



COMTURE CORPORATION

Financial Results for the Fiscal Year Ended March 31, 2024

May 20, 2024

Presentation

Kamei: Now, it is time to begin. Thank you for taking time out of your busy schedule to join us today.

We will start the briefing on the financial results for the fiscal year ended March 31, 2024, which was recently announced on May 10. The briefing will again be held via live streaming.

I am pleased to introduce the attendees on our side today. This is Chihiro Sawada, Representative Director and President. I, Kamei, will serve as the moderator. Thank you very much for your cooperation.

As for today's flow, Mr. Sawada will now explain the financial results for the fiscal year ended March 31, 2024 as well as our business operations. After the explanation is over, we will take questions from you. That is the flow of today's briefing.

Next, I would like to explain the question-and-answer session. I would like viewers to use the Q&A function at the bottom of the screen to enter your question. We will then answer your questions. Since time is limited, if we are unable to answer your questions within this time frame, we will answer them separately by e-mail or other means.

Now, President Sawada will explain the financial results. President Sawada, please start.

Sawada: Hello, everyone. I am Sawada, Representative Director and President of COMTURE CORPORATION.

I would now like to explain our financial results for the fiscal year ended March 31, 2024, which we recently announced on May 10.

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1-1 Financial Highlights



Achieved 14 consecutive years of sales growth and 13 consecutive years of earnings growth with both sales and earnings climbing to record highs

*Figures in parenthesis are organic growth excluding M&A

(Unit: million yen)	FY3/23		FY3/24		YoY change (%)
	Amount	% to net sales	Amount	% to net sales	
Net sales	29,056	-	34,185 (31,379)	-	+17.7% (+8.0%)
Operating profit	4,065	14.0%	4,600 (4,289)	13.5% (13.7%)	+13.1% (+5.5%)
Ordinary profit	4,067	14.0%	4,597 (4,284)	13.4% (13.7%)	+13.0% (+5.3%)
Profit attributable to owners of parent	2,695	9.3%	3,135	9.2%	+16.3%
Net income per share	84.56 yen	-	98.35 yen	-	+16.3%



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First, these are the highlights of the financial results.

In the fiscal year ended March 2024, the Group's sales and income reached record highs, with sales increasing for 14 consecutive fiscal years and income increasing for 13 consecutive fiscal years.

Sales were JPY34,185 million, up 17.7% YoY, and operating income was JPY4,600 million, up 13.1% YoY. Net income was JPY3,135 million, up 16.3% YoY.

Figures in parentheses are organic.

As you can see, we have achieved sustained growth in both sales and income.

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1-2 Business Segment Performance

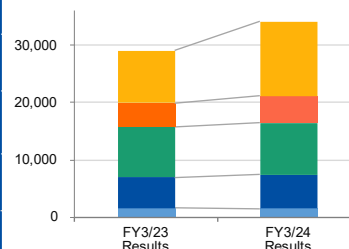


(Unit: million yen)

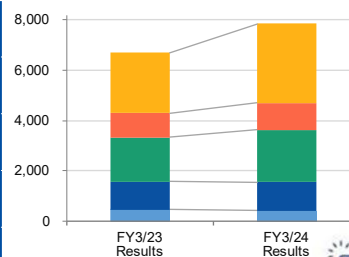
	FY3/23 Results	FY3/24 Results	YoY change (%)
Net sales (*) See next page	29,056	34,185	+17.7%
Cloud Solutions	9,112	12,997	+42.6%
Digital Solutions	4,164	4,736	+13.8%
Business Solutions	8,814	9,049	+2.7%
Platform, Operation Services	5,399	5,855	+8.4%
Digital Learning	1,565	1,545	-1.3%
Gross profit (*) See next page	6,696	7,852	+17.3%
Cloud Solutions	2,388	3,146	+31.8%
Digital Solutions	981	1,069	+9.0%
Business Solutions	1,757	2,076	+18.2%
Platform, Operation Services	1,111	1,138	+2.5%
Digital Learning	458	420	-8.2%

- Cloud Solutions Business
- Digital Solutions Business
- Business Solutions Business
- Platform, Operation Services
- Digital Learning

Net sales (Unit: million yen)



Gross profit (Unit: million yen)



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The results by business segment are as shown on this slide.

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***Business Segment for FY3/23:**

Beginning FY3/24, we have revised a part of the scope of our business in accordance with the reality of our group's business.

For consistency with this change, the consolidated statement of income for FY3/23 have been restated.

***Gross profit for FY3/23:**

In FY3/23, the salaries of employees hired following graduation were included in cost of sales during the April and May initial training period. Beginning with FY3/24, these salaries are included in selling, general and administrative expenses in order to more appropriately show the true operations of the COMTURE Group because these new employees are not involved with business projects and make no direct contribution to sales during their two months training period.

For consistency with this change, the consolidated statement of income for FY3/23 have been restated.



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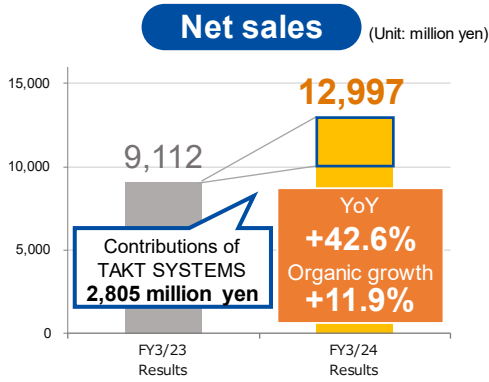
Effective from the fiscal year ended March 31, 2024, the scope of businesses has been partially revised and reclassified to conform to the actual status of the business.

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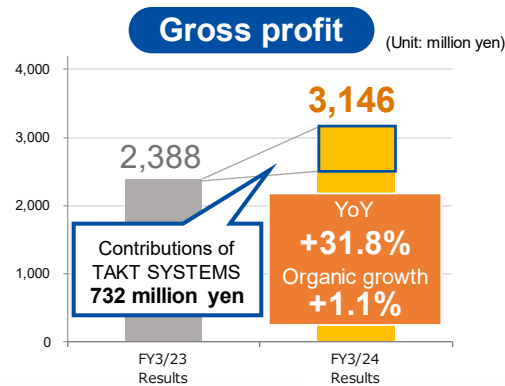
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1-3 Cloud Solutions Business



Main Activities

Collaboration using alliances with global SaaS vendors (Microsoft, Salesforce, ServiceNow and others), consulting and integration services for the installation and use of CRM and other cloud services, and other activities



Overview

- + Contribution of the sales at a subsidiary newly consolidated in this fiscal year
- + Growing demand for consulting services and building systems for the digital transformation (DX) using collaborations with vendors
- Temporary increase in training expenses for new graduate employees and for reskilling of current employees



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Sales in the cloud solutions business were JPY12,997 million, up 42.6% YoY. Gross income was JPY3,146 million, up 31.8% YoY.

