

**AVANT  
CORPORATION**

3836 TSE JASDAQ Growth

29-Oct.-14

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and disclaimers appear  
at the end of this document.

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## ■ Continues to post record earnings, dividend growth possible in line with the results

AVANT CORPORATION (3836) (hereafter, “AVANT” or “the Company”) is a holding company that possesses four major operating companies. Among those is DIVA CORPORATION, one of the major players in consolidated management and accounting package software business. The remaining three subsidiaries within the holding company provide (1) enterprise system (ERP) solutions, (2) business intelligence (hereafter, “BI”) and big data-related solutions and (3) corporate disclosure document retrieval services.

AVANT’s FY6/14 consolidated results posted record earnings for a third consecutive period, with sales up 23.3% y-o-y to ¥8,300mn, and operating profit up 68.2% y-o-y to ¥1,088mn. Major factors behind this include, in addition to contributions from new large-scale deals for flagship consolidated accounting systems, a full-year contribution of earnings from ZEAL CORPORATION (consolidated from Q2 FY6/13).

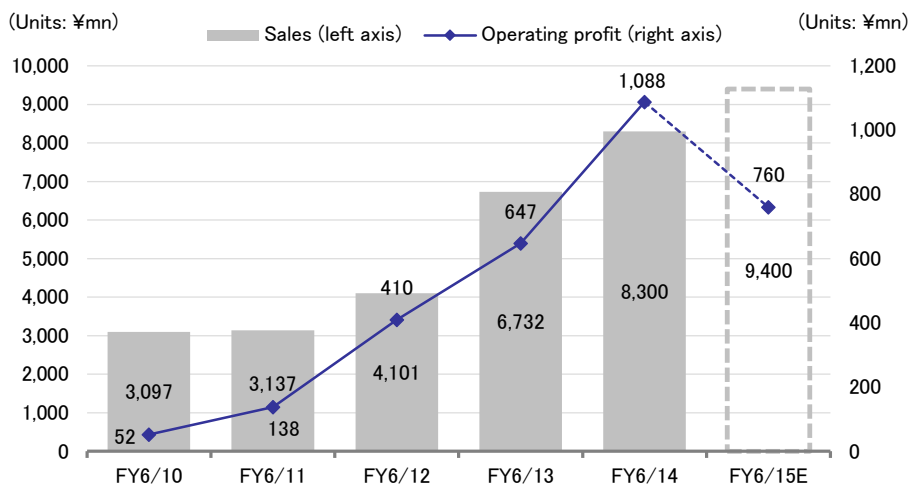
However, while FY6/15 consolidated sales are expected to increase 13.2% y-o-y to ¥9,400mn, operating profit is expected to decline 30.2% y-o-y to ¥760mn. In respect of sales, it appears to be a conservative forecast which, in addition to taking into account the risk of failing to achieve this target due to a lack of human resources, excludes uncertain factors such as incorporation of growth through M&A and other external factors. On the other hand, given that AVANT has positioned this period as a time to invest for growth from the next period forward, profits are forecast to decline as a result of proactive investment in areas such as human capital, new product development, and internal information infrastructure.

AVANT’s strategy, going forward, is to realize “high performance services” by expanding solution domains based on consolidated accounting systems, and establishing optimal methods for the introduction of services through to support, as well as superior human resource development, to propel its growth towards being a global IT company. It has set management goals of an annual growth rate of 20% in sales and EBITDA ratio of 20% (15.6% in FY6/14). In relation to its shareholder return policy, AVANT has introduced results-linked dividends with 10% as a baseline for its dividend payout ratio; anticipating that dividends will increase along with growth in earnings.

## ■ Check Point

- Strengths include preeminent installation track record & high investment efficiency, as well as its ability to propose a diverse array of solutions
- Investing in creating the foundation for its future growth this period, with a return to underlying double-digit revenue and earnings growth from next period
- Setting the stage in “Becoming a corporation that will thrive for a 100 years” as its paramount management goal

**Results Trends**



**Company Outline**

**Expanding sales channels with a shift from contracts via leading auditors to agency agreements with systems integrators (SIer)**

**(1) Corporate History**

The Company was founded in 1997, initially established by the current President and CEO Mr. Tetsuji Morikawa as DIVA CORPORATION (which changed its name to AVANT in October 2013 at the time it shifted to a holding company structure). The main focus was the development, sale and provision of support services for the software; focusing on “consolidated financial accounting”. The DivaSystem, which is the company’s flagship package software, does not only improve efficiency in processing for accounting operations by “system consolidation”, but also has the distinguishing characteristic of being able to handle a range of management data (i.e. detailed analyses of sales, expenses, etc.) for “consolidation for managerial accounting purposes”, the goal of which is to assist in management decision making.

Until the number of contracted companies reached about 100 contracts, major auditing firms formed the core marketing channel; however, subsequently AVANT entered into an agency agreement with several system integrators (SIer) such as NTT Data (9613) and Hitachi Systems, and steadily expanding its contract numbers and enlarging its sales channel network. As a result, the cumulative number of contracted corporate customers for DivaSystem has reached 829 as of June 30, 2014.

