

AVANT (3836)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2014		8,300	1,088	1,079	623	132.8	27.0	524.3
FY06/2015		8,928	805	795	402	85.7	18.0	583.6
FY06/2016CoE		9,600	935	925	572	121.9	22.0	-
FY06/2015	YoY	7.6%	(26.1%)	(26.3%)	(35.5%)	-	-	-
FY06/2016CoE	YoY	7.5%	16.1%	16.3%	42.3%	-	-	-
Consolidated Quarter (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY06/2015		1,944	132	130	84	-	-	-
Q2 FY06/2015		2,250	268	265	168	-	-	-
Q3 FY06/2015		2,237	216	213	123	-	-	-
Q4 FY06/2015		2,496	188	185	25	-	-	-
Q1 FY06/2016		2,175	197	196	130	-	-	-
Q1 FY06/2016	YoY	11.9%	49.2%	50.3%	54.5%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (6 November 2015)

Demand for Outsourcing Taking off

On 6 November 2015, AVANT, developing and selling packaged software of consolidated management & accounting for major listed corporates based in Japan as the core operations, released its Q1 FY06/2016 results. It has been revealed that, given increasing adoptions of IFRS (International Financial Reporting Standards) and ongoing progresses of sophisticated governance on a group basis, sales of Consulting Services are steadily expanding, while the Company sees strong growth for outsourcing services to undertake duties of consolidated accounting and/or tax payment on behalf of customers, to which the Company is looking as the key long-term growth driver for own earnings.

Thus, it appears that sales are running ahead of assumptions in Company forecasts, while expenses are coming in lighter than planned owing to, among other reasons, fewer than expected mid-career hires. As a result, Q1 earnings seem better than initially expected, as far as we could gather.

We will be meeting with management to discuss the issues more in depth, so that we should be able to provide an update to our recent report [AVANT \(3836\) Earnings to Recover \(8 October 2015\)](#), following our meeting.

Q1 FY06/2016 Results

In Q1 FY06/2016, sales came in at ¥2,175m (up 11.9% YoY), operating profit ¥197m (up 49.2%), recurring profit ¥196m (up 50.3%) and net profit ¥130m (up 54.5%), while operating profit margin 9.1% (up 2.3% points). By domain, sales of License came in at ¥174m (up 4.7%), Consulting Services ¥1,230m (up 13.5%) and Support & Information Retrieval Services ¥770m (up 11.0%).

In regards to License, sales of DivaSystem, the self-developed packaged software, which is the main constitute of License, softened due to intensifying competition, but sales of 3rd party packaged software were quite buoyant due to the occurrence of large-sized projects.

Consulting Services relating to system integration services benefited from increasing demand associated with IFRS and sophisticated governance on a group basis, among customers, as mentioned earlier, in the core DivaSystem business.

Sales of Support & Information Retrieval Services comprise those of maintenance & services, including version upgrades, etc., for DivaSystem already up and running, outsourcing services to undertake duties of consolidated accounting and/or tax payment on behalf of customers and information retrieval services. Sales were driven primarily by outsourcing services to undertake duties of consolidated accounting and/or tax payment on behalf of customers. It is noteworthy that sales for outsourcing skyrocketed over the past year. Looking to the future, the Company's goal is, to the extent possible, to establish quickly a leading position across respective outsourcing services. By leveraging their proprietary software, they hope to drastically cut costs and improve productivity for customers who are overwhelmed and relying on less precise manual labor.

On the earnings side, meanwhile, gross profit margin came in at 43.3% (up 4.1% points) and the ratio of SG&A expenses to sales 34.2% (up 1.9% points). This is mainly owing to the fact that cost overruns in the previous fiscal year in Consulting Services dropped out, and thus gross profit margins substantially improved. More importantly, this was substantial enough to more than compensate for the increased ratio of SG&A expenses to sales, stemming from increased depreciation as a result of IT capital expenditures in FY06/2015, as well as from increasing personnel expenses. As a result, operating margin rose over the year.

FY06/2016 Company Forecasts

FY06/2016 Company forecasts have remained unchanged, calling for sales of ¥9,600m (up 7.5% YoY), operating profit of ¥935m (up 16.1%), recurring profit of ¥925m (up 16.3%) and net profit of ¥572m (up 42.3%). Prospective operating profit margin is 9.7% (up 0.7% points). Meanwhile, prospective dividend per share has also remained unchanged at ¥22.0, implying a payout ratio of 18.1% with a dividend on equity of 3.8%.

