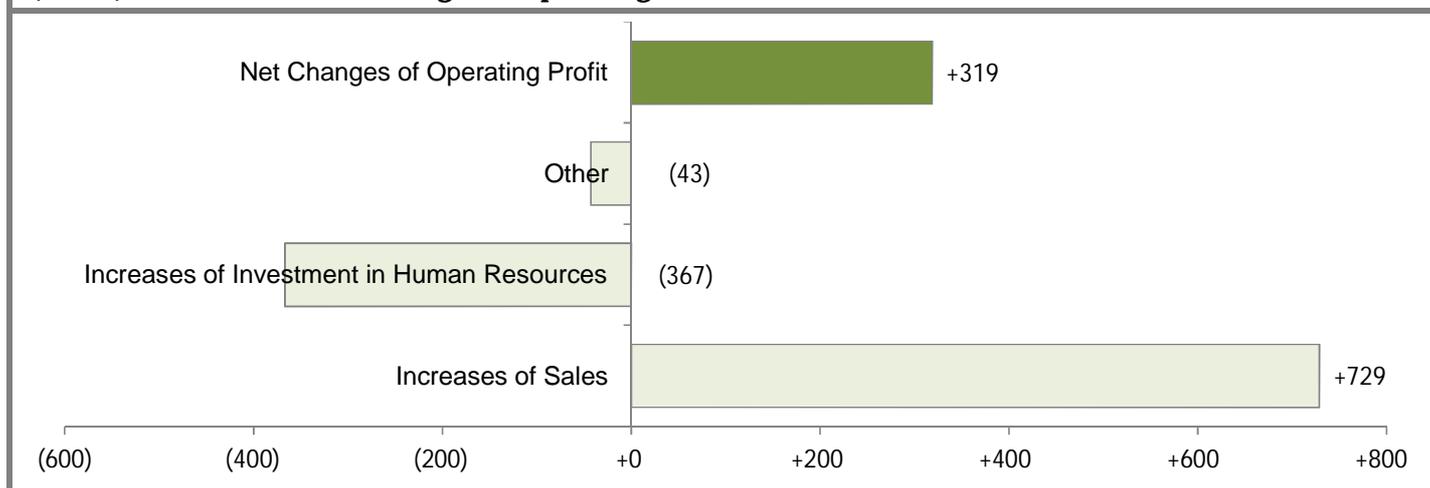
Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY06/2017 Results

In Q1 to Q3 FY06/2017, sales came in at ¥7,714m (up 10.4% YoY), operating profit ¥1,009m (up 46.3%), recurring profit ¥1,011m (up 47.2%) and profit attributable to owners of parent ¥433m (up 18.0%), while operating profit margin 13.1% (up 3.2% points).

