

3Q FY3/19

# Financial Results Materials for Institutional Investors

COMTURE CORPORATION

*Transforming needs  
into solutions*



January, 2019

**Koichi Mukai**  
Chairman & CEO  
Founder-Owner

**FY ending March 2019: 3<sup>rd</sup> Quarter**

**1**

# Outline of Financial Results



# 1-1 Financial Highlights (Announced on January 29<sup>th</sup>)

**Achieved 9 consecutive years of sales growth and 7 consecutive years of earnings growth, hitting a fiscal year end record high**

	FY2018 Mar. 3Q Results (total)		FY2019 Mar. 3Q Results (total)		Year-on-year rate
	Amount	Rate	Amount	Rate	
<b>Net Sales</b>	12,116 million yen	-	<b>13,025 million yen</b>	-	<b>+7.5%</b>
<b>Operating Income</b>	1,383 million yen	11.4%	<b>1,894 million yen</b>	<b>14.5%</b>	<b>+36.9%</b>
<b>Ordinary Income</b>	1,406 million yen	11.6%	<b>1,903 million yen</b>	<b>14.6%</b>	<b>+35.3%</b>
<b>Interim Net income attributable to owners of parent</b>	1,039 million yen	8.6%	<b>1,262 million yen</b>	<b>9.7%</b>	<b>+21.4%</b>
<b>Interim Net income per share</b>	71.34 yen	-	<b>86.34 yen</b>	-	<b>+21.0%</b>

# 1-2 FY2019 Contributing Factors

## Net Sales YOY **+7.5%, increase in sales**

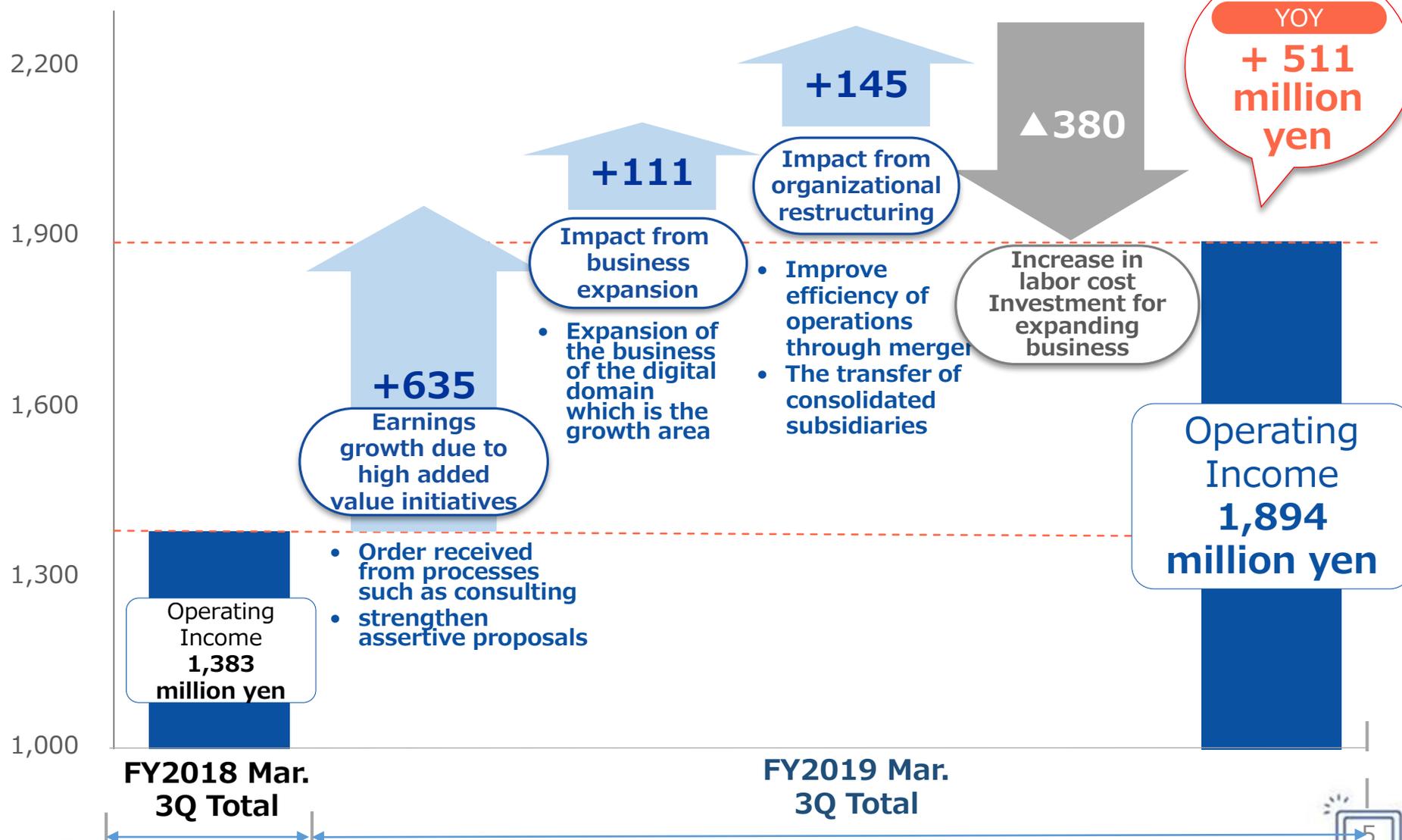
- + Cloud computing business YOY +22%, 753 million yen increase
- + Big Data/AI business YOY +22%, 207 million yen increase
- + Business expansion in new technology initiatives such as RPA, +308 million yen increase
- + Core systems (ERP) by large enterprises YOY +24%, +193 million yen increase
- Decrease in sales due to the transfer of consolidated subsidiaries

