

## 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 Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2017		4,958	591	595	183	-	-	-
Q3 to Q4 FY06/2017		5,573	714	713	480	-	-	-
Q1 to Q2 FY06/2018		5,689	660	663	431	-	-	-
Q3 to Q4 FY06/2018CoE		5,556	563	560	320	-	-	-
Q1 to Q2 FY06/2018	YoY	14.7%	11.6%	11.5%	135.8%	-	-	-
Q3 to Q4 FY06/2018CoE	YoY	(0.3%)	(21.1%)	(21.5%)	(33.4%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (14 March 2018)

#### Rich and Solid Customers

AVANT, having changed its stock trading market to TSE1 from TSE2 on 7 March 2018, is planning to see long-term growth by means of beefing up operations as CIFO ACCELERATOR. Raising “picture future map based on management information” as mission, the Company reveals to focus on operations to provide customers with solutions on “finance” to propose optimal allocation of business assets for the future, going forward. Meanwhile, it has been doing so on “accounting” to cope with past accounting treatment with proprietary packaged software of DivaSystem for consolidated management and accounting so far. The Company, having cultivated 963 customers (as of December 2017), including more than half of the top 50 market cap corporates in Japan with its DivaSystem and related services, is to facilitate management information get “visualized”, “utilized” and “entrusted” in all those rich and solid customers. In other words, the Company is to provide them with products and services to support operations of CIFO (those of CFO and CIO merged) as CIFO ACCELERATOR. Specifically, the Company is to facilitate management information get “visualized” by means of providing them with optimal software or products and system integration services, while “utilized” with appropriate consulting services and “entrusted” with outsourcing services to undertake duties on a part of related operations. 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 7.6% for operating profit during the same period.


In Q1 to Q2 FY06/2018, sales came in at ¥5,689m (up 14.7% YoY), operating profit ¥660m (up 11.6%) and operating profit margin 11.6% (down 0.3% points). Demand is firm for products and services to get management information “visualized”, “utilized” and “entrusted” and thus sales as a whole for the Company. At the same time, so is operating profit due mainly to firm sales. Still, operating profit margin is marginally under pressure due to increasing human-resource-related expenses, etc., driven by aggressive hiring. The Company saw net increases by ¥68m in operating profit as a whole for the Company, mainly comprising net increases by ¥730m associated with increases of sales and net decreases by ¥529m associated with increases of human-resource-related expenses. By business segment, Consolidated Accounting Related to provide DivaSystem and related services saw sales of ¥3,333m (up 16.7%), operating profit of ¥365m (up 3.2%) and operating profit margin of 11.0% (down 1.4% points). Having accounted for 58.6% of sales as a whole for the Company and 61.7% of operating profit, this is the mainstay business segment for the Company. Business Intelligence to provide system integration services saw sales of ¥1,858m (up 13.9%), operating profit of ¥103m (up 58.5%) and operating profit margin of 5.5% (up 1.6% points). Above-mentioned increases of human-resource-related expenses took place intensively in Consolidated Accounting Related, while not much in this business segment as far as we could see. Meanwhile, Outsourcing in charge of getting “entrusted” saw sales of ¥496m (up 5.7%), operating profit of ¥123m (up 112.8%) and operating profit margin of 24.9% (up 12.5% points). It appears that surging operating profit margin here is due mainly to accounting issues.

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). Out of full-year Company forecasts, the Company saw progress rate of 50.6% in sales and 53.9% in operating profit versus 47.1% and 45.3%, respectively, during the same period in the previous year’s results, suggesting Company forecasts having been exceeded so far in operating profit in particular. Meanwhile, when based on Q1 to Q2 results and full-year Company forecasts, sales in H2 are to hardly increase over the same period in the previous year. Nevertheless, as far as we could see, there have been no signs of slowing down in regards to demand for products and services provided by the Company most recently.

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

## 2.0 Company Profile

### “Picture Future Map Based on Management Information”

<b>Company Name</b>	AVANT CORPORATION <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share price (Japanese)</a>	
<b>Established</b>	26 May 1997	
<b>Listing</b>	7 March 2018: Tokyo Stock Exchange 1st section (Ticker: 3836) 22 September 2017: Tokyo Stock Exchange 2nd section 8 February 2007: Tokyo Stock Exchange JASDAQ Growth	
<b>Capital</b>	¥288m (As of the end of December 2017)	
<b>No. of Shares</b>	18,776,000 shares, including 1,324 treasury shares (As of the end of December 2017)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Licensing DivaSystem or proprietary packaged software</li> <li>● Adopted by more than half of the top 50 market cap corporates in Japan to date</li> <li>● Focusing on operations as CIFO ACCELERATOR</li> </ul>	
<b>Businesses</b>	<ul style="list-style-type: none"> <li>. Consolidated Accounting Related</li> <li>. Business Intelligence</li> <li>. Outsourcing</li> </ul>	
<b>Top Management</b>	President Group CEO: Tetsuji Morikawa	
<b>Shareholders</b>	Tetsuji Morikawa 36.2%, ESOP 10.2%, Tsuyoshi Noshiro 5.0% (As of the end of December 2017)	
<b>Headquarters</b>	Minato-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 735, Unconsolidated: 27 (As of the end of December 2017)	

