

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 Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2015		4,194	400	396	253	-	-	-
Q3 to Q4 FY06/2015		4,734	404	399	148	-	-	-
Q1 to Q2 FY06/2016		4,564	422	419	249	-	-	-
Q3 to Q4 FY06/2016CoE		5,035	512	505	322	-	-	-
Q1 to Q2 FY06/2016	YoY	8.8%	5.4%	5.8%	(1.6%)	-	-	-
Q3 to Q4 FY06/2016CoE	YoY	6.4%	26.8%	26.7%	117.0%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (5 February 2016)

Favorable Sales of Licensing

On 5 February 2016, AVANT, developing and selling packaged software of consolidated management & accounting for major listed corporates based in Japan, while being involved with related services at the same time, as the core operations, released its Q1 to Q2 FY06/2016 results. It has been revealed that recent trading is in line with Company forecasts, driven by favorable sales of licensing for packaged software of consolidated management & accounting, which gives major impacts to earnings as a whole for the Company. As far as we could see, the Company's earnings are faring well, eventually achieving the target of its midterm management plan calling for CAGR of 19.1% in operating profit.

In Q1 to Q2, the results were rather weak in a respect that progress rates against full-year Company forecasts were disappointing, but this was mainly due to an issue that some expenses were frontloaded. On top of this, the Company also saw unexpected additional expenses associated with cost overrun of a project in Consulting Services. Still, this has been well compensated for by unexpected strengths elsewhere, 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 \(3836\) Vertical & Horizontal \(17 December 2015\)](#), following our meeting.

Q1 to Q2 FY06/2016 Results

In Q1 to Q2 FY06/2016, sales came in at ¥4,564m (up 8.8% YoY), operating profit ¥422m (up 5.4%), recurring profit ¥419m (up 5.8%) and net profit ¥249m (down 1.6%), while operating profit margin 9.3% (down 0.3% points). When progress rates against full-year Company forecasts are compared with equivalents of the previous year's results, it is implied that sales are marginally running ahead, while earnings falling short, net profit in particular.

Progress Rates						
(Million Yen)			Sales	OP	RP	NP
FY06/2015	Full-Year Results	A	8,928	805	795	402
	Q1 to Q2 Results	B	4,194	400	396	253
	Progress Rates	A / B	47.0%	49.8%	49.8%	63.0%
FY06/2016	Full-Year Forecasts	A	9,600	935	925	572
	Q1 to Q2 Results	B	4,564	422	419	249
	Progress Rates	A / B	47.6%	45.2%	45.3%	43.6%
Progress Rates (YoY)			+0.6%	(4.6%)	(4.5%)	(19.4%)

Source: Company Data, WRJ Calculation

By business domain, sales of Licensing came in at ¥362m (up 10.8%), Consulting Services ¥2,650m (up 7.0%) and Support & Information Retrieval Services ¥1,511m (up 11.5%).

In regards to Licensing, where the Company is mainly involved with sales of DivaSystem, i.e., packaged software to have been self-developed, sales were accelerating, driven by launch of new version and improving sentiments in the market environment, i.e., up 4.7% in Q1, which was followed by up 17.2% in Q2. As far as we could gather, "DivaSystem 10", having had been introduced in the market by the end of FY06/2015, has been highly appreciated with its functionality and operability superior to existing equivalents.

Consulting Services, where the Company is involved with diverse system integration services, the key earnings driver in here, i.e., projects associated with DivaSystem were doing well. On top of this, so were those of BI (Business Intelligence, meaning a method for users to facilitate corporate decision-making, by means of analyzing and processing vast in-house data, accumulated by business systems, etc.), being taken care of by one of the consolidated subsidiaries. However, in another consolidated subsidiary, additional expenses have been generated, associated with a project that saw cost overrun in the past, resulting in booking of some provision for loss on order received as a part of cost of sales.

In Support & Information Retrieval Services, it appears that outsourcing services associated with consolidated accounting and/or tax payment saw surging sales and earnings, although they have remained not significant as a constituent of this business domain in terms of both sales and earnings. Sales of maintenance & services, version upgrades, etc. for DivaSystem, i.e., the mainstay operations in this business domain, were stable.