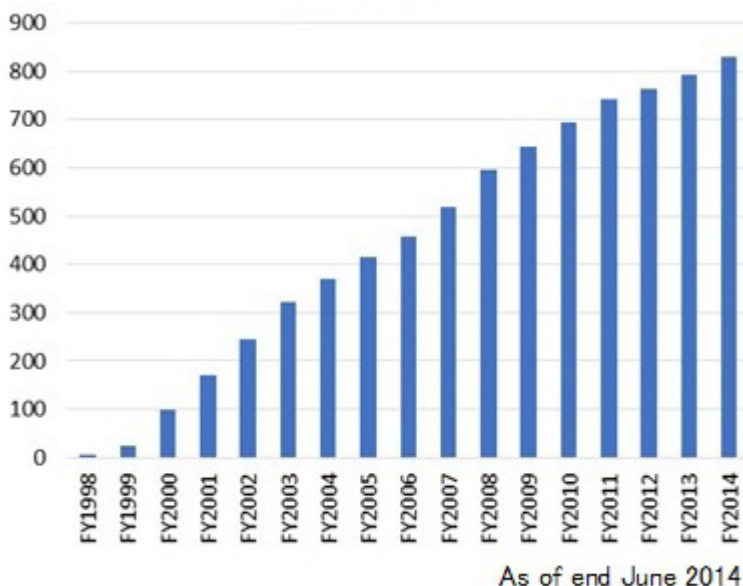


**AVANT CORPORATION**

3836 TSE JASDAQ Growth

29-Oct.-14

Track records of the introduction of product by corporates



Source: Company materials

Further, from 2008 AVANT has activated measures to tackle group development and M&A. Apart from establishing a subsidiary in the United States in 2008 aimed at research and development; in 2009 it made Internet Disclosure Co., Ltd., which engages in data retrieval systems for corporate disclosure, accounting-related legislation and other information, a 100% owned subsidiary. In 2011 it established, by way of a 100% capital contribution, subsidiary DIVA BUSINESS INNOVATION CORPORATION, to develop sales not only of consolidated accounting systems, but also of non-consolidated accounting systems and ERP software, including solutions from other companies. Additionally, in 2012 it took over the operations of ZEAL, which provides solution services in the BI field, making it a subsidiary. ZEAL is a systems integrator (SIer) that engages in installation support of BI tools from major overseas vendors in markets related to “consolidated accounting and management operations” and big data.

**Corporate History**

Date	Major Event(s)
May 1997	Founded in Ota-ku, Tokyo as DIVA; aimed at developing, selling & supporting consolidated accounting package software, as well providing support for consolidated accounting operations
Oct. 1997	Released DivaSystem
Jun. 2002	Launched consolidated accounting operations courses for accounting professionals
Jan. 2004	Launched outsourcing services for consolidated accounting operations
Feb. 2007	Listed on the Hercules Nippon New Market, Osaka Stock Exchange (OSE). (Currently JASDAQ, Tokyo Stock Exchange)
Aug. 2007	Users of DivaSystem reached 500
Oct. 2008	Founded DIVA CORPORATION OF AMERICA
Nov. 2009	Consolidated Internet Disclosure Co., Ltd. as a subsidiary
Nov. 2010	Headquarters relocated to (current site in) Shinagawa
Aug. 2011	Corporate split and establishment of DIVA BUSINESS INNOVATION CORPORATION as subsidiary
Oct. 2012	Changed the name of the ZEAL’s spin-off preparation company to ZEAL, and took over information systems operations of former ZEAL (Currently DHI)
Oct. 2013	Shifted to a holding company structure & changed corporate name from DIVA to AVANT

## Strengths include its preeminent installation track record & high investment efficiency as well as ability to propose a diverse array of solutions

### (2) DivaSystem's Strengths

DivaSystem's strengths are its preeminent installation track record, high investment efficiency and its ability to propose a diverse array of solutions.

- **Preeminent Track record in consolidated accounting software (system consolidation, managerial accounting consolidation)**

With its preeminent track record in consolidated accounting package software domestically, AVANT can facilitate system consolidation and managerial accounting consolidation with a single system, and also possesses a track record under multiple international accounting standards, including US GAAP (SEC) and International Financial Reporting Standards (IFRS), enabling it to meet a wide variety of consolidated accounting needs. As a result, it has a robust installation track record among major domestic corporations, with 24 of the top 50 companies by market capitalization on the Tokyo Stock Exchange First Section using AVANT's systems (as of June 2014), and more than half of the top 100 companies secured as customers. User retention rates are also high at over 84%, which shows its excellence to respond to customer needs in addition to providing superior quality.

- **Package Software Superiority**

Being package software with a development track record in excess of 10 years and with distilled customer know-how, it boasts an extremely high return on investment compared to products being newly developed from scratch.

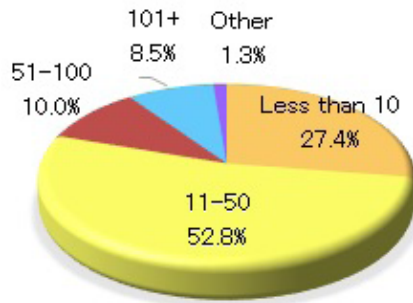
- **Operational Specialization**

Apart from specialists, such as Certified Public Accountants (CPAs), AVANT holds abundant variety of talented personnel resources versed in operational management and high numeric capacities. Those resources, as well as coordinating with group and external partner companies, make possible the provision of solution services meeting a diverse array of needs. (Refer diagram below).

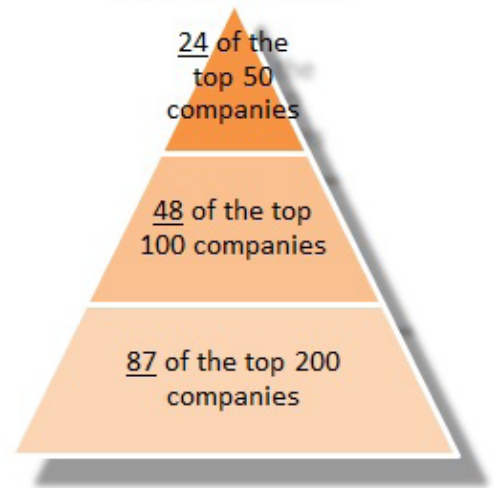
Competition comes from the consolidated accounting solutions product STRAVIS by ISID (4812). While from a functionality perspective there is little between them, we feel that AVANT will continue to maintain its leading position domestically in the future with its strength in being able to provide a one stop shop solution as a devoted company focused on development to consulting, support and outsourcing services, as well as the preeminent track record and client trust built to date.

