

AVANT (3836)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2016		9,612	1,109	1,112	660	35.2	5.5	176.4
FY06/2017		10,532	1,306	1,308	663	35.3	8.0	206.3
FY06/2018CoE		11,246	1,224	1,224	752	40.1	10.0	-
FY06/2017	YoY	9.6%	17.7%	17.6%	0.4%	-	-	-
FY06/2018CoE	YoY	6.8%	(6.3%)	(6.5%)	13.3%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY06/2017		2,272	280	280	183	-	-	-
Q2 FY06/2017		2,685	310	315	0	-	-	-
Q3 FY06/2017		2,756	418	416	250	-	-	-
Q4 FY06/2017		2,817	296	296	230	-	-	-
Q1 FY06/2018		2,544	247	248	162	-	-	-
Q1 FY06/2017	YoY	4.5%	42.2%	42.6%	40.4%	-	-	-
Q2 FY06/2017	YoY	12.4%	38.0%	41.6%	-	-	-	-
Q3 FY06/2017	YoY	13.9%	56.2%	55.3%	111.8%	-	-	-
Q4 FY06/2017	YoY	7.2%	(29.4%)	(30.2%)	(21.5%)	-	-	-
Q1 FY06/2018	YoY	12.0%	(11.8%)	(11.2%)	(11.6%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (21 November 2017)

Frontloaded Investment

AVANT, mainly involved with running operations of selling DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services, is currently suffering from frontloaded investment to drive sales and earnings in a long-term view. In the development and/or version upgrade for the Company's product, i.e., DivaSystem as well as in the provision of diverse services, the key source of creating value is nothing but manual labor by own personnel, suggesting it is just indispensable to expand own human resources to drive growth going forward. Still, most recently, the Company is increasing the number of own personnel roughly the fastest ever, while coping with work style reform on a full-fledged basis at the same time. Due mainly to this, the Company currently sees temporary increases of human-resource-related expenses to a considerable extent, giving negative impacts to short-term earnings. However, this drives long-term earnings at the same time as far as we could gather. The Company's midterm management plan (FY06/2018 to FY06/2020) is calling for prospective sales of ¥13,433m and operating profit of ¥1,626m in FY06/2020, i.e., the last year of the plan. When based on the FY06/2017 results, sales are to see CAGR of 8.4% and of 7.6% for operating profit during the same period. Meanwhile, according to Tetsuji Morikawa who founded the Company and is currently President Group CEO, the Company, having offered solutions on "accounting (accounts processing of the past results)", is now starting up offering solutions on "finance (optimum allocations of business assets for the future growth)", in order to further beef up earnings growth in a long-term view.


In Q1 FY06/2018, sales came in at ¥2,544m (up 12.0% YoY), operating profit ¥247m (down 11.8%) and operating profit margin 9.7% (down 2.6% points). Business performance as a whole for the Company hinges on that of Consolidated Accounting Related to sell DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services to a large extent. Sales came in at ¥1,392m (up 7.7% YoY), operating profit ¥145m (down 17.7%) and operating profit margin 10.4% (down 3.2% points), while having accounted for 54.7% of sales as a whole for the Company and 66.8% of operating profit. Sales of DivaSystem on a licensing basis were favorable, having resulted in the number of accumulated customers as many as 950 as of the end of Q1 since the launch in FY06/1998. At the same time, given utilization rate remaining high, sales of maintenance services were also favorable. On top of this, sales are even firmer than ever in regards to those associated with introducing DivaSystem, etc. in line with increasing adoptions of IFRS and increasing needs to cope with sophistication of business administration. Meanwhile, sales were buoyant and thus earnings on the Business Intelligence side as well as on the Outsourcing side. While the former represents system integration services by an operating company under management of the Company to have been acquired by merger and the latter offering of outsourcing services to undertake duties of consolidated accounting and tax payment for existing customers to have been cultivated by adoptions of DivaSystem. Nevertheless, earnings came down as a whole for the Company due to fall of earnings larger on the mainstay Consolidated Accounting Related side.

FY06/2018 initial Company forecasts have remained unchanged, going for prospective sales of ¥11,246m (up 6.8% YoY), operating profit of ¥1,224m (down 6.3%) and operating profit margin of 10.9% (down 1.5% points). It appears that increasing sales but decreasing earnings in Q1 were in line with assumptions, while the same being assumed on a full-year basis too. That is to say, demand for product and services offered by the Company is to remain buoyant, but increasing human-resource-related expenses are to generate negative impacts more than offsetting buoyant sales in terms of earnings. Even so, as far as assuming both FY06/2018 Company forecasts and earnings target of midterm management plan are to be met, earnings correction stemming from increasing human-resource-related expenses is not to reappear in FY06/2019. Based on said assumptions, the Company is to see operating profit up 15.1% over the previous year in FY03/2019 and up 15.4% in FY06/2020.

