

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		11,900	1,300	1,301	818	43.6	12.0	-
FY06/2017	YoY	9.6%	17.7%	17.6%	0.4%	-	-	-
FY06/2018CoE	YoY	13.0%	(0.5%)	(0.6%)	23.3%	-	-	-
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 FY06/2017		7,714	1,009	1,011	433	-	-	-
Q1 to Q3 FY06/2018		8,784	1,136	1,136	743	-	-	-
Q1 to Q3 FY06/2017	YoY	10.4%	46.3%	47.2%	18.0%	-	-	-
Q1 to Q3 FY06/2018	YoY	13.9%	12.5%	12.3%	71.5%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (30 May 2018)

Map for Future

AVANT, advocating “picture map for future based on management information” as own mission, is to see long-term growth by means of practicing said mission. DivaSystem, which is proprietary packaged software for consolidated accounting and management to have been adopted by collective 977 corporates (as of the end of March 2018), including more than half of top 100 market cap ones in Japan, enables management information get “utilized”, while own system integration services “visualized” and own outsourcing services “entrusted”. Together with this, the Company is trying to get at enhancement of operations as CIFO ACCELERATOR to support CIFO in charge of harmonized role of CFO and CIO, enlarging exposure to provision of solutions associated with “optimal allocation of business assets for future (finance)”. Meanwhile, demand for the Company’s product (DivaSystem) and services continues increasing in fact, generating an issue to go on expanding human resources to cope with this going forward. Still, the Company currently sees benefits from increasing sales more than impacts from increasing expenses on human resources, resulting in steady increases of earnings. 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, suggesting CAGR of 8.4% for sales and 7.6% for operating profit during the same period, when based on FY06/2017 results. On top of this, Tetsuji Morikawa, the founder and current President Group CEO, is going for CAGR of 18% for earnings as long-term management target over 10-year period through FY06/2018 to FY06/2027.

In Q1 to Q3 FY06/2018, sales came in at ¥8,784m (up 13.9% YoY), operating profit ¥1,136m (up 12.5%) and operating profit margin 12.9% (down 0.2% points). Operating profit saw net increases by ¥126m over the same period in the previous year, mainly comprising net increases by ¥1,069m in line with increasing sales and net decreases by ¥808m in line with increasing human-resources-related expenses, according to the Company. It appears that earnings were driven by a factor that the Company succeeded in beefing up sales, combined with improving efficiency in utilization of human resources. By business segment, mainstay Consolidated Accounting Related in charge of management information getting “utilized” saw sales of ¥5,193m (up 20.2%), operating profit of ¥631m (up 24.8%) and operating profit margin of 12.2% (up 0.5% points), while Outsourcing of “entrusted” saw sales of ¥964m (up 26.9%), operating profit of ¥177m (up 131.3%) and operating profit margin of 18.4% (up 8.3% points). Albeit small in business scale at the moment, demand for outsourcing services to undertake duties of consolidated accounting, tax payment, etc. is picking up sharply in particular, while seeing improving efficiency in utilization of human resources at the same time, as far as we could see. In regards to Business Intelligence of “visualized”, sales came in at ¥2,913m (up 8.2%), operating profit ¥225m (down 7.7%) and operating profit margin 7.8% (down 1.3% points). The Company is seeing buoyant demand for own system integration services, but increases of human-resources-related expenses were rather substantial and expenses on opening a new branch in Osaka came up at the same time, having resulted in one-off adjustment of earnings.

FY06/2018 Company forecasts (revised on 7 May 2018) are going for prospective sales of ¥11,900m (up 13.0% YoY), operating profit of ¥1,300m (down 0.5%) and operating profit margin of 10.9% (down 1.5% points). Compared with initial Company forecasts, prospective sales have been upgraded by ¥654m (5.8%), and operating profit by ¥76m (6.2%). Thus, demand for the Company’s product and services is picking up more than initially assumed, while effect on increased productivity too, as far as we could see. More importantly, Company forecasts could be further exceeded at the end of the day, given a fact that the Company sees fairly high progress rate in Q1 to Q3 results out of full-year Company forecasts even after said upgrades, i.e., 87.4% in terms of operating profit versus 77.3% of the equivalent in the previous year. The Company suggests that all the probable expenses are extensively assumed in Q4 as well as additional expenses to assure human resources. In other words, Company forecasts have the least probability to fall short of.