**Usage Status & Share by Corporate Size**

○ Usage by Number of Subsidiaries

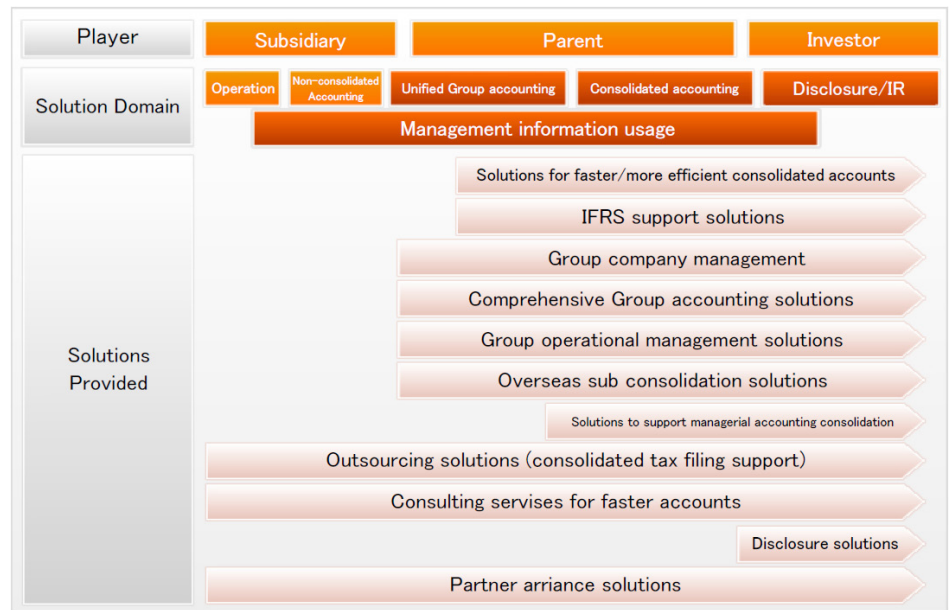


○ Market Share (DivaSystem) by Market Capitalization



Source: Company materials

**Solutions Services**



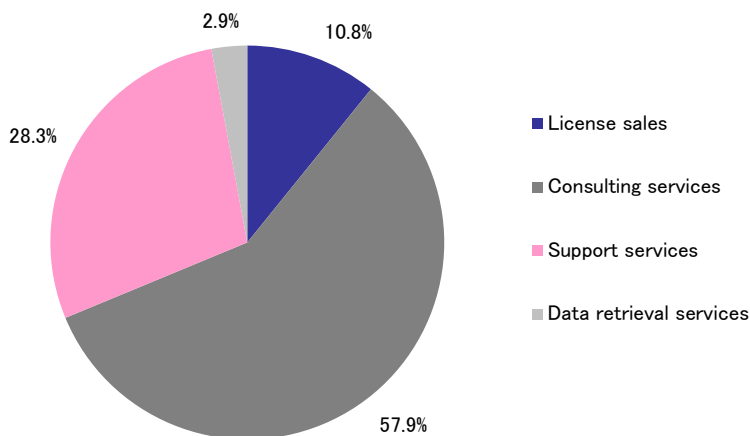
Source: Company website

**With an operational core in consulting services, AVANT also provides systems development services in addition to installation support**

**(3) Operation Outline**

Revenues from AVANT’s operations, which are comprised mainly of software development and sales, are disclosed by its four (4) separate operating segments: license sales, consulting services, support services and data retrieval services. Examining the sales contribution for FY6/14, we see that consulting services represented more than half at 57.9%, followed by support services with 28.3%, license sales with 10.8%, and data retrieval services with 2.9%.

Sales Composition by Division



License sales are mainly sales of various products in the DivaSystem series, including proprietarily developed consolidated accounting systems, planning and budgeting systems, and systems for utilization of managerial data. It takes the form of users purchasing the license for the products they require, and though the monetary value of the licensed sale may be small, given that it leads to consulting and support service sales, it may be viewed as a lead indicator when examining results.

In consulting services, apart from installation support to more efficiently utilize the package software for which the license was purchased, systems development services are also provided to meet clients’ needs that cannot be met by package software alone.

There is enormous variation in respect of the order amount per transaction, including consulting services, ranging from several million to several hundred million yen, depending upon the corporate client’s size and needs. Moreover, there are many cases that even existing customers are placing additional orders for modules with new functions.

In support services, apart from undertaking holistic maintenance and support in relation to the method of using systems and issues that arise from operations, AVANT also provides educational and training services. Also, AVANT’s consolidated accounting outsourcing services for corporate customers that began in 2011 is included in this division.

In data retrieval services, the core operations are those in subsidiary Internet Disclosure Co., Ltd.; providing users with proprietarily developed high speed search engines for use in corporate disclosure information, accounting related legislation and regulations, and other data retrieval. The main users are auditing firms, with it being the de facto standard for accounting operations within the industry. Given that this service almost exclusively restricted to auditing firms, from a growth perspective, there may not be much that can be expected, however, it provides stable sales and increasing profitability.