## Operating Income YOY **+36.9% earnings**

- + Adoption of a high added value strategy contributed to higher sales per employee and increased earnings(7.0%)
- + Increased earnings driven by business expansion
- + Improve efficiency of operations through merger , Reduction of SG & A expenses due to the transfer of consolidated subsidiaries
- Increased labor cost per employee and investment on expanding and strengthening business

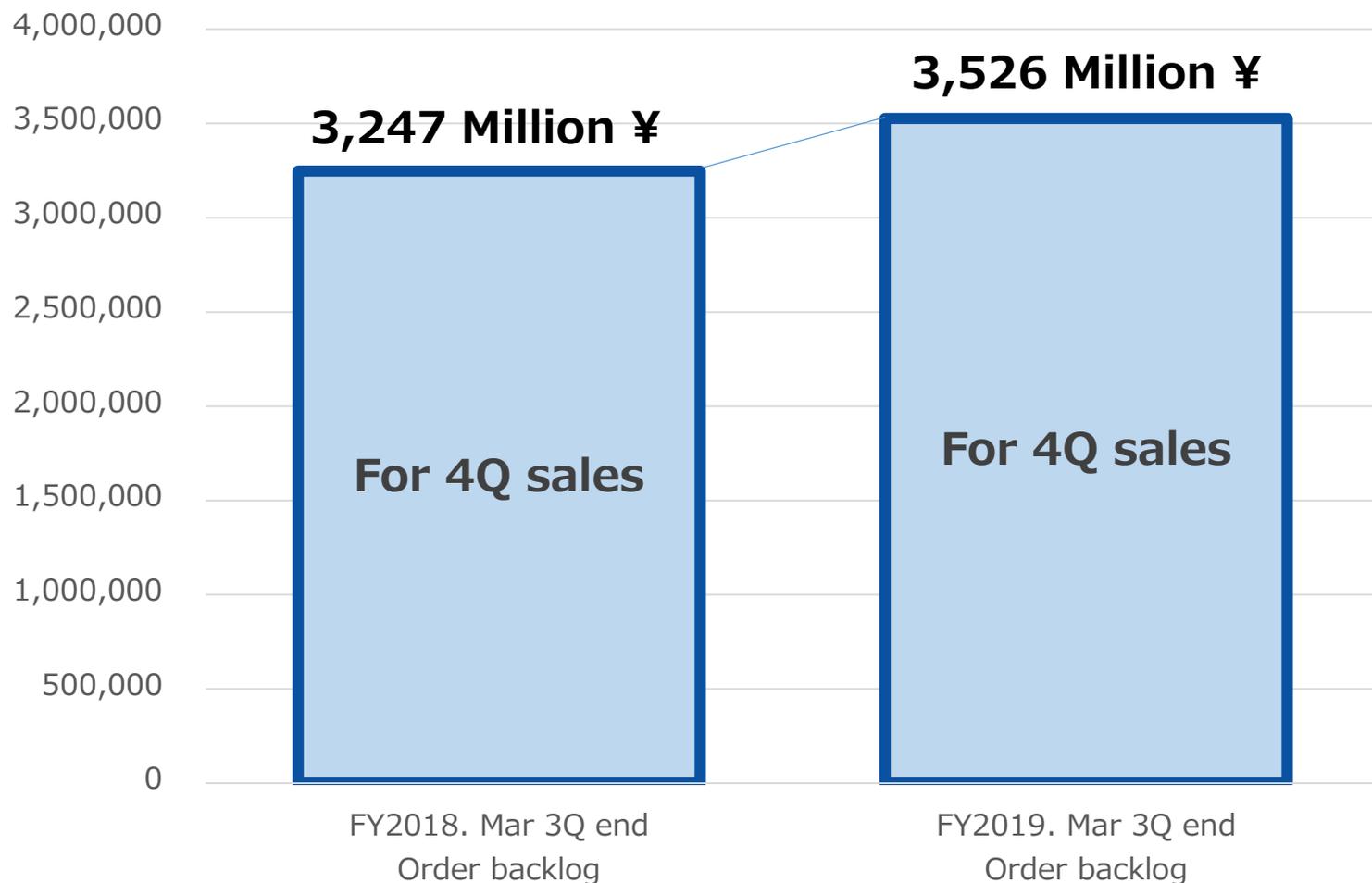
# 1-3 Reasons for Fluctuations in Operating Income