Both sales and income increased due to increased demand for system construction through vendor collaboration and consulting services for cloud computing and DX, as well as the contribution of a subsidiary consolidated from that fiscal year.

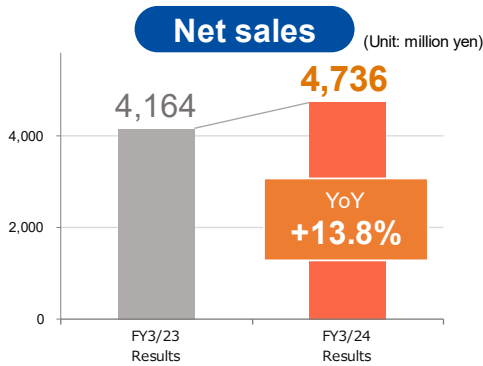
Organic figures, excluding TAKT SYSTEMS' contribution, show sales of JPY2,805 million, up 11.9% YoY. Gross income, on the other hand, was JPY732 million, up 1.1% YoY, due to onetime training costs resulting from resource shifting associated with reskilling.

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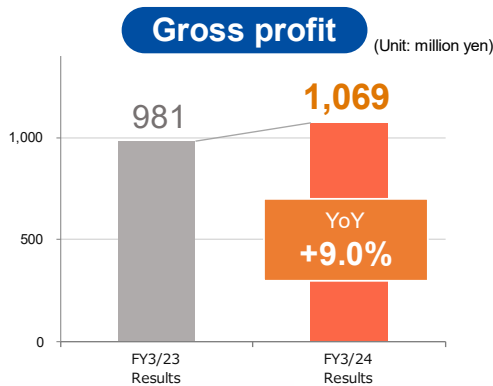
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1-4 Digital Solutions Business



Main Activities

Construction of data infrastructures by working with global AI vendors (Google Cloud, Amazon Web Services and others), provision of data analysis solutions by working with global data analysis vendors (SAS, Informatica, Databricks and others), and other activities



Overview

- + Growth of the data management business, such as building infrastructures for collecting and storing large amount of data
- + Expanding the business of building anti-money laundering systems for financial institutions
- Temporary increase in training expenses for new graduate employees

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Sales in the digital solutions business were JPY4,736 million, up 13.8% YoY. Gross income was JPY1,069 million, up 9% YoY.

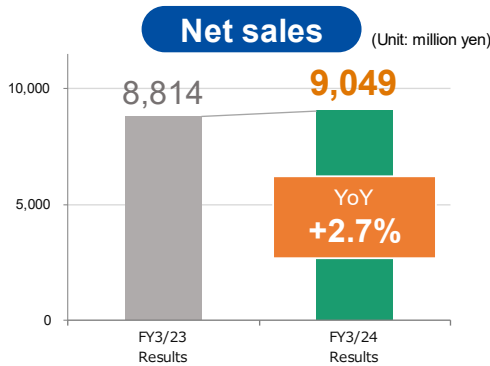
Both sales and income increased due to the business of building anti-money laundering systems for the financial industry, expansion of the data analysis business, and expansion of the data management business, which includes building an environment for storing data.

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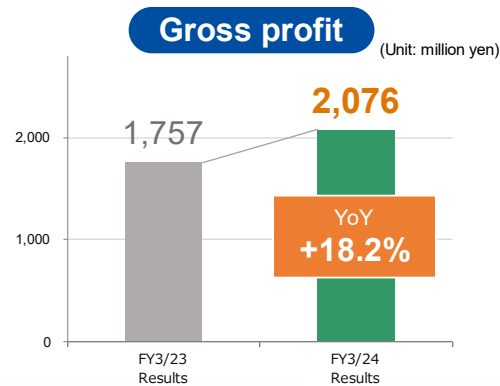
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1-5 Business Solutions Business



Main Activities

Construction, operation and modernization concerning accounting, personnel, fintech and other core IT systems using collaborations with SAP, SuccessFactors and other global ERP package vendors



Overview

- + Growth of the SAP business continued
- + Cross-selling activities for financial institutions were expanded
- + Profitability improved in part because earnings in the 1Q of FY3/23 were impacted by a project that encountered difficulties
- Used reskilling programs to shift people to the cloud solutions business and to operations involving SAP

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Sales in the business solutions business were JPY9,049 million, up 2.7% YoY. Gross income was JPY2,076 million, up 18.2% YoY.

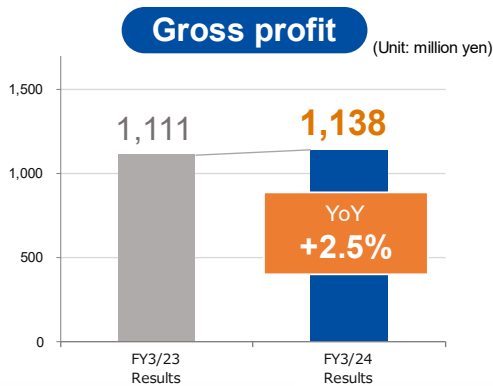
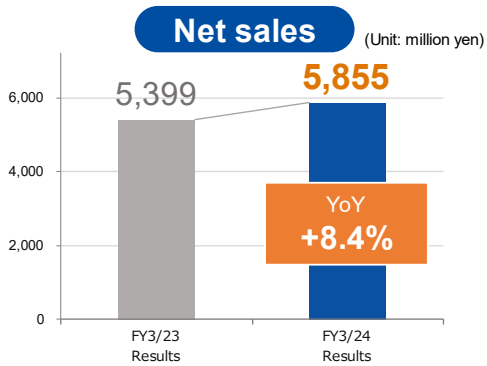
Both sales and income increased due to continued expansion of SAP-related business and business from cross-selling to the financial industry, as well as improved profitability from the settlement of a troubled project that occurred in Q1 of the previous fiscal year.

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1-6 Platform, Operation Services Business



■ Main Activities

Hybrid cloud environments using virtualization software (Kubernetes and others), design, construction and operation of virtual networks (Cisco and others), IT system remote surveillance at COMTURE Group's service centers using global tools, help desk operations, and other activities

■ Overview

- ⊕ Growth of the business for operating cloud environments
- ⊕ Higher demand for the outsourcing and security support of IT system operations

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Sales in the platform and operation services business were JPY5,855 million, up 8.4% YoY. Gross income was JPY1,138 million, up 2.5% YoY.