## ■ Results Trends

### Posting record results, with the recovery in IT investment providing a tailwind in addition to securing big-ticket deals

#### (1) FY6/14 Results

In its consolidated FY6/14 results announced on August 8, AVANT posted record numbers for a third consecutive period with sales of ¥8,300mn (+23.3% y-o-y), operating profit of ¥1,088mn (+68.2% y-o-y), recurring profit of ¥1,079mn (+71.6% y-o-y), and net profit of ¥623mn (+71.8% y-o-y). Further, it showed both sales and profits exceeding those in the management plan announced in the third quarter.

In addition to securing a big-ticket contract for DivaSystem products (adopted as the new consolidated accounting system by Marubeni), we can point to steady expansion in revenues for ZEAL, DIVA BUSINESS INNOVATION and all other subsidiaries as the major reason underlying its solid results, with the recovery in IT investment at domestic companies providing a tailwind.

Aside from the contribution to sales from above big-ticket deal, two other major cost factors were cited behind AVANT exceeding management plans. One was the expenses for staff recruited in this period, which remained below target due to changes in the labor market environment, and the other was the delay of the investment in common Group information systems until FY6/15.

#### FY6/14 Consolidated Income Statement

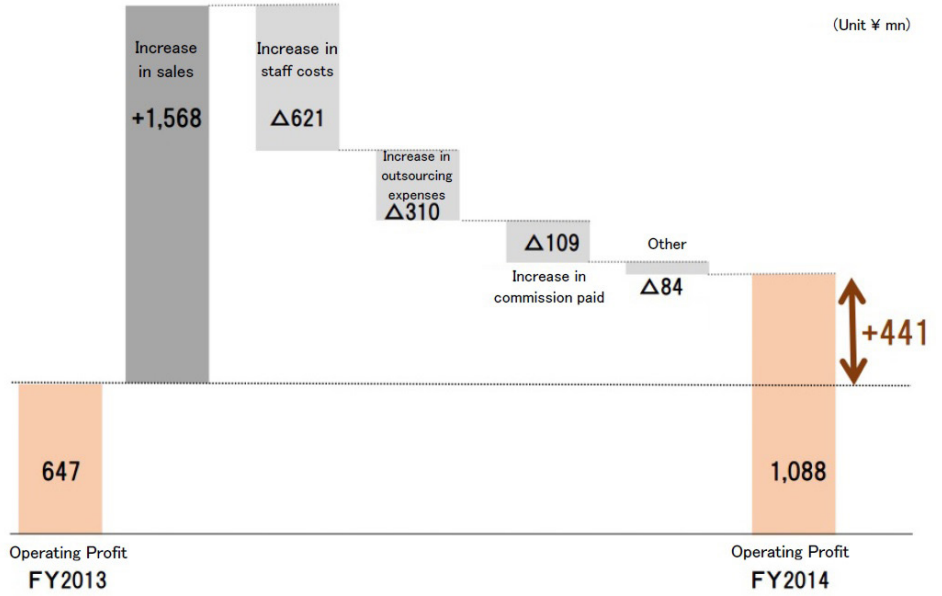
(Unit: ¥mn)

	FY6/13		Plan	FY6/14			
	Actual	% Sales		Actual	% Sales	y-o-y	vs Plan
Sales	6,732	-	8,150	8,300	-	23.3%	1.8%
COGs	4,061	60.3%	-	4,580	55.2%	12.8%	-
SG&A	2,022	30.0%	-	2,631	31.7%	30.1%	-
Operating profit	647	9.6%	900	1,088	13.1%	68.2%	20.9%
Recurring profit	629	9.3%	890	1,079	13.0%	71.6%	21.2%
Net profit	362	5.4%	440	623	7.5%	71.8%	41.6%

※ From the management plan as of May 2014, when Q3 results were announced

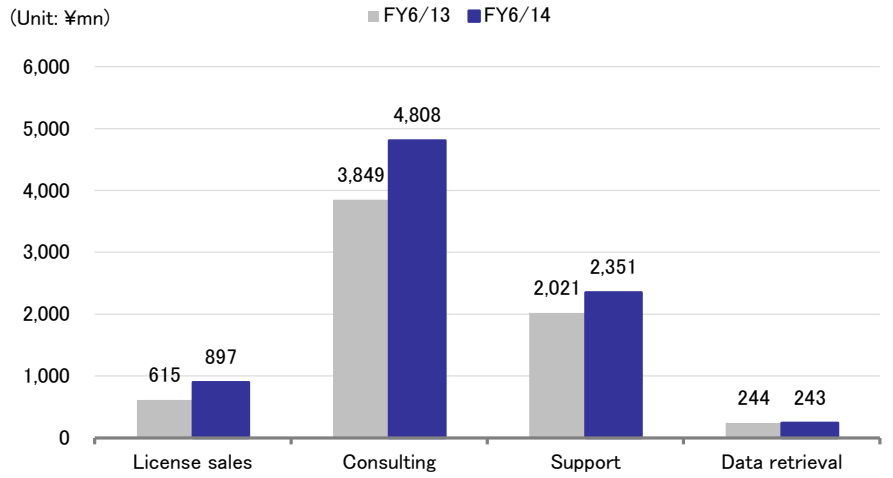
The operating profit margin rose significantly from 9.6% in FY6/13 to 13.1%. It illustrated the impact of higher revenues being able to absorb increases in staff and outsourcing costs. Particularly in the highly profitable license sales segment, there was a big-ticket contract, which inter alia raised its contribution to 10% of sales. This change in the composition of sales also contributed to an increase in profitability.