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

2.0 Company Profile

“Picture Map for Future based on Management Information”

Company Name	AVANT CORPORATION Company Website IR Information Share price (Japanese)	
Established	26 May 1997	
Listing	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	
Capital	¥288m (as of the end of March 2018)	
No. of Shares	18,776,000 shares, including 1,349 treasury shares (as of the end of March 2018)	
Main Features	<ul style="list-style-type: none"> ● Licensing DivaSystem or proprietary packaged software ● Adopted by more than half of top 100 market cap corporates in Japan to date ● Focusing on operations as CIFO ACCELERATOR 	
Businesses	<ul style="list-style-type: none"> . Consolidated Accounting Related . Business Intelligence . Outsourcing 	
Top Management	President Group CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 26.0%, ESOP 10.2%, Tsuyoshi Noshiro 5.0% (as of the end of March 2018)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 755, Unconsolidated: 31 (as of the end of March 2018)	

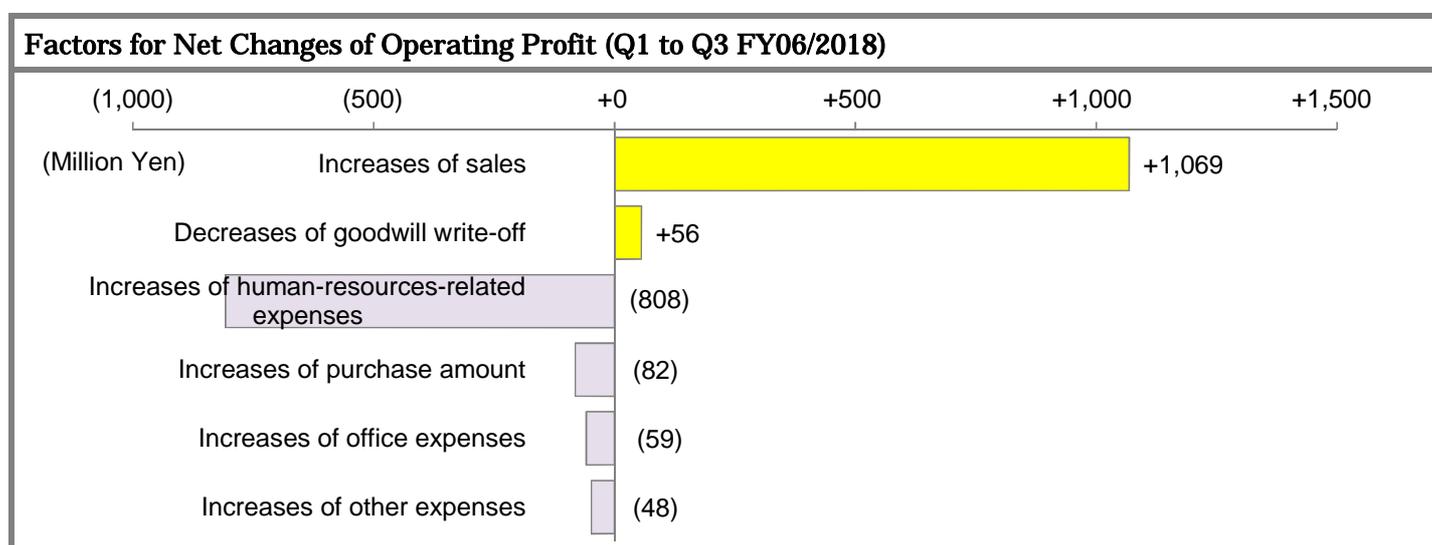
Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY06/2018 Results

In Q1 to Q3 FY06/2018, sales came in at ¥8,784m (up 13.9% YoY), operating profit ¥1,136m (up 12.5%), recurring profit ¥1,136m (up 12.3%) and profit attributable to owners of parent ¥743m (up 71.5%), while operating profit margin 12.9% (down 0.2% 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, the results were better than assumptions of initial Company forecasts and full-year Company forecasts have been upgraded.

Demand for the Company's product and services is steadily picking up, having results in steady increases in all the business segments across the board for the Company. Meanwhile, earnings are also favorable. In regards to Business Intelligence, sales increased but earnings came down. The latter is due largely to one-off factor, as far as we could see.