Both sales and income increased due to the expansion of the cloud environment operation business and increased demand for outsourcing of system operations and security support.

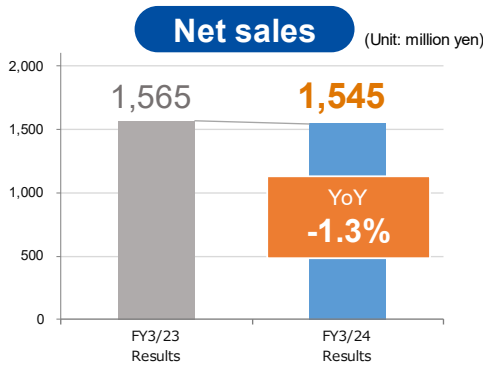
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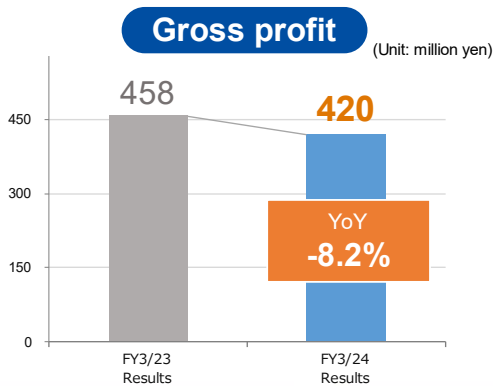


1-7 Digital Learning Business



Main Activities

Education services with cooperation of global vendors (Microsoft, Salesforce, ServiceNow and others) for acquiring vendor certifications and IT education services to give people skills needed to perform DX jobs



Overview

- + Increasing demand at companies for structured training programs
- Using COMTURE Group instructors for internal training programs for reskilling employees

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Sales in the digital learning business were JPY1,545 million, down 1.3% YoY. Gross income was JPY420 million, down 8.2% YoY.

While demand for planned training for companies increased, the number of lecturers involved in reskilling training for group companies increased, resulting in a decrease in both sales and income.

We will continue to grow, with the two growth areas of cloud and digital as pillars of our business.

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1-8 Contributing Factors

Net sales

Up 17.7% YoY

- + Growth of the cloud solutions business because of increasing demand for the shift of the IT systems of companies to the cloud and for cloud consulting and the contribution of M&A to this business
- + Digital solutions sales increased due to higher demand for data management.
- + Higher sales due to making new graduates and reskilled current employees productive and to progress with the use of resources of partner companies

Operating profit

Up 13.1% YoY

- + Sales per employee: up 1.5%
*Sales per employee (excluding new employees): up 5.0%
- + Gross profit increased due to growth of sales and start of contributions to sales of recently hired new graduates.
- Total labor expenses per employee increased 1.8%.
*Expenses increased 8.1% after excluding new employees



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I will explain the key points of the financial results.

Sales increased 17.7%, the reasons for which are as I just explained in the section by business segment.

Operating income increased 13.1%. I will explain the reasons for this change.

The first positive factor was a 1.5% increase in sales per employee due to business expansion in the DX area, a growth area. This is an average increase rate that includes 200 new graduates. Excluding the impact of new graduates, sales per employee increased by 5%.

Second, in addition to sales growth, the increase was driven by the fact that new graduate employees have become paid.

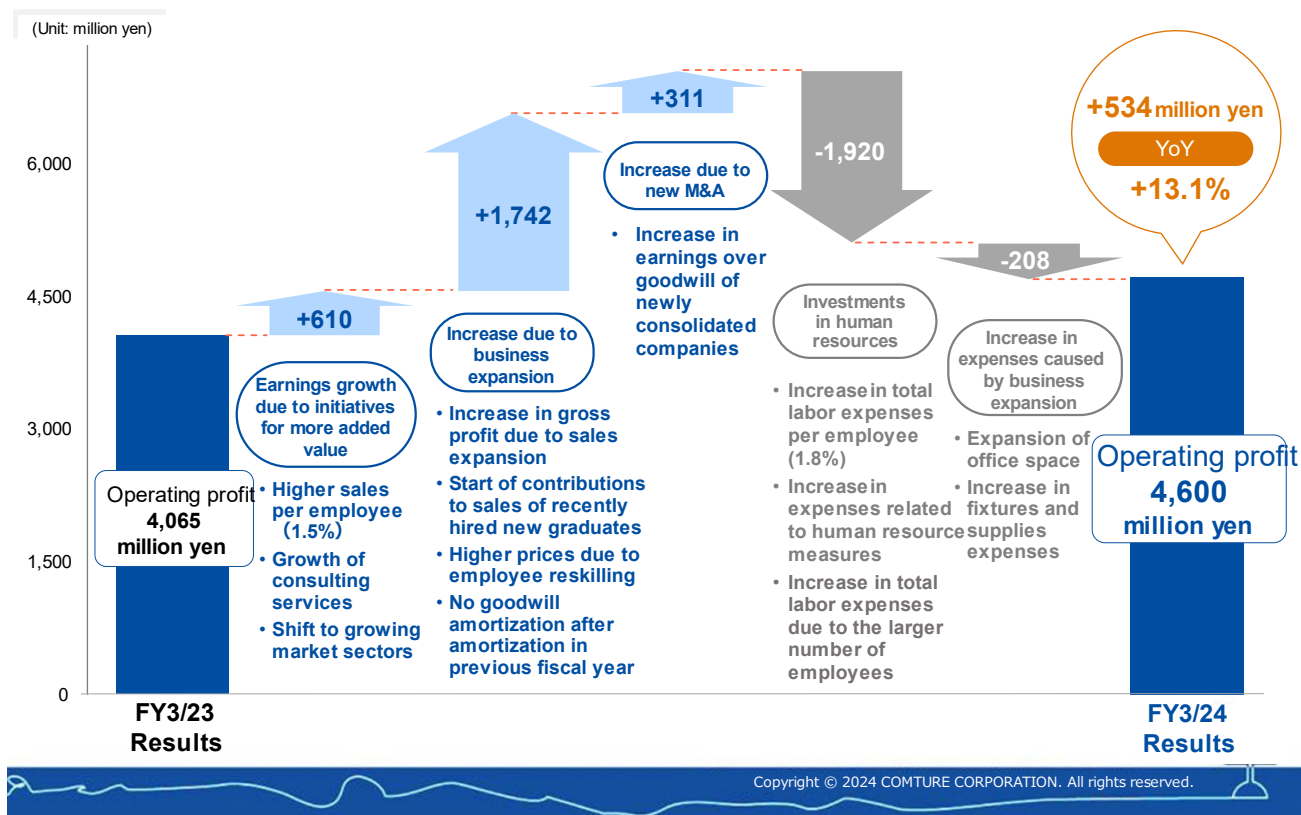
The negative factor was an average 1.8% increase in labor cost per employee to improve employee satisfaction. The wage increase rate, excluding that for new hires, was 8.1%, compared to the planned 8%, leading to an improvement in the retirement rate.

