

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024
(Three Months Ended June 30, 2023)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange
 Stock code: 3844 URL: <https://www.comture.com/en/ir/index.html>
 Representative: Chihiro Sawada, Representative Director, Executive President
 Contact: Takahiro Kamei, Managing Executive Officer and Corporate Functional Officer, IR·SR
 Tel: +(81)3-5745-9700

Scheduled date of filing of Quarterly Report: August 4, 2023
 Scheduled date of payment of dividend: August 31, 2023
 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, 2023
(April 1, 2023 – June 30, 2023)

(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, 2023	8,098	18.1	860	25.3	860	26.3	558	16.7
Three months ended Jun. 30, 2022	6,855	16.0	686	(26.4)	681	(26.7)	478	(14.2)

Note: Comprehensive income (million yen): Three months ended Jun. 30, 2023: 558 (up 15.9%)
 Three months ended Jun. 30, 2022: 482 (down 13.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	17.52	-
Three months ended Jun. 30, 2022	15.02	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	21,345	15,305	71.7
As of Mar. 31, 2023	21,738	15,097	69.4

Reference: Shareholders' equity (million yen): As of Jun. 30, 2023: 15,305 As of Mar. 31, 2023: 15,097

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2023	Yen 11.00	Yen 11.00	Yen 11.00	Yen 11.00	Yen 44.00
Fiscal year ending Mar. 31, 2024	11.50				
Fiscal year ending Mar. 31, 2024 (forecast)		11.50	11.50	11.50	46.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	16,330	16.3	1,580	(8.9)	1,580	(9.3)	1,040	(12.3)	32.63
Full year	35,000	20.5	4,750	16.8	4,750	16.8	3,150	16.9	98.83

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): None

(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, 2023:	32,241,600 shares	As of Mar. 31, 2023:	32,241,600 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	368,445 shares	As of Mar. 31, 2023:	368,290 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	31,873,155 shares	Three months ended Jun. 30, 2022:	31,874,883 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 5 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

Companies and governments need to implement strategic innovations that utilize digital technologies, such as by creating new businesses and services and new ways for people to do their jobs. Investments in the digital transformation (DX) sector is gaining momentum.

The COMTURE Group regards these trends as an opportunity for long-term growth. We are dedicated to giving customers support for their DX activities as well as altering COMTURE itself, a process we call the COMTURE Transformation (CX). We expanded our business by playing a key role in the business model reforms of our customers. Our strategy for the next 10 years includes DX provision that incorporates our own templates and solutions for the provision of added value, an activity centered on building stronger ties with global vendors.

COMTURE was one of the first companies to build value-added systems based on Lotus Notes and other software. We increased the number of platforms we handle to match changes in the business climate. Today, we build systems based on Microsoft, Salesforce, ServiceNow, Amazon Web Service, Google Cloud Platform and other cloud services. Our services also encompass data science using SAS and other tools, SAP and other enterprise resource planning tools, SuccessFactors and other systems for human resources, and more DX-related solutions. The growing demand for the construction of systems based on the platform and solutions of these global vendors is increasing opportunities for making value-added and highly profitable proposals. Furthermore, we are creating solutions that use two or more platform. By using these types of activities, we are meeting the increasingly complex needs of our customers by assembling the best possible solutions. To support these activities, we are raising the technological skills of our workforce by encouraging people to acquire even more advanced vendor certifications. In addition, we have established a business unit to provide business process consulting and other services with substantial added value. Reinforcing our ability to create proposals for customers and prospective customers is another priority.

We are increasingly using formats that combine online and face-to-face interaction for efficient sales activities and the presentation of proposals to prospective customers. Daily business reports utilize a sales force automation (SFA) system (Salesforce) to facilitate the timely sharing of information with many people, including management. The goal is to utilize the collective knowledge of our team even more in order to raise our proposals to a higher level. To speed up progress with businesses in growing market sectors, we have produced templates based on customer relationships in prior years in order to precisely target customers' needs. These activities are aimed at contributing to the next stage of growth.

Market conditions are favorable for receiving new orders and our highest priority is recruiting and retaining the engineers. Raising salaries and other benefits for employees is one of the most important points for recruiting and retaining engineers. One step was an average salary increase of 8.1% in the previous fiscal year and we plan to raise the average salary by 8.0% in the current fiscal year. In addition, we are revising our human resources and training systems with the goal of providing our people with career paths where they can more easily see the progress they are making. We have also been increasing engagement with our workforce, such as by allowing individuals to use a working style combining telework and work at a COMTURE office, utilizing small groups and other forms of unrestricted R&D activities, establishing more ties between management and employees and adding more space for facilitating discussions that encompass two or more departments.

