

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange, First Section
 Stock code: 3844 URL: <https://www.comture.com/en/ir/index.html>
 Representative: Koichi Mukai, Chairman & CEO
 Contact: Osamu Noma, Member of the board, Executive Vice President
 Tel: +(81)3-5745-9700

Scheduled date of filing of Quarterly Report: August 7, 2020
 Scheduled date of payment of dividend: August 31, 2020
 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, 2020
(April 1, 2020 – June 30, 2020)

(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, 2020	4,960	3.1	557	(9.8)	560	(10.4)	369	(20.6)
Three months ended Jun. 30, 2019	4,812	15.0	617	22.1	626	22.9	465	39.9

Note: Comprehensive income (million yen): Three months ended Jun. 30, 2020: 376 (down 19.4%)
 Three months ended Jun. 30, 2019: 467 (up 40.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	11.60	-
Three months ended Jun. 30, 2019	14.79	14.78

COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Diluted net income per share for the three months ended June 30, 2020 is not presented because there were no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	14,687	11,363	77.4
As of Mar. 31, 2020	14,771	11,195	75.8

Reference: Shareholders' equity (million yen): As of Jun. 30, 2020: 11,363 As of Mar. 31, 2020: 11,195

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	14.50	14.50	7.25	7.25	-
Fiscal year ending Mar. 31, 2021	7.75				
Fiscal year ending Mar. 31, 2021 (forecast)		7.75	7.75	7.75	31.00

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

COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. The 3Q-end dividend per share and year-end dividend per share for the fiscal year ended March 31, 2020 are adjusted to reflect the stock split. No total dividend per share is shown for the fiscal year ended March 31, 2020.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	10,400	-	1,487	-	1,487	-	1,011	-	31.73
Full year	21,000	-	3,045	-	3,045	-	2,070	-	64.97

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

COMTURE started applying Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) in the fiscal year ending March 31, 2021, which is earlier than required. The earnings forecasts for the fiscal year ending March 31, 2021 use this revenue recognition standard. Assuming that this standard had been used in the fiscal year ended March 31, 2020, the year-on-year growth rates in this forecast are as follows.

First half: Net sales: 7.0%; Operating profit: 10.5%; Ordinary profit: 10.1%; Profit attributable to owners of parent: 7.5%
 Full year: Net sales: 5.0%; Operating profit: 7.5%; Ordinary profit: 6.2%; Profit attributable to owners of parent: 4.8%

*** 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: | Yes |
| 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, 2020:	32,241,600 shares	As of Mar. 31, 2020:	32,241,600 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	371,719 shares	As of Mar. 31, 2020:	370,158 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	31,870,441 shares	Three months ended Jun. 30, 2019:	31,453,507 shares
-----------------------------------	-------------------	-----------------------------------	-------------------

COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. The average number of shares outstanding for the three months ended June 30, 2019 has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Changes in Accounting Policies	9
Segment and Other Information	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The enormous economic impact of the global COVID-19 pandemic is making the outlook for the economy increasingly uncertain.

In the IT services market, there is increasing interest at companies and in the public sector concerning the use of IT for strategic management reforms. As a result, the growth of IT investments is expected to gain momentum in the digital transformation (DX) and other market sectors.

COMTURE regards these trends as an opportunity for long-term growth. As a comprehensive IT vendor, we are committed to the growth of upstream business activities, such as consulting with high added value, by using cloud, big data, AI and other types of digital platforms. We are strengthening our capabilities for creating innovative ideas concerning data analysis (analytics), the use of robotic process automation (RPA) for improving efficiency, measures to facilitate teleworking and other ways to serve customers. Overall, these activities allowed us to play key roles in our customers' business model upgrades and innovations.

In addition, we conducted business process reforms that reflect changes in the business climate. One way is the establishment of frameworks that provide more flexibility for how people do their jobs. The safety of our customers and our employees is the highest priority. We make extensive use of teleworking and reduced and staggered working times. We also use web conferencing and other technologies for maintaining internal and external lines of communication.

In the first quarter, sales were higher than one year earlier but the gross profit decreased. Performance was affected by declining IT investments by airline companies and manufacturers and by the one-time occurrence of unprofitable projects. The performance of the COMTURE Group's business segments was as follows.

In the Cloud Solutions Business, sales increased because of the growth in demand primarily at large companies for cloud systems and systems to facilitate teleworking. Earnings were lower due to the postponement of a cloud project in the airline sector, an increase in expenses caused by one-time unprofitable projects, and lost sales opportunities.