IR Representative: Office of Group Management and Control, Nobue Aoki (ir@avantcorp.com)

2.0 Company Profile

Providing Consolidated Management and Accounting with Solutions

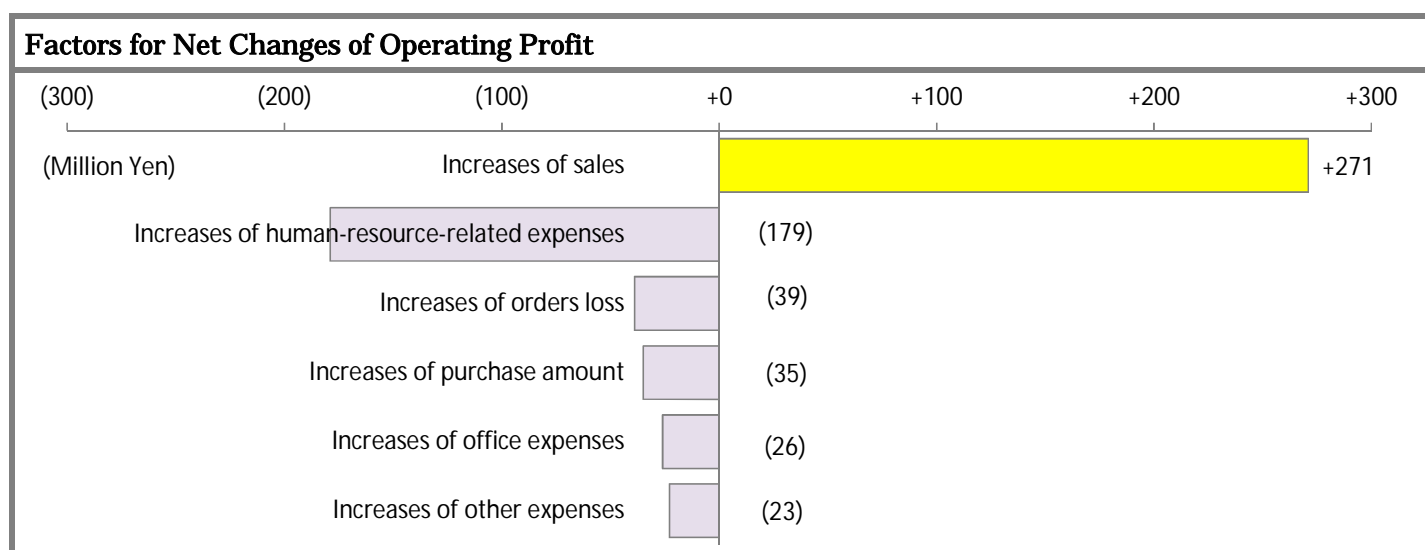
Company Name	AVANT CORPORATION Company Website IR Information Share Price	
Established	26 May 1997	
Listing	22 September 2017: Tokyo Stock Exchange 2nd section (Ticker:3836) 8 February 2007: Tokyo Stock Exchange JASDAQ Growth	
Capital	¥288m (As of the end of September 2017)	
No. of Shares	18,776,000 shares, including 1,324 treasury shares (As of the end of September 2017, after retroactive adjustment for 1:2 share split, having been effectively on 1 November 2017)	
Main Features	<ul style="list-style-type: none"> ● Licensing DivaSystem or proprietary packaged software ● Adopted by more than half of Japan's top 50 market cap corporates to date ● Focusing on operations as CIFO ACCELERATOR in a long-term view 	
Businesses	<ul style="list-style-type: none"> . Consolidated Accounting Related . Business Intelligence . Outsourcing 	
Top Management	President Group CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 36.2%, ESOP 10.3%, Tsuyoshi Noshiro 4.9% (As of the end of June 2017)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 735, Parent 34 (As of the end of September 2017)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY06/2018 Results

In Q1 FY06/2018, sales came in at ¥2,544m (up 12.0% YoY), operating profit ¥247m (down 11.8%), recurring profit ¥248m (down 11.2%) and profit attributable to owners of parent ¥162m (down 11.6%), while operating profit margin 9.7% (down 2.6% points). Thus, sales increased while earnings came down, which was attributable to a one-off factor. Meanwhile, when compared with FY06/2018 initial Company forecasts, the Company saw progress rate of 22.6% in sales and 20.2% in operating profit, roughly in line with results in the previous year. In FY06/2017 results, the Company saw 21.6% and 21.5%, respectively, in Q1, suggesting that initial Company forecasts have been initially assuming increasing sales but decreasing earnings due to a one-off factor.