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1-9 Components of Changes in Operating Profit



The details are illustrated in the figure here.

Operating income for the fiscal year ended March 2023 was JPY4,065 million. The high value-added strategy resulted in a 1.5% increase in sales per employee, which led to an increase of JPY610 million in income. The increase in sales, the paid new graduates, and the effect of the immediate removal of amortization of goodwill incurred in the previous fiscal year contributed to an increase of JPY1,742 million in income. In addition, a newly consolidated subsidiary led to an increase of JPY311 million in income.

On the other hand, negative factors included a total investment of JPY1,920 million in human capital, including labor and recruitment costs. In addition, costs increased by JPY208 million due to business expansion, including office expansion.

When combined, operating income for the fiscal year ended March 2024 was JPY4,600 million, up 13.1% YoY.

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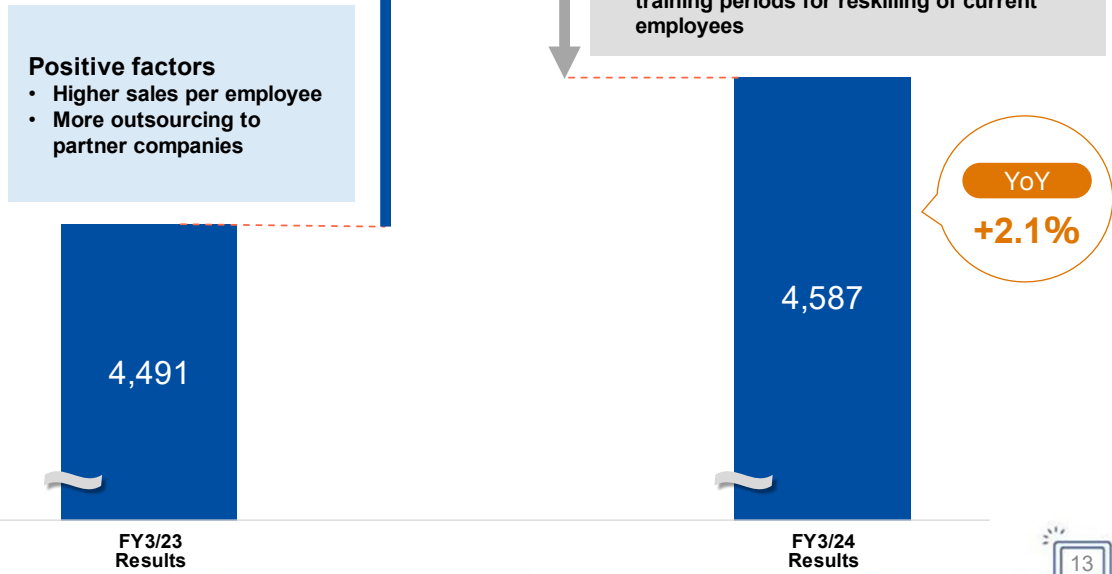
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1-10 Components of Changes in Gross Profit per Employee*

*Gross profit per employee is total gross profit divided by the number of employees (consolidated, end of period)
 *Labor expenses per employee is total labor expenses divided by the number of employees (consolidated, end of period)

(Unit: thousand yen)



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This page explains the factors that contribute to the increase or decrease in gross income per employee, an indicator that measures the earning power of employees.

Gross income per employee was JPY4.587 million, up 2.1% YoY.

Factors for the increase, such as the increase in sales per worker and the increase in outsourced man-hours by subcontractors, outweighed factors for the decrease, such as the increase in labor cost per worker and the increase in non-working man-hours associated with training for new graduates and reskilling training.

This fiscal year, for the third year in a row, we have raised salaries significantly, but we have been able to firmly increase profitability by passing on this increase to prices and expanding the scale of our business.

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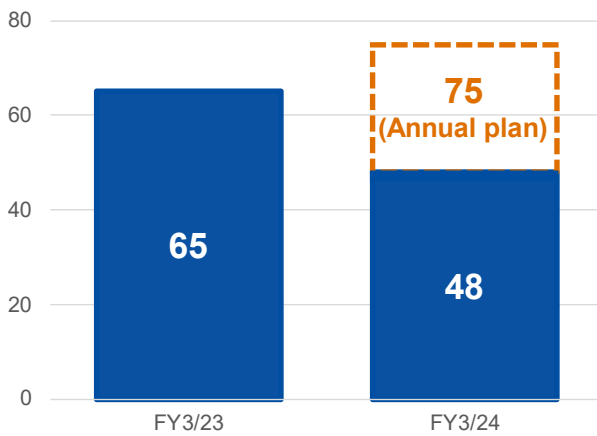
1-11 Progress of Medium-term Management Plan – Workforce Growth



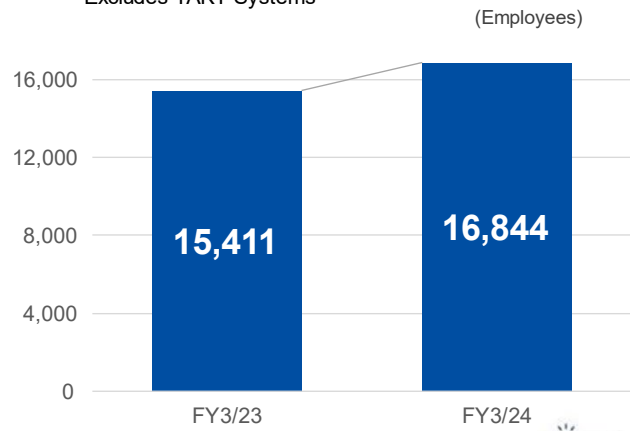
Recruiting activities for faster growth

- More hiring of experienced people**
- Hired 48 people with prior work experience as of the end of March 2024
 - Using referrals, scouting and other measures to recruit experienced people

- Stronger relationships with partner companies**
- Outsourced projects were 9.3% more than one year earlier
 - Using the core partner program (selected 56 companies)



*Excludes TAKT Systems



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I will explain the progress of measures in the medium-term management plan.

In terms of securing human resources, we are expanding our mid-career recruitment measures to include hiring through employee referrals and the use of scouting tools.

The shortfalls in employees were filled by core partners and other measures, such as strengthened cooperation with subcontractors, resulting in a 9.3% organic increase in the number of consignments and a 20% increase if M&A contributions are included, which contributed to sales growth.