Q1 to Q3 FY06/2017 : Net Changes of Operating Profit and Main Factors



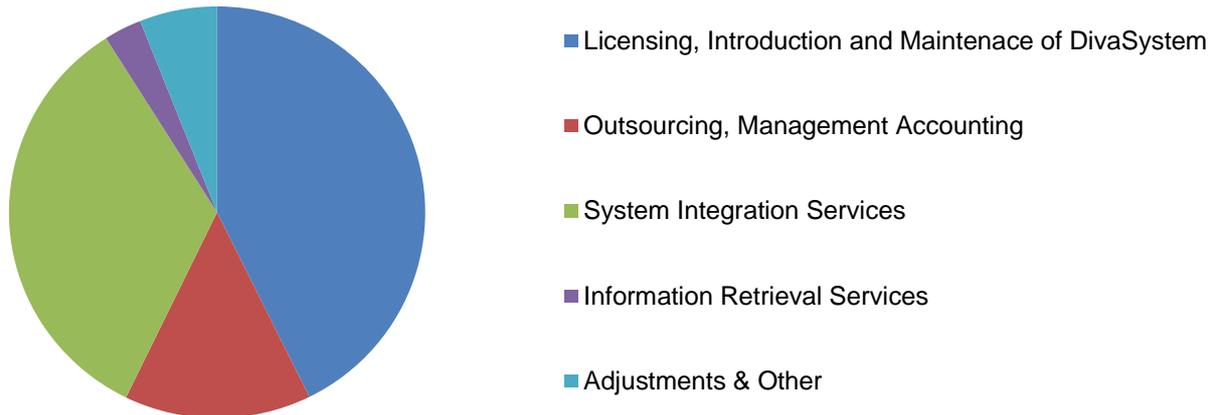
Source: Company Data, WRJ Calculation

Sales associated with DivaSystem are one of the main constituents of sales as a whole for the Company, comprising those of selling the packaged software on a licensing basis, of offering introduction services and of offering maintenance services. It is indispensable to start with so-called “implementation” to set up master for using DivaSystem and/or to apply customization at the introduction of the packaged software. In regards to licensing and maintenance services, sales have been stable, while demand is picking up nicely for high quality implementation and other services driven by increasing needs associated with adoption of IFRS and sophistication of business administration, e.g., group governance. This is one of the key factors for sales increasing as a whole for the Company.

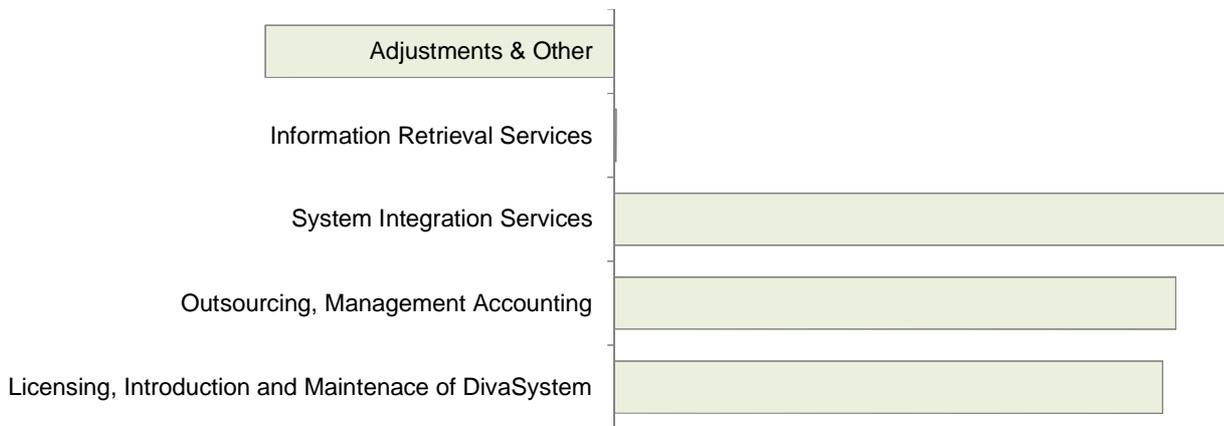
Meanwhile, sales have risen and currently account for a certain proportion out of the Company as a whole, in regards to operations to offer outsourcing services to undertake duties of consolidated accounting and tax payment as well as those to provide solutions for management accounting (CPM: Corporate Performance Management). Both of them are services basically for collective 936 corporations who have adopted DivaSystem (as of the end of March 2017) to have obtained since the launch into the market in FY06/1998, i.e., almost 20 years ago. It could be said that this only accounts for a certain proportion, but it appears that sales here are driving those as a whole for the Company as much as by above-mentioned sales associated with DivaSystem due to high growth rate.

On the other hand, sales associated with system integration services are the other main constituent as a whole for the Company. The Company has strengths on the BI side here, while its expertise to deal with diverse equipment and products with high technology has been highly appreciated, giving good opportunity for the Company to see steadily increasing sales and earnings here most recently. System integration services on the BI side are literally represented by those of BI (Business Intelligence), i.e., of those based on a method to facilitate corporate decision-making by means of analyzing and processing vast in-house data accumulated by business systems, etc.