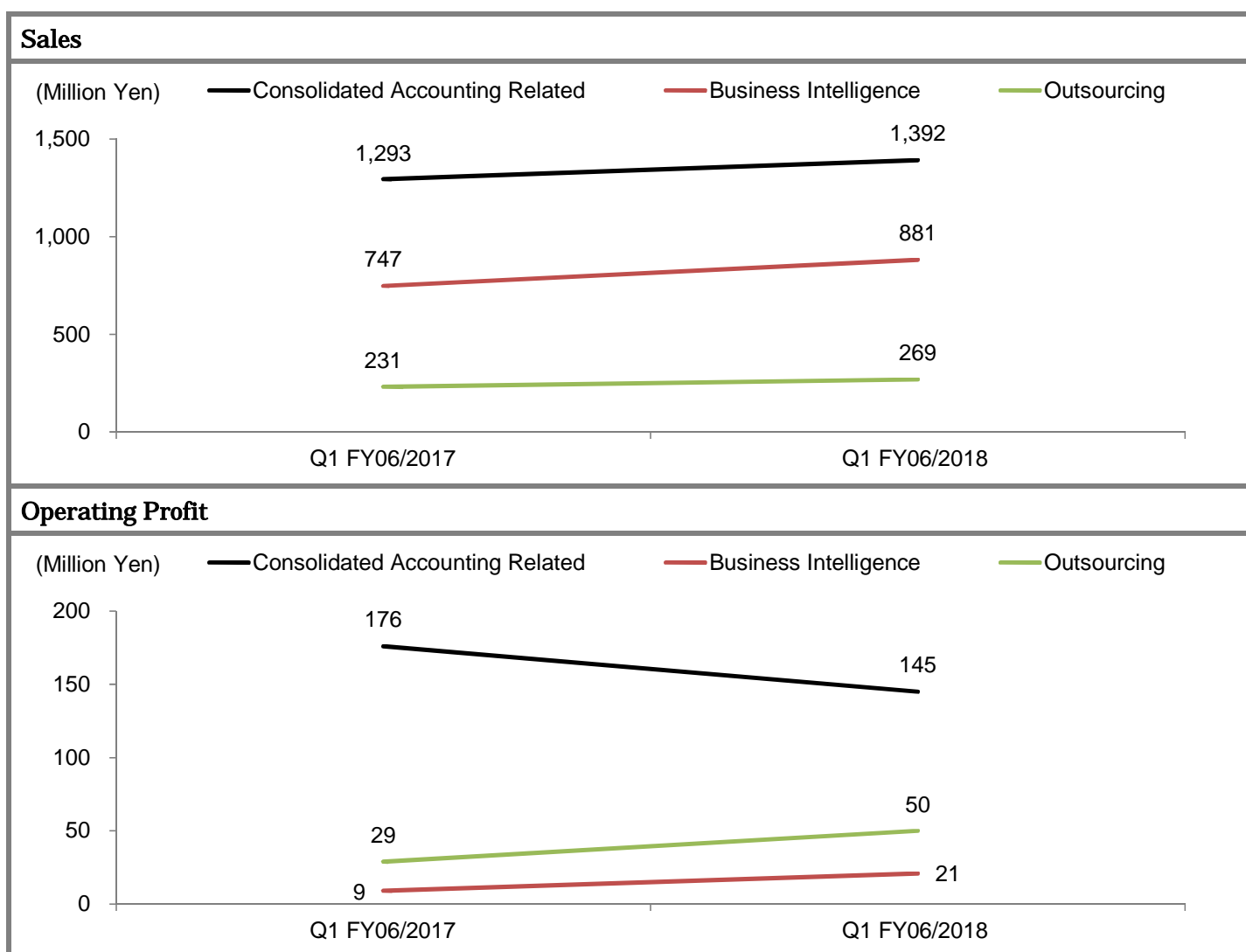
Source: Company Data

Compared with the same period in the previous year, the Company saw net increases of sales by ¥271m and net increases of operating expenses by ¥304m, having resulted in net decreases by ¥33m in operating profit. In regards to net increases of operating expenses by ¥304m, increases of human-resource-related expenses by ¥179m (including personnel expenses, subcontracting expenses and expenses to be paid to external recruiting consultants associated with new hiring) was the key driver.

Net increases by 60 in the number of group personnel over three-month period in the quarter just before, i.e., Q4 FY06/2017, were followed by the number having stood at as many as 735 as of the end of Q1, up 120 (and/or up 19.5%) from 615 as of the end of Q1 FY06/2017. Increases like this on a year-on-year basis are roughly the fastest ever and thus personnel expenses should be the same. This looks being appreciable to subcontracting expenses, while increases of office expenses were also in line with increases in the number of group personnel. On top of this, the Company has started to cope with work style reform on a full-fledged basis, etc. at the same time in order to reflect changes of social environment, eventually aiming at enclosure of human resources in a long-term view. In other words, the Company's personnel are now enjoying improving working environment, while it could be said that the Company is intentionally lowering efficiency to drive sales by spending human-resource-related expense in a respect of short-term earnings.

The other issue to mention is that new graduates and so-called the second new graduates are to start up contributing to sales gradually after three-month preparatory training and OJT (On-the-Job Training) in each department to follow. In Q1, given the number of all those new personnel increasing over the same period in the previous year, it should be the case that lead time to drive sales after spending of human-resource-related expenses is now rather extending. Nevertheless, negative impacts are to calm down eventually, in regards to both of them, i.e., intentionally lowering efficiency for spending of human-resource-related expenses and extending lead time, as far as no further acceleration prevailing on new hiring and progress of work style reform.

By reporting segment, Consolidated Accounting Related saw sales of ¥1,392m (up 7.7%), operating profit of ¥145m (down 17.7%) and operating profit margin of 10.4% (down 3.2% points). Business Intelligence saw sales of ¥881m (up 18.0%), operating profit of ¥21m (up 119.7%) and operating profit margin of 2.5% (up 1.1% points). Outsourcing saw sales of ¥269m (up 16.5%), operating profit of ¥50m (up 72.7%) and operating profit margin of 18.8% (up 6.1% points).



出所：会社データ

The mainstay Consolidated Accounting Related accounted for 54.7% of sales as a whole for the Company and 66.8% of operating profit (the ratio to total reporting segment of operating profit, i.e., ¥217m), implying business performance of the Company largely hinging on that of this reporting segment. Meanwhile, increases of human-resource-related expenses as a whole for the Company were rather concentrated in this reporting segment and thus generating negative impacts to earnings in this reporting segment, having resulted in earnings as a whole for the Company, eventually. For information, operating profit of ¥247m as a whole for the Company comprises total reporting segment of operating profit of ¥217m and adjustments of ¥29m, comprising elimination of intersegment transaction of ¥279m and corporate expenses of ¥249m (mainly SG&A expenses not belonging to each reporting segment).

The bulk of business contents on the Consolidated Accounting Related side equates to those of DIVA CORPORATION or one of the operating companies under management of the Company, running operations of selling DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services. By the end of Q1, DIVA CORPORATION had been also running operations to offer outsourcing services to undertake duties of consolidated accounting and tax payment for existing customers to have been cultivated by adoptions of DivaSystem, but said operations have been succeeded by another operating company to have been newly established since the beginning of Q2.

