

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 Q1 to Q3 (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY06/2015		6,431	616	609	376	-	-	-
Q1 to Q3 FY06/2016		6,985	690	687	367	-	-	-
Q1 to Q3 FY06/2016	YoY	8.6%	11.9%	12.7%	(2.5%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (6 May 2016)

Management Efficiency to Improve

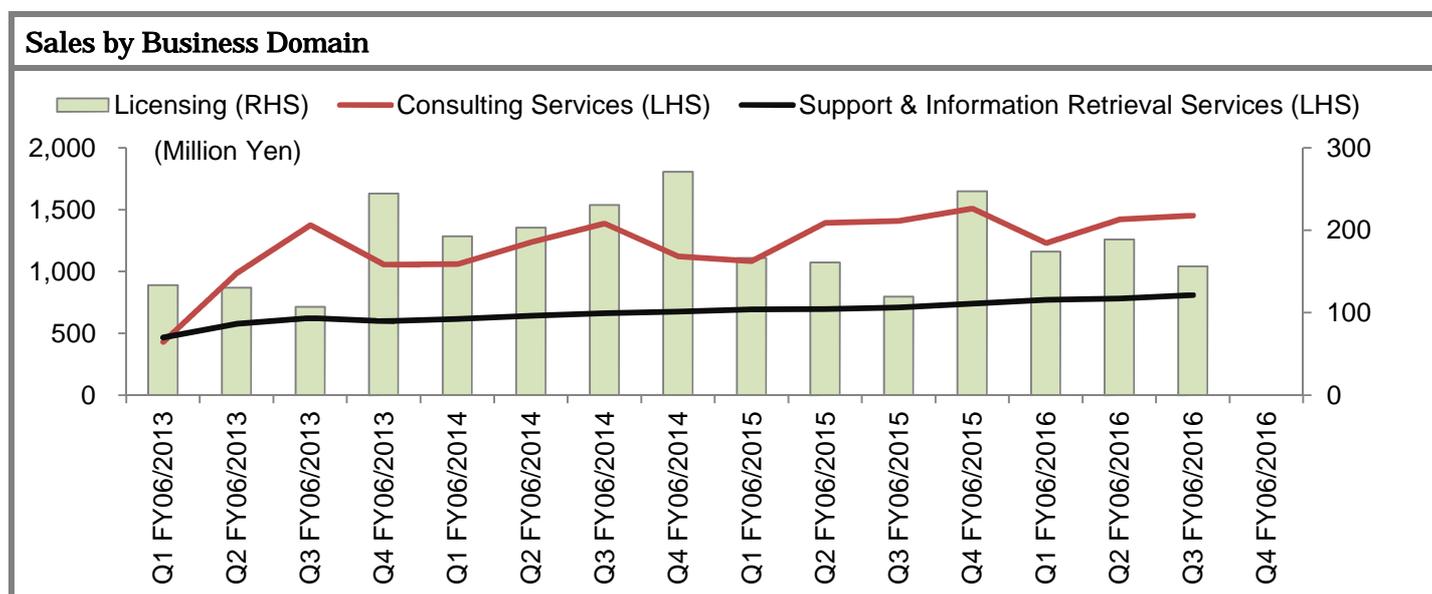
On 6 May 2016, AVANT, developing and selling packaged software of consolidated management & accounting, mainly for major listed corporates based in Japan, while being involved with related services at the same time, as the core operations, released its Q1 to Q3 FY06/2016 results. It was revealed that recent trading has been roughly in line with Company forecasts. Although the Company suffers from unexpected loss from project to introduce ERP, this has been well compensated for by demand firmer than expected for offering of contracted outsourcing services to undertake duties of consolidated accounting & tax payments, etc.

As far as we could gather, the Company is to once reduce exposure to ERP-related SI services, effectively. DIVA CORPORATION, the core group company, running operations similar to said operations, is to merge with group company running said operations, while succeeding maintenance & services for existing customers. At the merger, the Company is to get at concentration of management resources on growth domains only to improve management efficiency. In midterm management plan (FY06/2016 to FY06/2018), the Company is calling for CAGR of 19.1% for prospective operating profit during the same period. The deal this time to merge between group companies is likely to be an important issue to achieve the target.

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 \(3836\) Utilizing Customers as Assets \(26 February 2016\)](#), following our meeting.

Q1 to Q3 FY06/2016 Results

In Q1 to Q3 FY06/2016, sales came in at ¥6,985m (up 8.6% YoY), operating profit ¥690m (up 11.9%), recurring profit ¥687m (up 12.7%) and net profit ¥367m (down 2.5%), while operating profit margin 9.9% (up 0.3% points).