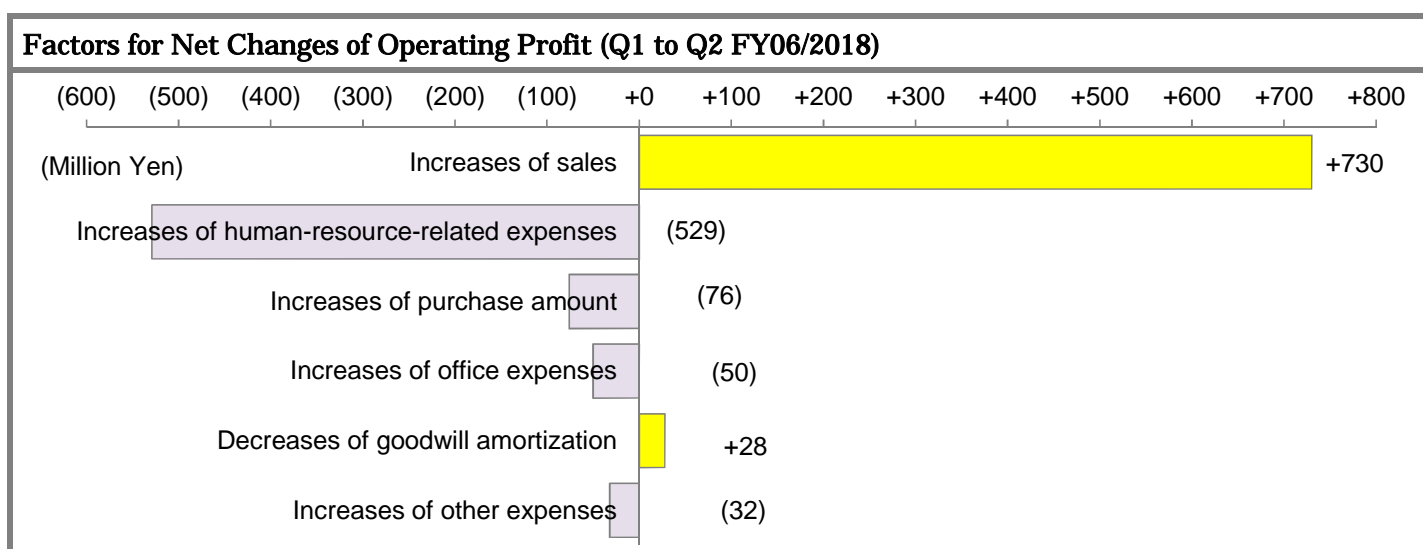
Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 to Q2 FY06/2018 Results

In Q1 to Q2 FY06/2018, sales came in at ¥5,689m (up 14.7% YoY), operating profit ¥660m (up 11.6%), recurring profit ¥663m (up 11.5%) and profit attributable to owners of parent ¥431m (up 135.8%), while operating profit margin 11.6% (down 0.3% points). Profit attributable to owners of parent surged in line with non-reappearance of extraordinary loss of ¥326m to have been booked during the same period in the previous year.

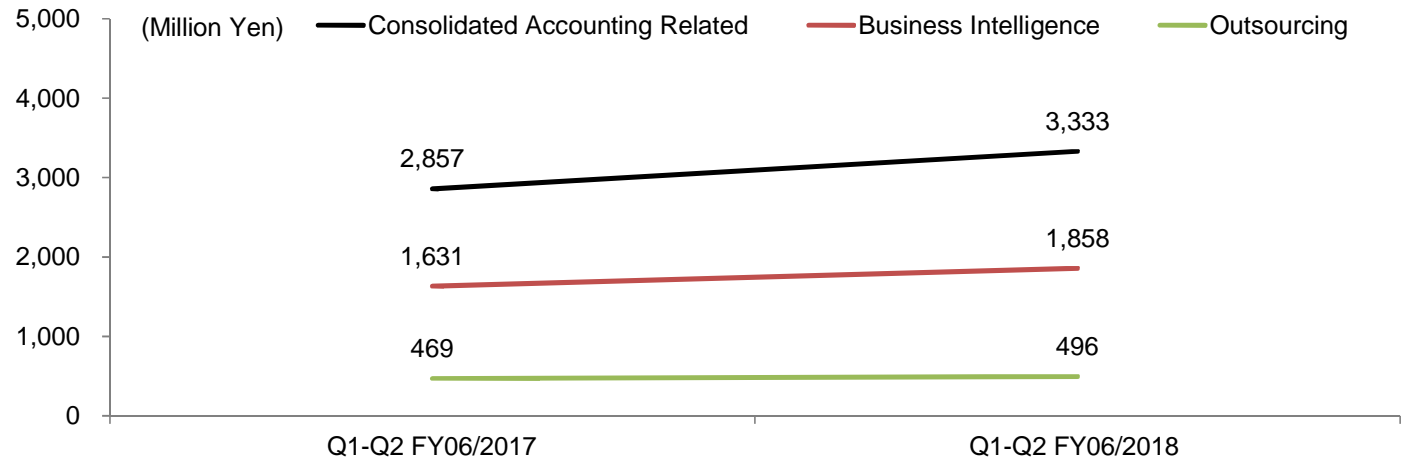
Meanwhile, it appears that full-year Company forecasts have been exceeded in earnings in particular. Q1 results were roughly in line, but followed by accelerating sales in Q2, having more than compensating for increasing human-resource-related expenses as far as we could see. Sales increased by 12.0% over the same period in the previous year in Q1 and by 17.1% in Q2, while operating profit decreased by 11.8% in Q1 and increased by 32.8% in Q2.