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1-12 Progress of Medium-term Management Plan – Workforce Growth



Education and training programs for more added value

Reskilling current employees

- 140 people shifted as of the end of March 2024

Fast training of new graduate employees

- More than 90% of 201 new hires assigned to business units are productive
- Continuing the productive use of new graduates in FY3/25



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In human resources development, the Company continues to invest in training for existing employees, including the use of instructors from Edifist Learning, while shifting resources to growth areas through reskilling.

For new graduates who joined the Company last April, our early training efforts have resulted in the situation that 94% of them are paid, which has contributed to our business performance, especially in terms of income.

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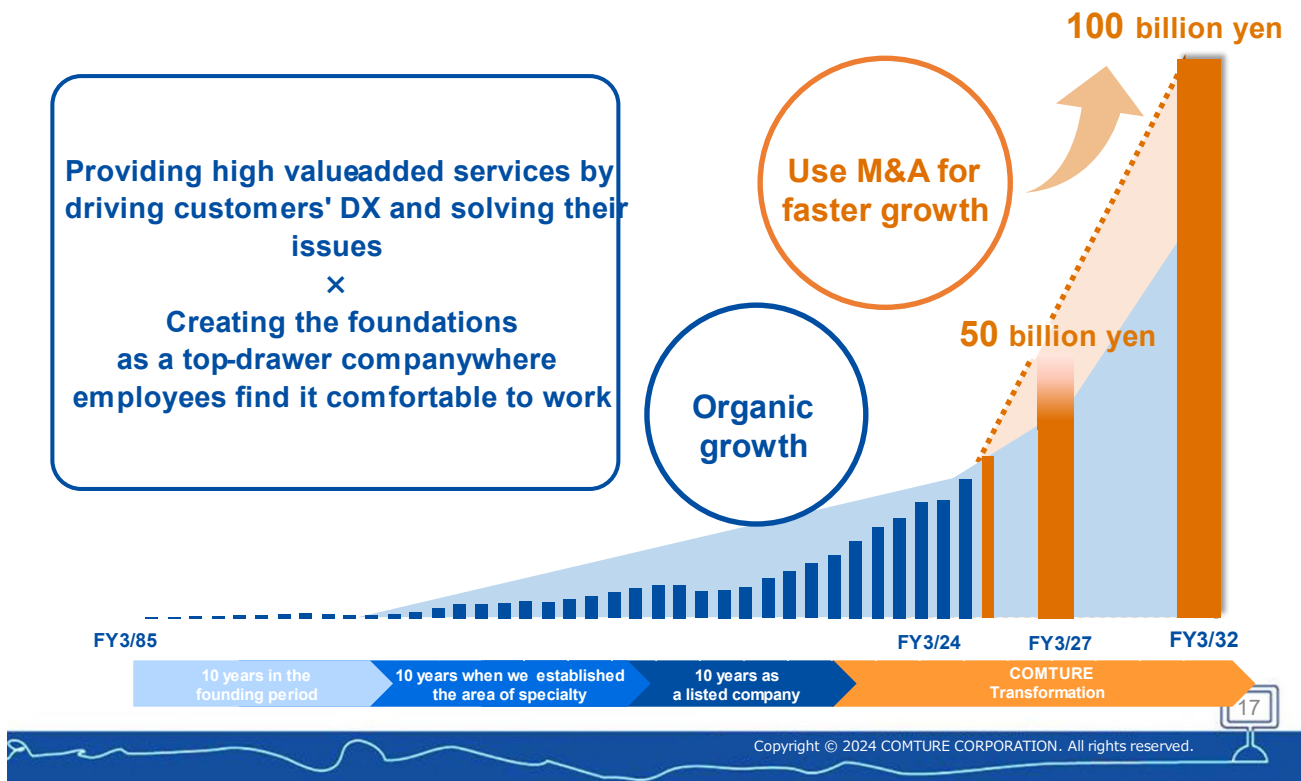
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2-1 Long-term Vision

The goal is sales of 100 billion yen in FY3/32



Based on the initiatives I have explained so far, we have revised our medium-term management plan on a rolling basis this fiscal year in order to respond quickly and flexibly to changes in the business environment.

I will now explain the details of the revision.

Our long-term vision is to provide high value-added services to our customers through DX promotion and problem solving and to build a foundation as a top-notch company by creating a comfortable working environment for our employees.

Furthermore, by strategically executing M&A and other measures to accelerate growth, we aim to become a company with sales of JPY100 billion by the fiscal year ending March 31, 2032.

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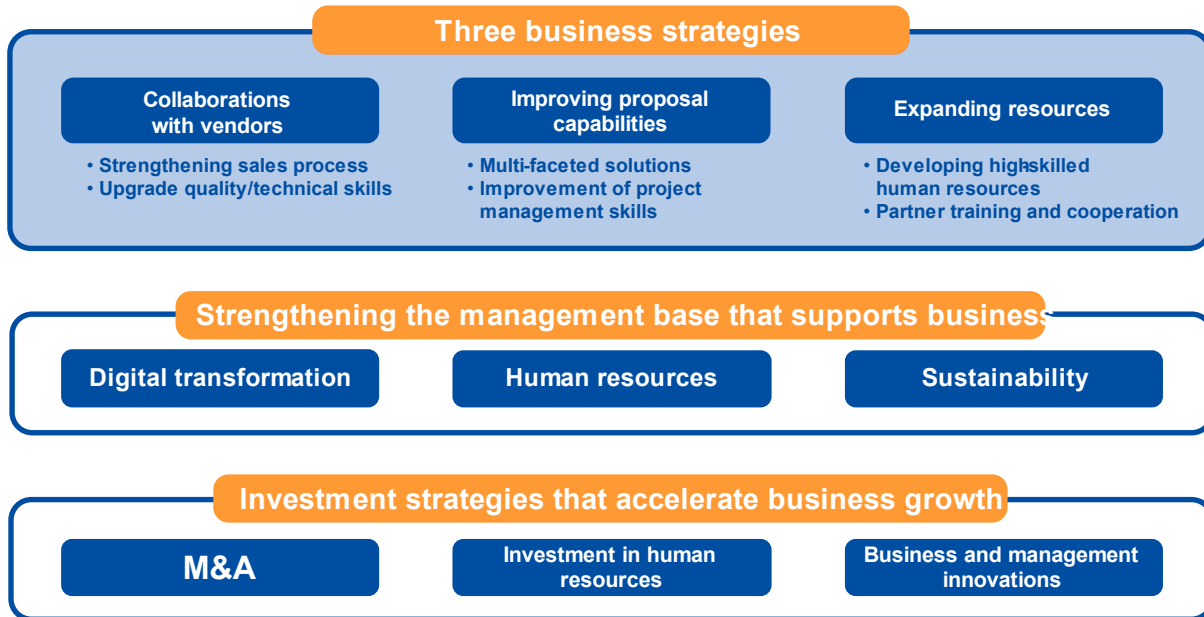
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2-2 FY3/25 Medium-term Business Plan



Further expansion and sustained growth of the DX domain

Business policies for high value-added management



Details of the FY3/25 Medium-term Business Plan are available on our website (<https://www.comture.com/ir/management/>)

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To achieve the plan, we aim for high value-added management and sustainable growth by focusing on the three business strategies described on this page, strengthening the management foundation that supports these strategies, and aggressively investing in them.