**Factors underlying FY6/14 operating profit fluctuation**

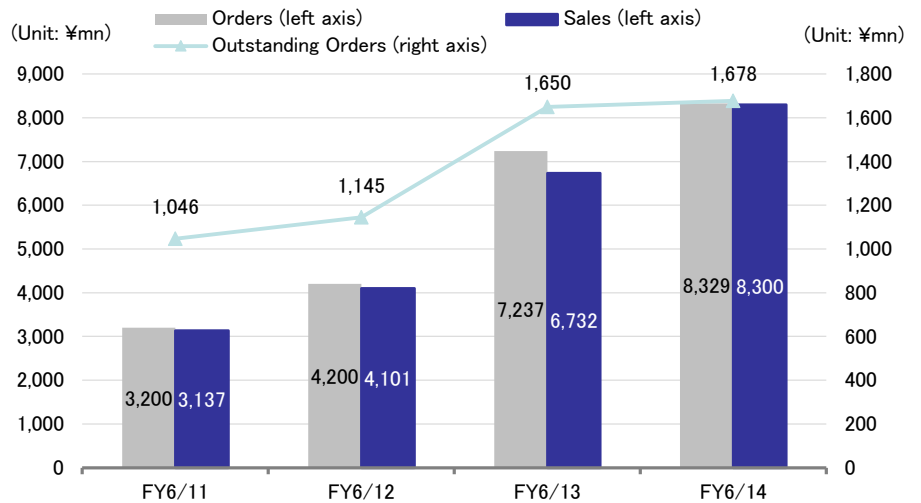


Source: Company materials

**Sales by Segment**



**Order & Sales Trends**







**AVANT  
CORPORATION**

3836 TSE JASDAQ Growth

29-Oct.-14

Looking at the sales position by segment; license sales rose up 45.7% y-o-y to ¥897mn. In addition to securing an agreement for a big-ticket deal for DivaSystem, there was also a solid trend in orders for accounting templates for Microsoft Dynamics AX, which was developed by DIVA BUSINESS INNOVATION, and sales of which were launched in February 2014. The number of contracted companies using DivaSystem has risen, with the main reason points to its strengthening of sales structures. Previously, there was little in the way of proactive marketing activities at AVANT, however, the benefits of revising sales policies and proactively promoting new customer acquisition from the previous period became apparent.

Consulting services rose up 24.9% y-o-y to ¥4,808mn. There was sound performance in DivaSystem-related installation support, and transactions related to operational management. Also, DIVA BUSINESS INNOVATION's installation support for Microsoft Dynamics AX, in the field of non-consolidated accounting, achieved solid performance, and moreover, systems integration services in the BI field, which is one of ZEAL's fortes, also performed solidly.

Support services rose up 16.3% y-o-y to ¥2,351mn. Along with an increase in DivaSystem's contracted corporate customers, and apart from a rise in maintenance service sales, support operations resulting from ongoing upgrades also expanded. Further, outsourcing services, including those for consolidated accounts preparation and consolidated tax filings also performed soundly.

Data retrieval services declined 0.7% y-o-y to ¥243mn, this being the only decline in sales. The main reason for the decline in revenues for this period was the lack of demand for spot orders that are made by certain customers for reporting services, although due to strengthening of search function, there was stable performance in sales for its regular services.

Further, in respect of the status for orders, the trend is the same as that for sales, with total orders up 15.1% y-o-y to ¥8,328mn and period end of orders outstanding up 1.7% y-o-y to ¥1,677mn.

## **Improvement in financial safety indicators, with a record OP margin posted**

### **(2) Financial Condition & Management Indices**

Total assets at the end of FY6/14 rose ¥751mn y-o-y to ¥5,537mn. The major change factors were an increase of ¥561mn in cash and deposits and ¥113 in notes and accounts receivable. On the other side of the ledger, liabilities rose ¥170mn y-o-y to ¥3,076mn. Despite interest bearing liabilities declining ¥189mn, in addition to provision for bonuses (including directors) rising ¥143mn, accounts payable and accrued expenses, accrued taxes payable and deferred income tax rose ¥73mn, ¥46mn and ¥80mn respectively. Also, in line with the increase in net profit, net assets rose ¥581mn y-o-y to ¥2,460mn.

Looking at the major financial indicators all appeared to improve as a result of expansion in earnings. Financial safety indicators, including the equity ratio and D/E ratio deteriorated temporarily in FY6/13, due to factors such as the consolidation of ZEAL, however, they all showed great improvement in FY6/14.

On the other hand, in respect of profitability, its ROE of 28.7% significantly exceeded the TSE First Section average of 8%, and additionally the Company posted an OP margin of 13.1% which was a record since it commenced consolidated reporting in FY6/10. The Company in its mid-term management plan set an OP margin target of greater than 10%, and reached this benchmark last period (FY6/14). Further, going forward, it has set an EBITDA margin of 20%, and has indicated its intentions to further increase profitability.

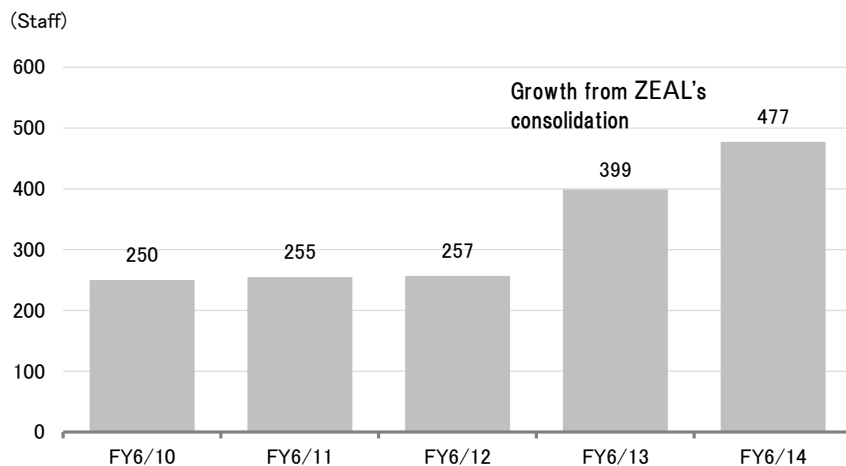
In respect of results from FY6/13, the level of predepreciation OP per staff member has risen, despite having had a rapid increase in staff numbers, as a result of proactive staff recruitment and ZEAL's participation in the Group. This improvements in overall profitability was achieved by the efforts to enhance profitability per staff while seeking to increase staff numbers, as well as the expansion of sales.