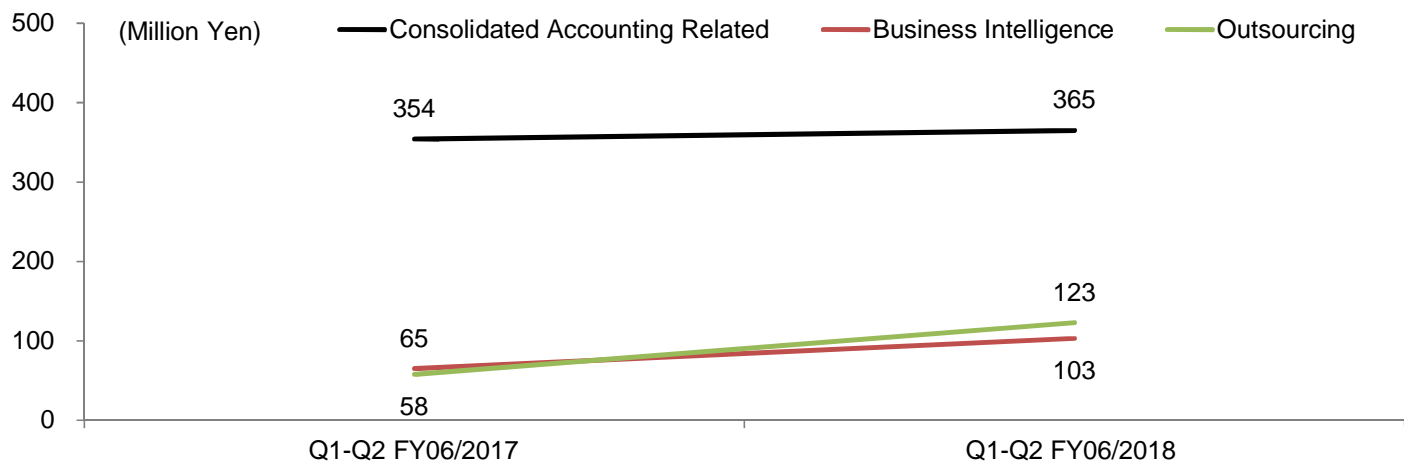
Source: Company Data

The Company's business comprises Consolidated Accounting Related, Business Intelligence and Outsourcing by business segment. In Consolidated Accounting Related, the Company facilitates management information of customers get "visualized" and "utilized" by means of providing them with proprietary packed software of DivaSystem and related services, while system integration services "visualized" in Business Intelligence and outsourcing services to undertake duties of consolidated accounting and tax payment "entrusted" in Outsourcing.

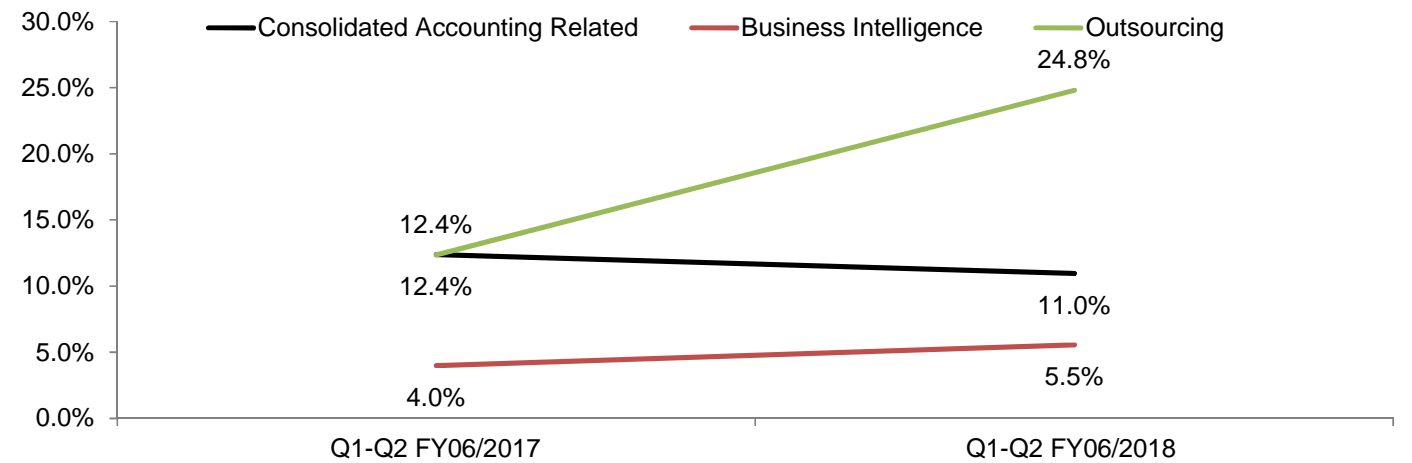
### Sales



### Operating Profit



### Operating Profit Margin



出所：会社データ

The bulk of business contents on the Consolidated Accounting Related side equates to operations of DIVA CORPORATION or one of the operating companies under management of the Company to sell DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services. Selling of DivaSystem on a licensing basis inevitably coincides with offering of so-called “implementation (to set up master for using the packaged software or DivaSystem)” as well as of customization, which is followed by persistent maintenance services, including version upgrades after startup of utilization. DIVA CORPORATION is heavily involved with all of them, while also eagerly with related business domains, represented by CPM (Corporate Performance Management) to offer solutions on managerial accounting for existing customers to have adopted DivaSystem, which works as add-on drivers for sales in this business segment.