Source: Company Data, WRJ Calculation

By business domain, sales of Licensing came in at ¥519m (up 16.2%), Consulting Services ¥4,104m (up 5.6%) and Support & Information Retrieval Services ¥2,361m (up 12.5%).

In regards to Licensing, the mainstay sales of licensing DivaSystem increased over the previous year, due to launch of upgraded one, etc. Meanwhile, given aggressive proposals on the BI-related SI services side being successful, sales of licensing other packaged software surged. In regards to Consulting Services, the Company suffered from loss, stemming from project to introduce ERP whose order intake was placed in FY06/2015, but it made steady progress for incorporating demand associated with adoption of IFRS (International Financial Reporting Standards) and with request to sophisticate governance on the mainstay DivaSystem-related side. On top of this, BI-related SI services did well. In regards to Support & Information Retrieval Services, the mainstay maintenance & services for DivaSystem saw sales stably increasing as ever, while sales of outsourcing services surged.

Meanwhile, gross profit came in at ¥2,955m (up 7.3%) and SG&A expenses ¥2,265m (up 6.0%). When compared with assumptions of Company forecasts, both were marginally smaller, having resulted in operating profit, roughly in line. As has been disclosed beforehand (28 April 2016), the Company saw unexpected provision for loss on order received of ¥134m as a part of cost of sales, stemming from above-mentioned unprofitable project to introduce ERP. On the other hand, the Company appears to have seen sales and gross profit larger than assumptions, in regards to outsourcing services, given order intake for large-sized project received. Meanwhile, SG&A expenses increased not as much as expected, due mainly to shortfall of expenses associated with hiring new human resources. New hiring has failed to expand as much as expected.

Elsewhere, net profit came down over the previous year. A group company in charge of running ERP-related SI services suffered from loss, having resulted in effective tax rate higher than the previous year, for the Company.

FY06/2016 Company Forecasts

FY06/2016 initial Company forecasts have remained unchanged, going for prospective 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%.

Net profit is expected to surge, as Company forecasts assume normalization of tax charges. In FY06/2015, the Company saw effective tax rate higher than normal due to one-off factor. Meanwhile, as mentioned earlier, effective tax rate was even higher, in Q1 to Q3. Still, initial Company forecasts have remained unchanged, including prospective net profit. This is because normalization of tax charges is still likely, on a full-year basis, as has been expected, in line with implementation of aforementioned merger. That is to say, a group company to have been very profitable merges with another one to have been making loss, resulting in surviving group company to be charged with tax against combined profit and loss. Thus, this could be like circumstance as if consolidated tax payment system is adopted.

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 March 2016)	
No. of Shares	4,694,000 shares, including 257 treasury shares (As of the end of March 2016)	
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 SI (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 December 2015)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 570 (As of the end of March 2016)	

Source: Company Data

3.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY
(Million Yen)	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	Net Chg.
Sales	1,944	4,194	6,431	8,928	2,175	4,564	6,985	-	+553
Cost of Sales	1,183	2,388	3,677	5,133	1,233	2,575	4,029	-	+351
Gross Profit	761	1,805	2,754	3,795	941	1,989	2,955	-	+201
SG&A	628	1,405	2,137	2,990	744	1,567	2,265	-	+128
Operating Profit	132	400	616	805	197	422	690	-	+73
Non Operating Balance	(1)	(4)	(7)	(9)	(1)	(3)	(3)	-	+4
Recurring Profit	130	396	609	795	196	419	687	-	+77
Extraordinary Balance	0	0	0	(5)	0	0	0	-	0
Pretax Profit	130	396	609	790	196	419	687	-	+77
Tax Charges, etc.	45	143	233	388	65	170	320	-	+86
Net Profit	84	253	376	402	130	249	367	-	(9)
Sales YoY	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	-	-
Operating Profit YoY	(21.6%)	+13.0%	(25.6%)	(26.1%)	+49.2%	+5.4%	+11.9%	-	-
Recurring Profit YoY	(21.6%)	+13.2%	(25.9%)	(26.3%)	+50.3%	+5.8%	+12.7%	-	-
Net Profit YoY	(15.3%)	+37.3%	(8.0%)	(35.5%)	+54.5%	(1.6%)	(2.5%)	-	-
Gross Profit Margins	39.2%	43.1%	42.8%	42.5%	43.3%	43.6%	42.3%	-	(0.5%)
SG&A / Sales	32.3%	33.5%	33.2%	33.5%	34.2%	34.3%	32.4%	-	(0.8%)
Operating Profit Margins	6.8%	9.6%	9.6%	9.0%	9.1%	9.3%	9.9%	-	+0.3%
Recurring Profit Margins	6.7%	9.4%	9.5%	8.9%	9.0%	9.2%	9.8%	-	+0.4%
Net Profit Margins	4.4%	6.0%	5.9%	4.5%	6.0%	5.5%	5.3%	-	(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.1%	38.3%	49.1%	33.3%	40.6%	46.6%	-	+8.3%