Meanwhile, gross profit came in at ¥1,989m (up 10.2%) and SG&A expenses ¥1,567m (up 11.5%). Although the Company did suffer from above-mentioned provision for loss on order received, gross profit as a whole for the Company increased nicely, due to better-than-expected performance on a parent basis, drive by strengths of DivaSystem-related operations across the board. At the same time, better-than-expected performance on a parent basis resulted in unexpected frontloaded booking of provision for bonus that is partially in line with short-term business performance. Thus, SG&A expenses increased faster than gross profit. However, this was due mainly to the frontloading, basically working adversely in H2.

At the end of the day, we have an impression that above-mentioned weakness of progress rates is temporary to a large extent, in a view of full-year business performance. In regards to major weakness at the net level, increasing effective tax rate should be accused of and this was in line with unexpected loss, generated in a consolidated subsidiary involved with the cost overrun.

FY06/2016 Company Forecasts

FY06/2016 initial 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%), with operating profit margins rising to 9.7% (up 0.7% points). Meanwhile, forecast dividend per share has also remained unchanged at ¥22.0, implying a payout ratio of 18.1%.

IR Representative: Nobue Aoki (ir@avantcorp.com)

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 December 2015)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of December 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	I . 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: 554 (As of the end of December 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	06/2016	
Sales	1,944	4,194	6,431	8,928	2,175	4,564	-	-	-	+370
Cost of Sales	1,183	2,388	3,677	5,133	1,233	2,575	-	-	-	+186
Gross Profit	761	1,805	2,754	3,795	941	1,989	-	-	-	+183
SG&A	628	1,405	2,137	2,990	744	1,567	-	-	-	+162
Operating Profit	132	400	616	805	197	422	-	-	-	+21
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	(3)	-	-	-	+1
Recurring Profit	130	396	609	795	196	419	-	-	-	+22
Extraordinary Balance	0	0	0	(5)	0	0	-	-	-	0
Pretax Profit	130	396	609	790	196	419	-	-	-	+22
Tax Charges, etc.	45	143	233	388	65	170	-	-	-	+27
Net Profit	84	253	376	402	130	249	-	-	-	(4)
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	-	-	-	-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	+5.4%	-	-	-	-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	+5.8%	-	-	-	-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	(1.6%)	-	-	-	-
Gross Profit Margins	39.2%	43.1%	42.8%	42.5%	43.3%	43.6%	-	-	-	+0.5%
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	34.3%	-	-	-	+0.8%
Operating Profit Margins	6.8%	9.6%	9.6%	9.0%	9.1%	9.3%	-	-	-	(0.3%)
Recurring Profit Margins	6.7%	9.4%	9.5%	8.9%	9.0%	9.2%	-	-	-	(0.3%)
Net Profit Margins	4.4%	6.0%	5.9%	4.5%	6.0%	5.5%	-	-	-	(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	40.6%	-	-	-	+4.5%

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	06/2016	
Sales	1,944	2,250	2,237	2,496	2,175	2,389	-	-	-	+139
Cost of Sales	1,183	1,205	1,289	1,455	1,233	1,341	-	-	-	+136
Gross Profit	761	1,044	948	1,041	941	1,047	-	-	-	+3
SG&A	628	776	732	852	744	822	-	-	-	+46
Operating Profit	132	268	216	188	197	224	-	-	-	(43)
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	(2)	-	-	-	0
Recurring Profit	130	265	213	185	196	222	-	-	-	(42)
Extraordinary Balance	0	0	0	(5)	0	0	-	-	-	0
Pretax Profit	130	265	213	180	196	222	-	-	-	(42)
Tax Charges, etc.	45	97	90	155	65	104	-	-	-	+7
Net Profit	84	168	123	25	130	118	-	-	-	(50)
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	-	-	-	-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	(16.2%)	-	-	-	-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	(16.1%)	-	-	-	-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	(29.9%)	-	-	-	-
Gross Profit Margins	39.2%	46.4%	42.4%	41.7%	43.3%	43.9%	-	-	-	(2.6%)
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	34.4%	-	-	-	(0.1%)
Operating Profit Margins	6.8%	11.9%	9.7%	7.5%	9.1%	9.4%	-	-	-	(2.5%)
Recurring Profit Margins	6.7%	11.8%	9.5%	7.4%	9.0%	9.3%	-	-	-	(2.5%)
Net Profit Margins	4.4%	7.5%	5.5%	1.0%	6.0%	4.9%	-	-	-	(2.5%)
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	47.0%	-	-	-	+10.4%

Source: Company Data, WRJ Calculation

Sales by Domain (Cumulative, Quarterly)