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 business segment. Meanwhile, information retrieval services relate to 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 system integration services literally in the domain of BI (Business Intelligence), represented by 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.

Still, operating profit margin remains relatively low, having been basically involved with indirect sales through major system integrators in the first place. Going forward, however, the Company is to beef up direct sales having been already emerging most recently, likely to result in improving operating profit margin in the foreseeable future. Meanwhile, ZEAL CORPORATION has been under management of the Company since Q2 FY06/2013 through merger and acquisition and goodwill write-off (¥113m pa) stemming from here was completed in Q1 FY06/2018. Thus, expenses as a whole for Company have started to come down as much as this, i.e., ¥28m in Q2 over the same period in the previous year, having increased operating profit as much as this at the same time.

Meanwhile, on the Outsourcing side, the Company is involved with operations to offer outsourcing services to undertake duties of consolidated accounting and tax payment, where the Company’s experienced personnel are in charge of a part of customers’ operations to cope with legal financial accounting. This enables customers to avoid said operations becoming those that could be done by some specific personnel only or becoming a bottleneck, while personnel of management divisions with customers to concentrate on “measuring” operations with added value higher, represented by analysis and utilization of the financial results. Indeed, getting “entrusted” is going on here.

While above-mentioned operations have been taken care of by DIVA CORPORATION or one of the operating companies under management of the Company by the end of Q1, they have been succeeded by FIERTE CORPORATION or newly-established operating company (100% held) under management of the Company as of the beginning of Q2. Existing operations on the Outsourcing side used to basically relate to those of offering said services to rich and solid customers to have cultivated by DivaSystem and related services. Still, going forward, the Company has decided to focus on genuinely new customers as the target of its cultivations with new brand of “FIERTE”, meaning pride in French, or with “splendid pride that could be never broken”.

As far as we could see, it appears that there still remains huge room to cultivate among the existing customers rich and solid, the Company is now challenging to cultivate those who have not adopted DivaSystem yet as customers here in said outsourcing services and make them newly adopt DivaSystem, taking said cultivations as good opportunities. To date, the Company suggests that it has started to see some successes with this challenging new scheme.

## 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.	
<b>Sales</b>	<b>2,272</b>	<b>4,958</b>	<b>7,714</b>	<b>10,532</b>	<b>2,544</b>	<b>5,689</b>	-	-	<b>+730</b>	
Cost of Sales	1,288	2,733	4,224	5,834	1,514	3,381	-	-	+648	
Gross Profit	984	2,225	3,490	4,697	1,029	2,307	-	-	+82	
SG&A	703	1,633	2,481	3,391	781	1,647	-	-	+13	
<b>Operating Profit</b>	<b>280</b>	<b>591</b>	<b>1,009</b>	<b>1,306</b>	<b>247</b>	<b>660</b>	-	-	<b>+68</b>	
Non Operating Balance	0	4	2	2	0	3	-	-	0	
<b>Recurring Profit</b>	<b>280</b>	<b>595</b>	<b>1,011</b>	<b>1,308</b>	<b>248</b>	<b>663</b>	-	-	<b>+68</b>	
Extraordinary Balance	0	(326)	(326)	(276)	0	0	-	-	+326	
Profit before Income Taxes	280	269	685	1,032	248	663	-	-	+394	
Total Income Taxes	96	86	252	369	86	231	-	-	+145	
<b>Profit Attributable to Owners of Parent</b>	<b>183</b>	<b>183</b>	<b>433</b>	<b>663</b>	<b>162</b>	<b>431</b>	-	-	<b>+248</b>	
Sales YoY	+4.5%	+8.6%	+10.4%	+9.6%	+12.0%	+14.7%	-	-	-	
Operating Profit YoY	+42.2%	+40.0%	+46.3%	+17.7%	(11.8%)	+11.6%	-	-	-	
Recurring Profit YoY	+42.6%	+42.1%	+47.2%	+17.6%	(11.2%)	+11.5%	-	-	-	
Profit Attributable to Owners of Parent YoY	+40.4%	(26.5%)	+18.0%	+0.4%	(11.6%)	+135.8%	-	-	-	
Gross Profit Margin	43.3%	44.9%	45.2%	44.6%	40.5%	40.6%	-	-	(4.3%)	
SG&A / Sales	30.9%	33.0%	32.2%	32.2%	30.7%	29.0%	-	-	(4.0%)	
Operating Profit Margin	12.4%	11.9%	13.1%	12.4%	9.7%	11.6%	-	-	(0.3%)	
Recurring Profit Margin	12.3%	12.0%	13.1%	12.4%	9.8%	11.7%	-	-	(0.3%)	
Profit Attributable to Owners of Parent Margin	8.1%	3.7%	5.6%	6.3%	6.4%	7.6%	-	-	+3.9%	
Tax Charges, etc. / Pretax Profit	34.3%	32.1%	36.9%	35.8%	34.6%	34.9%	-	-	+2.9%	
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.	
<b>Sales</b>	<b>2,272</b>	<b>2,685</b>	<b>2,756</b>	<b>2,817</b>	<b>2,544</b>	<b>3,144</b>	-	-	<b>+458</b>	
Cost of Sales	1,288	1,444	1,490	1,610	1,514	1,866	-	-	+422	
Gross Profit	984	1,241	1,265	1,206	1,029	1,277	-	-	+36	
SG&A	703	930	847	910	781	865	-	-	(65)	
<b>Operating Profit</b>	<b>280</b>	<b>310</b>	<b>418</b>	<b>296</b>	<b>247</b>	<b>412</b>	-	-	<b>+101</b>	
Non Operating Balance	0	5	(2)	0	0	2	-	-	(2)	
<b>Recurring Profit</b>	<b>280</b>	<b>315</b>	<b>416</b>	<b>296</b>	<b>248</b>	<b>415</b>	-	-	<b>+99</b>	
Extraordinary Balance	0	(326)	0	50	0	0	-	-	+326	
Profit before Income Taxes	280	(10)	416	346	248	415	-	-	+425	
Total Income Taxes	96	(9)	166	116	86	145	-	-	+155	
<b>Profit Attributable to Owners of Parent</b>	<b>183</b>	<b>0</b>	<b>250</b>	<b>230</b>	<b>162</b>	<b>269</b>	-	-	<b>+270</b>	
Sales YoY	+4.5%	+12.4%	+13.9%	+16.4%	+12.0%	+17.1%	-	-	-	
Operating Profit YoY	+42.2%	+38.0%	+56.2%	(29.4%)	(11.8%)	+32.8%	-	-	-	
Recurring Profit YoY	+42.6%	+41.6%	+55.3%	(30.2%)	(11.2%)	+31.6%	-	-	-	
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%	40.6%	-	-	(5.6%)	
SG&A / Sales	30.9%	34.7%	30.7%	32.3%	30.7%	27.5%	-	-	(7.1%)	
Operating Profit Margin	12.4%	11.6%	15.2%	10.5%	9.7%	13.1%	-	-	+1.6%	
Recurring Profit Margin	12.3%	11.8%	15.1%	10.5%	9.8%	13.2%	-	-	+1.5%	
Profit Attributable to Owners of Parent Margin	8.1%	(0.0%)	9.1%	8.2%	6.4%	8.6%	-	-	+8.6%	
Tax Charges, etc. / Pretax Profit	34.3%	-	39.9%	33.6%	34.6%	35.1%	-	-	-	