Income Statement	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY
(Million Yen)	06/2015	06/2015	06/2015	06/2015	06/2016	06/2016	06/2016	06/2016	Net Chg.
Sales	1,944	2,250	2,237	2,496	2,175	2,389	2,420	-	+183
Cost of Sales	1,183	1,205	1,289	1,455	1,233	1,341	1,454	-	+165
Gross Profit	761	1,044	948	1,041	941	1,047	966	-	+17
SG&A	628	776	732	852	744	822	698	-	(34)
Operating Profit	132	268	216	188	197	224	268	-	+51
Non Operating Balance	(1)	(2)	(2)	(2)	(1)	(2)	0	-	+2
Recurring Profit	130	265	213	185	196	222	268	-	+54
Extraordinary Balance	0	0	0	(5)	0	0	0	-	0
Pretax Profit	130	265	213	180	196	222	268	-	+54
Tax Charges, etc.	45	97	90	155	65	104	149	-	+59
Net Profit	84	168	123	25	130	118	118	-	(5)
Sales YoY	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	-	-
Operating Profit YoY	(21.6%)	+44.4%	(54.5%)	(27.5%)	+49.2%	(16.2%)	+24.1%	-	-
Recurring Profit YoY	(21.6%)	+44.8%	(54.8%)	(27.7%)	+50.3%	(16.1%)	+25.7%	-	-
Net Profit YoY	(15.3%)	+99.5%	(45.2%)	(88.0%)	+54.5%	(29.9%)	(4.2%)	-	-
Gross Profit Margins	39.2%	46.4%	42.4%	41.7%	43.3%	43.9%	39.9%	-	(2.5%)
SG&A / Sales	32.3%	34.5%	32.7%	34.2%	34.2%	34.4%	28.8%	-	(3.9%)
Operating Profit Margins	6.8%	11.9%	9.7%	7.5%	9.1%	9.4%	11.1%	-	+1.4%
Recurring Profit Margins	6.7%	11.8%	9.5%	7.4%	9.0%	9.3%	11.1%	-	+1.5%
Net Profit Margins	4.4%	7.5%	5.5%	1.0%	6.0%	4.9%	4.9%	-	(0.6%)
Tax Charges, etc. / Pretax Profit	35.2%	36.6%	42.3%	85.9%	33.3%	47.0%	56.0%	-	+13.7%

Source: Company Data, WRJ Calculation

Sales by Domain (Cumulative, Quarterly)

Sales by Business Domain	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	519	-	-	+72
Consulting Services	1,083	2,476	3,885	5,395	1,230	2,650	4,104	-	-	+218
Support & Information Retrieval Services	693	1,390	2,099	2,838	770	1,551	2,361	-	-	+262
Sales	1,944	4,194	6,431	8,928	2,175	4,564	6,985	-	-	+553
Licensing	(13.6%)	(17.3%)	(28.7%)	(22.6%)	+4.7%	+10.8%	+16.2%	-	-	-
Consulting Services	+2.2%	+7.7%	+5.4%	+12.2%	+13.5%	+7.0%	+5.6%	-	-	-
Support & Information Retrieval Services	+12.7%	+10.7%	+9.4%	+9.4%	+11.0%	+11.5%	+12.5%	-	-	-
Sales (YoY)	+4.0%	+6.2%	+3.2%	+7.6%	+11.9%	+8.8%	+8.6%	-	-	-
Licensing	8.6%	7.8%	6.9%	7.8%	8.0%	8.0%	7.4%	-	-	+0.5%
Consulting Services	55.8%	59.0%	60.4%	60.4%	56.6%	58.1%	58.8%	-	-	(1.7%)
Support & Information Retrieval Services	35.7%	33.1%	32.6%	31.8%	35.4%	34.0%	33.8%	-	-	+1.2%
Sales (Composition Ratio)	100.0%	-	-	+0.0%						