In the Digital Solutions Business, there were strong performances by data analysis services for information systems and by data environment construction services, mainly for the financial services sector. However, demand declined for data analysis services for the production systems of manufacturers and there was a decrease in RPA business process automation projects in the airline industry. As a result, earnings decreased.

In the Enterprise Solutions Business, sales and earnings were higher because of the growth in demand in the SAP business and a recovery in the demand for system replacements at current customers.

In the Platform, Operation Services Business, sales increased for infrastructure/network construction services, services for the operation of cloud environments and in other categories. However, there was a one-time downturn in manufacturing industry demand for establishing new cloud environments and the decision was made to stop providing operation services to large companies, which was an activity that had little added value. As a result, sales and earnings were lower than one year earlier.

In the Digital Learning Business, lessons were shifted from a classroom format to e-learning using the internet because of COVID-19. Earnings decreased because of the cancelation of some training courses that used the conventional classroom format.

(Millions of yen)

		1Q of FY3/20	1Q of FY3/21	Change	Change (%)
Cloud Solutions Business	Net sales	1,714	1,995	280	16.3%
	Gross profit	439	410	(29)	(6.6)%
Digital Solutions Business	Net sales	493	498	5	1.0%
	Gross profit	139	114	(25)	(18.1)%
Enterprise Solutions Business	Net sales	1,074	1,335	261	24.3%
	Gross profit	217	255	38	17.3%
Platform, Operation Services Business	Net sales	1,371	1,086	(285)	(20.7)%
	Gross profit	301	254	(47)	(15.5)%
Digital Learning Business	Net sales	-	44	44	-
	Gross profit	-	(10)	(10)	-

Note: COMTURE started applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) in the fiscal year ending March 31, 2021, which is earlier than required. Net sales have been calculated assuming that this standard had been used from the beginning of the fiscal year ended March 31, 2020.

In the fiscal year ending in March 2021, COMTURE has increased the number of business categories from four to five by making the Digital Learning Business, which was previously part of the Platform, Operation Services Business, a separate category.

Activities of the business categories are as follows.

Business Category	Activities
Cloud Solutions Business	Providing system solutions and other activities using collaborations with Microsoft, Salesforce.com, ServiceNow and other global platformers.
Digital Solutions Business	Providing data analysis solutions using big data and AI tools, support for the automation of business processes using robotic process automation tools.
Enterprise Solutions Business	Consulting, design, development and other services for ERP packages (SAP) and enterprise systems.
Platform, Operation Services Business	System and network environment designs, construction and operation using collaborations with cloud platformers (Amazon Web Service, Google Cloud Platform, etc.) and hardware vendors (Hewlett Packard Enterprise, Dell, Cisco, etc.); remote surveillance of IT systems at the COMTURE Group's service center; help desk operations.
Digital Learning Business	Education services using e-learning and other platforms to upgrade the IT skills of a company's employees and enable employees to acquire platform vendor certifications.

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

(Millions of yen)

	1Q of FY3/20	1Q of FY3/21	Change	Change (%)
Net sales	4,653	4,960	307	6.6%
Gross profit	1,097	1,024	(73)	(6.7)%
Operating profit	617	557	(60)	(9.8)%
Ordinary profit	626	560	(65)	(10.4)%
Profit attributable to owners of parent	465	369	(95)	(20.6)%

Note: COMTURE started applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) in the fiscal year ending March 31, 2021, which is earlier than required. Net sales have been calculated assuming that this standard had been used from the beginning of the fiscal year ended March 31, 2020.

Net sales in the first quarter were higher than one year earlier for tenth consecutive quarter and reached an all-time quarterly high despite the COVID-19 crisis.

However, profit attributable to owners of parent was less than one year earlier. Sales per head increased primarily because of measures to strengthen proposal skills, improve the quality and productivity of services, and expand consulting operations. This increase offset upfront expenditures, such as for personnel and additional office space, for more growth and strengthening business operations. However, earnings were lower because of a temporary increase in expenses caused by unprofitable projects.

Beginning with the first quarter of the fiscal year ending in March 2021, COMTURE is changing to a single reportable business segment called Solution Services. For more information, see “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Segment and Other Information).” The five business categories of COMTURE are all included in the Solution Services segment.

(2) Explanation of Financial Position

Total assets were 14,687 million yen at the end of the first quarter, 83 million yen less than the end of the previous fiscal year. Property, plant and equipment increased 217 million yen mainly because of a building and other items associated with the new Ariake office and investment securities increased 306 million yen mainly because of an investment in a company in the DX sector. Cash and deposits decreased 487 million yen in part to pay for these expenditures, notes and accounts receivable-trade decreased 31 million yen as payments for these receivables were collected and goodwill decreased 19 million yen because of amortization.