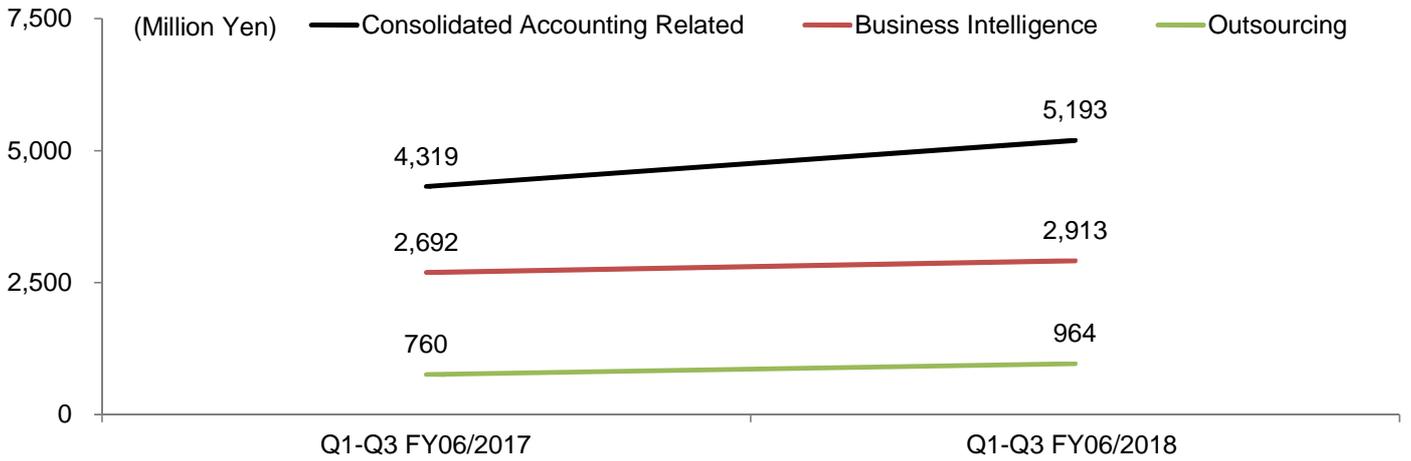


Source: Company Data

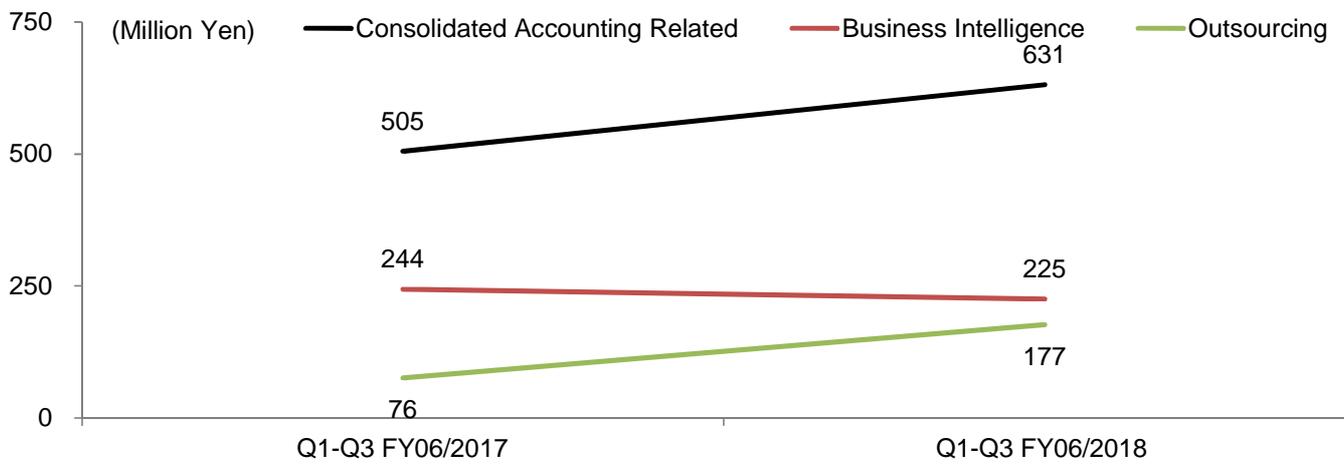
According to the Company, the key driver for operating profit over the same period in the previous year was increases of sales, i.e., net increases by ¥1,069m (¥7,714m to ¥8,784m) on an absolute value basis. On top of this, the Company also saw increases of operating profit in line with termination of goodwill write-off associated with past merger & acquisition to have had took place in Q1 FY06/2018.

Meanwhile, the Company saw net increases of human-resources-related expenses by ¥808m and those of office expenses and of other expenses are attributable to expanding human resources to a large extent as far as we could gather. In regards to human-resources-related expenses, the Company suggests that the contents are personnel expenses, hiring expenses and subcontract expenses. As of the end of Q3, the number of employees on a consolidated basis stood at 755, up no less than 16.3% from 649 as of the end of the same quarter in the previous year. Even so, this looks not sufficient enough to cope with expanding demand and the Company takes advantage of non-regular employees based on subcontract agreement. Still, the Company sees personnel expenses increasing more substantially than subcontract expenses, suggesting that the Company is to basically cope with increasing demand with regular employees.