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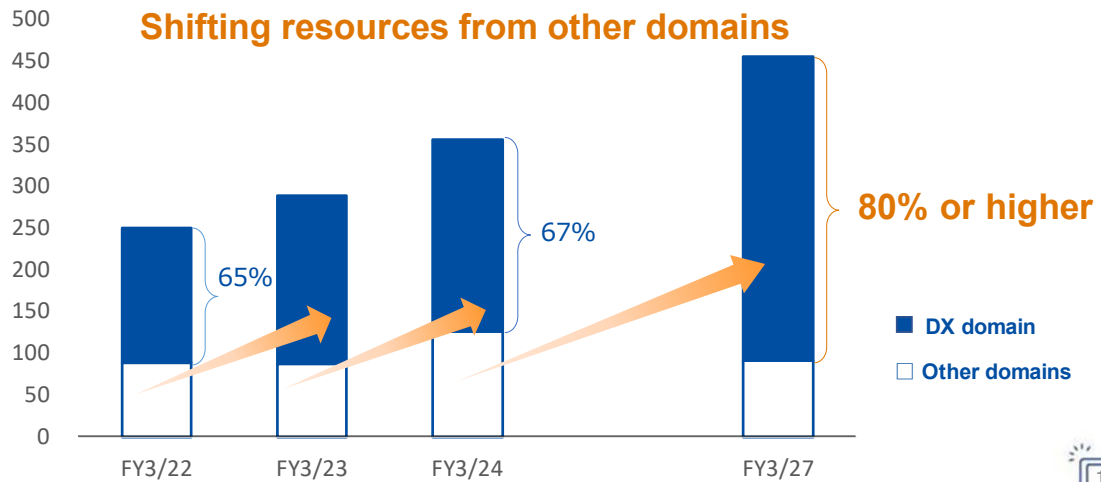


2-3 Medium-Term Management Plan: Expansion in the DX domain

Accelerating the shift to DX domain, which is a growth engine

- Expanding business in the DX domain backed by the growing DX market
- Execute proactive resources shifts and achieve accelerated growth
- Increasing the ratio of businesses in the DX domain to net sales to 80% or higher (FY3/27)

Net sales (100 million yen)



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By accelerating the shift to the DX area, a growth area, we plan to increase its share of sales each year to more than 80% in the final fiscal year of the plan.

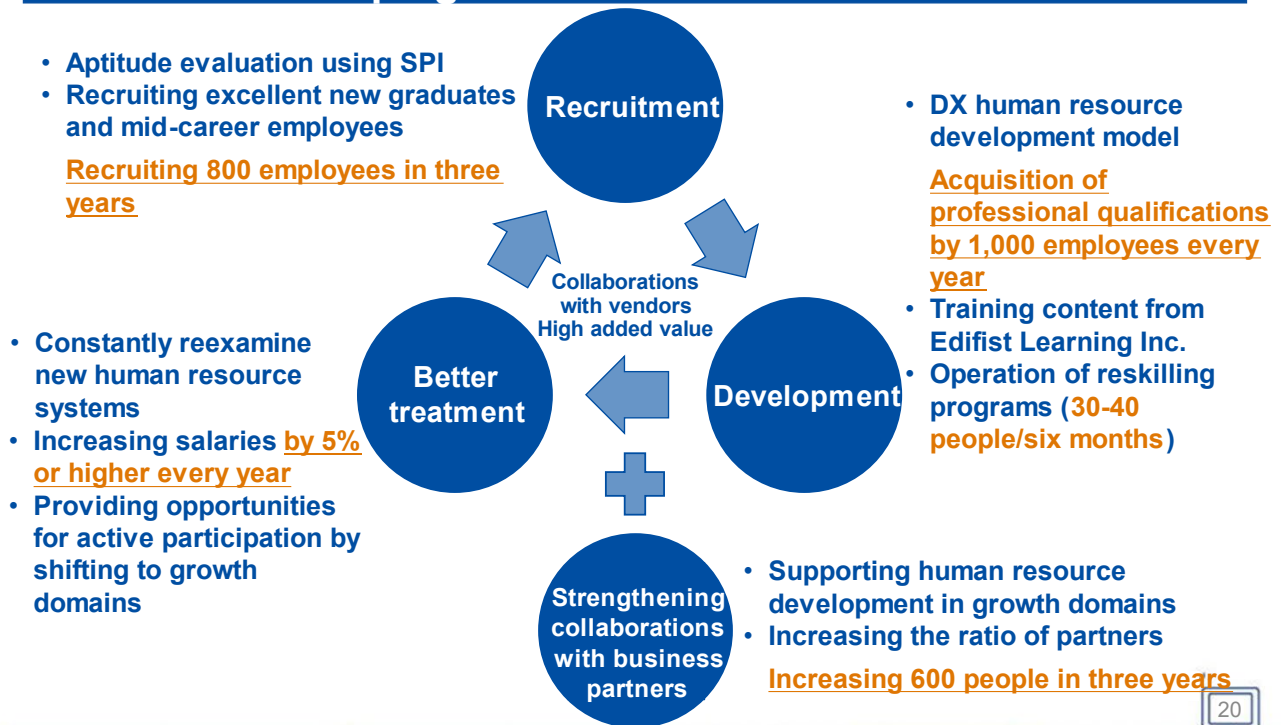
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2-4 Expanding Human Resources

Reinforcing the structure by recruiting and developing excellent human resources



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Of the three business strategies, I will explain our efforts to expand human resources.

In addition to hiring excellent human resources and developing DX personnel by utilizing the educational know-how of a group company, we will also work to enhance employee engagement by strengthening the treatment of employees.

Regarding recruitment, we plan to hire 200 new graduates each year and 70 mid-career workers each year, and for reskilling training, we plan to conduct it for 30 to 40 workers each half-year.