**Balance Sheet**

(Unit: ¥mn)

	FY6/11	FY6/12	FY6/13	FY6/14	Change
Current assets	2,275	3,063	3,801	4,498	696
(Cash & deposits)	1,544	2,121	2,244	2,805	561
(Accounts receivable)	521	669	1,104	1,217	113
Tangible fixed assets	173	115	170	254	83
Intangible fixed assets	128	67	522	405	-116
<b>Total Assets</b>	<b>2,836</b>	<b>3,502</b>	<b>4,785</b>	<b>5,537</b>	<b>751</b>
(Interest bearing liabilities)	370	350	675	486	-189
<b>Total Liabilities</b>	<b>1,483</b>	<b>1,970</b>	<b>2,906</b>	<b>3,076</b>	<b>170</b>
<b>Total Net Assets</b>	<b>1,356</b>	<b>1,535</b>	<b>1,879</b>	<b>2,460</b>	<b>581</b>
<b>(Financial Safety Ratios)</b>					
Current ratio (current assets/current liabilities)	203.1%	175.0%	164.0%	169.1%	
Equity ratio (shareholders' equity/total assets)	47.8%	43.8%	39.3%	44.4%	
D/E ratio (interest bearing liabilities/ shareholders' equity)	27.3%	22.8%	35.9%	19.8%	
<b>(Profitability ratios)</b>					
ROA (RP/average period total assets)	4.6%	12.1%	15.2%	20.9%	
ROE (NP/average period shareholders' equity)	1.9%	13.2%	21.2%	28.7%	
OP margin	4.4%	10.0%	9.6%	13.1%	
EBITDA margin	8.4%	13.7%	12.5%	15.6%	
Predepreciation OP per staff member (¥mn)	1.03	2.19	2.11	2.72	

**Consolidated Staff Trends**



**Investing in creating the foundation for its future growth this period, with a return to underlying double-digit revenue and earnings growth from the next period**

**(3) FY6/15 Results Outlook**

FY6/15 consolidated results anticipate growth in revenues but declines in earnings, with sales up 13.2% y-o-y to ¥9,400mn, operating profit down 30.2% y-o-y to ¥760mn, recurring profit down 30.5% y-o-y to ¥750mn, and net profit down 30.2% to ¥435mn.



**AVANT CORPORATION**

3836 TSE JASDAQ Growth

29-Oct.-14

Against a background of expanding corporate IT investment, it is again expected that favorable conditions will continue in the order environment for the Company, concentrated around consolidated accounting solutions services. However, on the other hand, there is a real sense of shortage in human resources for consulting and other services. At AVANT, given that this corresponds with expansion in the volume of sales, an increase of 90 staff is planned for this period. However, this is not a haphazard increase in staff recruitment, but recruitment of staff possessing specialist expertise and who also share the same management philosophy and values. To the extent, current labor market in the IT industry was a seller’s market, there is also the potential risk that staff recruitment may not precede as planned. Previously, AVANT aimed for an annual sales growth rate target of 20%, and there is no change in that growth target in this period. However in respect of the revenue plan, we feel AVANT has taken into consideration the risk of a shortage in human resources. Moreover, by segment, apart from expecting data retrieval services to be flat year-on-year, all businesses are expected to show double-digit growth.

As opposed to this, for the first time in five periods it is expected there will be a decline on an earnings basis. The reason for this is that aiming for growth from next period, there will be proactive investment areas such as in human capital, information systems, and new product development. Since the Lehman Shock, AVANT appears to have curbed investment activities because it has not possessed sufficient corporate strength, however, it has changed this policy, taking advantage of the fact that it has achieved its goal of greater than ¥1 bn in operating profit under the current mid-term management plan. This investment includes, specifically, an increase of approximately ¥630mn in staff-related expenses such as staff remuneration, recruitment costs, and training and education expenses resulting from increased staff numbers. Moreover, an increase of approximately ¥570mn in increased outsourcing expenses in the period, until the staff recruited can be usefully deployed, has been included. Further, a portion of investment in Group information infrastructure and strategic IT investment in sales and marketing activities from last period has been carried over, with ¥160mn planned in investment costs (of which ¥75mn are purely new investments). Moreover, within this, in respect of staff costs, as with the last period, if staff cannot be recruited as planned, this will lead to a decline in expenses and lead to increased earnings.

Given that this period is a time for investment to build the future growth foundation there will be a temporary decline in earnings, however, we feel that from the next period onward, this increase in expenses will have run its cycle and AVANT will return to underlying double-digit revenue and earnings growth.

**Factors Behind FY6/15 OP Fluctuation**



## ■ Future Growth Strategies

### Setting the stage in “Becoming a corporation that will thrive for 100 years” as its paramount management goal

#### (1) Medium-term Management Plan

This period is the final fiscal year in AVANT’s mid-term management plan (FY6/13–FY6/15), having management targets of consolidated sales in the order of ¥10bn and an OP margin of 10%. Further, in its growth strategies towards 2020, AVANT has established as its paramount management goal in “Becoming a corporation that will thrive for a 100 years,” seeking to emerge as a global IT venture company, including further overseas expansion, realizing continual growth through an organizational structure that possesses a strong capacity to adapt to a market environment that may change drastically.

