

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: August 9, 2019
 Scheduled date of payment of dividend: August 31, 2019
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended June 30, 2019
(April 1, 2019 – June 30, 2019)

(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, 2019	4,812	15.0	617	22.1	626	22.9	465	39.9
Three months ended Jun. 30, 2018	4,184	9.5	505	80.5	509	80.2	332	91.5

Note: Comprehensive income (million yen): Three months ended Jun. 30, 2019: 467 (up 40.7%)
 Three months ended Jun. 30, 2018: 332 (up 89.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	29.58	29.57
Three months ended Jun. 30, 2018	22.77	22.72

Reference: Equity in earnings of affiliates (million yen): Three months ended Jun. 30, 2019: -
 Three months ended Jun. 30, 2018: 3

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	13,730	10,414	75.5
As of Mar. 31, 2019	12,988	9,019	69.4

Reference: Shareholders' equity (million yen): As of Jun. 30, 2019: 10,368 As of Mar. 31, 2019: 9,016

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	9.50	9.50	9.50	19.50	48.00
Fiscal year ending Mar. 31, 2020	14.50				
Fiscal year ending Mar. 31, 2020 (forecast)		14.50	7.25	7.25	-

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

Regarding revision to the dividend forecast, please refer to the press release "Notice of Stock Split, Partial Revision to the Articles of Incorporation, and Revisions to Dividend Forecast and Shareholder Benefit Program" that was announced today (July 31, 2019).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	9,391	10.7	1,360	12.0	1,357	11.2	969	19.2	62.02
Full year	20,000	10.7	2,880	12.0	2,874	11.6	2,021	11.8	129.35

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 1 (UX-Systems Co., Ltd.) 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, 2019:	16,120,800 shares	As of Mar. 31, 2019:	16,120,800 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	188,263 shares	As of Mar. 31, 2019:	496,663 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	15,726,754 shares	Three months ended Jun. 30, 2018:	14,603,280 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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 4 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, 2020, the digital transformation (DX) era got fully underway, and IT investments by domestic companies in areas such as cloud, big data and AI boomed. This new domain is expected to continue to expand in the future by adding big data and AI to the third platform, that is cloud services. The market size is expected to reach about 19 trillion yen in 2023 (according to the “Forecast for expenditures in Japan’s third platform market, 2018-2023” compiled by the specialist IT research company IDC Japan).

Given this business environment, the COMTURE Group recognized the DX trend as a growth opportunity and shifted focus to new growth areas, and actively engaged in upstream processes through improving its consulting and proposal generation capabilities. Due to these activities the COMTURE Group’s four segments posted results as follows, with both the Cloud Solutions Business and the Digital Solutions Business delivering strong growth.

Net sales (segment results)

Cloud Solutions Business:	1,802 million yen	(up 38.3% year-on-year)
Digital Solutions Business:	501 million yen	(up 52.5% year-on-year)
Enterprise Solutions Business:	1,075 million yen	(down 0.9% year-on-year)
Platform, Operation Services Business:	1,432 million yen	(down 2.4% year-on-year)

Gross profit (segment results)

Cloud Solutions Business:	439 million yen	(up 61.0% year-on-year)
Digital Solutions Business:	139 million yen	(up 62.9% year-on-year)
Enterprise Solutions Business:	217 million yen	(down 9.5% year-on-year)
Platform, Operation Services Business:	301 million yen	(down 8.3% year-on-year)

We have changed the business segment classification in the current fiscal year. The scope of each business segment is as follows.

Cloud Solutions Business

Design, development, and maintenance of solutions in public cloud environments, and cloud environment design, construction, remote surveillance, etc., through collaborations with platformers (Amazon Web Service, Microsoft, Salesforce.com, etc.).

Digital Solutions Business

Construction of environments for accumulating data, and conducting data analysis support work, and business automation support, etc. in cooperation with big data, AI, and RPA tool vendors.

Enterprise Solutions Business

In cooperation with an ERP vendor (SAP), deliver solutions by consulting on core systems for major companies, and undertaking design, development, and maintenance activities, etc.