Sales by Business Domain	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	156	-	-	+37
Consulting Services	1,083	1,392	1,408	1,510	1,230	1,420	1,453	-	-	+44
Support & Information Retrieval Services	693	696	708	739	770	780	810	-	-	+101
Sales	1,944	2,250	2,237	2,496	2,175	2,389	2,420	-	-	+183
Licensing	(13.6%)	(20.7%)	(48.2%)	(8.6%)	+4.7%	+17.2%	+31.1%	-	-	-
Consulting Services	+2.2%	+12.4%	+1.5%	+34.7%	+13.5%	+2.0%	+3.2%	-	-	-
Support & Information Retrieval Services	+12.7%	+8.7%	+7.1%	+9.3%	+11.0%	+12.1%	+14.3%	-	-	-
Sales (YoY)	+4.0%	+8.1%	(1.9%)	+20.7%	+11.9%	+6.2%	+8.2%	-	-	-
Licensing	8.6%	7.2%	5.3%	9.9%	8.0%	7.9%	6.5%	-	-	+1.1%
Consulting Services	55.8%	61.9%	63.0%	60.5%	56.6%	59.4%	60.0%	-	-	(2.9%)
Support & Information Retrieval Services	35.7%	31.0%	31.7%	29.6%	35.4%	32.7%	33.5%	-	-	+1.8%
Sales (Composition Ratio)	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)	328	-	-	+616
Investment Cash Flow	(72)	(123)	(141)	(146)	(27)	(74)	(245)	-	-	(103)
Operating CF & Investment CF	(643)	(741)	(429)	324	(347)	(81)	83	-	-	+512
Financing Cash Flow	(158)	(215)	(253)	(315)	(116)	(173)	(211)	-	-	+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	335	-	-	+4
Investment Cash Flow	(72)	(50)	(18)	(5)	(27)	(46)	(170)	-	-	(152)
Operating CF & Investment CF	(643)	(98)	312	753	(347)	266	164	-	-	(147)
Financing Cash Flow	(158)	(57)	(38)	(62)	(116)	(57)	(38)	-	-	0

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY Net Chg.							
	Q1 06/2015	Q2 06/2015	Q3 06/2015	Q4 06/2015	Q1 06/2016	Q2 06/2016	Q3 06/2016	Q4 06/2016	
Cash & Deposit	2,005	1,850	2,124	2,816	2,351	2,560	2,686	-	+562
Accounts Receivables	1,250	1,644	1,390	1,543	1,538	1,496	1,429	-	+38
Inventory	174	143	151	53	184	234	223	-	+71
Other	461	304	385	366	568	564	538	-	+153
Current Assets	3,891	3,943	4,052	4,780	4,642	4,856	4,878	-	+825
Tangible Assets	246	249	225	199	245	234	231	-	+6
Intangible Assets	395	362	329	301	271	240	217	-	(111)
Investments & Other Assets	387	389	404	398	400	403	529	-	+125
Fixed Assets	1,028	1,001	958	900	916	878	978	-	+19
Deferred Assets	1	1	-	-	-	-	-	-	0
Total Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	-	+844
Accounts Payables	267	304	345	408	272	313	347	-	+1
Corporate Bond (Less Than 1 Year)	60	60	60	30	30	-	-	-	(60)
Short Term Debt	122	129	122	122	122	122	122	-	0
Other	1,663	1,528	1,468	2,109	2,103	2,175	2,185	-	+716
Current Liabilities	2,113	2,022	1,996	2,670	2,528	2,610	2,654	-	+658
Corporate Bond	30	-	-	-	-	-	-	-	0
Long Term Debt	243	212	181	151	120	96	59	-	(122)
Other	115	121	120	120	124	123	123	-	+2
Fixed Liabilities	388	333	302	271	245	220	182	-	(120)
Total Liabilities	2,502	2,356	2,299	2,942	2,773	2,831	2,837	-	+538
Shareholders' Equity	2,418	2,587	2,710	2,735	2,782	2,900	3,018	-	+308
Adjustments	1	2	2	3	2	2	-	-	(1)
Total Assets	2,419	2,589	2,713	2,739	2,785	2,903	3,019	-	+306
Total Liabilities & Net Assets	4,921	4,946	5,012	5,681	5,559	5,734	5,856	-	+844
Equity Capital	2,419	2,589	2,713	2,739	2,785	2,903	3,019	-	+306
Interest Bearing Debt	455	401	364	303	273	219	181	-	(182)
Net Debt	(1,549)	(1,448)	(1,760)	(2,513)	(2,078)	(2,341)	(2,504)	-	(744)
Equity Capital Ratio	49.2%	52.4%	54.1%	48.2%	50.1%	50.6%	51.6%	-	(2.5%)
Net-Debt-Equity Ratio	(64.1%)	(56.0%)	(65.0%)	(91.9%)	(74.7%)	(80.7%)	(83.0%)	-	(18.0%)
ROE (12 months)	27.9%	30.0%	23.8%	15.5%	17.2%	14.5%	13.7%	-	(10.1%)
ROA (12 months)	22.1%	23.1%	17.2%	14.2%	16.4%	15.3%	16.1%	-	(1.1%)
Total Assets Turnover	158%	182%	179%	176%	157%	167%	165%	-	-
Quick Ratio	154%	173%	176%	163%	154%	155%	155%	-	-
Current Ratio	184%	195%	203%	179%	184%	186%	184%	-	-

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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