Q1 to Q3 FY06/2017 : Sales Breakdown (WRJ Estimates)



Q1 to Q3 FY06/2017 : Net Changes of Sales (WRJ Estimates)



Source: Company Data, WRJ Calculation

To add to all those operations, the Company is also exposed to information retrieval services representing the operations to offer ASP services for users effectively all accountants of auditing firms to comprehensively retrieve timely disclosure information based on the Financial Instruments and Exchange Act, including any word in the texts, etc. To date, some 20,000 to 30,000 CPAs (Certified Public Accountants) have adopted said services for their regular use.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act							
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	Net Chg.	
Sales	2,175	4,564	6,985	9,612	2,272	4,958	7,714	-	+729	
Cost of Sales	1,233	2,575	4,029	5,452	1,288	2,733	4,224	-	+194	
Gross Profit	941	1,989	2,955	4,159	984	2,225	3,490	-	+535	
SG&A	744	1,567	2,265	3,050	703	1,633	2,481	-	+215	
Operating Profit	197	422	690	1,109	280	591	1,009	-	+319	
Non Operating Balance	(1)	(3)	(3)	2	0	4	2	-	+5	
Recurring Profit	196	419	687	1,112	280	595	1,011	-	+324	
Extraordinary Balance	0	0	0	(176)	0	(326)	(326)	-	(326)	
Profit before Income Taxes	196	419	687	936	280	269	685	-	(1)	
Total Income Taxes	65	170	320	275	96	86	252	-	(67)	
Profit Attributable to Owners of Parent	130	249	367	660	183	183	433	-	+65	
Sales YoY	+11.9%	+8.8%	+8.6%	+7.7%	+4.5%	+8.6%	+10.4%	-	-	
Operating Profit YoY	+49.2%	+5.4%	+11.9%	+37.9%	+42.2%	+40.0%	+46.3%	-	-	
Recurring Profit YoY	+50.3%	+5.8%	+12.7%	+39.8%	+42.6%	+42.1%	+47.2%	-	-	
Profit Attributable to Owners of Parent YoY	+54.5%	(1.6%)	(2.5%)	+64.3%	+40.4%	(26.5%)	+18.0%	-	-	
Gross Profit Margin	43.3%	43.6%	42.3%	43.3%	43.3%	44.9%	45.2%	-	+2.9%	
SG&A / Sales	34.2%	34.3%	32.4%	31.7%	30.9%	33.0%	32.2%	-	(0.3%)	
Operating Profit Margin	9.1%	9.3%	9.9%	11.5%	12.4%	11.9%	13.1%	-	+3.2%	
Recurring Profit Margin	9.0%	9.2%	9.8%	11.6%	12.3%	12.0%	13.1%	-	+3.3%	
Profit Attributable to Owners of Parent Margin	6.0%	5.5%	5.3%	6.9%	8.1%	3.7%	5.6%	-	+0.4%	
Tax Charges, etc. / Pretax Profit	33.3%	40.6%	46.6%	29.4%	34.3%	32.1%	36.9%	-	(9.7%)	
Income Statement	Cons.Act	Cons.Act	Cons.Act							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	06/2016	06/2016	06/2016	06/2016	06/2017	06/2017	06/2017	06/2017	Net Chg.	
Sales	2,175	2,389	2,420	2,627	2,272	2,685	2,756	-	+336	
Cost of Sales	1,233	1,341	1,454	1,423	1,288	1,444	1,490	-	+36	
Gross Profit	941	1,047	966	1,204	984	1,241	1,265	-	+299	
SG&A	744	822	698	784	703	930	847	-	+148	
Operating Profit	197	224	268	419	280	310	418	-	+150	
Non Operating Balance	(1)	(2)	0	5	0	5	(2)	-	(2)	
Recurring Profit	196	222	268	425	280	315	416	-	+148	
Extraordinary Balance	0	0	0	(176)	0	(326)	0	-	0	
Profit before Income Taxes	196	222	268	248	280	(10)	416	-	+148	
Total Income Taxes	65	104	149	(44)	96	(9)	166	-	+16	
Profit Attributable to Owners of Parent	130	118	118	293	183	0	250	-	+131	
Sales YoY	+11.9%	+6.2%	+8.2%	+5.2%	+4.5%	+12.4%	+13.9%	-	-	
Operating Profit YoY	+49.2%	(16.2%)	+24.1%	+122.8%	+42.2%	+38.0%	+56.2%	-	-	
Recurring Profit YoY	+50.3%	(16.1%)	+25.7%	+128.8%	+42.6%	+41.6%	+55.3%	-	-	
Profit Attributable to Owners of Parent YoY	+54.5%	(29.9%)	(4.2%)	-	+40.4%	-	+111.8%	-	-	
Gross Profit Margin	43.3%	43.9%	39.9%	45.8%	43.3%	46.2%	45.9%	-	+6.0%	
SG&A / Sales	34.2%	34.4%	28.8%	29.9%	30.9%	34.7%	30.7%	-	+1.9%	
Operating Profit Margin	9.1%	9.4%	11.1%	16.0%	12.4%	11.6%	15.2%	-	+4.1%	
Recurring Profit Margin	9.0%	9.3%	11.1%	16.2%	12.3%	11.8%	15.1%	-	+4.0%	
Profit Attributable to Owners of Parent Margin	6.0%	4.9%	4.9%	11.2%	8.1%	(0.0%)	9.1%	-	+4.2%	
Tax Charges, etc. / Pretax Profit	33.3%	47.0%	56.0%	-	34.3%	-	39.9%	-	(16.0%)	