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	3,403	-	-	+106	
Accounts Receivables	1,161	1,552	1,656	1,481	1,282	1,623	-	-	+70	
Inventory	142	107	187	183	288	212	-	-	+104	
Other	636	623	616	659	787	751	-	-	+128	
<b>Current Assets</b>	<b>5,203</b>	<b>5,580</b>	<b>5,326</b>	<b>6,269</b>	<b>5,791</b>	<b>5,990</b>	-	-	<b>+410</b>	
Tangible Assets	204	177	233	207	205	194	-	-	+17	
Intangible Assets	171	145	127	100	134	188	-	-	+43	
Investments and Other Assets	617	758	830	747	747	779	-	-	+21	
<b>Fixed Assets</b>	<b>992</b>	<b>1,081</b>	<b>1,191</b>	<b>1,056</b>	<b>1,087</b>	<b>1,163</b>	-	-	<b>+82</b>	
<b>Total Assets</b>	<b>6,195</b>	<b>6,662</b>	<b>6,518</b>	<b>7,325</b>	<b>6,879</b>	<b>7,154</b>	-	-	<b>+492</b>	
Accounts Payables	253	319	426	421	435	382	-	-	+62	
Short Term Debt	115	96	59	28	4	-	-	-	(96)	
Lease Obligations	2	2	2	2	3	3	-	-	-	
Unearned Revenue Gains	1,324	1,208	1,139	1,546	1,464	1,384	-	-	+175	
Other	986	1,527	1,113	1,317	940	1,084	-	-	(442)	
<b>Current Liabilities</b>	<b>2,683</b>	<b>3,155</b>	<b>2,740</b>	<b>3,316</b>	<b>2,848</b>	<b>2,854</b>	-	-	<b>(301)</b>	
Long Term Debt	4	-	-	-	-	-	-	-	-	
Lease Obligations	4	3	3	2	11	10	-	-	+6	
Other	111	111	132	132	132	133	-	-	+21	
<b>Fixed Liabilities</b>	<b>120</b>	<b>115</b>	<b>135</b>	<b>135</b>	<b>144</b>	<b>143</b>	-	-	<b>+27</b>	
<b>Total Liabilities</b>	<b>2,804</b>	<b>3,270</b>	<b>2,876</b>	<b>3,452</b>	<b>2,992</b>	<b>2,997</b>	-	-	<b>(273)</b>	
<b>Shareholders' Equity</b>	<b>3,392</b>	<b>3,391</b>	<b>3,641</b>	<b>3,872</b>	<b>3,884</b>	<b>4,153</b>	-	-	<b>+762</b>	
Adjustments	(1)	-	-	1	2	2	-	-	+3	
<b>Total Assets</b>	<b>3,391</b>	<b>3,391</b>	<b>3,641</b>	<b>3,873</b>	<b>3,886</b>	<b>4,156</b>	-	-	<b>+765</b>	
<b>Total Liabilities and Net Assets</b>	<b>6,195</b>	<b>6,662</b>	<b>6,518</b>	<b>7,325</b>	<b>6,879</b>	<b>7,154</b>	-	-	<b>+492</b>	
Equity Capital	3,391	3,391	3,641	3,873	3,886	4,156	-	-	+765	
Interest Bearing Debt	127	102	64	30	19	3	-	-	(99)	
Net Debt	(3,136)	(3,193)	(2,801)	(3,914)	(3,413)	(3,400)	-	-	(206)	
Equity Capital Ratio	54.7%	50.9%	55.9%	52.9%	56.5%	58.1%	-	-	+7.2%	
Net-Debt-Equity Ratio	(92.5%)	(94.2%)	(76.9%)	(101.1%)	(87.8%)	(81.8%)	-	-	+12.4%	
ROE (12 months)	23.1%	18.9%	21.8%	18.5%	17.6%	24.2%	-	-	+5.3%	
ROA (12 months)	20.4%	20.8%	23.2%	18.7%	19.5%	19.9%	-	-	(0.9%)	
Total Assets Turnover	147%	161%	169%	154%	148%	176%	-	-	-	
Quick Ratio	165%	154%	165%	164%	166%	176%	-	-	-	
Current Ratio	194%	177%	194%	189%	203%	210%	-	-	-	