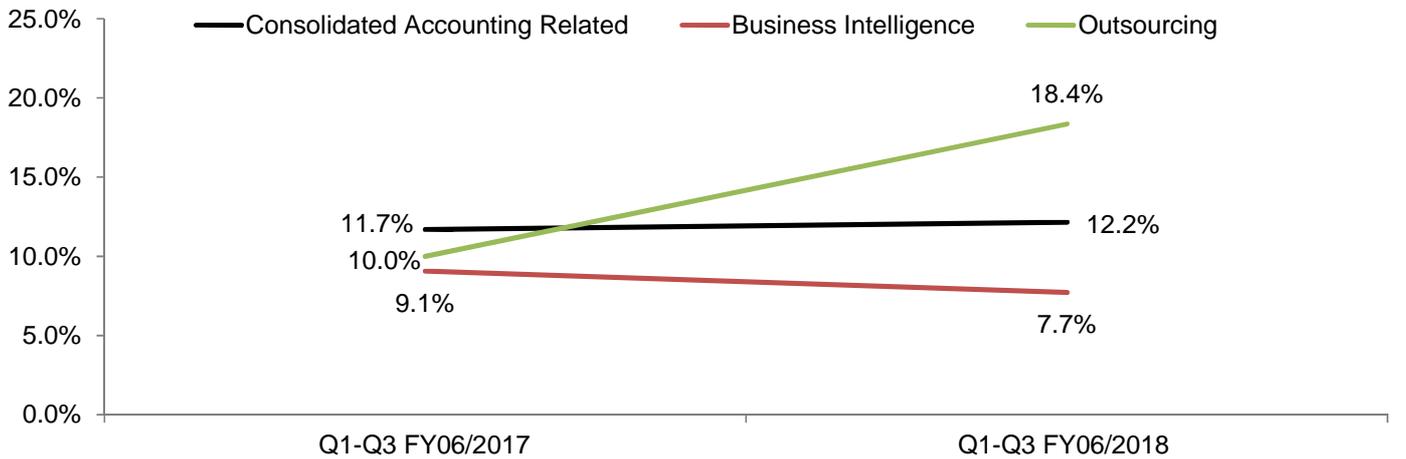
Sales



Operating Profit



Operating Profit Margin



Source: Company Data

The Company's business comprises Consolidated Accounting Related in charge of getting management information "utilized, Business Intelligence "visualized" and Outsourcing "entrusted". At the moment, operating profit as a whole for the Company hinges on that of Consolidated Accounting Related, while Outsourcing to have started up rather recently is now catching up with Business Intelligence in terms of operating profit. In Q1 to Q3, they accounted for 61.0%, 17.1% and 21.8%, respectively, out of operating profit as a whole for the Company (before elimination).

In Consolidated Accounting Related, the Company runs DIVA CORPORATION as one of operating companies under management, while selling DivaSystem, i.e., packaged software for consolidated management and accounting, on a licensing basis together with related services. Selling of proprietary DivaSystem on a licensing basis inevitably coincides with offering of so-called "implementation (to set up master for using the packaged software or DivaSystem)", where DIVA CORPORATION is highly appreciated with its capability to cope with IFRS as well as with sophistication of accounting through exact consultation, as far as we could gather. Meanwhile, after the startup, consistent maintenance services are just necessary, including version upgrades for the software. DIVA CORPORATION is heavily involved with all those operations as well as eagerly with related business domains, represented by CPM (Corporate Performance Management) to offer solutions on managerial accounting at the same time. The latter is a factor to additionally drive 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. However, sales and earnings from here are insignificant. 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.

In Business Intelligence, ZEAL CORPORATION or one of operating companies under management 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 software products has been highly appreciated and thus sales are buoyant.

Despite the fact that all those operations are basically of indirect selling through major system integrators in the first place, operating profit margin came in at 7.9% in Q1 to Q3, implying profit margin reasonably high. Most recently, the Company suggests direct-sales business is starting to take off nicely, which should be a reason for this. Now, as far as assuming increasing exposure to direct-sales business going forward, operating profit margin should rise more than now. Meanwhile, operating profit margin in Q1 to Q3 came down over the same period in the previous year, which was attributable to one-off factor as mentioned earlier.

Through merger and acquisition by the Company, ZEAL CORPORATION has been under management since Q2 FY06/2013, while goodwill write-off on this (¥113m pa) terminated in Q1 FY06/2018. Thus, expenses with the Company have been cut back to the same extent due to this since Q2.

In Outsourcing, FIERTE CORPORATION or one of operating companies under management runs operations to offer outsourcing services to undertake duties of consolidated accounting, tax payment, etc., where FIERTE CORPORATION's experienced personnel (all regular employees) are in charge of a part of customers' operations to cope with legal financial accounting on behalf of them. 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 administrative divisions with customers to concentrate on "measuring" operations incorporating added value higher, represented by analysis and utilization of the financial results.

By the end of Q1, DIVA CORPORATION or one of operating companies under management had been running outsourcing services, which were succeeded by FIERTE CORPORATION or operating company under management newly established to do so through company split-up at the beginning of Q2, in order to beef up cultivation of new customers. The Company suggests there remains a huge room to do so at present.

DivaSystem, which is proprietary packaged software for consolidated accounting and management, has been adopted by no less than 977 corporates (as of the end of March 2018), including more than half of top 100 market cap ones in Japan. Meanwhile, some 500 to 600 out of all those corporates could be customers on the outsourcing services side at the same time, according to the Company. So far, the Company has cultivated nothing but some 10% out of total here as customers for this in the form of providing additional services on top of those of DivaSystem with them, implying a possibility to increase the number of customers by 10 times from here, roughly speaking, as far as we could see.

Meanwhile, out of all the listed corporates across the board in Japan, the Company suggests some 1,500 could be customers on the outsourcing services side. Currently, the Company basically focuses on said services as additional ones for existing customers, but it should be the case in a longer-term view that the Company increases the number of customers persistently by means of placing emphasis on cultivating genuinely new customers looking to a potential implied here.