Sales by Business Domain	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	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	
Licensing	166	327	446	694	174	362	-	-	-	+35
Consulting Services	1,083	2,476	3,885	5,395	1,230	2,650	-	-	-	+174
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	1,551	-	-	-	+160
Sales	1,944	4,194	6,431	8,928	2,175	4,564	-	-	-	+370
Licensing	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	+10.8%	-	-	-	-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	+7.0%	-	-	-	-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	+11.5%	-	-	-	-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	-	-	-	-
Licensing	8.6%	7.8%	6.9%	7.8%	8.0%	8.0%	-	-	-	+0.1%
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	58.1%	-	-	-	(1.0%)
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	34.0%	-	-	-	+0.8%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%

Sales by Business 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	
Licensing	166	161	119	247	174	188	-	-	-	+27
Consulting Services	1,083	1,392	1,408	1,510	1,230	1,420	-	-	-	+27
Support & Information Retrieval Services	693	696	708	739	770	780	-	-	-	+83
Sales	1,944	2,250	2,237	2,496	2,175	2,389	-	-	-	+139
Licensing	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	+17.2%	-	-	-	-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	+2.0%	-	-	-	-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	+12.1%	-	-	-	-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	-	-	-	-
Licensing	8.6%	7.2%	5.3%	9.9%	8.0%	7.9%	-	-	-	+0.7%
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	59.4%	-	-	-	(2.5%)
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	32.7%	-	-	-	+1.7%
Sales (Composition Ratio)	100.0%	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)	(6)	-	-	-	+611
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	(74)	-	-	-	+48
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	(81)	-	-	-	+660
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	(173)	-	-	-	+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)	313	-	-	-	+361
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	(46)	-	-	-	+3
Operating CF & Investment CF	(643)	(98)	312	753	(347)	266	-	-	-	+364
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	(57)	-	-	-	0

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY							
	Q1 06/2015	Q2 06/2015	Q3 06/2015	Q4 06/2015	Q1 06/2016	Q2 06/2016	Q3 06/2016	Q4 06/2016	Net Chg.
Cash & Deposit	2,005	1,850	2,124	2,816	2,351	2,560	-	-	+710
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	1,496	-	-	(147)
Inventory	174	143	151	53	184	234	-	-	+90
Other	461	304	385	366	568	564	-	-	+260
Current Assets	3,891	3,943	4,052	4,780	4,642	4,856	-	-	+913
Tangible Assets	246	249	225	199	245	234	-	-	(15)
Intangible Assets	395	362	329	301	271	240	-	-	(121)
Investments & Other Assets	387	389	404	398	400	403	-	-	+13
Fixed Assets	1,028	1,001	958	900	916	878	-	-	(123)
Deferred Assets	1	1	-	-	-	-	-	-	(1)
Total Assets	4,921	4,946	5,012	5,681	5,559	5,734	-	-	+788
Accounts Payables	267	304	345	408	272	313	-	-	+8
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-	(60)
Short Term Debt	122	129	122	122	122	122	-	-	(6)
Other	1,663	1,528	1,468	2,109	2,103	2,175	-	-	+646
Current Liabilities	2,113	2,022	1,996	2,670	2,528	2,610	-	-	+588
Corporate Bond	30	-	-	-	-	-	-	-	0
Long Term Debt	243	212	181	151	120	96	-	-	(115)
Other	115	121	120	120	124	123	-	-	+2
Fixed Liabilities	388	333	302	271	245	220	-	-	(113)
Total Liabilities	2,502	2,356	2,299	2,942	2,773	2,831	-	-	+475
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	2,900	-	-	+313
Adjustments	1	2	2	3	2	2	-	-	0
Total Assets	2,419	2,589	2,713	2,739	2,785	2,903	-	-	+313
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	5,734	-	-	+788
Equity Capital	2,419	2,589	2,713	2,739	2,785	2,903	-	-	+314
Interest Bearing Debt	455	401	364	303	273	219	-	-	(182)
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	(2,341)	-	-	(892)
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	50.6%	-	-	(1.8%)
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(65.0%)	(91.9%)	(74.7%)	(80.7%)	-	-	(24.7%)
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	14.5%	-	-	(15.5%)
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	15.3%	-	-	(7.8%)
Total Assets Turnover	158%	182%	179%	176%	157%	167%	-	-	(15%)
Quick Ratio	154%	173%	176%	163%	154%	155%	-	-	(17%)
Current Ratio	184%	195%	203%	179%	184%	186%	-	-	(9%)

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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