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	YoY	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	322	485	-	-	(34)
Consulting Services	1,230	2,650	4,104	5,660	1,298	2,855	4,502	-	-	+397
Support and Information Retrieval Services	770	1,551	2,361	3,198	864	1,780	2,727	-	-	+366
Sales	2,175	4,564	6,985	9,612	2,272	4,958	7,714	-	-	+729
Licensing	+4.7%	+10.8%	+16.2%	+8.6%	(36.5%)	(11.2%)	(6.6%)	-	-	-
Consulting Services	+13.5%	+7.0%	+5.6%	+4.9%	+5.5%	+7.7%	+9.7%	-	-	-
Support and Information Retrieval Services	+11.0%	+11.5%	+12.5%	+12.7%	+12.2%	+14.8%	+15.5%	-	-	-
Sales (YoY)	+11.9%	+8.8%	+8.6%	+7.7%	+4.5%	+8.6%	+10.4%	-	-	-
Licensing	8.0%	8.0%	7.4%	7.8%	4.9%	6.5%	6.3%	-	-	(1.1%)
Consulting Services	56.6%	58.1%	58.8%	58.9%	57.1%	57.6%	58.4%	-	-	(0.4%)
Support and Information Retrieval Services	35.4%	34.0%	33.8%	33.3%	38.0%	35.9%	35.4%	-	-	+1.6%
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	YoY	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	211	162	-	-	+6
Consulting Services	1,230	1,420	1,453	1,556	1,298	1,557	1,646	-	-	+192
Support and Information Retrieval Services	770	780	810	836	864	916	947	-	-	+137
Sales	2,175	2,389	2,420	2,627	2,272	2,685	2,756	-	-	+336
Licensing	+4.7%	+17.2%	+31.1%	(5.3%)	(36.5%)	+12.2%	+3.9%	-	-	-
Consulting Services	+13.5%	+2.0%	+3.2%	+3.0%	+5.5%	+9.7%	+13.3%	-	-	-
Support and Information Retrieval Services	+11.0%	+12.1%	+14.3%	+13.2%	+12.2%	+17.4%	+16.9%	-	-	-
Sales (YoY)	+11.9%	+6.2%	+8.2%	+5.2%	+4.5%	+12.4%	+13.9%	-	-	-
Licensing	8.0%	7.9%	6.5%	8.9%	4.9%	7.9%	5.9%	-	-	(0.6%)
Consulting Services	56.6%	59.4%	60.0%	59.2%	57.1%	58.0%	59.7%	-	-	(0.3%)
Support and Information Retrieval Services	35.4%	32.7%	33.5%	31.9%	38.0%	34.1%	34.4%	-	-	+0.9%
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	YoY	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	160	(64)	-	-	(393)
Investment Cash Flow	(27)	(74)	(245)	(301)	(91)	(106)	(273)	-	-	(28)
Operating CF & Investment CF	(347)	(81)	83	834	(5)	53	(338)	-	-	(421)
Financing Cash Flow	(116)	(173)	(211)	(243)	(135)	(162)	(200)	-	-	+10