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	5,689	8,784	-	+1,069	
Cost of Sales	1,288	2,733	4,224	5,834	1,514	3,381	5,101	-	+877	
Gross Profit	984	2,225	3,490	4,697	1,029	2,307	3,682	-	+191	
SG&A	703	1,633	2,481	3,391	781	1,647	2,545	-	+64	
Operating Profit	280	591	1,009	1,306	247	660	1,136	-	+126	
Non Operating Balance	0	4	2	2	0	3	0	-	(2)	
Recurring Profit	280	595	1,011	1,308	248	663	1,136	-	+124	
Extraordinary Balance	0	(326)	(326)	(276)	0	0	20	-	+346	
Profit before Income Taxes	280	269	685	1,032	248	663	1,156	-	+470	
Total Income Taxes	96	86	252	369	86	231	413	-	+160	
Profit Attributable to Owners of Parent	183	183	433	663	162	431	743	-	+309	
Sales YoY	+4.5%	+8.6%	+10.4%	+9.6%	+12.0%	+14.7%	+13.9%	-	-	
Operating Profit YoY	+42.2%	+40.0%	+46.3%	+17.7%	(11.8%)	+11.6%	+12.5%	-	-	
Recurring Profit YoY	+42.6%	+42.1%	+47.2%	+17.6%	(11.2%)	+11.5%	+12.3%	-	-	
Profit Attributable to Owners of Parent YoY	+40.4%	(26.5%)	+18.0%	+0.4%	(11.6%)	+135.8%	+71.5%	-	-	
Gross Profit Margin	43.3%	44.9%	45.2%	44.6%	40.5%	40.6%	41.9%	-	(3.3%)	
SG&A / Sales	30.9%	33.0%	32.2%	32.2%	30.7%	29.0%	29.0%	-	(3.2%)	
Operating Profit Margin	12.4%	11.9%	13.1%	12.4%	9.7%	11.6%	12.9%	-	(0.2%)	
Recurring Profit Margin	12.3%	12.0%	13.1%	12.4%	9.8%	11.7%	12.9%	-	(0.2%)	
Profit Attributable to Owners of Parent Margin	8.1%	3.7%	5.6%	6.3%	6.4%	7.6%	8.5%	-	+2.8%	
Tax Charges, etc. / Pretax Profit	34.3%	32.1%	36.9%	35.8%	34.6%	34.9%	35.7%	-	(1.1%)	
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	3,144	3,095	-	+338	
Cost of Sales	1,288	1,444	1,490	1,610	1,514	1,866	1,720	-	+229	
Gross Profit	984	1,241	1,265	1,206	1,029	1,277	1,374	-	+109	
SG&A	703	930	847	910	781	865	898	-	+51	
Operating Profit	280	310	418	296	247	412	476	-	+57	
Non Operating Balance	0	5	(2)	0	0	2	(3)	-	(1)	
Recurring Profit	280	315	416	296	248	415	472	-	+56	
Extraordinary Balance	0	(326)	0	50	0	0	20	-	+20	
Profit before Income Taxes	280	(10)	416	346	248	415	492	-	+76	
Total Income Taxes	96	(9)	166	116	86	145	181	-	+15	
Profit Attributable to Owners of Parent	183	0	250	230	162	269	311	-	+61	
Sales YoY	+4.5%	+12.4%	+13.9%	+16.4%	+12.0%	+17.1%	+12.3%	-	-	
Operating Profit YoY	+42.2%	+38.0%	+56.2%	(29.4%)	(11.8%)	+32.8%	+13.8%	-	-	
Recurring Profit YoY	+42.6%	+41.6%	+55.3%	(30.2%)	(11.2%)	+31.6%	+13.5%	-	-	
Profit Attributable to Owners of Parent YoY	+40.4%	-	+111.8%	(21.5%)	(11.6%)	-	+24.4%	-	-	
Gross Profit Margin	43.3%	46.2%	45.9%	42.8%	40.5%	40.6%	44.4%	-	(1.5%)	
SG&A / Sales	30.9%	34.7%	30.7%	32.3%	30.7%	27.5%	29.0%	-	(1.7%)	
Operating Profit Margin	12.4%	11.6%	15.2%	10.5%	9.7%	13.1%	15.4%	-	+0.2%	
Recurring Profit Margin	12.3%	11.8%	15.1%	10.5%	9.8%	13.2%	15.3%	-	+0.2%	
Profit Attributable to Owners of Parent Margin	8.1%	(0.0%)	9.1%	8.2%	6.4%	8.6%	10.1%	-	+1.0%	
Tax Charges, etc. / Pretax Profit	34.3%	-	39.9%	33.6%	34.6%	35.1%	36.8%	-	(3.1%)	