As far as we could gather, Company forecasts assume sales growth rates by domain as follows: up some 15% for License, up some 8% for Consulting Services and up some 6% for Support & Information Retrieval Services. Based on all those figures, it appears that the results in Q1 were running ahead on Consulting Services and Support & Information Retrieval Services, while falling short on License.

However, given that sales of License are to concentrate in Q4, the Company should have ample opportunity to catch up with assumptions of Company forecasts by the close of the fiscal year. In terms of FY06/2015 results, sales in Q4 equated to some 1.5 times sales in Q1.

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2.0 Company Profile

Providing Solutions with Consolidated Management & Accounting

Company Name	AVANT CORPORATION Company Website IR Information Share Price	
Established	26 May 1997	
Listing	8 February 2007: Tokyo Stock Exchange JASDAQ Growth (Ticker: 3836)	
Capital	¥288m (As of the end of September 2015)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of September 2015)	
Main Features	<ul style="list-style-type: none"> ● Sales, introductions, maintenance & services for self-developed packaged software DivaSystem ● DivaSystem, adopted by more than half of top 50 market cap corporates in Japan ● Also involved with system integration services and outsourcing services 	
Businesses	. Software Business	
Top Management	President & CEO: Tetsuji Morikawa	
Shareholders	Tetsuji Morikawa 36.2%, ESOP 11.2%, Tsuyoshi Noshiro 6.9% (As of the end of June 2015)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 560 (As of the end of September 2015)	

Source: Company Data

3.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		
Sales	1,944	4,194	6,431	8,928	2,175	-	-	-	-	+231
Cost of Sales	1,183	2,388	3,677	5,133	1,233	-	-	-	-	+50
Gross Profit	761	1,805	2,754	3,795	941	-	-	-	-	+180
SG&A	628	1,405	2,137	2,990	744	-	-	-	-	+115
Operating Profit	132	400	616	805	197	-	-	-	-	+65
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	-	-	-	-	0
Recurring Profit	130	396	609	795	196	-	-	-	-	+65
Extraordinary Balance	0	0	0	(5)	0	-	-	-	-	0
Pretax Profit	130	396	609	790	196	-	-	-	-	+65
Tax Charges, etc.	45	143	233	388	65	-	-	-	-	+19
Net Profit	84	253	376	402	130	-	-	-	-	+46
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	-	-	-	-	-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	-	-	-	-	-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	-	-	-	-	-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	-	-	-	-	-
Gross Profit Margins	39.2%	43.1%	42.8%	42.5%	43.3%	-	-	-	-	+4.1%
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	-	-	-	-	+1.9%
Operating Profit Margins	6.8%	9.6%	9.6%	9.0%	9.1%	-	-	-	-	+2.3%
Recurring Profit Margins	6.7%	9.4%	9.5%	8.9%	9.0%	-	-	-	-	+2.3%
Net Profit Margins	4.4%	6.0%	5.9%	4.5%	6.0%	-	-	-	-	+1.7%
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	-	-	-	-	(1.8%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		
Sales	1,944	2,250	2,237	2,496	2,175	-	-	-	-	+231
Cost of Sales	1,183	1,205	1,289	1,455	1,233	-	-	-	-	+50
Gross Profit	761	1,044	948	1,041	941	-	-	-	-	+180
SG&A	628	776	732	852	744	-	-	-	-	+115
Operating Profit	132	268	216	188	197	-	-	-	-	+65
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	-	-	-	-	0
Recurring Profit	130	265	213	185	196	-	-	-	-	+65
Extraordinary Balance	0	0	0	(5)	0	-	-	-	-	0
Pretax Profit	130	265	213	180	196	-	-	-	-	+65
Tax Charges, etc.	45	97	90	155	65	-	-	-	-	+19
Net Profit	84	168	123	25	130	-	-	-	-	+46
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	-	-	-	-	-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	-	-	-	-	-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	-	-	-	-	-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	-	-	-	-	-
Gross Profit Margins	39.2%	46.4%	42.4%	41.7%	43.3%	-	-	-	-	+4.1%
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	-	-	-	-	+1.9%
Operating Profit Margins	6.8%	11.9%	9.7%	7.5%	9.1%	-	-	-	-	+2.3%
Recurring Profit Margins	6.7%	11.8%	9.5%	7.4%	9.0%	-	-	-	-	+2.3%
Net Profit Margins	4.4%	7.5%	5.5%	1.0%	6.0%	-	-	-	-	+1.7%
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	-	-	-	-	(1.8%)