Platform, Operation Services Business

Undertaking system environment design, construction and operation. Remote surveillance of systems at the COMTURE Group’s center, as well as providing help desk operations for PCs and business applications, etc.

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

Net sales:	4,812 million yen (up 15.0% year-on-year)
Operating profit:	617 million yen (up 22.1% year-on-year)
Ordinary profit:	626 million yen (up 22.9% year-on-year)
Profit attributable to owners of parent:	465 million yen (up 39.9% year-on-year)

Net sales in the first quarter recorded high growth for the ninth consecutive year and reached to an all-time high due to big increases in the sales of the cloud, big data and AI businesses, which all showed high levels of market growth. The newly consolidated subsidiary also contributed from the current fiscal year.

Profit attributable to owners of parent in the first quarter increased for the second consecutive year to an all-time high. This was the result of higher sales per employee due to active shift to growth areas, etc. In addition, growth in the volume of business, the rigorous oversight of processes used for estimates and project management to eliminate unprofitable activities also helped to absorb increases in labor costs and costs in areas such as recruitment, and education and training.

Business performance of the three former segments of COMTURE Group was as follows.

1) Solution Services

The performance of this segment in the first quarter benefited from the significant expansion of the cloud, big data and AI businesses, as well as the introduction of ERP and renewal business due to the growth in the Digital Transformation-related market. As a result, sales increased 14.5% year-on-year to 3,074 million yen and operating profit increased 23.7% to 410 million yen.

2) Network Services

This segment is taking many actions to shift its focus to growing market sectors and add more value. Two important sources of growth are the cloud environment construction business, which assists customers move to the cloud, and the remote surveillance business. Moreover, the subsidiary newly consolidated in the current fiscal year also contributed. As a result, sales increased 15.1% year-on-year to 1,784 million yen and operating profit increased 19.1% to 210 million yen.

3) Product Sales

In this segment, the resale business for cloud service licenses grew significantly. As a result, sales increased 196.7% year-on-year to 28 million yen and operating profit was 2 million yen compared with operating loss of 17,000 yen one year earlier.

(2) Explanation of Financial Position

Total assets were 13,730 million yen at the end of the first quarter, 742 million yen more than the end of the previous fiscal year. This was attributable mainly to increases of 1,092 million yen in cash and deposits resulting from exercise of share acquisition rights, 241 million yen in guarantee deposits due to office relocation and 75 million yen in work in process. This was offset by decreases of 542 million yen in notes and accounts receivable-trade, 180 million yen in a reduction of shares of subsidiaries and associates resulting from the acquisition of additional shares in UX-Systems Co., Ltd., which had formerly been an affiliated company accounted for by the equity method, and 36 million yen in amortization of goodwill.

Liabilities decreased 652 million yen to 3,315 million yen. This was mainly attributable to decreases of 269 million yen in income taxes payable, 215 million yen in provision for bonuses, and 269 million yen in accounts payable-trade.

Net assets increased 1,395 million yen to 10,414 million yen mainly because profit attributable to owners of parent was more than dividend payments due to the strong first quarter performance, and disposal of treasury shares from exercise of share acquisition rights.

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

There are no revisions to the first-half and full-year consolidated earnings forecast for the fiscal year ending March 31, 2020 that was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese GAAP)” on May 8, 2019.

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 from these forecasts for a number of reasons.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	1Q of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	7,809,231	8,906,156
Notes and accounts receivable-trade	3,057,885	2,515,152
Work in process	59,720	135,616
Other	292,766	310,796
Total current assets	11,219,604	11,867,722
Non-current assets		
Property, plant and equipment		
Buildings, net	176,238	160,563
Vehicles, net	15,939	14,612
Tools, furniture and fixtures, net	84,174	76,966
Other, net	6,170	5,563
Total property, plant and equipment	282,522	257,705
Intangible assets		
Goodwill	247,589	211,319
Software	18,934	16,661
Other	2,867	2,867
Total intangible assets	269,391	230,848
Investments and other assets		
Investment securities	311,516	344,331
Shares of subsidiaries and associates	180,133	-
Guarantee deposits	337,410	578,901
Deferred tax assets	338,328	350,411
Other	49,277	100,468
Total investments and other assets	1,216,666	1,374,113
Total non-current assets	1,768,581	1,862,667
Total assets	12,988,185	13,730,390