Source: Company Data, WRJ Calculation

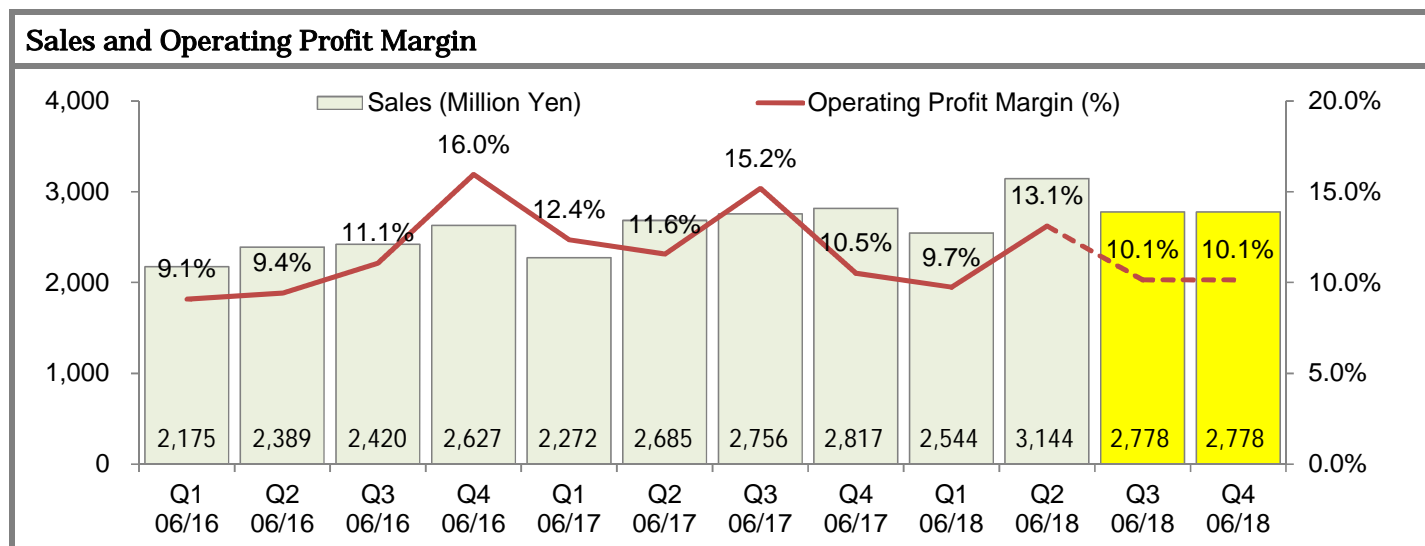
## Cash Flow Statement (Cumulative, Quarterly)

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)	(202)	-	-	(362)	
Investment Cash Flow	(91)	(106)	(273)	(297)	(56)	(157)	-	-	(51)	
<b>Operating CF and Investment CF</b>	<b>(5)</b>	<b>53</b>	<b>(338)</b>	<b>772</b>	<b>(338)</b>	<b>(360)</b>	-	-	<b>(414)</b>	
Financing Cash Flow	(135)	(162)	(200)	(232)	(174)	(182)	-	-	(20)	
<b>Cash Flow Statement</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>YoY</b>
(Million Yen)	Q1 06/2017	Q2 06/2017	Q3 06/2017	Q4 06/2017	Q1 06/2018	Q2 06/2018	Q3 06/2018	Q4 06/2018	Net Chg.	
Operating Cash Flow	86	73	(224)	1,134	(281)	79	-	-	+5	
Investment Cash Flow	(91)	(14)	(167)	(23)	(56)	(101)	-	-	(86)	
<b>Operating CF and Investment CF</b>	<b>(5)</b>	<b>58</b>	<b>(392)</b>	<b>1,111</b>	<b>(338)</b>	<b>(21)</b>	-	-	<b>(80)</b>	
Financing Cash Flow	(135)	(26)	(38)	(31)	(174)	(7)	-	-	+19	

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%), while operating profit margin of 10.9% (down 1.5% points). Meanwhile, prospective annual dividend has also remained unchanged at ¥10.0 per share, 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 and payout ratio edging up.