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	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	3,542	-	+676	
Accounts Receivables	1,161	1,552	1,656	1,481	1,282	1,623	1,751	-	+95	
Inventory	142	107	187	183	288	212	234	-	+46	
Other	636	623	616	659	787	751	771	-	+154	
Current Assets	5,203	5,580	5,326	6,269	5,791	5,990	6,299	-	+972	
Tangible Assets	204	177	233	207	205	194	209	-	(24)	
Intangible Assets	171	145	127	100	134	188	182	-	+54	
Investments and Other Assets	617	758	830	747	747	779	913	-	+83	
Fixed Assets	992	1,081	1,191	1,056	1,087	1,163	1,305	-	+114	
Total Assets	6,195	6,662	6,518	7,325	6,879	7,154	7,605	-	+1,087	
Accounts Payables	253	319	426	421	435	382	352	-	(73)	
Short Term Debt	115	96	59	28	4	-	-	-	(59)	
Lease Obligations	2	2	2	2	3	3	3	-	-	
Unearned Revenue Gains	1,324	1,208	1,139	1,546	1,464	1,384	1,243	-	+103	
Other	986	1,527	1,113	1,317	940	1,084	1,401	-	+287	
Current Liabilities	2,683	3,155	2,740	3,316	2,848	2,854	3,000	-	+259	
Long Term Debt	4	-	-	-	-	-	-	-	-	
Lease Obligations	4	3	3	2	11	10	9	-	+6	
Other	111	111	132	132	132	133	133	-	-	
Fixed Liabilities	120	115	135	135	144	143	142	-	+7	
Total Liabilities	2,804	3,270	2,876	3,452	2,992	2,997	3,143	-	+267	
Shareholders' Equity	3,392	3,391	3,641	3,872	3,884	4,153	4,465	-	+823	
Adjustments	(1)	-	-	1	2	2	(3)	-	(3)	
Total Assets	3,391	3,391	3,641	3,873	3,886	4,156	4,462	-	+820	
Total Liabilities and Net Assets	6,195	6,662	6,518	7,325	6,879	7,154	7,605	-	+1,087	
Equity Capital	3,391	3,391	3,641	3,873	3,886	4,156	4,462	-	+821	
Interest Bearing Debt	127	102	64	33	19	13	12	-	(52)	
Net Debt	(3,136)	(3,193)	(2,801)	(3,911)	(3,413)	(3,389)	(3,529)	-	(728)	
Equity Capital Ratio	54.7%	50.9%	55.9%	52.9%	56.5%	58.1%	58.7%	-	+2.8%	
Net-Debt-Equity Ratio	(92.5%)	(94.2%)	(76.9%)	(101.0%)	(87.8%)	(81.6%)	(79.1%)	-	(2.2%)	
ROE (12 months)	23.1%	18.9%	21.8%	18.5%	17.6%	24.2%	24.0%	-	+2.2%	
ROA (12 months)	20.4%	20.8%	23.2%	18.7%	19.5%	19.9%	20.3%	-	(2.9%)	
Total Assets Turnover	147%	161%	169%	154%	148%	176%	163%	-	-	
Quick Ratio	165%	154%	165%	164%	166%	176%	176%	-	-	
Current Ratio	194%	177%	194%	189%	203%	210%	210%	-	-	

Source: Company Data, WRJ Calculation

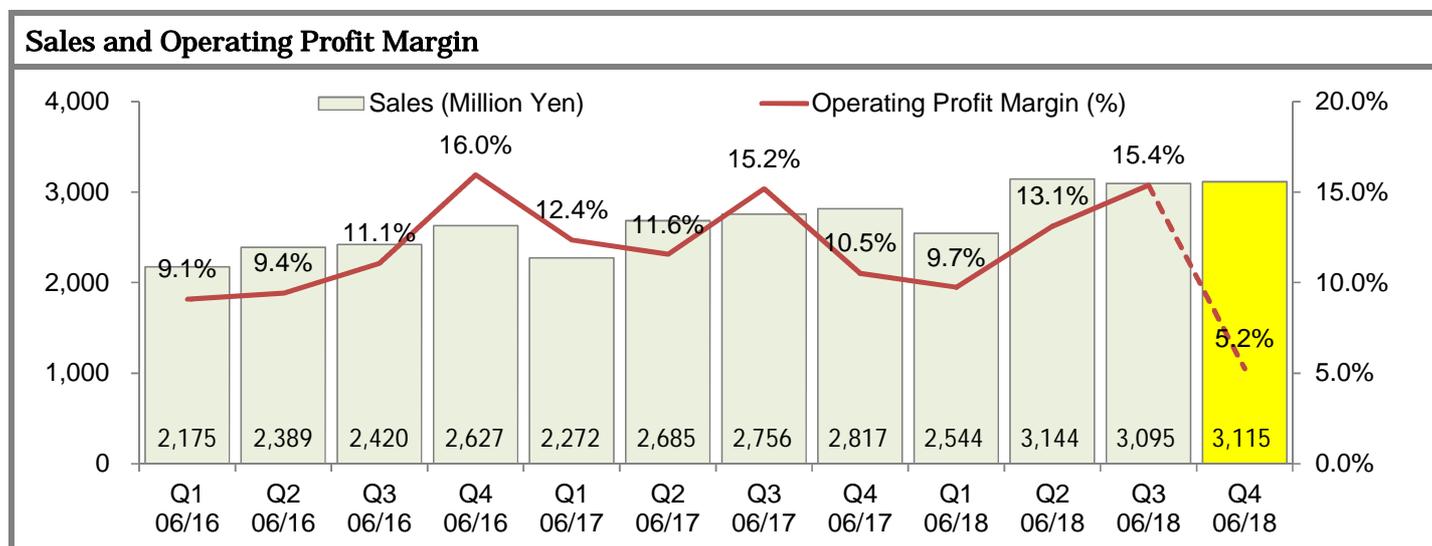
Cash Flow Statement (Cumulative, Quarterly)