Liabilities decreased 251 million yen to 3,324 million yen. Accrued expenses increased 167 million yen mainly because of an increase in social insurance premiums caused by the payment of bonuses. Income taxes payable decreased 332 million yen because of the payment of taxes, the provision for bonuses decreased 152 million yen because of the payment of bonuses, and long-term borrowings decreased 34 million yen because of repayments.

Net assets increased 167 million yen to 11,363 million yen mainly because of profit attributable to owners of parent of 369 million yen and there were dividend payments of 231 million yen.

(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, 2021 that was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP)” on May 15, 2020.

There is currently uncertainty about the level of IT investments by companies and the public sector due to the COVID-19 pandemic. However, we believe that this crisis will have only a limited negative effect on the performance of the COMTURE Group. We will closely monitor the constantly changing situation involving this crisis to determine the effects on our performance and will make an announcement promptly if any revisions to the forecast are needed during the fiscal year.

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

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	1Q of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	8,893,827	8,406,359
Notes and accounts receivable-trade	3,139,705	3,108,369
Work in process	131,159	124,257
Other	282,173	233,183
Total current assets	12,446,865	11,872,171
Non-current assets		
Property, plant and equipment		
Buildings, net	360,020	484,581
Vehicles, net	10,631	9,746
Tools, furniture and fixtures, net	163,125	257,440
Construction in progress	39,759	39,759
Other, net	3,740	3,133
Total property, plant and equipment	577,278	794,662
Intangible assets		
Goodwill	119,136	99,491
Software	9,943	8,061
Other	2,862	2,862
Total intangible assets	131,941	110,415
Investments and other assets		
Investment securities	505,605	812,347
Guarantee deposits	642,509	642,276
Deferred tax assets	356,767	353,068
Other	110,563	102,930
Total investments and other assets	1,615,447	1,910,622
Total non-current assets	2,324,667	2,815,700
Total assets	14,771,532	14,687,871

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	1Q of FY3/21 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	882,867	883,227
Short-term borrowings	200,000	200,000
Current portion of long-term borrowings	139,992	139,992
Accrued expenses	302,332	469,362
Income taxes payable	562,592	229,746
Provision for bonuses	468,751	316,217
Provision for bonuses for directors (and other officers)	19,000	-
Provision for loss on construction contracts	29,748	21,987
Asset retirement obligations	27,200	1,660
Other	532,885	651,777
Total current liabilities	3,165,369	2,913,970
Non-current liabilities		
Long-term borrowings	70,036	35,038
Provision for retirement benefits for directors (and other officers)	47,498	48,436
Asset retirement obligations	190,766	220,744
Other	102,450	106,573
Total non-current liabilities	410,751	410,792
Total liabilities	3,576,121	3,324,762
Net assets		
Shareholders' equity		
Share capital	1,022,124	1,022,124
Capital surplus	3,602,597	3,602,597
Retained earnings	6,678,575	6,839,459
Treasury shares	(110,993)	(111,089)
Total shareholders' equity	11,192,304	11,353,091
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,106	10,018
Total accumulated other comprehensive income	3,106	10,018
Total net assets	11,195,410	11,363,109
Total liabilities and net assets	14,771,532	14,687,871

(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 FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	4,812,189	4,960,570
Cost of sales	3,714,546	3,936,259
Gross profit	1,097,643	1,024,311
Selling, general and administrative expenses	479,753	466,803
Operating profit	617,890	557,507
Non-operating income		
Interest income	11	7
Dividend income	9	10
Gain on cancellation of insurance policies	4,328	5,336
Gain on redemption of investment securities	7,360	-
Other	2,246	377
Total non-operating income	13,955	5,732
Non-operating expenses		
Interest expenses	422	342
Share issuance costs	2,417	-
Other	2,897	1,900
Total non-operating expenses	5,736	2,243
Ordinary profit	626,108	560,996
Extraordinary income		
Gain on bargain purchase	49,131	-
Gain on step acquisitions	3,039	-
Total extraordinary income	52,171	-
Extraordinary losses		
Loss on retirement of non-current assets	-	1,518
Total extraordinary losses	-	1,518
Profit before income taxes	678,279	559,477
Income taxes	212,118	189,869
Profit	466,160	369,608
Profit attributable to non-controlling interests	884	-
Profit attributable to owners of parent	465,275	369,608

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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	466,160	369,608
Other comprehensive income		
Valuation difference on available-for-sale securities	1,144	6,911
Total other comprehensive income	1,144	6,911
Comprehensive income	467,304	376,520
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	466,420	376,520
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

Not applicable.