(Unit: million yen)



# 1-4 Order backlog(the end of December 2018)

For this term Sales YoY +8.6%

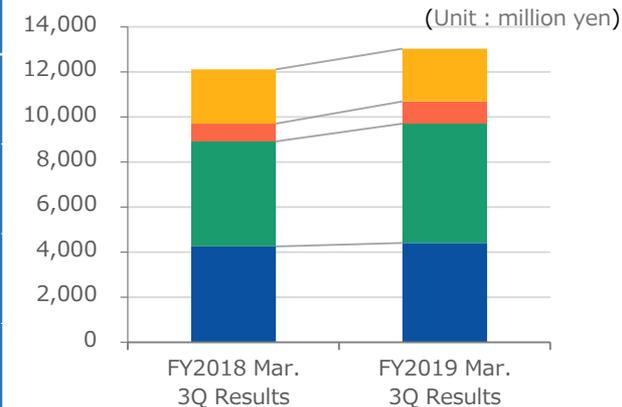


# 1-5 Business Segment Performance

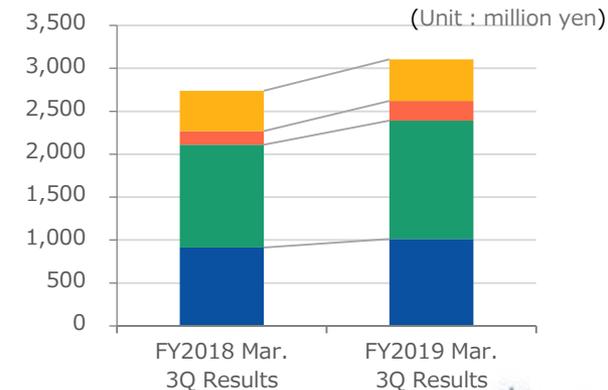
	FY2018 Mar. 3Q Results million-yen	FY2019 Mar. 3Q Results million-yen	Year-on-year rate
<b>Net sales</b>	12,116	13,025	+7.5%
Groupware Solutions Business	2,405	2,326	▲3.3%
ERP Solutions Business	793	986	+24.3%
Web Solutions Business	4,654	5,300	+13.9%
Network Services Business	4,264	4,413	+3.5%
<b>Gross profit</b>	2,739	3,105	+13.4%
Groupware Solutions Business	468	485	+3.6%
ERP Solutions Business	160	230	+43.8%
Web Solutions Business	1,197	1,377	+15.0%
Network Services Business	914	1,013	+10.8%