As for compensation, we plan to raise salaries by at least 5% in the first year.

Furthermore, we will actively increase not only our employee resources, but also those of our business partners. We will strengthen our structure by promoting cooperation with core partner companies and supporting the development of their DX personnel as well as our employees.

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2-5 Investment Strategy



Continuing aggressive investments aimed for sustainable growth

* All of the following amounts are amounts to be invested in the three years.

M&A

- Investing in companies which contribute to expansion of DX business, by attaching importance to capital efficiency **5.0 billion yen to 10.0 billion yen**

Investment in human resources

- Recruiting excellent human resources, upgrade/expand training programs
 - Health management/Engagement
 - Consistent improvements in salaries and benefits
- 5.0 billion yen or more**

Business and management innovations

- Corporate branding activities
 - Higher efficiency by using the DX throughout the COMTURE Group
 - Business process reforms mainly by updating the core IT system
 - Improve equipment and other elements of the COMTURE Group's infrastructure
- 1.0 billion yen or more**



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In addition, we will aggressively invest for growth.

We will achieve sustainable growth through M&As to accelerate growth in the DX area, investment in human resources to hire and reskill talented people, and business and management innovation for high value-added and DX within our company.

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2-6 Post-M&A Management Integration Progress



Quantity and quality synergies for faster growth of the COMTURE Group



SoftwareCreation Co., Ltd.

Consolidated in April 2022

	Before	After consolidation	Growth rate
Net sales	¥1.76bn	¥1.97bn	+11.9%
Operating profit	¥0.08bn	¥0.23bn	+184.4%
Operating profit margin	4.7%	12.0%	-



TAKT SYSTEMS, INC.

Consolidated in April 2023

	Last period (On a 12-month basis)	After consolidation	Growth rate
Net sales	¥2.67bn	¥2.84bn	+6.5%
Operating profit	¥0.17bn	¥0.52bn	+200.4%
Operating profit margin	6.5%	18.2%	-

Expansion of growth domains by using reskilling to shift resources

No. of employees
120



Reskilled legacy domain engineers



More added value
More efficient organization
More motivation for people



Used as SAP HANA engineers

Quickly start using a system for managing performance
(KPI management)

More business opportunities by using group operations supported by outstanding knowledge

No. of employees
121



Project Management
Professional certification
– 36 people
Quality management
know-how



More added value
Even better quality
Sharing of knowledge



Stronger frameworks for
project management and
quality management at
the COMTURE Group



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Regarding the progress of PMI, we are expanding business and business opportunities in growth areas by having our business management structure introduced at an early stage.

We will continue to focus on capital efficiency in this manner while actively pursuing M&A opportunities.

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2-7 FY3/25 Medium-term Management Plan Performance Indicators



Long-term goal is sales of 100 billion yen

Aiming for 17 consecutive years of sales growth and 16 consecutive years of earnings growth

Maintain strong organic growth of 10% or more

(Unit: million yen)	FY3/24 Results	FY3/27 Forecast	Average annual growth rate (FY3/24 ~FY3/27)
Net sales	34,185	50,000	+ 10.0% or more
Operating profit	4,600	6,500	+ 10.0% or more
Operating profit margin	13.5%	13.0%	-
ROE	19.7%	20.0% or more	-
Payout ratio	46.8%	45.0% or more	-

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Based on these policies, the medium-term management plan aims to maintain a high organic growth of 10% or more and accelerate growth through M&As to achieve sales of JPY50 billion, an operating income of JPY6.5 billion, and an operating margin of 13% in the final fiscal year of the plan, with a payout ratio of 45% or more.

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3-1 FY3/25 Earnings Forecast



**Aiming for 15 consecutive years of sales growth and
14 consecutive years of earnings growth,
reaching new record highs**

(Unit: million yen)

	FY3/24 Results		FY3/25 Forecast		YoY change (%)
	Amount	% to net sales	Amount	% to net sales	
Net sales	34,185	-	37,700	-	+10.3%
Operating profit	4,600	13.5%	4,900	13.0%	+6.5%
Ordinary profit	4,597	13.4%	4,900	13.0%	+6.6%
Profit attributable to owners of parent	3,135	9.2%	3,250	8.6%	+3.7%
Net income per share	98.35 yen	-	101.93 yen	-	+3.6%
Dividend per share	46.00 yen	-	48.00 yen	-	-
Payout ratio	46.8%	-	47.1%	-	-
ROE	19.7%	-	18.4%	-	-



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I would like to explain our business forecast for the current fiscal year ending March 31, 2025.

The full-year forecast is for a 15th consecutive year of sales growth, 14th consecutive year of income growth, and 20th consecutive year of dividend growth and is expected to reach new record highs.

This achievement will be attained through continued growth in the DX market, as well as increased demand from user companies for in-house production support and system development utilizing new technologies, such as generative AI.

We project sales of JPY37.7 billion, an operating income of JPY4.9 billion, and an operating margin of 13%. Ordinary income and net income are expected to be JPY4.9 billion and JPY3.25 billion, respectively.

The annual dividend for this fiscal year will be JPY48, an increase of JPY2 over the previous fiscal year and the 20th consecutive fiscal year of dividend increases. The dividend payout ratio will be 47.1% against a target of 45% or more. Since the Company pays quarterly dividends, the dividend will be JPY12 per quarter. Furthermore, if profits exceed the plan, we would like to increase dividends accordingly.