Changes in Accounting Policies

Companies in Japan are allowed to use Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 31, 2020) from the beginning of fiscal years that started on or after April 1, 2018. COMTURE started applying this standard and guidance at the beginning of the first quarter of the fiscal year ending in March 2021.

The primary sources of revenue at the COMTURE Group are revenue from the provision of solution services and revenue from the sale of licenses. Hardware and other sales and the sale of licenses that take place in conjunction with solution services are classified as sales agent transactions.

1) Solution services revenue

The main categories of solution services of the COMTURE Group are cloud solutions, digital solutions, enterprise solutions, platform and operation services, and digital learning.

Contractual obligations for providing these services are obligations that must be fulfilled over a specific period. One reason is that, normally, the provision of a contractual service to a customer results in an asset that cannot be used for a different application. Furthermore, the portion of this contractual obligation that has been fulfilled gives the COMTURE Group the legal right to receive compensation for the fulfillment of this portion.

The COMTURE Group rigorously manages the profitability of all projects based on reasonable estimates of future expenses that will be required for the completion of each project. In addition, the rate of progress of every project can be estimated by using the ratio of expenses currently incurred, based on working time and other items, to the estimate of total expenses.

Due to the ability to estimate the progress of individual projects, solution services revenue is recognized over certain periods. However, for projects that are completed within a very short time and are not significant in monetary terms, all revenue is recognized at once when the customer accepts the services provided upon completion.

2) License sale revenue

Sales of licenses for the off-the-shelf software of other companies accounts for most of the license sales of the COMTURE Group. Contracts for these sales do not allow the COMTURE Group to conduct activities that would have a significant impact on customers' intellectual property. Furthermore, it is assumed that customers have no reasonable expectation for these types of activities. In addition, we believe that activities of the COMTURE Group do not have any direct effect on customers' intellectual assets.

For these reasons, revenue from license sales is recognized at the beginning of the provision of a license that gives a customer the right to use an intellectual asset.

3) Sales agent transactions

Revenue from the sale of merchandise or services is recognized in one of two ways. If the COMTURE Group is judged to have control of the merchandise or service prior to its provision to a customer, the sale is a direct

transaction. In all other cases, the sale is a sales agent transaction. The judgment regarding prior control is based mainly on three factors, as well as other items. First, is the COMTURE Group primarily responsible for the provision of the merchandise or service? Second, is the COMTURE Group vulnerable to inventory risk regarding the merchandise or service prior to its provision to a customer? Third, is the COMTURE Group able to determine the price of the merchandise or service?

Hardware and other sales and the sale of licenses that take place in conjunction with normal solution service activities of the COMTURE Group are classified as sales agent transactions. Consequently, an amount equivalent to the commission income associated with these sales is recognized as revenue.

For the application of the new accounting standard and guidance for the recognition of revenue, COMTURE has applied the transitional measures prescribed in the supplementary information in paragraph 84 of this accounting standard. As a result, the cumulative effect of the retroactive application of the new standard prior to the first quarter of the current fiscal year was reflected in retained earnings at the beginning of the first quarter and the new standard was applied to retained earnings starting at that time.

Due to the application of the new accounting standard, there was an increase of 22 million yen in retained earnings at the beginning of the current fiscal year. In addition, net sales decreased 368 million yen, and operating profit and ordinary profit decreased 10 million yen each in the first three months of the current fiscal year.

Segment and Other Information

No segment-related information is provided because COMTURE has only a single business segment.

Information related to revisions for reportable segments

In prior years, the COMTURE Group had three reportable segments: Solution Services, Network Services and Product Sales. Beginning with the first quarter of the fiscal year ending in March 2021, there is only the single reportable segment of Solution Services.

The COMTURE Group medium-term plan that started in April 2019 positions the digital transformation (DX) as the group's growth domain. Since the plan started, there has been significant growth of sales of cloud-related businesses and digital-related businesses. The increasing ties between cloud solutions services and network services made it difficult to divide the sales, expenses and earnings of these two businesses between the Solution Services and Network Services segments.

Furthermore, in part because of the COVID-19 crisis, customers' DX domain IT investments are expected to grow even faster. In April 2020, the COMTURE Group changed to a new organizational structure for business operations. In March and June 2020, COMTURE established equity and business alliances with start-up companies in the AI and robotics fields and plans to develop new types of solutions and create new businesses.

An examination of the reportable segments based on business activities in the DX domain and on other considerations resulted in the conclusion that the division of business activities among different segments will become even more difficult. Consequently, the decision was made to treat all of the COMTURE Group's activities as a unified business that should be reported as a single reportable segment.

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.