- Groupware Solution Business
- ERP Solution Business
- Web Solution Business
- Network Services Business

## Net sales



## Gross profit



2

**FY ending March 2019**

**Earnings Forecast**

We announced revision of earnings forecast on Dec 18,2018



# 2-1 Earnings Forecast for fiscal year ending March 2019

**Aim for 9 consecutive years of sales growth and 8 consecutive years of earnings growth reaching new record highs**

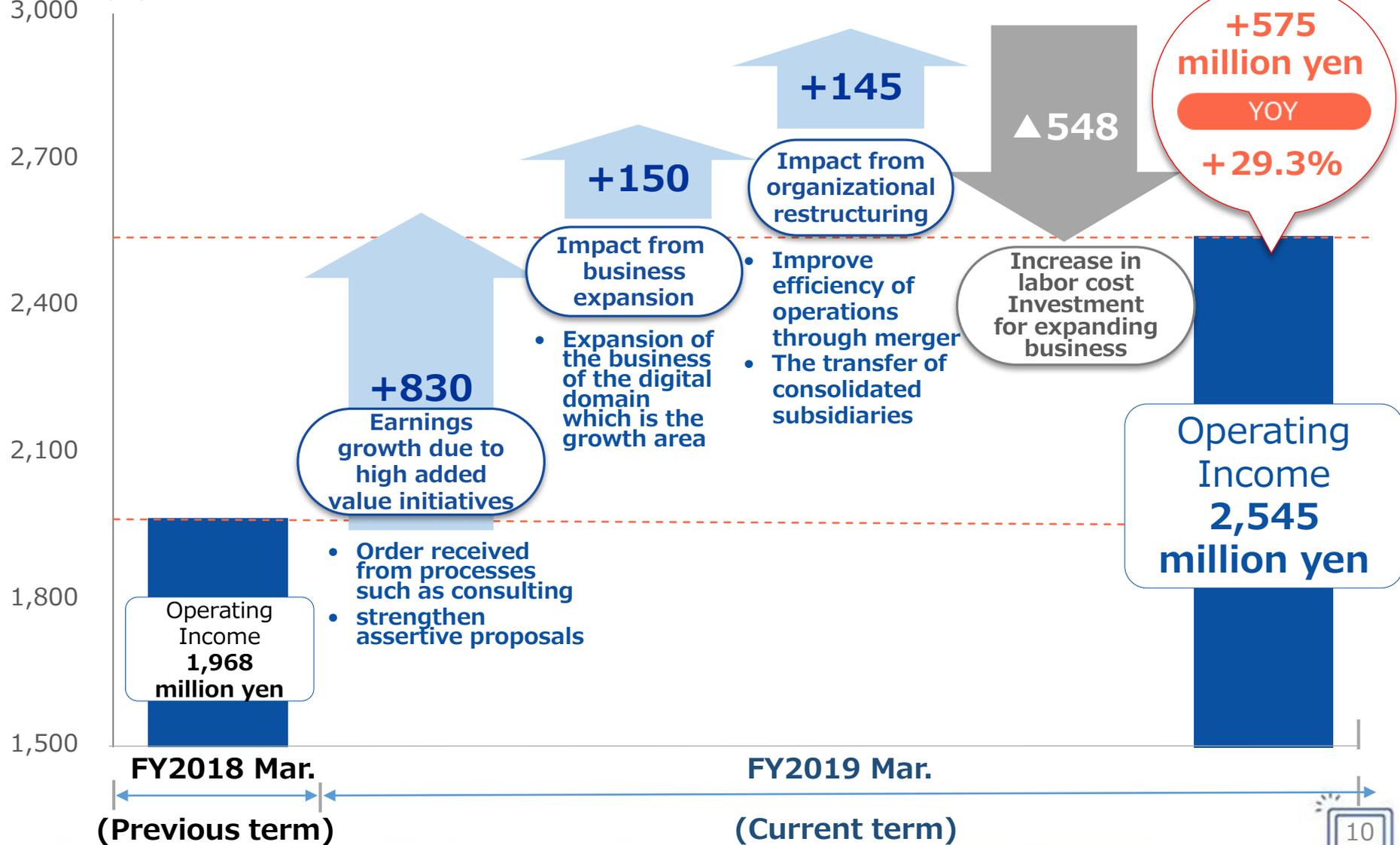
	FY2018 Mar. Results		FY2018 Mar. Forecast(2018.5.7)		FY2018 Mar. Forecast(2018.12.18)		Year-on-year rate
	Amount	Rate	Amount	Rate	Amount	Rate	
<b>Net Sales</b>	16,383	-	18,025	-	<b>18,025</b>	<b>-</b>	<b>+10.0%</b>
<b>Operating Income</b>	1,968	12.0%	2,200	12.2%	<b>2,545</b>	<b>14.1%</b>	<b>+29.3%</b>
<b>Ordinary Income</b>	2,010	12.3%	2,215	12.3%	<b>2,545</b>	<b>14.1%</b>	<b>+26.6%</b>
<b>Profit attributable to owners of parent</b>	1,395	8.5%	1,560	8.7%	<b>1,790</b>	<b>9.9%</b>	<b>+28.3%</b>
<b>Net income per share</b>	95.69 yen	-	106.90 yen	-	<b>122.42 yen</b>	<b>-</b>	<b>+27.9%</b>