The basic strategy to achieve this goal is initially for the Company to create a solid earnings platform through “Scale Up” (further development through high growth and high profits), and then to forge the launch pad for “Product Out” (merchandization of knowledge and experience) and “Go Global” (global expansion) that will drive growth from FY6/16 onwards. AVANT intends to promote management aimed at realizing this goal while following these three steps.

Firstly, in respect to the first step “Scale Up”, management felt that the structure for an earnings base required for further growth was basically able to have been put in place by last period. Accordingly, in this period the Company will tackle in earnest investment in the second step, “Product Out”. In addition to a variety of solutions involved in consolidated accounting based on DivaSystem, the Company’s current products include those in the BI and big data fields developed by ZEAL and in the ERP field developed by DIVA BUSINESS INNOVATION. However, there is still significant room to expand products in specialist spheres involving corporate management. For example, because the Company itself is promoting the development of real time consolidated solutions and global tax management for earlier account settlement, it is establishing a new specialist department and ramping up research and development expenditure. Also, in the GRC\* and other undeveloped fields AVANT is seeking to meet a wide variety of customer needs by expanding its product line-up through corporate alliances with global players.

In the overall Group, AVANT has approximately 1,000 corporate customers, which come to around ¥8mn in revenue each, if we look at it on a per customer basis. By promoting product expansion there is the potential to expand this to ¥15–20mn per customer in revenues in the future, and as such there could be significant potential for revenue growth.

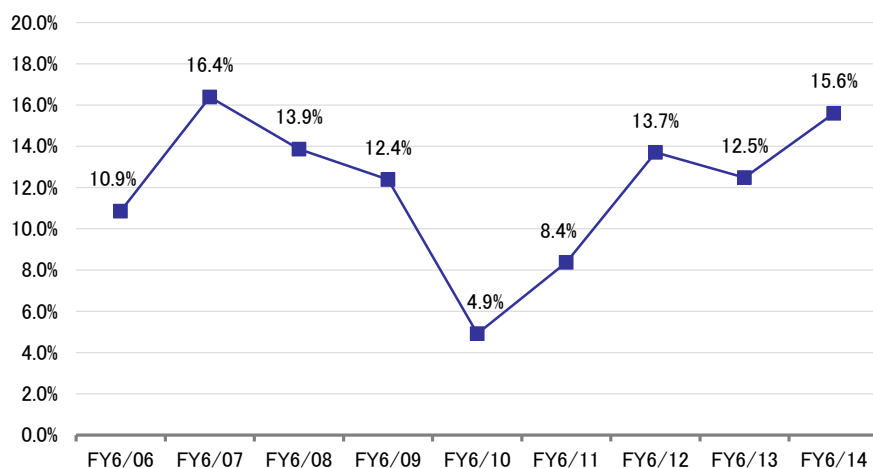
Further, it is not easy to realize revenue growth through expansion of products (tools) alone. By combining the elements of training human resources possessing high levels of specialist skills necessary for proposing optimal solutions for customers, and establishing methodology to enhance added value, it then becomes possible to realize the Company’s management mission of “popularization of professional services” (i.e. realizing highly specialized solutions services of high quality but at a low cost)”, which they feel will lead to expansion in revenues.

Establishing methodology is aimed at realizing enhanced productivity through standardizing processes in marketing activities from quote proposal to installation. The Company has engaged in this from FY6/14 and has currently completed standardizing to the quote proposal stage, with progressing standardization to the installation stage planned for this period.

Through this type of engagement, not only expansion in the volume of revenues but also improvements in profitability will be realized, and at that stage the Company will promote the third step, “Go Global” (global expansion). This is because, in order to compete on an equal footing with competitors in the global market, it is important from the perspective of competitiveness to have a certain degree of scale and highly profitable structure.

AVANT is proactively pursuing operational expansion in order to achieve its management targets of a high 20% p.a. level in revenue growth and an EBITDA margin in the order of 20%. Moreover, it’s also targeting 1,000 contracts for corporate customers for DivaSystem (the cumulative total being 829 as of June 2014) and ¥5bn in overseas sales.

**EBITDA margin Trends**



**Proactively employ M&A & secure human capital to expand the product line-up**

**(2) Focusing on M&A as well**

In order to achieve its operational targets, AVANT has indicated a policy of proactively employing M&A. There are two goals in undertaking M&A: the first being M&A to secure human capital and Scale Up, and the second being M&A to expand its product line-up, however, given that in this latter case the acquisition cost may become high, it is likely the Company will develop joint ventures through commercial alliances.

**DIVA and other subsidiaries aim to expand revenues and improve brand strength, while maintaining autonomy**

**(3) Subsidiary targets, operational issues & business strategies**

The management missions, targets, operational challenges and business strategies for DIVA and other subsidiaries are as set out in the table below., with management pursuing a policy that aims to expand their revenues and improve their brand strengths while maintaining autonomy.