Selling of proprietary DivaSystem on a licensing basis has to be followed by offering of so-called “implementation” to set up master for using the packaged software (DivaSystem) as well as of customization and then by consistent maintenance services, including version upgrade after the setup. DIVA CORPORATION is in charge of all of them so comprehensively. At the same time, this operating company is eager to offer related services, e.g., CPM (Corporate Performance Management) to solve problems on managerial accounting for existing customers to have adopted DivaSystem, which is one of the drivers to beef up sales here.

On top of this, Consolidated Accounting Related also includes information retrieval services offered by INTERNET DISCLOSURE Co., Ltd. or another operating company under management of the Company. However, sales and earnings are insignificant in a view of impacts to those in this reporting segment. Meanwhile, information retrieval services represent those to comprehensively retrieve timely disclosure information based on the Financial Instruments and Exchange Act, including any word in the texts, etc. mainly used by auditing firms on a SaaS (Software as a Service) basis. To date, some 20,000 to 30,000 CPAs (Certified Public Accountants) have adopted said services for their regular use.

On the Business Intelligence side, ZEAL CORPORATION or one of the operating companies under management of the Company offers BI (Business Intelligence)-related system integration services, representing 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. Own expertise to efficiently deal with diverse hardware has been highly appreciated and thus sales are so buoyant as well as earnings, i.e., operating profit of ¥21m (up 119.7%) and operating profit margin of 2.5% (up 1.1% points).

Still, operating profit and operating profit margin have remained relatively small in terms of absolute value. Although direct sales are starting to pick up most recently, this operating company has been basically involved with indirect sales through major system integrators. Meanwhile, ZEAL CORPORATION has been under management by the Company since Q2 FY06/2013 through merger & acquisition, while goodwill write-off (¥113m pa) stemming from here was completed in Q1 FY06/2018. Thus, the Company is to see decreases of expenses as much as corresponding to this starting in Q2.

Meanwhile, on the Outsourcing side, sales are roughly no more than one third of Business Intelligence, but operating profit margin even higher than Consolidated Accounting Related being enjoyed. By the end of Q1, DIVA CORPORATION to run the operations of Consolidated Accounting Related as one of the operating companies under management of the Company had been in charge of all those operations too, but they have been succeeded by FIERTE CORPORATION (100% consolidated subsidiary) or newly-established operating company under management of the Company since the beginning of Q2.

On the Outsourcing side, representing operations to offer those to undertake duties of consolidated accounting and tax payment, it appears that there remains huge room to newly cultivate in regards to existing customer base to have been cultivated by adoptions of DivaSystem. More importantly, new strategy to further enhance sales by cultivating new customer base other than existing one has been introduced, where it is to be driven by taking advantage of own new brand to have been newly created in line with the company split. As planned, the company split was enforced on 1 October 2017 as well as having been effective since then.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	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)	06/2017	06/2017	06/2017	06/2017	06/2018	06/2018	06/2018	06/2018	Net Chg.	
Sales	2,272	4,958	7,714	10,532	2,544	-	-	-		+271
Cost of Sales	1,288	2,733	4,224	5,834	1,514	-	-	-		+226
Gross Profit	984	2,225	3,490	4,697	1,029	-	-	-		+45
SG&A	703	1,633	2,481	3,391	781	-	-	-		+78
Operating Profit	280	591	1,009	1,306	247	-	-	-		(33)
Non Operating Balance	0	4	2	2	0	-	-	-		+1
Recurring Profit	280	595	1,011	1,308	248	-	-	-		(31)
Extraordinary Balance	0	(326)	(326)	(276)	0	-	-	-		0
Profit before Income Taxes	280	269	685	1,032	248	-	-	-		(31)
Total Income Taxes	96	86	252	369	86	-	-	-		(10)
Profit Attributable to Owners of Parent	183	183	433	663	162	-	-	-		(21)
Sales YoY	+4.5%	+8.6%	+10.4%	+9.6%	+12.0%	-	-	-		-
Operating Profit YoY	+42.2%	+40.0%	+46.3%	+17.7%	(11.8%)	-	-	-		-
Recurring Profit YoY	+42.6%	+42.1%	+47.2%	+17.6%	(11.2%)	-	-	-		-
Profit Attributable to Owners of Parent YoY	+40.4%	(26.5%)	+18.0%	+0.4%	(11.6%)	-	-	-		-
Gross Profit Margin	43.3%	44.9%	45.2%	44.6%	40.5%	-	-	-		(2.8%)
SG&A / Sales	30.9%	33.0%	32.2%	32.2%	30.7%	-	-	-		(0.2%)
Operating Profit Margin	12.4%	11.9%	13.1%	12.4%	9.7%	-	-	-		(2.6%)
Recurring Profit Margin	12.3%	12.0%	13.1%	12.4%	9.8%	-	-	-		(2.6%)
Profit Attributable to Owners of Parent Margin	8.1%	3.7%	5.6%	6.3%	6.4%	-	-	-		(1.7%)
Tax Charges, etc. / Pretax Profit	34.3%	32.1%	36.9%	35.8%	34.6%	-	-	-		+0.3%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	06/2017	06/2017	06/2017	06/2017	06/2018	06/2018	06/2018	06/2018	Net Chg.	
Sales	2,272	2,685	2,756	2,817	2,544	-	-	-		+271
Cost of Sales	1,288	1,444	1,490	1,610	1,514	-	-	-		+226
Gross Profit	984	1,241	1,265	1,206	1,029	-	-	-		+45
SG&A	703	930	847	910	781	-	-	-		+78
Operating Profit	280	310	418	296	247	-	-	-		(33)
Non Operating Balance	0	5	(2)	0	0	-	-	-		+1
Recurring Profit	280	315	416	296	248	-	-	-		(31)
Extraordinary Balance	0	(326)	0	50	0	-	-	-		0
Profit before Income Taxes	280	(10)	416	346	248	-	-	-		(31)
Total Income Taxes	96	(9)	166	116	86	-	-	-		(10)
Profit Attributable to Owners of Parent	183	0	250	230	162	-	-	-		(21)
Sales YoY	+4.5%	+12.4%	+13.9%	+16.4%	+12.0%	-	-	-		-
Operating Profit YoY	+42.2%	+38.0%	+56.2%	(29.4%)	(11.8%)	-	-	-		-
Recurring Profit YoY	+42.6%	+41.6%	+55.3%	(30.2%)	(11.2%)	-	-	-		-
Profit Attributable to Owners of Parent YoY	+40.4%	-	+111.8%	(21.5%)	(11.6%)	-	-	-		-
Gross Profit Margin	43.3%	46.2%	45.9%	42.8%	40.5%	-	-	-		(2.8%)
SG&A / Sales	30.9%	34.7%	30.7%	32.3%	30.7%	-	-	-		(0.2%)
Operating Profit Margin	12.4%	11.6%	15.2%	10.5%	9.7%	-	-	-		(2.6%)
Recurring Profit Margin	12.3%	11.8%	15.1%	10.5%	9.8%	-	-	-		(2.6%)
Profit Attributable to Owners of Parent Margin	8.1%	(0.0%)	9.1%	8.2%	6.4%	-	-	-		(1.7%)
Tax Charges, etc. / Pretax Profit	34.3%	-	39.9%	33.6%	34.6%	-	-	-		+0.3%