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	1Q of FY3/20 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	1,027,165	757,960
Short-term borrowings	200,000	200,000
Current portion of long-term borrowings	139,992	139,992
Accrued expenses	366,456	400,252
Income taxes payable	501,155	232,058
Provision for bonuses	534,001	318,076
Provision for bonuses for directors (and other officers)	22,040	-
Asset retirement obligations	56,738	56,738
Other	649,101	728,930
Total current liabilities	3,496,651	2,834,008
Non-current liabilities		
Long-term borrowings	210,028	175,030
Asset retirement obligations	165,571	167,341
Other	96,141	139,092
Total non-current liabilities	471,740	481,463
Total liabilities	3,968,392	3,315,472
Net assets		
Shareholders' equity		
Share capital	1,022,124	1,022,124
Capital surplus	2,582,274	3,584,777
Retained earnings	5,701,524	5,862,129
Treasury shares	(301,001)	(113,366)
Total shareholders' equity	9,004,922	10,355,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,988	13,132
Total accumulated other comprehensive income	11,988	13,132
Share acquisition rights	2,883	-
Non-controlling interests	-	46,119
Total net assets	9,019,793	10,414,917
Total liabilities and net assets	12,988,185	13,730,390

(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 FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	4,184,086	4,812,189
Cost of sales	3,256,252	3,714,546
Gross profit	927,833	1,097,643
Selling, general and administrative expenses	421,967	479,753
Operating profit	505,866	617,890
Non-operating income		
Interest income	17	11
Dividend income	8	9
Gain on valuation of investment securities	-	7,360
Gain on cancellation of insurance policies	-	4,328
Share of profit of entities accounted for using equity method	3,971	-
Other	1,078	2,246
Total non-operating income	5,075	13,955
Non-operating expenses		
Interest expenses	515	422
Share issuance cost	-	2,417
Other	853	2,897
Total non-operating expenses	1,369	5,736
Ordinary profit	509,572	626,108
Extraordinary income		
Gain on bargain purchase	-	49,131
Gain on step acquisitions	-	3,039
Total extraordinary income	-	52,171
Profit before income taxes	509,572	678,279
Income taxes-current	178,161	213,746
Income taxes-deferred	(1,090)	(1,627)
Total income taxes	177,071	212,118
Profit	332,501	466,160
Profit attributable to non-controlling interests	-	884
Profit attributable to owners of parent	332,501	465,275

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

	(Thousands of yen)	
	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	332,501	466,160
Other comprehensive income		
Valuation difference on available-for-sale securities	(359)	1,144
Total other comprehensive income	(359)	1,144
Comprehensive income	332,142	467,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	332,142	466,420
Comprehensive income attributable to non-controlling interests	-	884

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

Not applicable.

Significant Changes in Shareholders' Equity

Following the exercise of second series of share acquisition rights, there was an increase of 1,002 million yen in capital surplus and a decrease of 187 million yen in treasury shares in the first three months of the current fiscal year. As a result, capital surplus and treasury shares amounted 3,584 million yen and 113 million yen, respectively at the end of the first quarter of the current fiscal year.

Subsequent Events**Stock split and partial revision to the Articles of Incorporation following the split**

On July 31, 2019, the COMTURE board of directors approved a resolution for a stock split and an associated partial revision to the Articles of Incorporation following the split.

(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, 2019 will receive two 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:	16,120,800 shares
Increase in the number of shares due to the stock split:	16,120,800 shares
Total number of shares outstanding after the stock split:	32,241,600 shares
Total number of shares authorized after the stock split:	104,400,000 shares

3) Schedule

Effective date: October 1, 2019

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 FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net income per share	11.38	14.79
Diluted net income per share	11.36	14.78

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.