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)	114	-	+178	
Investment Cash Flow	(91)	(106)	(273)	(297)	(56)	(157)	(327)	-	(53)	
Operating CF and Investment CF	(5)	53	(338)	772	(338)	(360)	(213)	-	+124	
Financing Cash Flow	(135)	(162)	(200)	(232)	(174)	(182)	(183)	-	+17	
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 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	316	-	+541	
Investment Cash Flow	(91)	(14)	(167)	(23)	(56)	(101)	(169)	-	(2)	
Operating CF and Investment CF	(5)	58	(392)	1,111	(338)	(21)	146	-	+538	
Financing Cash Flow	(135)	(26)	(38)	(31)	(174)	(7)	0	-	+37	

Source: Company Data, WRJ Calculation

FY06/2018 Company Forecasts

FY06/2018 Company forecasts (revised on 7 May 2018) are going for prospective sales of ¥11,900m (up 13.0% YoY), operating profit of ¥1,300m (down 0.5%), recurring profit of ¥1,301m (down 0.6%) and profit attributable to owners of parent of ¥818m (up 23.3%), while operating profit margin of 12.9% (down 0.2% points). Surging profit attributable to owners of parent is attributable to non-reappearance of extraordinary loss as in Q1 to Q3 results to a large extent.



Source: Company Data, WRJ Calculation

Compared with initial Company forecasts, prospective sales have been upgraded by ¥654m (5.8%), operating profit by ¥76m (6.2%), recurring profit by ¥77m (6.3%) and profit attributable to owners of parent by ¥66m (8.8%). Still, it appears that Company forecasts are based on assumptions very conservative in regards to expenses in Q4, implying a probability that they are to be exceeded in reality.

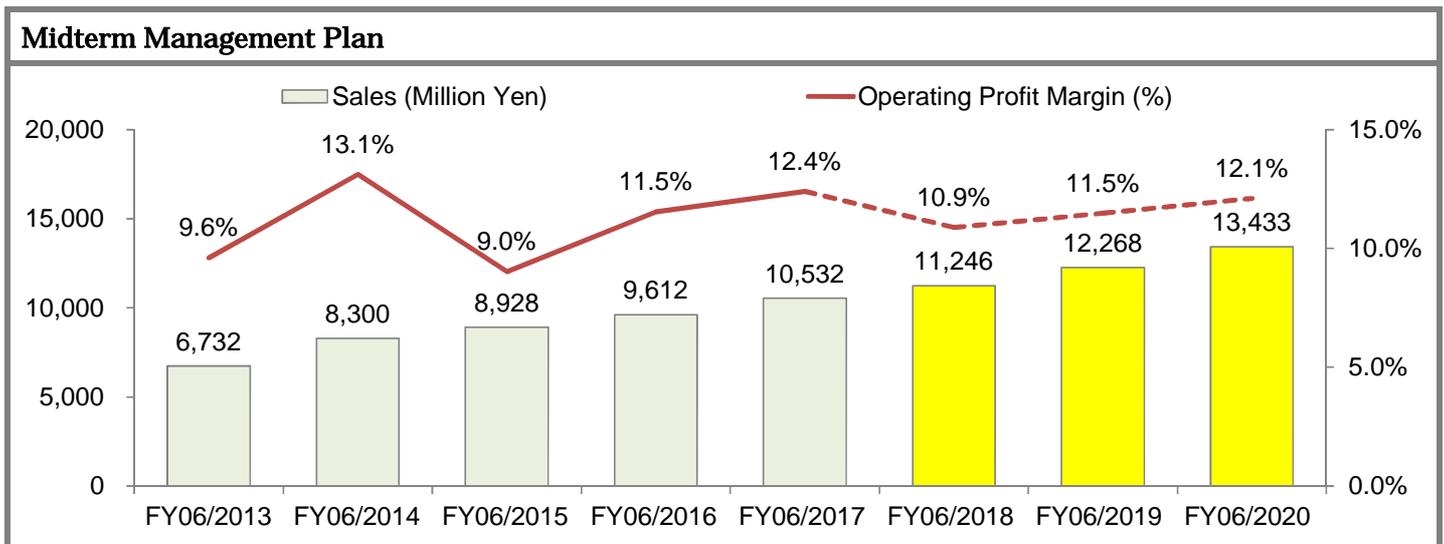
Meanwhile, the Company advocating stable dividend in line with its measures to positively share earnings with shareholders has upgraded prospective dividend at the same time, when having released above-mentioned upgrades for earnings. As far as “stable dividend” advocated by the Company is concerned, it does not mean to consistently maintain existing absolute level of dividend, while the Company mentions two main principles for dividend, i.e., a) avoiding any decreases of dividend and b) increasing dividend with stability every year as much as possible.

The Company, having had increased dividend over the previous year in FY06/2016, further increased dividend in FY06/2017, while FY06/2018 initial Company forecasts were going for prospective dividend of ¥10.0 per share versus ¥8.0 in FY03/2017. To date, prospective dividend in FY06/2018 has been upgraded by ¥2.0 to ¥12.0 per share, implying payout ratio of 27.5%. Meanwhile, the Company discloses that it is keen on consistent increases of dividend with a respect to the average levels of payout ratio and dividend on equity ratio among all the listed corporates on Tokyo Stock Exchange.