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	
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
	06/2017	06/2017	06/2017	06/2017	06/2018	06/2018	06/2018	06/2018	06/2018	Net Chg.
Licensing	110	322	485	700	176	-	-	-	-	+65
Consulting Services	1,298	2,855	4,502	6,161	1,452	-	-	-	-	+153
Support and Information Retrieval Services	864	1,780	2,727	3,670	915	-	-	-	-	+50
Sales	2,272	4,958	7,714	10,532	2,543	-	-	-	-	+270
Licensing	(36.5%)	(11.2%)	(6.6%)	(7.1%)	+59.5%	-	-	-	-	-
Consulting Services	+5.5%	+7.7%	+9.7%	+8.9%	+11.9%	-	-	-	-	-
Support and Information Retrieval Services	+12.2%	+14.8%	+15.5%	+14.7%	+6.0%	-	-	-	-	-
Sales (YoY)	+4.5%	+8.6%	+10.4%	+9.6%	+12.0%	-	-	-	-	-
Licensing	4.9%	6.5%	6.3%	6.6%	6.9%	-	-	-	-	-
Consulting Services	57.1%	57.6%	58.4%	58.5%	57.1%	-	-	-	-	-
Support and Information Retrieval Services	38.0%	35.9%	35.4%	34.8%	36.0%	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-
Sales by Business Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
	06/2017	06/2017	06/2017	06/2017	06/2018	06/2018	06/2018	06/2018	06/2018	Net Chg.
Licensing	110	211	162	215	176	-	-	-	-	+65
Consulting Services	1,298	1,557	1,646	1,659	1,452	-	-	-	-	+153
Support and Information Retrieval Services	864	916	947	942	915	-	-	-	-	+50
Sales	2,272	2,685	2,756	2,817	2,543	-	-	-	-	+270
Licensing	(36.5%)	+12.2%	+3.9%	(8.2%)	+59.5%	-	-	-	-	-
Consulting Services	+5.5%	+9.7%	+13.3%	+6.7%	+11.9%	-	-	-	-	-
Support and Information Retrieval Services	+12.2%	+17.4%	+16.9%	+12.6%	+6.0%	-	-	-	-	-
Sales (YoY)	+4.5%	+12.4%	+13.9%	+7.2%	+12.0%	-	-	-	-	-
Licensing	4.9%	7.9%	5.9%	7.6%	6.9%	-	-	-	-	-
Consulting Services	57.1%	58.0%	59.7%	58.9%	57.1%	-	-	-	-	-
Support and Information Retrieval Services	38.0%	34.1%	34.4%	33.4%	36.0%	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2017	Q2 06/2017	Q3 06/2017	Q4 06/2017	Q1 06/2018	Q2 06/2018	Q3 06/2018	Q4 06/2018		
Cash & Deposit	3,263	3,296	2,866	3,945	3,433	-	-	-	-	+169
Accounts Receivables	1,161	1,552	1,656	1,481	1,282	-	-	-	-	+121
Inventory	142	107	187	183	288	-	-	-	-	+146
Other	636	623	616	659	787	-	-	-	-	+150
Current Assets	5,203	5,580	5,326	6,269	5,791	-	-	-	-	+588
Tangible Assets	204	177	233	207	205	-	-	-	-	+1
Intangible Assets	171	145	127	100	134	-	-	-	-	(36)
Investments and Other Assets	617	758	830	747	747	-	-	-	-	+130
Fixed Assets	992	1,081	1,191	1,056	1,087	-	-	-	-	+95
Total Assets	6,195	6,662	6,518	7,325	6,879	-	-	-	-	+683
Accounts Payables	253	319	426	421	435	-	-	-	-	+181
Short Term Debt	115	96	59	28	4	-	-	-	-	(111)
Lease Obligations	2	2	2	2	3	-	-	-	-	-
Unearned Revenue Gains	1,324	1,208	1,139	1,546	1,464	-	-	-	-	+139
Other	986	1,527	1,113	1,317	940	-	-	-	-	(46)
Current Liabilities	2,683	3,155	2,740	3,316	2,848	-	-	-	-	+164
Long Term Debt	4	-	-	-	-	-	-	-	-	(4)
Lease Obligations	4	3	3	2	11	-	-	-	-	+6
Other	111	111	132	132	132	-	-	-	-	+21
Fixed Liabilities	120	115	135	135	144	-	-	-	-	+23
Total Liabilities	2,804	3,270	2,876	3,452	2,992	-	-	-	-	+188
Shareholders' Equity	3,392	3,391	3,641	3,872	3,884	-	-	-	-	+491
Adjustments	(1)	-	-	1	2	-	-	-	-	+3
Total Assets	3,391	3,391	3,641	3,873	3,886	-	-	-	-	+495
Total Liabilities and Net Assets	6,195	6,662	6,518	7,325	6,879	-	-	-	-	+683
Equity Capital	3,391	3,391	3,641	3,873	3,886	-	-	-	-	+495
Interest Bearing Debt	127	102	64	1,577	19	-	-	-	-	(108)
Net Debt	(3,136)	(3,193)	(2,801)	(2,368)	(3,413)	-	-	-	-	(277)
Equity Capital Ratio	54.7%	50.9%	55.9%	52.9%	56.5%	-	-	-	-	+1.8%
Net-Debt-Equity Ratio	(92.5%)	(94.2%)	(76.9%)	(61.2%)	(87.8%)	-	-	-	-	+4.6%
ROE (12 months)	23.1%	18.9%	21.8%	18.5%	17.6%	-	-	-	-	(5.5%)
ROA (12 months)	20.4%	20.8%	23.2%	18.7%	19.5%	-	-	-	-	(0.8%)
Total Assets Turnover	147%	161%	169%	154%	148%	-	-	-	-	-
Quick Ratio	165%	154%	165%	164%	166%	-	-	-	-	-
Current Ratio	194%	177%	194%	189%	203%	-	-	-	-	-

