

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 2017)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange, First Section
 Stock code: 3844 URL: <http://www.comture.com/en/ir/index.html>
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Scheduled date of filing of Quarterly Report: August 9, 2017
 Scheduled date of payment of dividend: August 31, 2017
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended June 30, 2017 (April 1, 2017 – June 30, 2017)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2017	3,820	27.9	280	4.1	282	5.1	173	(3.1)
Three months ended Jun. 30, 2016	2,987	10.5	269	50.0	269	46.5	179	64.0

Note: Comprehensive income (million yen): Three months ended Jun. 30, 2017: 175 (up 1.7%)
 Three months ended Jun. 30, 2016: 172 (up 56.7%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 30, 2017	35.76		35.62	
Three months ended Jun. 30, 2016	36.91		36.76	

Reference: Equity in earnings of affiliates (million yen): Three months ended Jun. 30, 2017: 1
 Three months ended Jun. 30, 2016: -

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
As of Jun. 30, 2017	7,136		3,947		55.3	
As of Mar. 31, 2017	7,285		3,883		53.3	

Reference: Shareholders' equity (million yen): As of Jun. 30, 2017: 3,945 As of Mar. 31, 2017: 3,881

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2017	18.00	18.00	18.00	23.00	77.00
Fiscal year ended Mar. 31, 2018	22.00				
Fiscal year ending Mar. 31, 2018 (forecast)		22.00	7.40	7.40	-

Note: Revisions to the most recently announced dividend forecast: Yes

Regarding revision to the dividend forecast, please refer to the press release "Notice about Stock Split, Partial Revision to the Articles of Incorporation, and Revisions to Dividend Forecast and Shareholder Benefit Program" that was announced today (July 31, 2017, Japanese version only).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
First half	7,000	14.7	710	17.3	710	17.8	470	15.6	96.81	
Full year	15,300	10.1	1,700	11.6	1,700	10.2	1,180	11.1	81.01	

Note: Revisions to the most recently announced consolidated forecast: None

COMTURE plans to conduct a 3-for-1 stock split effective on October 1, 2017. The net income per share forecast for the fiscal year ending March 31, 2018 is adjusted to reflect the stock split. Prior to this adjustment, the forecast was a net income per share of 243.04 yen for the full year.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Jun. 30, 2017:	5,355,900 shares	As of Mar. 31, 2017:	5,355,300 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	500,180 shares	As of Mar. 31, 2017:	500,180 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	4,855,720 shares	Three months ended Jun. 30, 2016:	4,853,619 shares
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* The current quarterly financial report is not subject to quarterly review procedures.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending March 31, 2018, the Japanese economy was supported by a recovery in corporate earnings and improvements in jobs and personal income. But the outlook is unclear because of new directions in U.S. policies, political events in Europe and other reasons. IT investments, which have a significant effect on the operations of the COMTURE Group, continued to grow. These investments are essential for the mid- to long-term growth of all companies and expenditures are particularly strong in the cloud services category. The third platform market, which is a new market that covers cloud services, big data, the Internet of things and other components, is expected to expand significantly to annual sales of about 14 trillion yen in 2020. Within this market, the cloud IT services sector is forecast to grow at an average annual rate of 41.1% between 2016 and 2021. Both forecasts are according to “Japan Third Platform Market Forecast Update by Vertical Market and Company Size” and “Third Platform Market IT Services Market Forecast” by IDC Japan, a company specializing in IT industry surveys.

Due to numerous activities for expansion of the cloud business throughout the COMTURE Group, there was growth in all four business units: Groupware Solutions, ERP Solutions, Web Solutions and Network Services. Furthermore, there was a big contribution to growth from activities to make big data, artificial intelligence, the Internet of things, financial technology and other new technologies and fields additional drivers of growth.

Focusing on transforming needs into solutions is playing a central role in our growth. People who interact with customers carefully listen to their demands and interests. Then we use our expertise to respond to our customers' needs with new services and other ideas. A relentless commitment to adding more value, improving productivity and supplying outstanding quality also define our operations.

In the first quarter, the COMTURE Group performed as follows.

Net sales:	3,820 million yen (up 27.9% year-on-year)
Operating profit:	280 million yen (up 4.1% year-on-year)
Ordinary profit:	282 million yen (up 5.1% year-on-year)
Profit attributable to owners of parent:	173 million yen (down 3.1% year-on-year)

First quarter sales were higher than one year earlier for the seventh consecutive year. There were several reasons for this accomplishment: higher cloud business sales as the cloud market expands rapidly; an increase in orders in the financial sector; and activities targeting big data and other new technologies. Growth in personnel expenses and other expenses was offset by the increase in sales per employee, the result of the constant implementation of our added-value strategy, and higher earnings associated with the larger scale of business operations. However, profit attributable to owners of parent decreased 3.1% from one year earlier because of an increase in income taxes.