(Unit: million yen)

9

# 2-2 Reasons for Fluctuations in Operating Income

(Unit: million yen)



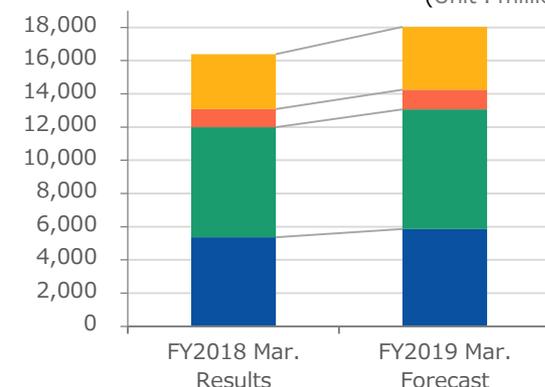
# 2-3 Business Segment Forecast

	FY2018 Mar. Results million-yen	2019 Mar. Forecast million-yen	Year-on-year rate
<b>Net sales</b>	16,383	18,025	+10.0%
Groupware Solutions Business	3,291	3,780	+14.9%
ERP Solutions Business	1,093	1,186	+8.5%
Web Solutions Business	6,643	7,201	+8.4%
Network Services Business	5,356	5,858	+9.4%
<b>Gross profit</b>	3,746	4,289	+14.5%
Groupware Solutions Business	678	898	+32.4%
ERP Solutions Business	237	251	+5.9%
Web Solutions Business	1,713	1,825	+6.5%
Network Services Business	1,118	1,315	+17.6%

- Groupware Solution Business
- ERP Solution Business
- Web Solution Business
- Network Services Business

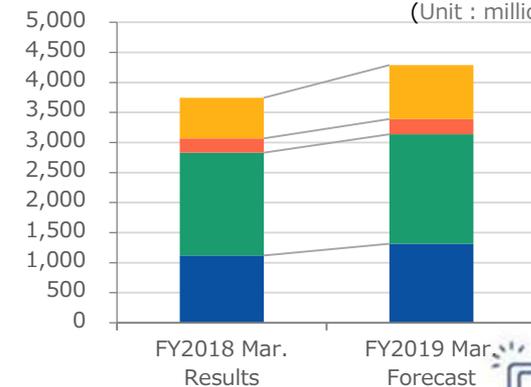
## Net sales

(Unit : million yen)