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	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	73	(224)	-	-	(560)
Investment Cash Flow	(27)	(46)	(170)	(56)	(91)	(14)	(167)	-	-	+3
Operating CF & Investment CF	(347)	266	164	751	(5)	58	(392)	-	-	(556)
Financing Cash Flow	(116)	(57)	(38)	(32)	(135)	(26)	(38)	-	-	0

Source: Company Data, WRJ Calculation

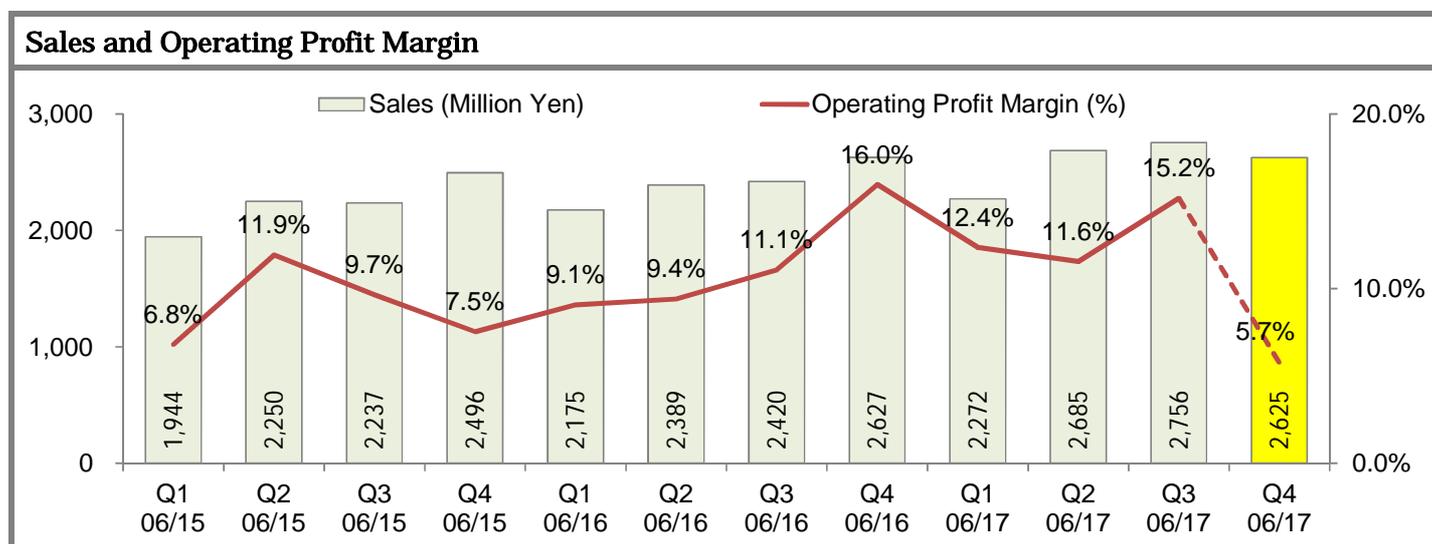
Balance Sheet (Quarterly)