Business segment performance was as follows.

1) Solution Services

Sales increased 17.0% year-on-year to 2,461 million yen mainly because of growth of the cloud business as the cloud market continues to expand and increasing customer needs involving big data, artificial intelligence, the Internet of things and other fields. In part because of substantial investments in employee training programs, operating profit decreased 9.4% to 153 million yen.

2) Product Sales

Sales of Salesforce.com licenses continued to increase along with growth of the cloud business. However, sales decreased 1.5% year-on-year to 38 million yen and operating profit was down 1.3% to 15 million yen because of revisions in the prices of some products.

3) Network Services

The performance of this segment was strong because of numerous measures for adding more value to platform solutions for customers' transitions to the cloud, remote surveillance and other activities. In addition, a subsidiary newly consolidated in the third quarter of the previous fiscal year made a big contribution to segment sales growth. As a result, sales increased 51.0% year-on-year to 1,371 million yen and operating profit increased 32.2% to 111 million yen.

(2) Explanation of Financial Position

Total assets were 7,136 million yen at the end of the first quarter, 148 million yen less than the end of the previous fiscal year. This was attributable mainly to decreases of 255 million yen in notes and accounts receivable-trade and 62 million yen in goodwill, while there was an increase of 174 million yen in cash and deposits.

Liabilities decreased 212 million yen to 3,189 million yen. The main reasons were decreases of 34 million yen in the current portion of long-term loans payable, 164 million yen in accrued expenses and 154 million yen in income taxes payable.

Net assets increased 63 million yen to 3,947 million yen. The payment of dividends of surplus reduced retained earnings but profit attributable to owners of parent increased retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this point, there are no revisions to the first-half and full-year consolidated earnings forecast for the fiscal year ending March 31, 2018 that was announced in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (Japanese GAAP)" on May 1, 2017.

The above forecasts are based on judgments made in accordance with information available to management at the time this report was prepared. Actual results may differ substantially from these forecasts for a number of reasons.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	1Q of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	2,513,044	2,687,238
Notes and accounts receivable-trade	2,164,916	1,909,271
Work in process	58,345	71,675
Other	321,838	332,677
Total current assets	5,058,144	5,000,863
Non-current assets		
Property, plant and equipment	405,307	397,639
Intangible assets		
Goodwill	889,410	827,409
Other	34,511	32,155
Total intangible assets	923,922	859,564
Investments and other assets		
Investment securities	213,569	215,506
Guarantee deposits	324,475	324,398
Other	360,288	339,026
Total investments and other assets	898,332	878,932
Total non-current assets	2,227,562	2,136,136
Total assets	7,285,707	7,136,999

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	1Q of FY3/18 (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	599,099	573,166
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	339,992	339,992
Accrued expenses	519,888	355,681
Income taxes payable	287,197	132,912
Provision for bonuses	223,149	189,858
Provision for directors' bonuses	6,200	-
Provision for loss on construction contracts	2,241	-
Other	341,237	560,529
Total current liabilities	2,519,006	2,352,140
Non-current liabilities		
Long-term loans payable	490,012	455,014
Asset retirement obligations	161,106	161,381
Other	232,034	221,184
Total non-current liabilities	883,153	837,579
Total liabilities	3,402,160	3,189,719
Net assets		
Shareholders' equity		
Capital stock	1,018,848	1,018,956
Capital surplus	267,748	267,856
Retained earnings	3,500,496	3,562,445
Treasury shares	(910,406)	(910,406)
Total shareholders' equity	3,876,686	3,938,851
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,164	6,784
Total accumulated other comprehensive income	5,164	6,784
Subscription rights to shares	1,695	1,644
Total net assets	3,883,547	3,947,279
Total liabilities and net assets	7,285,707	7,136,999

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Three-month Period)**

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	2,987,659	3,820,021
Cost of sales	2,330,639	3,056,838
Gross profit	657,019	763,183
Selling, general and administrative expenses	387,728	482,910
Operating profit	269,291	280,273
Non-operating income		
Interest income	0	843
Dividend income	7	631
Insurance premiums refunded cancellation	1,295	-
Dividend income of insurance	1,399	-
Share of profit of entities accounted for using equity method	-	1,971
Other	616	283
Total non-operating income	3,320	3,729
Non-operating expenses		
Interest expenses	1,370	1,169
Loss on insurance cancellation	1,107	-
Other	1,114	4
Total non-operating expenses	3,593	1,174
Ordinary profit	269,018	282,828
Extraordinary income		
Gain on sales of non-current assets	1,862	-
Total extraordinary income	1,862	-
Extraordinary losses		
Loss on retirement of non-current assets	10,245	-
Total extraordinary losses	10,245	-
Profit before income taxes	260,635	282,828
Income taxes	81,499	109,211
Profit	179,135	173,617
Profit attributable to owners of parent	179,135	173,617