Source: Company Data, WRJ Calculation

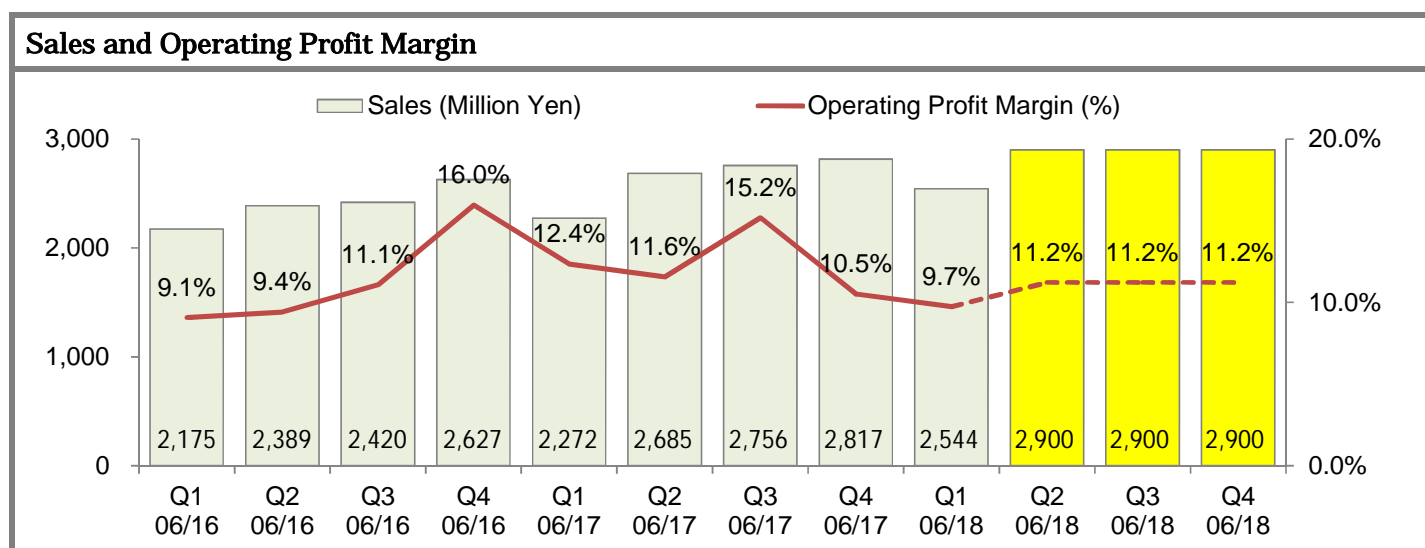
Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2017	Q1 to Q2 06/2017	Q1 to Q3 06/2017	Q1 to Q4 06/2017	Q1 06/2018	Q1 to Q2 06/2018	Q1 to Q3 06/2018	Q1 to Q4 06/2018		
Operating Cash Flow	86	160	(64)	1,070	(281)	-	-	-	-	(368)
Investment Cash Flow	(91)	(106)	(273)	(297)	(56)	-	-	-	-	+35
Operating CF and Investment CF	(5)	53	(338)	772	(338)	-	-	-	-	(333)
Financing Cash Flow	(135)	(162)	(200)	(232)	(174)	-	-	-	-	(39)
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.
Operating Cash Flow	86	73	(224)	1,134	(281)	-	-	-	-	(368)
Investment Cash Flow	(91)	(14)	(167)	(23)	(56)	-	-	-	-	+35
Operating CF and Investment CF	(5)	58	(392)	1,111	(338)	-	-	-	-	(333)
Financing Cash Flow	(135)	(26)	(38)	(31)	(174)	-	-	-	-	(39)

Source: Company Data, WRJ Calculation

FY06/2018 Company Forecasts

FY06/2018 initial Company forecasts have remained unchanged, going for prospective sales of ¥11,246m (up 6.8% YoY), operating profit of ¥1,224m (down 6.3%), recurring profit of ¥1,224m (down 6.5%) and profit attributable to owners of parent of ¥752m (up 13.3%), with operating profit margin of 10.9% (down 1.5% points). Meanwhile, prospective annual dividend is ¥10.0 per share (after retroactive adjustment for 1:2 share split), having been effectively on 1 November 2017), implying a payout ratio of 25.0%. Compared with ¥8.0 per share, implying a payout ratio of 22.6%, in FY06/2017, the Company is to increase dividend by ¥2.0.