## Gross profit

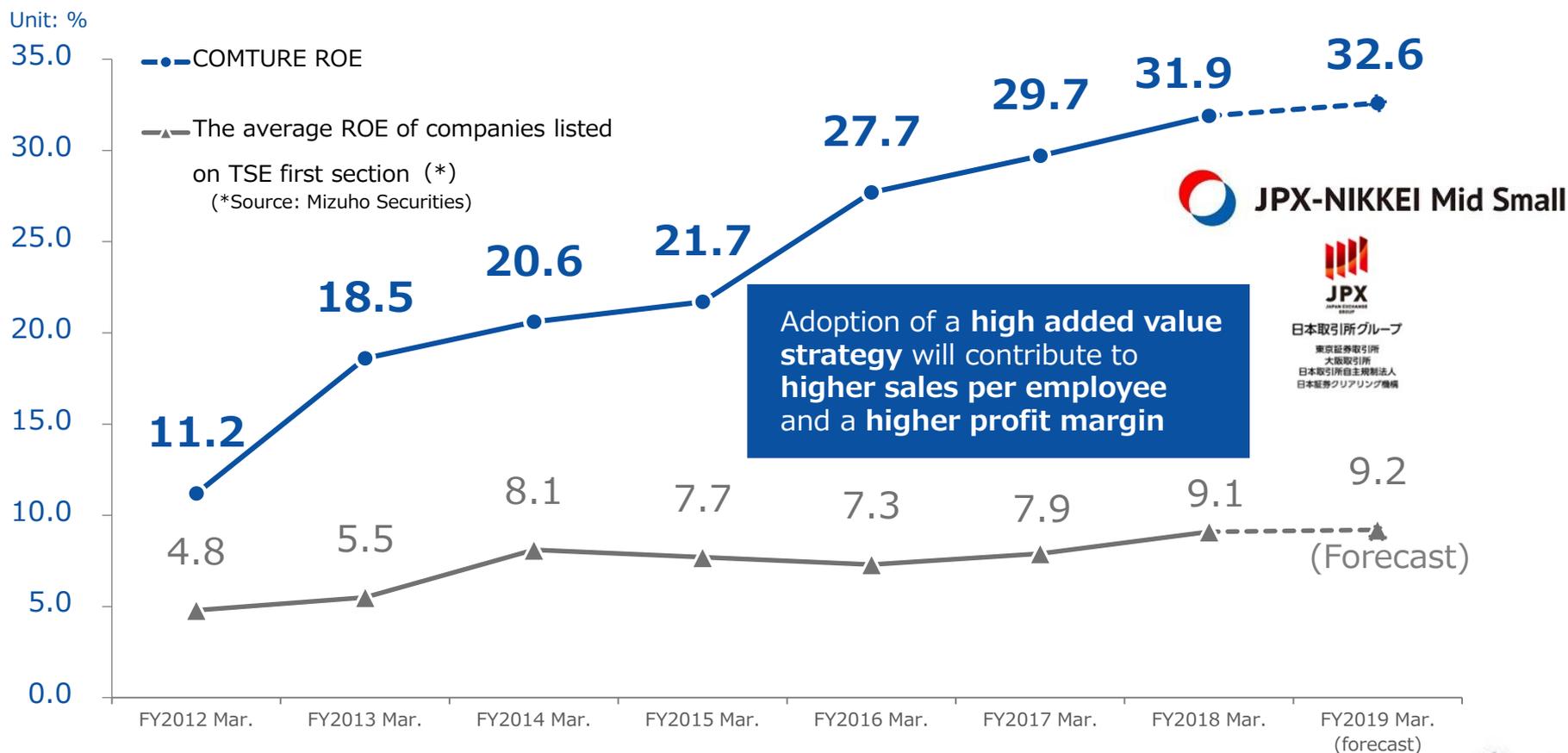
(Unit : million yen)



# 2-4 High Levels of ROE (net income / shareholders' equity)

We aim to retain a standard level of **Over 20%**

ROE will remain extremely high compared to the average of companies listed on TSE first section