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.

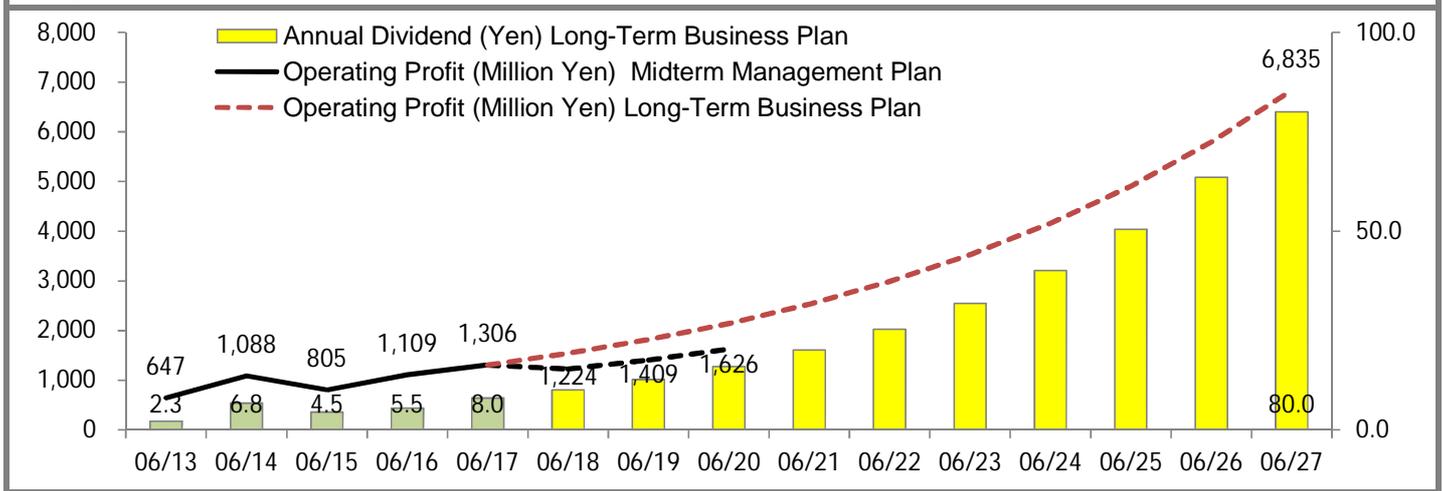
When based on FY06/2017 results, the plan is calling for CAGR of 8.4% for sales and 7.6% for operating profit during the same period. Meanwhile, the plan assumes operating profit margin in FY06/2018 temporarily adjust, while consistently recover in FY06/2019 and FY06/2020, i.e., 10.9%, 11.5% and 12.1%, respectively, compared with 12.4% in FY06/2017. Still, it has been disclosed to date that sales and operating profit in FY03/2018 are running ahead of the assumptions here.



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 persistent earnings growth by means of expanding operations as CIFO ACCELERATOR. On top of existing solid customer base in Japan to 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) being merged.

Long-Term Business Plan



Source: Company Data, WRJ Calculation

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 those of “finance” to propose optimal allocation of business assets for the future, going forward.

Meanwhile, the bottom line of long-term business plan, based on above-mentioned management strategy, is to go for “ROE of 20% or more to maintain”, “CAGR of 18% for operating profit” and “dividend of more than tenfold” towards FY06/2027 as a target. As of the end of Q3 FY06/2018, the Company saw ROE of 24.0% 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. At this stage, the Company is to pay divided of ¥80.0 per share or more, when based on the plan.

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 so far, 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 overview of this scheme, including changes so far, 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 on the way of getting 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 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 in charge of operations of outsourcing services at the beginning of Q2 FY06/2018, having resulted in collective 5 operating companies under management as in the initial state 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 other markets overseas at the same time. Although the Company has not cultivated any customers yet, it suggests a probability to do so in Indonesia, for example, in the foreseeable future. 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.

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
品目(統一)	大分類A	中分類Aa	小分類001	合計	合計	合計
会社				値	値	値
受注先				値	値	値
仕向地				値	値	値
				692,880	79,800	0
				43,992,259	26,270,857	26,985,943
				16,595	174,502,253	126,888,219
				10,557	95,719,858	49,382,380
				338,105,440	84,509,349	129,742,267
				4,504,380	1,036,565	1,844,681
				0	0	95,220
				0	0	418,806
				0	0	2,237,679
				0	0	32,057,714
				0	0	2,048,841
				0	0	66,016
				0	0	371,808
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				624,185,734	342,751,036	60,125,981
				0	0	55,593,475
				0	0	242,759,075
				0	0	-76,983,295
				0	0	-87,790,874
				1,845,947,913	794,239,773	455,466,460
						110,060,694
						448,527,545
						37,653,207



Source: Company Data

Disclaimer

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

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