Balance Sheet	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	3,296	2,866	-		+179
Accounts Receivables	1,538	1,496	1,429	1,555	1,161	1,552	1,656	-		+226
Inventory	184	234	223	120	142	107	187	-		(35)
Other	568	564	538	656	636	623	616	-		+78
Current Assets	4,642	4,856	4,878	5,737	5,203	5,580	5,326	-		+448
Tangible Assets	245	234	231	210	204	177	233	-		+2
Intangible Assets	271	240	217	201	171	145	127	-		(89)
Investments & Other Assets	400	403	529	559	617	758	830	-		+300
Fixed Assets	916	878	978	971	992	1,081	1,191	-		+212
Total Assets	5,559	5,734	5,856	6,709	6,195	6,662	6,518	-		+661
Accounts Payables	272	313	347	336	253	319	426	-		+78
Corporate Bond (Less Than 1 Year)	30	-	-	-	-	-	-	-		-
Short Term Debt	122	122	122	122	115	96	59	-		(63)
Other	2,103	2,175	2,185	2,794	2,314	2,738	2,255	-		+70
Current Liabilities	2,528	2,610	2,654	3,252	2,683	3,155	2,740	-		+85
Corporate Bond	-	-	-	-	-	-	-	-		-
Long Term Debt	120	96	59	28	4	-	-	-		(59)
Other	124	123	123	116	115	115	135	-		+12
Fixed Liabilities	245	220	182	145	120	115	135	-		(47)
Total Liabilities	2,773	2,831	2,837	3,398	2,804	3,270	2,876	-		+38
Shareholders' Equity	2,782	2,900	3,018	3,311	3,392	3,391	3,641	-		+623
Adjustments	2	2	-	-	(1)	-	-	-		-
Total Assets	2,785	2,903	3,019	3,311	3,391	3,391	3,641	-		+622
Total Liabilities & Net Assets	5,559	5,734	5,856	6,709	6,195	6,662	6,518	-		+661
Equity Capital	2,785	2,903	3,019	3,311	3,391	3,391	3,641	-		+622
Interest Bearing Debt	273	219	181	151	120	96	59	-		(122)
Net Debt	(2,078)	(2,341)	(2,504)	(3,253)	(3,142)	(3,199)	(2,806)	-		(301)
Equity Capital Ratio	50.1%	50.6%	51.6%	49.4%	54.7%	50.9%	55.9%	-		+4.3%
Net-Debt-Equity Ratio	(74.6%)	(80.7%)	(83.0%)	(98.3%)	(92.7%)	(94.4%)	(77.1%)	-		+5.9%
ROE (12 months)	17.2%	14.5%	13.7%	21.8%	23.1%	18.9%	21.8%	-		+8.1%
ROA (12 months)	16.4%	15.3%	16.1%	18.0%	20.4%	20.8%	23.2%	-		+7.2%
Total Assets Turnover	157%	167%	165%	157%	147%	161%	169%	-		-
Quick Ratio	154%	155%	155%	152%	165%	154%	165%	-		-
Current Ratio	184%	186%	184%	176%	194%	177%	194%	-		-

Source: Company Data, WRJ Calculation

FY06/2017 Company Forecasts

FY06/2017 Company forecasts are going for prospective sales of ¥10,340m (up 7.6% YoY), operating profit of ¥1,160m (up 4.5%), recurring profit of ¥1,162m (up 4.4%) and profit attributable to owners of parent of ¥525m (down 20.5%) with operating profit margin of 11.2% (down 0.3% points). Meanwhile, prospective annual dividend is ¥11.0 per share, implying a payout ratio of 19.7% (after retroactive adjustment for 1:2 share split effective on 1 December 2016). Compared with ¥11.0, implying a payout ratio of 15.6%, in FY06/2016, there is no change in absolute value, while payout ratio is to go up.



Source: Company Data, WRJ Calculation

All those figures are after upward revision made in line with the release of Q1 to Q3 results (8 May 2017) to have exceeded initial assumptions. Sales have been upgrade by ¥290m (2.9%), operating profit by ¥135m (13.2%), recurring profit by ¥137m (13.4%). Prior to this, profit attributable to owners of parent had been once downgraded by ¥255m (39.5%) to ¥390m from ¥645m. From here, the Company saw upgrading by ¥135m (34.6%).