Source: Company Data, WRJ Calculation (Q2 to Q4 FY06/2018 : Company forecasts during the same period, pro rata)

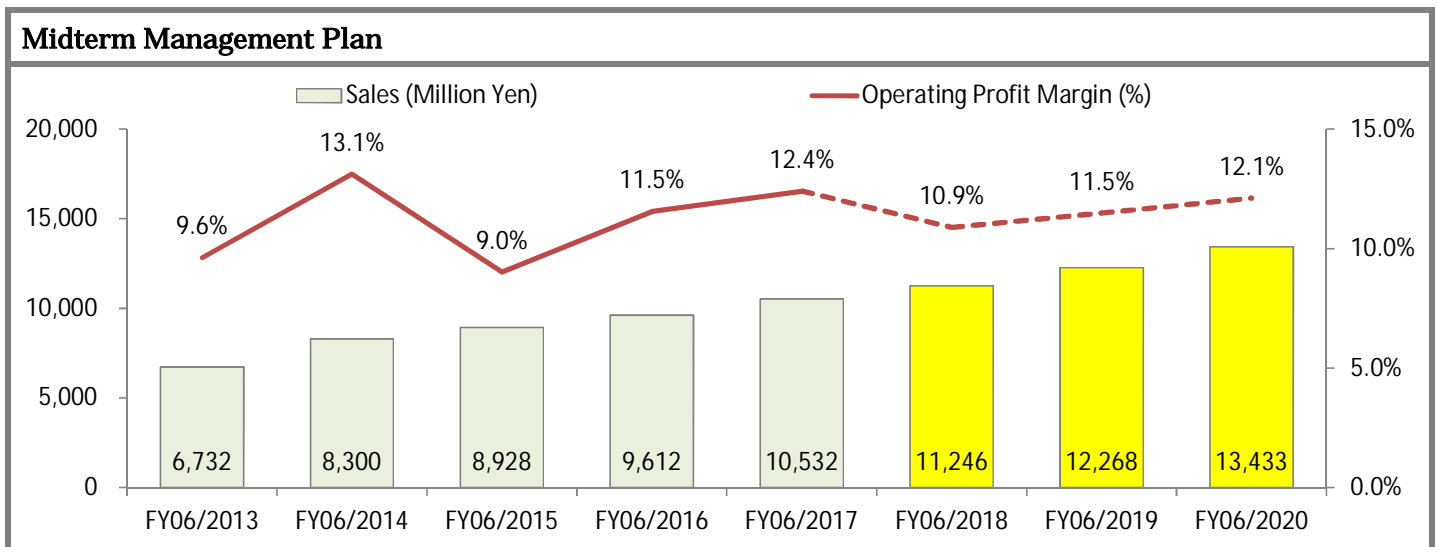
Correction of operating profit, aforementioned, due mainly to increasing human-resource-related expenses has already started in Q4 FY06/2017. Operating profit margin came in at 10.5% (down 5.5% points YoY), which was followed by operating profit margin of 9.7% (down 2.6% points) in Q1 FY06/2018, suggesting lowering operating profit margin going on. However, the rate of lowering is getting smaller on a chronological basis, which could mean that the worst of earnings correction by increasing human-resource-related expenses are already gone, while the trend of further recovery may persist towards the end of the fiscal year.

Meanwhile, the Company to continue increasing dividend is calling for “dividend of more than tenfold” towards FY06/2027 as one of the targets with Long-Term Business Plan, based on implementation of management strategy to focus on operations as CIFO ACCELERATOR to be mentioned later. When simply based on annual dividend of ¥8.0 per share in FY06/2017, the Company is to pay ¥80.0 per share or more in FY06/2027 or in 10 years.

Long-Term Prospects

On 17 August 2017, the Company released its midterm management plan (FY06/2018 to FY06/2020), calling for prospective sales of ¥13,433m, operating profit of ¥1,626m, recurring profit of ¥1,626m and profit attributable to owners of parent of ¥1,000m in FY06/2020, i.e., the last year of the plan.

When based on FY06/2017 results, the plan is calling for CAGR of 8.4% in sales and of 7.6% in operating profit during the period. Meanwhile, as mentioned earlier, operating profit margin in FY06/2018 is to temporarily adjust due mainly to increasing human-resource-related expenses, while consistent recovery is expected to follow in FY06/2019 and FY06/2020, i.e., 11.5% and 12.1%, respectively, when based on assumptions of midterm management plan.