Quarterly Consolidated Statement of Comprehensive Income**(For the Three-month Period)**

	(Thousands of yen)	
	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	179,135	173,617
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,765)	1,619
Total other comprehensive income	(6,765)	1,619
Comprehensive income	172,370	175,236
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	172,370	175,236

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Subsequent Events**Sales of shares of subsidiary**

On July 31, 2017, the COMTURE board of directors approved a basic agreement for the sale of all of the stock of COMTURE consolidated subsidiary JMode Enterprise Co., Ltd. to Information Environment Solutions Co., LTD. This agreement was signed by both companies on the same day.

(1) Reason for sales of JMode Enterprise

Established in 1995, JMode Enterprise is a provider of cloud services for sales management, inventory management and other activities in the fashion industry.

Recently, the rapid contraction of Japan's apparel market has produced changes in JMode Enterprise's operating environment that occurred faster than expected.

Information Environment Solutions has a business network in China that has the potential to be useful for the operations of JMode Enterprise in China.

For these reasons, COMTURE decided that the best course of action is to sell JMode Enterprise to Information Environment Solutions at a price that is higher than COMTURE's acquisition cost rather than aim for the initially expected synergies with JMode Enterprise when this company was acquired. As a result, all three companies reached an agreement to go ahead with this transaction.

(2) Company purchasing JMode Enterprise

Information Environment Solutions Co., LTD

(3) Date of sale

The date of the sale has not been determined at this time.

(4) Profile of JMode Enterprise and relationship with COMTURE

Company: JMode Enterprise Co., Ltd.

Main business: Planning, development and sales of computer software

Relationship: There is no significant business relationship between COMTURE and JMode Enterprise

(5) Change in ownership of JMode Enterprise, price of shares sold and gain on sale

Number of shares held before the sale: 3,243 shares

Number of shares to be sold: 3,243 shares

Ownership ratio after the sale: 0.0%

Price of shares sold and gain on sale: The price has not been determined at this time.

Stock split and revision to Articles of Incorporation following the split

On July 31, 2017, the COMTURE board of directors approved a resolution for a stock split and an associated revision to the Articles of Incorporation.

(1) Purpose of the stock split

Using this split to lower the cost of an investment unit of COMTURE stock will make this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

(2) Summary of the stock split

1) Method of the stock split

Shareholders listed in the final shareholder register on the record date of September 30, 2017 (effectively September 29, 2017 because the record date was a holiday for the transfer agent) will receive three shares of common stock for each share held on the record date.

2) Increase in the number of shares due to the stock split

Total number of shares outstanding before the stock split:	5,355,900 shares
Increase in the number of shares due to the stock split:	10,711,800 shares
Number of shares outstanding after the stock split:	16,067,700 shares
Number of shares authorized after the stock split:	52,200,000 shares

Note: The number of shares outstanding and increase in the number of shares are based on the number of shares outstanding on July 31, 2017. The number of shares outstanding may increase prior to the stock split record date due to the exercise of stock acquisition rights.

3) Schedule

Announcement date:	September 15, 2017
Record date:	September 30, 2017 (effectively September 29, 2017)

Effective date: October 1, 2017

4) Effect of these changes on per share information

Per-share information calculated as if this split had occurred at the beginning of previous fiscal year is presented below. (Yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net income per share	12.30	11.92
Diluted net income per share	12.25	11.87

(3) Partial revision to the Articles of Incorporation following the stock split

1) Reasons for the revision

In association with this stock split, Article 5 of the Company's Articles of Incorporation will be amended on October 1, 2017 to revise the total number of shares authorized in accordance with Article 184, Paragraph 2 of the Companies Act.

2) Details of the revision

Underlined parts are revised.

Current	After revision
Total Number of Shares Authorized and Number of Shares per Unit	Total Number of Shares Authorized and Number of Shares per Unit
Article 5: The total number of shares authorized to be issued by the Company shall be <u>17,400,000</u> shares.	Article 5: The total number of shares authorized to be issued by the Company shall be <u>52,200,000</u> shares.

(4) Others

1) Change in capital stock

The stock split will have no effect on the capital stock.

2) Adjustment of the stock acquisition right exercise price

Due to this split, the exercise price for stock acquisition rights will be adjusted as follows on October 1, 2017. (Yen)

	Exercise price before adjustment	Exercise price after adjustment
For stock acquisition rights granted by the November 15, 2010 board of directors resolution	274	92

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.