Source: Company Data, WRJ Calculation (Q3 to Q4 FY06/2018 : Company forecasts during the same period, pro rata)

Corrections of operating profit margin due mainly to increasing human-resource-related expenses have already started in Q4 FY06/2017. In regards to operating profit margin in FY06/2017 on a quarterly basis, the Company saw consistent improvement over the same period in the previous year in Q1, Q2 and Q3, but 10.5% in Q4, down 5.5% points from 16.0% during the same period in the previous year. In FY06/2018 to have followed, the Company saw operating profit margin of 9.7% (down 2.6% points) in Q1 and 13.1% (up 1.6% points) in Q2, so far.

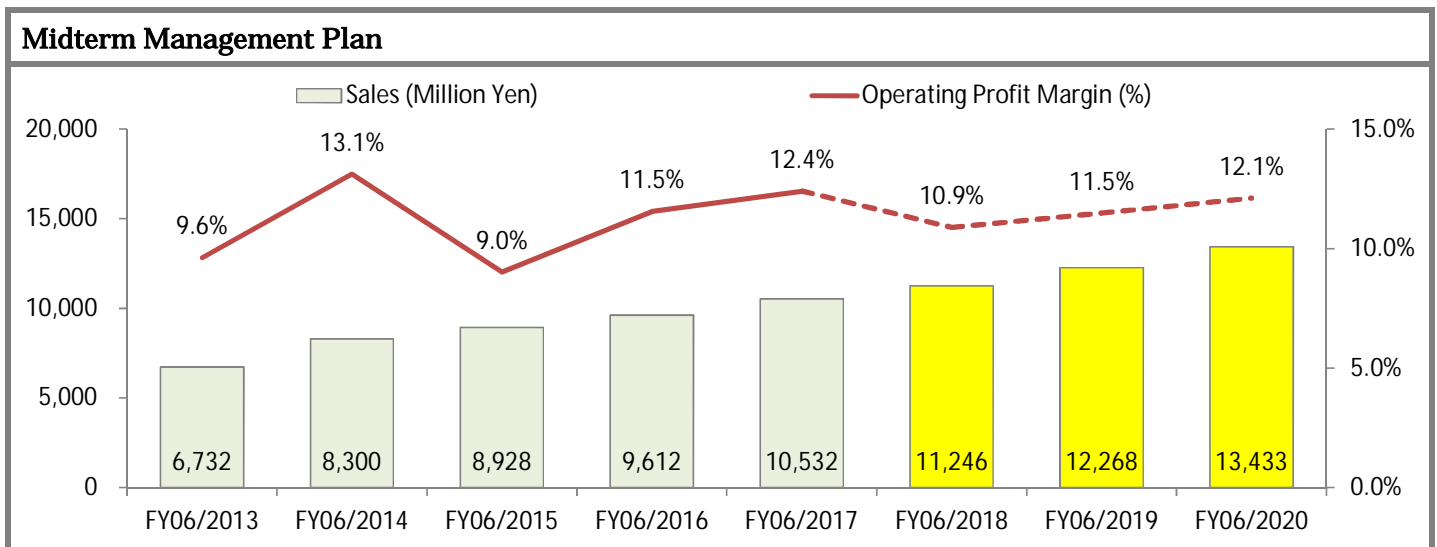
The chronological changes of operating profit margin mentioned above suggest that corrections of operating profit margin due to increasing human-resource-related expenses have already gone through the worst period as far as we could see. Still, Company forecasts assume corrections of operating profit margin to reappear in a sense, i.e. operating profit margin of 10.1% (down 2.7% points) in H2. This is because of initial full-year Company forecasts having remained unchanged in spite of overshoots in H1, as mentioned earlier.

Meanwhile, the Company to have increased dividend over the past two years in a row, is to further increase dividend in FY06/2018. Meanwhile, at the release of long-term business plan to be mentioned later, the Company is calling for “dividend of more than tenfold” towards FY06/2027 as one of the targets. 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. Raising “picture future map based on management information” as mission, the Company is trying hard to get at business scale expansion and corporate value enhanced in a long-term view, while contributing to society extensively as well as sharing earnings with all the stakeholders, including shareholders, as far as we could see.

## 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 7.6% in operating profit during said period. Meanwhile, the plan assumes operating profit margin in FY06/2018 temporarily adjust, while consistently recover in FY06/2019 and FY06/2020, i.e., 10.9%, 11.5% and 12.1%, respectively, compared with 12.4% in FY06/2017. Still, the assumptions for operating profit margin in FY06/2018 could be exceeded, when based on recent trading in Q1 to Q2.