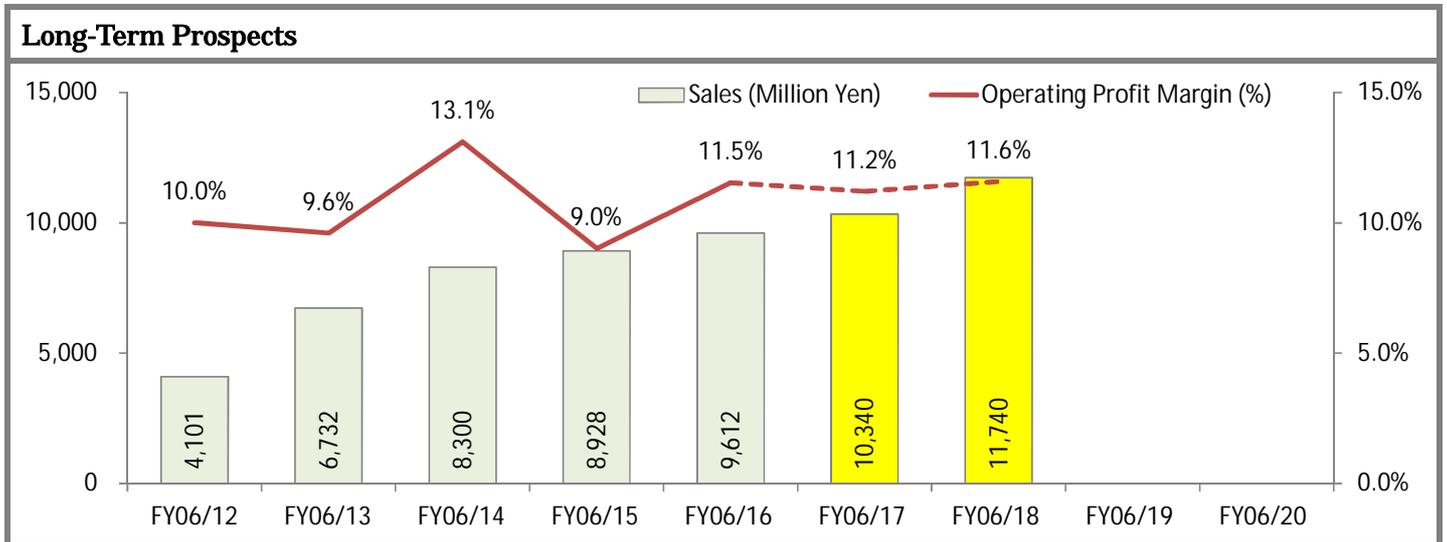
As was disclosed on 20 December 2016, the Company has established a settlement to date in regards to the issue on the liability for compensation associated with business mandate contract with a customer, having booked extraordinary loss of ¥326m in Q2. This is the reason why profit attributable to owners of parent is to come down over the previous year even after upward revision this time. On top of this, the Company has been also suffering from provision for loss on order intake. Due to net decreases of said provision over the previous year, the Company is currently seeing some net increases of earnings, but the Company does mention that it is the key management theme to fully insulate itself from all those loss-making operations.

Meanwhile, the Company, prioritizing “Stability and Continuity” as the basic measure of the dividend policy, is to maintain stable dividend in FY06/2017 despite adjustments of dividend resource. At the release of existing midterm management plan (FY06/2016 to FY06/2018), the Company made a change to its stated dividend policy and claimed for this measure. Prior to this, the Company’s dividend policy was based on earnings in an accounting period, which could change dramatically.