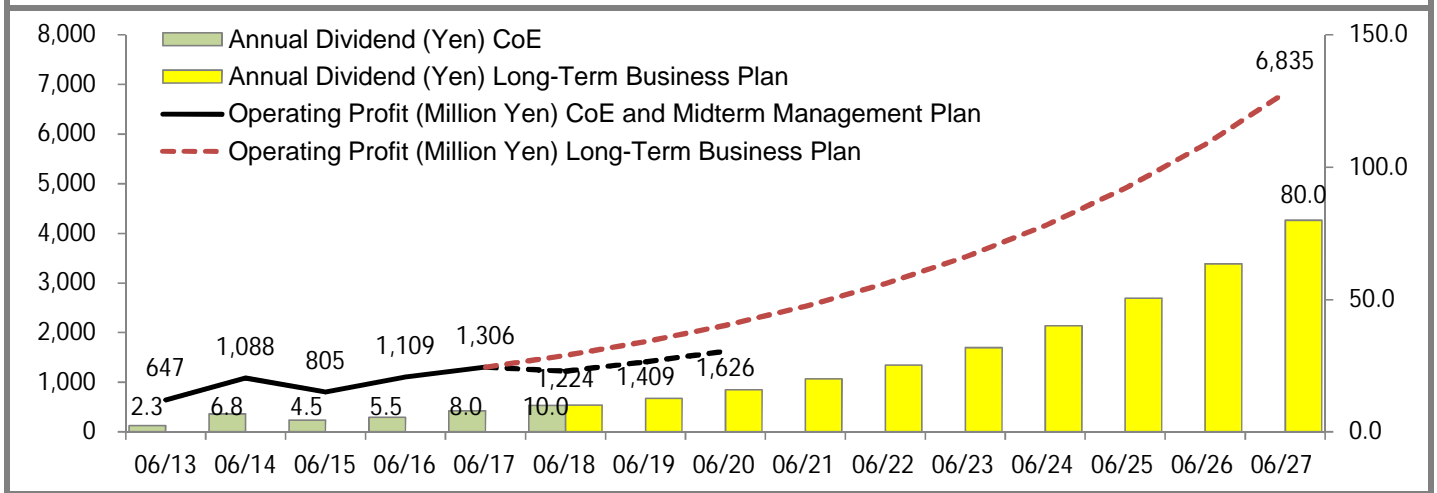
Source: Company Data, WRJ Calculation

On the next day of the release of midterm management plan, i.e., 18 August 2017, the Company held its results meeting and additionally disclosed another plan to pursue persist earnings growth by means of expanding operations as CIFO ACCELERATOR (Long-Term Business Plan).

On top of Japanese major listed corporates, etc. that have been cultivated as customers of DivaSystem to date, the Company now plans to offer a) software and system integration services, b) consulting services and c) outsourcing services also for listed corporates overseas as CIFO ACCELERATOR. CIFO represents officer and/or operations to play the role of CFO (Chief Financial Officer) and CIO (Chief Information Officer) being combined.

According to Tetsuji Morikawa who founded the Company and is currently President Group CEO, the Company, having offered solutions on “accounting (accounts processing of the past results)”, is now starting up offering solutions on “finance (optimum allocations of business assets for the future growth)”. Meanwhile, the bottom line of Long-Term Business Plan is to achieve “ROE of 20% or more to maintain”, “CAGR of 18% for operating profit” and “dividend of more than tenfold” towards FY06/2027. In other words, when based on FY06/2017 results, operating profit is expected to reach ¥6,835m in FY06/2027 or in 10 years on a simple calculation basis.

Long-Term Business Plan



Source: Company Data, WRJ Calculation

The Company advocates that its MISSION is to “transform management information into map of the future”, that its VISION is to “create environment for all the own personnel to burn a flame of passion on creating value” and that its VALUE is to get management information “seeable”, “usable” and “entrustable”. Meanwhile, the Company is trying to do its best on activities to fulfil gap between midterm management plan and Long-Term Business Plan where do prevail Morikawa’s personal responsibility and expectation as the leader of the Company.

4.0 Business Model

Providing Consolidated Management and Accounting with Solutions

The Company, having provided consolidated management and accounting with solutions as the key operations, saw designation change to Tokyo Stock Exchange 2nd section from Tokyo Stock Exchange JASDAQ Growth on 22 September 2017. Meanwhile, the current holding company scheme has been established through incorporation-type company split enforced on 1 October 2013, where the Company converted into holding company to run 5 operating companies (all 100% consolidated subsidiaries) collectively and own business operations were succeeded by one of them, i.e., newly established DIVA CORPORATION. Meanwhile, the Company was newly identified as AVANT CORPORATION. The overview of 5 operating companies is as follows:

a) DIVA CORPORATION: running operations of selling DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services.

b) DIVA BUSINESS INOVATION: running operations of ERP-related system integration services (having been merged and acquired by DIVA CORPORATIO as of the end of FY06/2016 and the business to be converged).

c) INTERNET DISCLOSURE Co., Ltd.: running operations of information retrieval services.

d) ZEAL CORPORATION: running operations of BI (Business Intelligence)-related system integration services.

e) DIVA CORPORATION OF AMERICA: exploring opportunities to start up operations in the United States.

As mentioned above, the number of operating companies under management of the Company came down by one as a result of a merger between own operating companies as of the end of FY06/2016. Meanwhile, the Company set up FIERTE CORPORATION (100% consolidated subsidiary) or a new operating company under management of the Company at the beginning of Q2 FY06/2018 and it has started up outsourcing services.

Meanwhile, on top of exploring opportunities to start up operations in the United States through operations of DIVA CORPORATION OF AMERICA, the Company is also doing so in all the other markets overseas at the same time. Most recently, the Company has started up some aggressive initiatives in some parts.

In fact, "Going global" is mentioned as the key strategy to increase the number of customers in management strategy to focus on operations as CIFO ACCELERATOR. Now, the Company is most keen on customer cultivations in Singapore, Indonesia and other Southeast Asian countries. In Singapore, the Company has locally hired an Indian people, belonging to the largest group of people in there second only to Chinese people, to become the sales representative. To date, he has actually started up his activities of marketing and sales.

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 + 8792000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		4,474,829	4,474,829	4,474,829	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			-87,790,874
	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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