# 3

# Topics

# 3-1 Overview second issuance of MS warrants by third party allotment

## Raising funds for investment in growth fields in pursuit of continued growth over the medium and long term

Purposes of Fund Raising and Intended Fund Usages	(1) M&A investment in growth fields such as cloud computing, big data and AI (2) Covering personnel-related expenses used to strengthen consulting services, project management operations and similar in growth fields such as cloud computing, big data and AI
No. of Shares to Be Issued through New Stock Issue	1,300,000 shares (The number of shares per stock acquisition right is 100 shares.) <ul style="list-style-type: none"> <li>• Approximately 8.1% of the total number of issued shares</li> <li>• Treasury stock held by COMTURE CORPORATION shall be delivered</li> </ul>
Target Fund Amount	¥4–5 billion expected
Exercise Period	January 16, 2019–January 14, 2022 (about 3 years)
Exercise Price and Exercise Price Adjustment Conditions	Minimum exercise price: ¥2,764 (closing price on immediately preceding trading day: ¥3,005) On any date from January 16, 2019 onward, prices shall be adjusted to 92% of the closing price of the Company's common stocks on the Tokyo Stock Exchange, Inc. on the immediately preceding trading day on which the notice of the exercise request is given.
Right to Choose where or not to Exercise Rights	COMTURE CORPORATION reserves the right to choose where or not to exercise rights at our discretion under certain conditions. When making these choices, the Company will take full consideration of effects on stock prices and the interests of existing stockholders.

# 3-2 Transfer of the Representative Director Position

Striving to rejuvenate the organization through a new management framework in pursuit of greater growth and stronger corporate value

Position Change	New Position Title: President and Representative Director , COO Previous Position Title: Senior Managing Director	
Planned Transfer Date	April 1, 2019	
Brief Personal History	Apr. 1986	Joins IBM Japan, Ltd.
	Jan. 2004	Becomes Lotus project chief at IBM Japan
	Apr. 2009	Becomes director of NEC Corporation Central Research Laboratories
	Apr. 2013	Becomes director and general manager of the Business Innovation Strategies Division at NEC
	Apr. 2014	Becomes managing executive officer and general manager of the Business Innovation Strategies Division at COMTURE CORPORATION
	Apr. 2014	Becomes president and representative director of COMTURE MARKETING CORPORATION (current position)
	June 2014	Becomes managing director and general manager of the Business Innovation Strategies Division at COMTURE CORPORATION
	July 2017	Becomes managing director and business manager at COMTURE CORPORATION
	June 2018	Becomes senior managing director and business manager at COMTURE CORPORATION (current position)
Shares Owned	8,080	



Chihiro Sawada  
October 14, 1961

# 3-3 External evaluation

## Defined KPI/External evaluation of goal achievements

Tokyo Stock Exchange  
Corporate Value  
Improvement  
Award candidate

**50**companies

Approx.  
**3,600**companies

Tokyo Stock Exchange  
JPX-Nikkei Mid  
and Small Cap  
Index

(3 consecutive years)

**200**issues

Approx.  
**2,900**issues

Forbes Asia  
**Best Under  
A Billion**  
(Excellent small listed  
company in Asia-Pacific  
region)

**200**companies

Approx.  
**24,000**companies

### Evaluation criteria :

- High added-value management **Over 5%** annual increase in sales per employee
- High profit company ROE=**31.9%**, Operating profit rate=**12.0%**
- High payout ratio **Over 35%**