“Stable dividend” here refers to that the Company intends to avoid decreases of dividend anytime, while not implying that the Company is trying to maintain the levels of dividend going forward. For example, dividend on equity is now mentioned as one of the key indicators to focus on. This is based on net assets, which are stable relative to earnings in a specific accounting period, enabling the Company to reliably pay stable dividend. In FY06/2015, dividend on equity came in at 3.3%, which was followed by 3.4% in FY06/2016. Meanwhile, in a long-term view, the Company plans to consistently raise this ratio.

Long-Term Prospects

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



Source: Company Data, WRJ Calculation

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

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

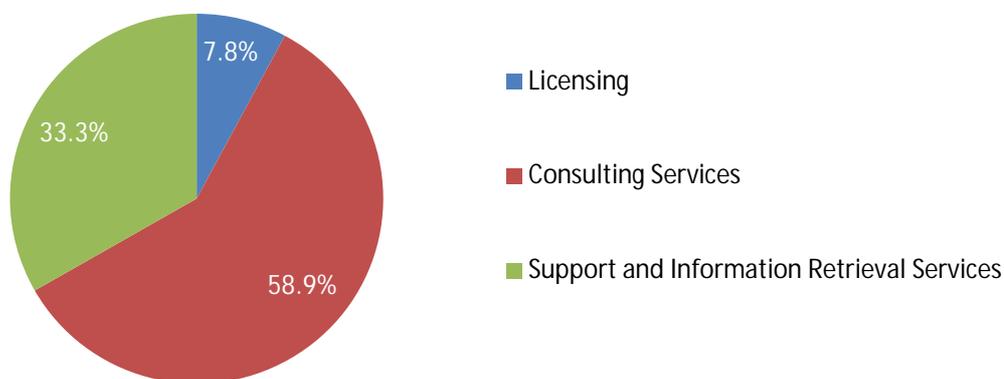
Although licensing of DivaSystem is unlikely to surge in the future as mentioned above, the Company is starting to see new growth drivers, represented by outsourcing services to undertake duties of consolidated accounting and tax payment. For example, in regards to outsourcing services, the Company is 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. In order to achieve this, the Company has started to consider AI (Artificial Intelligence) to get adopted in the foreseeable future.

4.0 Business Model

Providing Consolidated Management and Accounting with Solutions

On 1 October 2013, the Company converted into holding company to collectively run five operating companies (all 100% consolidated subsidiaries), which was implemented through incorporation-type company split. Own business operations were succeeded by one of them, i.e., newly established DIVA CORPORATION, while the Company was newly identified as AVANT CORPORATION. Meanwhile, AVANT CORPORATION has been in charge of hiring human resources for all the operating companies as the holding company. Most recently, however, it is planned to persuade hiring to more cope with needs of each actual spot of the businesses to drive future growth potentials. In other words, each operating company is to start up hiring on its own going forward, when based on suggestions by the Company. Meanwhile, operations by each operating company are correlated to each business domain as follows:

FY06/2016: Sales by Business Domain



Source: Company Data, WRJ Calculation

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

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

Aforementioned loss on order intake is generated here in Consulting Services. Meanwhile, in regards to ERP-related system integration services to have been succeeded by DIVA CORPORATION, it appears that the Company is intentionally cutting back sales as the strategy, implying lowering probability to newly generate loss stemming from here.

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

To add to all those operations, the Company also runs DIVA CORPORATION OF AMERICA in the United States, looking to future business developments in there. Meanwhile, the Company set up a base of maintenance services in California of the United States in February 2015, which was followed by setup of a new base of operations for sales and maintenance services in London of England on 8 December 2016. Still, it appears that both of them are basically exposed to services for local bases of existing customers.

On the other hand, the Company is looking to future business developments in Asian region as the true initiatives for its growth strategy of "GO GLOBAL". As far as we could gather, the Company is trying to get at seeing major business scale in the future here by means of launching product proprietarily developed by the Company to cope with local needs with marketability as high as DivaSystem.

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	1,681,124	1,681,124	32,057,714	2,048,841	10,955,979
		中分類Ah		4,474,819	4,474,819	4,474,819	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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