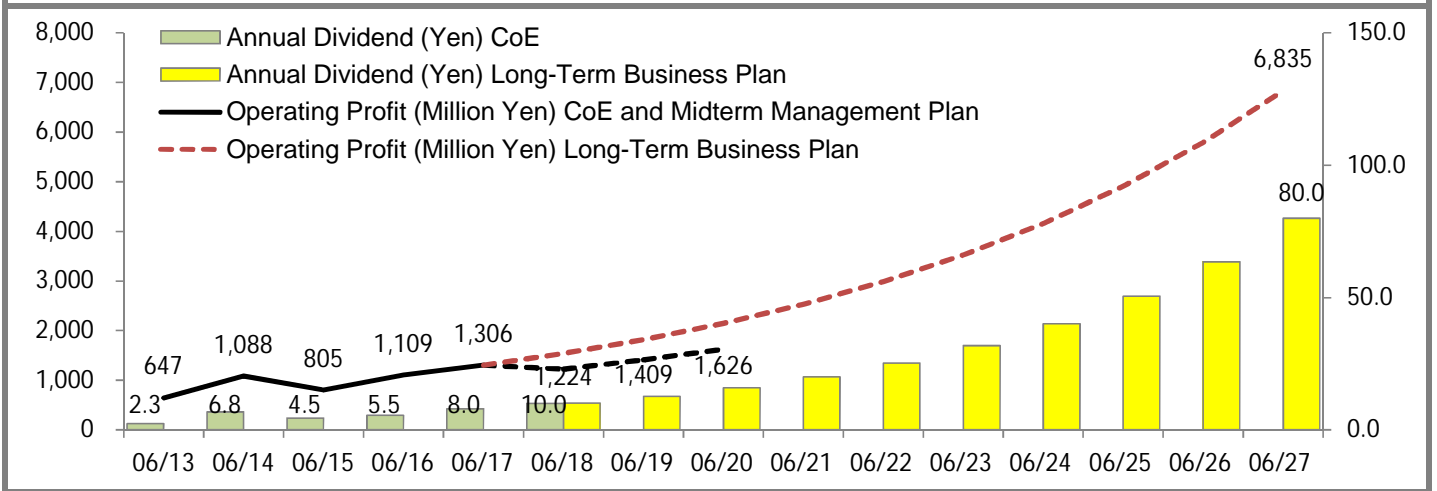


Source: Company Data, WRJ Calculation

On the next day of the release of midterm management plan, i.e., 18 August 2017, the Company held its results meeting and disclosed another one for longer term, i.e., long-term business plan to pursue persist earnings growth by means of expanding operations as CIFO ACCELERATOR. On top of existing Japanese customers rich and solid that have been cultivated with DivaSystem to date, the Company is to provide a) software and system integration services, b) consulting services and c) outsourcing services also for listed corporates overseas. Here does the Company operate as CIFO ACCELERATOR to support their operations of CIFO, referring to those of CFO (Chief Financial Officer) and CIO (Chief Information Officer) merged.

According to Tetsuji Morikawa who is the founder and current President Group CEO at the same time, the Company, having provided solutions on “accounting” to cope with past accounting treatment, is to provide solutions on “finance” to propose optimal allocation of business assets for the future, going forward. Meanwhile, the bottom line of this 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. As of the end of Q2 FY06/2018, the Company saw ROE of 24.2% over the past 12 months, while the plan is calling for prospective operating profit of ¥6,835m in FY06/2027 or in 10 years, when simply calculated based on FY06/2017 results.

## Long-Term Business Plan



Source: Company Data, WRJ Calculation

The Company advocates that its MISSION is to "picture future map based on management information", 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 facilitate management information get "visualized", "utilized" and "entrusted". Meanwhile, the Company is trying to do its best on activities to fulfil gap between midterm management plan and long-term business plan. On the latter, do prevail Morikawa's personal responsibility and expectations 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 change of its stock trading market to Tokyo Stock Exchange 2nd section from Tokyo Stock Exchange JASDAQ Growth on 22 September 2017, which was followed by another change to Tokyo Stock Exchange 1st section on 7 March 2018. 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 collective 5 operating companies (all 100% consolidated subsidiaries) 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 at the same time. The current overview of the 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 CORPORATION as of the end of FY06/2016 and the business is 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 once came down by one because of 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 in charge of operations on the Outsourcing side at the beginning of Q2 FY06/2018, having resulted in collective 5 operating companies as at the beginning of this scheme.

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 countries. In fact, "Going global" is mentioned as the key strategy to increase the number of customers in long-term business plan 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 be in charge of sales. To date, he has actually started up his activities of marketing and sales in there.

## 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									
仕向地									
	大分類A	中分類As	小分類001	692,380	79,880	0	35,776	121,205	455,489
		中分類Aa		43,992,259	26,270,857	26,985,943	2,940,492	10,843,409	-3,158,463
		中分類Ab		16,595	174,502,253	126,888,219	21,090,522	81,957,507	86,978,054
		中分類Ac		10,557	95,719,858	49,382,380	10,974,701	40,128,800	39,514,799
		中分類Ad		338,105,440	84,509,349	129,742,267	16,861,845	58,615,818	48,376,074
		中分類Ae		4,504,380	1,036,565	1,844,681	95,220	596,265	21,653
		中分類Af		1,221,653	2,221,653	4,342,924	418,806	2,237,679	5,713,431
		中分類Ag		114,654	1,146,540	1,146,540	32,057,714	2,048,841	10,955,979
		中分類Ah		4,444,800	4,444,800	4,444,800	66,016	371,808	-3,134,321
		中分類Ai		0	0	0	0	0	0
		中分類Aj		0	0	0	0	0	0
		中分類Ak		0	0	0	0	0	0
		中分類Al		0	0	0	0	0	0
	大分類B			624,185,734	342,751,036	60,125,981	55,593,475	242,759,075	-76,993,295
	分類未定(大分類)			0	48,043,316	19,747,558			-67,790,874
	合計			1,845,947,913	794,239,773	455,466,460	110,060,694	448,527,545	37,653,267



Source: Company Data

## Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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