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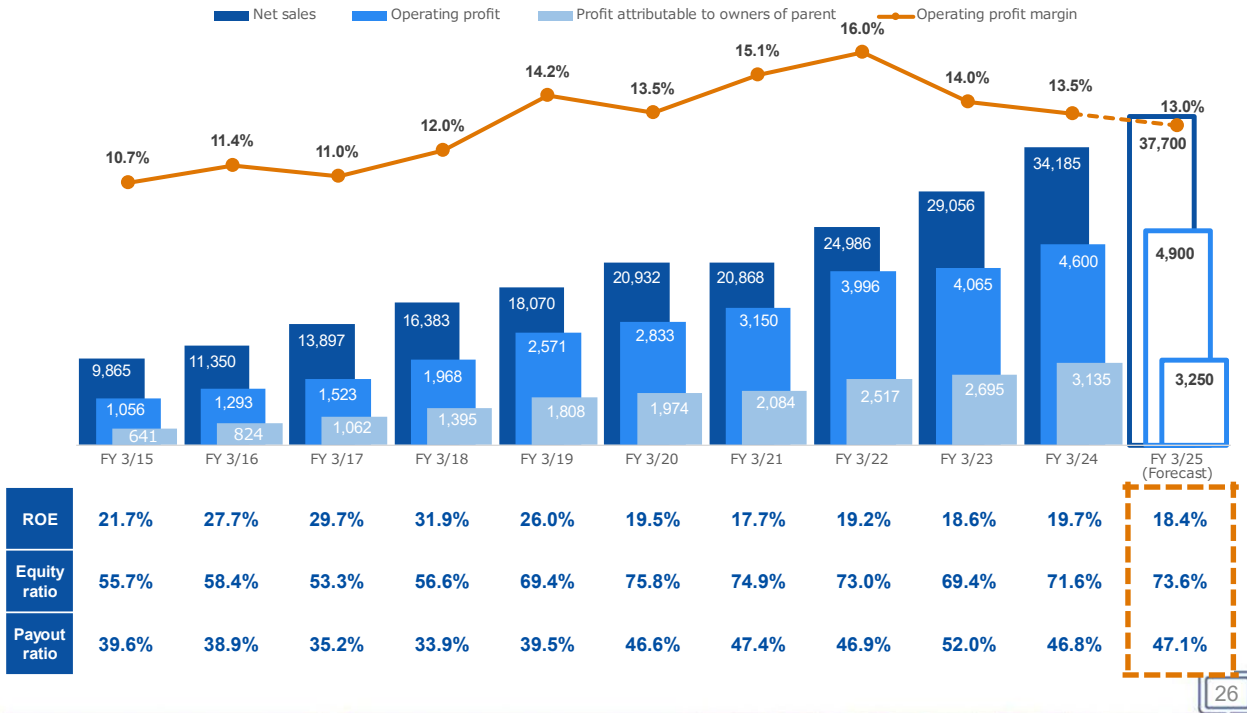
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3-2 Performance Trends

FY3/15 to FY3/25 (Net sales/Operating profit/Net income)



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This chart shows sales, operating income, and net income for the past 10 years.

The operating margin is planned to be maintained at an adequate level compared to past results, or 13% for the current fiscal year, despite the trend of large increases in labor and other human capital costs.

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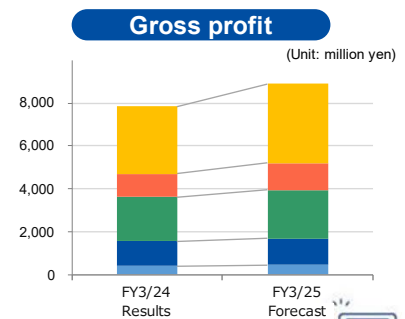
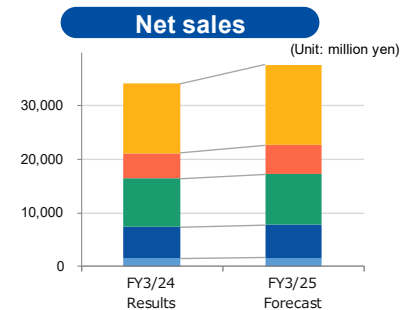
3-3 Business Segment Forecast



(Unit: million yen)

	FY3/24 Results	FY3/25 Forecast	YoY change (%)
Net sales	34,185	37,700	+10.3%
Cloud Solutions	12,997	15,000	+15.4%
Digital Solutions	4,736	5,450	+15.1%
Business Solutions	9,049	9,500	+5.0%
Platform, Operation Services	5,855	6,150	+5.0%
Digital Learning	1,545	1,600	+3.5%
Gross profit	7,852	8,900	+13.3%
Cloud Solutions	3,146	3,700	+17.6%
Digital Solutions	1,069	1,260	+17.8%
Business Solutions	2,076	2,240	+7.9%
Platform, Operation Services	1,138	1,250	+9.8%
Digital Learning	420	450	+7.0%

- Cloud Solutions Business
- Digital Solutions Business
- Business Solutions Business
- Platform, Operation Services
- Digital Learning



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The forecast by business segment is shown on this slide.

We plan to drive growth with cloud and digital.

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3-4 Key Initiatives of FY3/25

Major investments To accelerate growth

Market conditions	<ul style="list-style-type: none"> DX investments are expected to continue increasing as companies use more digital technologies; companies need to solve problems involving the associated transformation of business processes. As companies use teams and DX training for performing the DX internally, the outsourcing of support for system integrators is increasing. Rapid increase in the use of generative AI is raising the need for ideas for using this technology for new businesses; demand is increasing for developing applications incorporating generative AI too. 	
Investments in people	Recruiting	New graduates: 200 (hired in April 2025) Experienced people: 70 (FY3/25)
	Training	Reskilling: 30-40 per six months, larger and upgraded training system, New online learning platform, goal is 1,000 certifications
	Salary /hours	Salary increase: 5.0% Working time: Down from 7hr 50min to 7hr 30min
Innovations	Use of the Microsoft Copilot generative AI tool for improvements and innovations of all business processes; new/revised core IT system and human resource system	
Others	Renewal the corporate website, a brand and other activities to increase brand awareness of COMTURE	

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Next, I would like to discuss the priority measures to achieve the plan for this fiscal year.

Among human capital investments, recruitment and reskilling are planned to be the same size as last fiscal year. In addition, we are implementing strengthened training for the development of engineers. As for compensation, the wage increase will be 5%, and the personnel system has been revised to shorten working hours.

Other investments for future growth are also planned, including the introduction of generative AI tools for company-wide operational innovation and the renewal of core systems.

This concludes my explanation.

We look forward to your continued support. Thank you for your attention.

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Kamei [M]: Thank you, President Sawada.

Now, President Sawada would like to say a few words to the analysts and investors who have joined us today.

Sawada [M]: Thank you very much for joining us today.

Last fiscal year, sales grew thanks in part to M&A, but our challenge was that income growth did not necessarily keep pace with sales growth.

Since last year, we have been investing in human capital to increase our top line and in internal efficiency to generate solid income in the future, aiming to strengthen our competitiveness. We believe that it is important to make such investments in a balanced manner in the current fiscal year so as to lead to future growth.

We have also set up a medium-term management plan to focus on the digital domain, as well as on reskilling and resource shifting. We feel that this was a very appropriate and correct strategy.

For the current fiscal year, we are forecasting 10% organic sales growth, which is very conservative at this stage, and we will continue to aggressively pursue M&As. As I mentioned earlier, we are thinking about how to achieve our JPY50 billion goal for FY2027 ahead of schedule.

In addition, to ensure that M&As do not result in a temporary decrease in income, we will build a structure that will generate income while continuously making investments that will lead to the future and executing M&As.

I would like to ask for your support. Thank you very much for your time today.

Kamei [M]: That concludes the briefing.

Thank you all for joining us today. Thank you for your continued support.

[END]

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