Source: Company Data, WRJ Calculation

Sales by Domain (Cumulative, Quarterly)

Sales by Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
License	166	327	446	694	174	-	-	-	-	+7
Consulting Services	1,083	2,476	3,885	5,395	1,230	-	-	-	-	+146
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	-	-	-	-	+76
Sales	1,944	4,194	6,431	8,928	2,175	-	-	-	-	+231
License	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	-	-	-	-	-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	-	-	-	-	-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	-	-	-	-	-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	-	-	-	-	-
License	8.6%	7.8%	6.9%	7.8%	8.0%	-	-	-	-	(0.6%)
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	-	-	-	-	+0.8%
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	-	-	-	-	(0.3%)
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	+0.0%

Sales by Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
License	166	161	119	247	174	-	-	-	-	+7
Consulting Services	1,083	1,392	1,408	1,510	1,230	-	-	-	-	+146
Support & Information Retrieval Services	693	696	708	739	770	-	-	-	-	+76
Sales	1,944	2,250	2,237	2,496	2,175	-	-	-	-	+231
License	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	-	-	-	-	-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	-	-	-	-	-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	-	-	-	-	-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	-	-	-	-	-
License	8.6%	7.2%	5.3%	9.9%	8.0%	-	-	-	-	(0.6%)
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	-	-	-	-	+0.8%
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	-	-	-	-	(0.3%)
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	+0.0%

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Operating Cash Flow	(570)	(618)	(287)	471	(320)	-	-	-	-	+250
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	-	-	-	-	+44
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	-	-	-	-	+295
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	-	-	-	-	+42

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	06/2016	
Operating Cash Flow	(570)	(47)	330	759	(320)	-	-	-	-	+250
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	-	-	-	-	+44
Operating CF & Investment CF	(643)	(98)	312	753	(347)	-	-	-	-	+295
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	-	-	-	-	+42

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016		
Cash & Deposit	2,005	1,850	2,124	2,816	2,351	-	-	-		+346
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	-	-	-		+288
Inventory	174	143	151	53	184	-	-	-		+9
Other	461	304	385	366	568	-	-	-		+106
Current Assets	3,891	3,943	4,052	4,780	4,642	-	-	-		+750
Tangible Assets	246	249	225	199	245	-	-	-		0
Intangible Assets	395	362	329	301	271	-	-	-		(124)
Investments & Other Assets	387	389	404	398	400	-	-	-		+12
Fixed Assets	1,028	1,001	958	900	916	-	-	-		(112)
Deferred Assets	1	1	-	-	-	-	-	-		(1)
Total Assets	4,921	4,946	5,012	5,681	5,559	-	-	-		+637
Accounts Payables	267	304	345	408	272	-	-	-		+5
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-		(30)
Short Term Debt	122	129	122	122	122	-	-	-		0
Other	1,663	1,528	1,468	2,109	2,103	-	-	-		+440
Current Liabilities	2,113	2,022	1,996	2,670	2,528	-	-	-		+415
Corporate Bond	30	-	-	-	-	-	-	-		(30)
Long Term Debt	243	212	181	151	120	-	-	-		(122)
Other	115	121	120	120	124	-	-	-		+8
Fixed Liabilities	388	333	302	271	245	-	-	-		(143)
Total Liabilities	2,502	2,356	2,299	2,942	2,773	-	-	-		+271
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	-	-	-		+363
Adjustments	1	2	2	3	2	-	-	-		+1
Total Assets	2,419	2,589	2,713	2,739	2,785	-	-	-		+365
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	-	-	-		+637
Equity Capital	2,419	2,589	2,713	2,739	2,785	-	-	-		+366
Interest Bearing Debt	455	401	364	303	273	-	-	-		(182)
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	-	-	-		(528)
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	-	-	-		+0.9%
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(65.0%)	(91.9%)	(74.7%)	-	-	-		(10.6%)
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	-	-	-		(10.7%)
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	-	-	-		(5.7%)
Total Assets Turnover	158%	182%	179%	176%	157%	-	-	-		(1%)
Quick Ratio	154%	173%	176%	163%	154%	-	-	-		(0%)
Current Ratio	184%	195%	203%	179%	184%	-	-	-		(1%)

Source: Company Data, WRJ Calculation

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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