**AVANT CORPORATION**

3836 TSE JASDAQ Growth

29-Oct.-14

	DIVA	DIVA BUSINESS INNOVATION	Internet Disclosure	ZEAL
Main scope of business	Development, installation & maintenance of consolidated accounting package software, consulting on operational consolidation as well as outsourcing services for consolidated accounting and tax filing	Provision of solutions, include ERP installation in relation to backbone systems (strength in the accounting sphere)	Disclosure information databases and legal and regulatory search tools for audit operations for accountants' corporate disclosure & IR operations support	BI tools from major overseas vendors for installation and support in managerial accounting consolidation & big data-related fields
Management Mission	Popularization of management information	Global ERP popularization	Popularization of disclosure information	Popularization of BI solutions
Management targets	No.1 in Domestic CPM	No.1 in domestic installation of Dynamics	No.1 in domestic disclosure information search results	No.1 in domestic BI solutions
Management issues	Putting in place the environment to realize the goal to be the No. 1 CPM	Building a track record in ERP dissemination	To set a prospect for global product development	To shift to a business model of dealing directly with end users

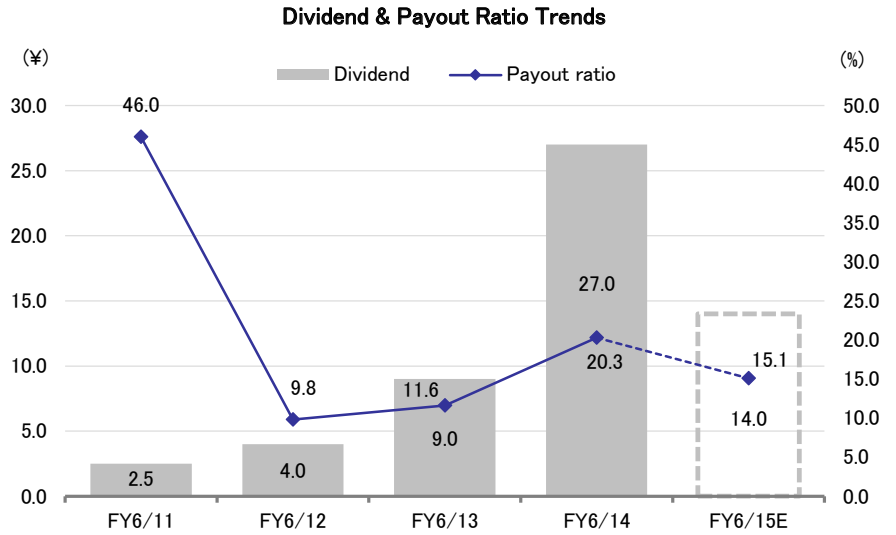
Business strategies	
DIVA	Structural reform for strengthening consulting, <ul style="list-style-type: none"> <li>Product business.....For DivaSystem-related businesses – shrink the distance between the Company and customers &amp; promote value enhancement from the product to maintenance</li> </ul> Promoting value improvement <ul style="list-style-type: none"> <li>Service business.....Shift from DivaSystem installation services to managerial accounting consolidation solutions consulting services</li> </ul> Shift to the service <ul style="list-style-type: none"> <li>CPM Operations.....Promote the launch of operations in line with establishing specific and multiple CPM solutions</li> <li>Outsourcing operations.....Focus on scaling up through expanding customer numbers</li> </ul>
DIVA BUSINESS INNOVATION	<ul style="list-style-type: none"> <li>Build a track record in global ERP dissemination</li> <li>Expand solutions leveraging accounting</li> <li>Launch solutions services to support dissemination in developing countries (Started from FY6/14)</li> </ul>
Internet Disclosure	<ul style="list-style-type: none"> <li>Exploit new customer segment outside of audit firms</li> <li>Development of global products (Development of search engines for data such as US disclosure information &amp; legal and regulatory data)</li> </ul>
ZEAL	Positioning ZRAL as the No. 1 domestic partner for global vendors & shifting to a business model with direct sales to end users <ul style="list-style-type: none"> <li>Take direct sales transaction via global vendors to over 50%</li> <li>Establish a position of being the key partner of global vendors (pursue greater business scale)</li> <li>Expand system engineering service operations</li> </ul>

## ■ Shareholder Returns & Risk Factors

**Introduced results-linked dividend payout ratio; expecting that dividends will increase along with growth in earnings.**

### (1) Shareholder Returns

From FY6/14 AVANT, having had a 10% payout ratio as a key baseline in shareholder returns, recently revised its policy for determining the amount of dividends by introducing a results-linked payout ratio indexed to the net profit margin. In line with this, the FY6/14 dividend per share of ¥27 (a payout ratio of 20.3%) is an actual threefold increase from the previous period. Given that profits are expected to decline in FY6/15, the plan is for a decline in the dividend to ¥14 (a payout ratio of 15.1%), however, we may expect the dividend to be topped up if profits exceed the plan. On the Company side, the upper limit for the payout ratio has been set at the international benchmark of 30%, and it appears that if the OP margin rises to the 20% mark this will translate to a payout ratio of up to 30%. It is expected that dividend may grow corresponding to the growth in earnings.



## Attention focused on macro environmental & seasonality risks

### (2) Risk Factors

Lastly, we have summarized the main risk factors below in examining AVANT's results.

- Demand for the Company's software is susceptible to the impact from overall corporate IT investment. If there are deteriorations in the macro environment and tightening in corporate results, this would lead to the limiting of the investment in IT, which may impact the results.
- The Company is relying highly on the President and CEO Mr. Morikawa for managerial decision makings. In the event that anything happened to him, it has the potential to impact on operational activities and results.
- In the BI and ERP fields, AVANT and the Group are focusing on, there is competition from major systems integrators (SIer) If the group failed to offer differentiated added value to customers, there is the potential for this to impact for a results perspective.
- Seasonality of each quarter should be noted, as there is a trend that deliveries for products and services are concentrated in March, and at the same time results reach their peak in the third quarter (Jan-Mar). As a result, if there are changes in sales trends and/or delays in the timing of the delivery of services, results might be impacted by those events.

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