# 4

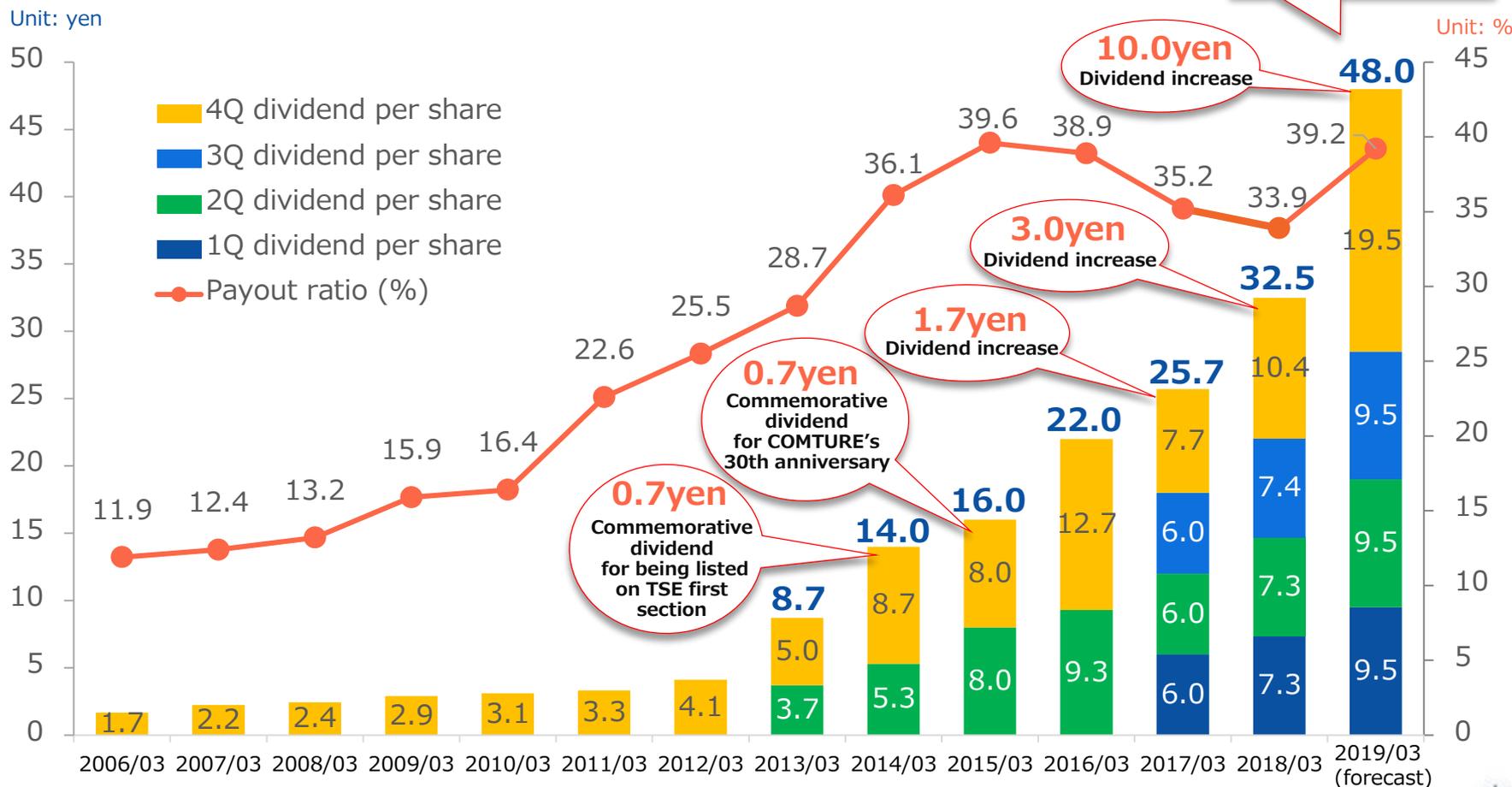
## Shareholder returns

# 4-1 Dividend

14th consecutive periods of increased dividend (forecast)

We will maintain a dividend payout ratio of over 35%

YOY  
**15.53yen**  
Dividend increase



COMTURE conducted a 3-for-1 stock split effective on October 1, 2017. Dividend amounts before 2Q FY2018 are retroactively adjusted to reflect the stock split.

# 4-2 Dividend payment schedule

Due to stable quarterly performance driven by sound management, COMTURE will implement quarterly dividend payments.

	Dividend record date	Dividend payment date
1Q dividend per share	Jun. 30th, 2018	Aug. 31st, 2018
2Q dividend per share	Sep. 30th, 2018	Nov. 30th, 2018
3Q dividend per share	Dec. 31st, 2018	Feb. 28th, 2019 (planned)
4Q dividend per share	Mar. 31st, 2019	The next business day following approval at the general shareholders' meeting (planned)

# 4-3 Returns to Shareholders Scheme

As part of COMTURE's returns to shareholders scheme, we have a shareholder special benefit plan

Twice a year, at the end of September and March, shareholders who own more than 300 shares will receive prepaid QUO cards worth 1,000 yen (2,000 yen annually).

- \* Dividend of 14,400 yen + prepaid QUO cards worth 2,000 yen = 16,400 yen annually
- \* Total payout ratio including special benefits are expected to be 44.7% for fiscal year ending March 2019 (for 300 shares)



# Precautions about This Presentation

- This presentation was prepared to provide information about Comture and is not a solicitation to invest in Comture.
- Comture exercised care regarding the accuracy of information in this presentation but does not guarantee that this information is complete.
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