There were many activities for developing the skills of employees. Two major activities are training programs to make the 213 new graduates that we hired productive quickly and reskilling programs to shift current employees to growing business sectors. The goal is to become even more profitable. In another step to hire the people we require, we are recruiting engineers with previous work experience who can be productive immediately. To hire these engineers, we are strengthening ties with recruiting agents, using a program that encourages employees to introduce a prospective new employee and taking other actions. In addition, we acquired TAKT SYSTEMS, INC. and TAKT BUSINESS SOFT, INC., which have a team of 100 engineers, in the previous fiscal year. We are also constantly seeking opportunities for M&A deals that can speed up the growth of the COMTURE Group.

Increasing the utilization of engineers at COMTURE's partner companies is another goal. We are using strategic forms of collaboration with major partner companies, such as by making them core partners. One aim is to be first

to receive information about engineers who can become productive immediately. Activities for the recruitment of engineers also include the educational programs of Edifist Learning Inc., an IT training company in the COMTURE Group, to assist individuals acquire skills in growing market sectors.

In addition to recruiting engineers, we are also working on other ways to achieve more growth. One significant measure was the establishment of a business tie-up with ITOCHU Corporation in the first three months of the fiscal year. We plan to use this partnership to provide joint proposals about DX support to ITOCHU Group. We also plan to participate in the DX projects of the ITOCHU Group and have started to think about ways to work together in the system development field.

In the first three months of the fiscal year, the COMTURE Group performed as follows.

	First three months of FY3/23	First three months of FY3/24	Change	Change (%)
Net sales	6,855	8,098	1,243	18.1%
Gross profit	1,461	1,798	337	23.1%
Operating profit	686	860	174	25.3%
Ordinary profit	681	860	179	26.3%
Profit attributable to owners of parent	478	558	79	16.7%

(Millions of yen)

Sales increased as more resources were shifted to DX-related businesses and sales activities backed by stronger relationships with platformers and tool vendors and progress with making people hired during the previous fiscal year productive, double-digit growth of access to resources of partner companies, and M&A. The result was an 18.1% increase in sales from one year earlier.

Gross profit increased 23.1%. There was a big increase in personnel expenses with the goal of raising employees' job satisfaction. However, sales per employee increased because of upgrading proposal skills and the quality of services, improvements in productivity, the expansion of consulting activities, the shift of resources to growing market sectors, and the start of contributions to sales of recently hired new graduates. In previous fiscal years, personnel expenses during the April and May training period for employees hired following graduation were classified as cost of sales. Beginning with this fiscal year, these expenses are included in selling, general and administrative expenses. This change increased gross profit by 84 million yen in the first three months of the previous year.

Operating profit increased 25.3%. There were up-front investments for more growth, such as an increase in recruiting expenses, and higher expenses involving M&A. Despite these increases, operating profit improved mainly because the amortization of all goodwill resulting from the acquisition of SoftwareCreation in the previous fiscal year reduced earnings.

Profit attributable to owners of parent increased 16.7% from one year earlier.

The shareholders' equity ratio, which is an indicator of financial soundness, was 71.7% at the end of the first three months. These figures demonstrate our ability to maintain a high level of financial soundness.

Sales and gross profit in the COMTURE Group's business categories were as follows.

In the Cloud Solutions Business, sales and gross profit increased because of higher demand for several services. Sources of growth include the use of collaborations with Microsoft Japan Co., Ltd. and Salesforce Japan Co., Ltd. to build customer information systems, the shift of internal data systems to the cloud, primarily at large companies, and consulting and other services involving the digitalization of business processes and the sales at a subsidiary newly consolidated in this fiscal year.

In the Digital Solutions Business, sales and gross profit increased. One reason is growth of the data analysis business, which includes the use of SAS to build anti-money laundering systems for financial institutions and Databricks. Growth of the data management business, such as building infrastructures for collecting and storing large amount of data on the Google Cloud Platform, was another reason for the increases in sales and gross profit.

In the Business Solutions Business, sales and gross profit were higher because of the growth of the SAP business, including SAP's S/4 HANA ERP system, resulting from the shift of people to this business due to reskilling and of an increase in demand for the services of this business at financial institutions.

In the Platform, Operation Services Business, sales were higher but gross profit decreased because of the growth of the business for operating cloud environments and increasing demand for the outsourcing and security support of IT system operations.

In the Digital Learning Business, sales and gross profit were higher. One reason was the growth of the education business for acquisition of vendor certifications of Microsoft, Salesforce, ServiceNow and other companies. Increasing demand at companies for new employee, DX and other structured training programs also contributed to sales and earnings growth.

(Millions of yen)

		First three months of FY3/23	First three months of FY3/24	Change	Change (%)
Cloud Solutions Business	Net sales	2,012	2,962	949	47.2%
	Gross profit	505	673	167	33.1%
Digital Solutions Business	Net sales	950	1,087	137	14.4%
	Gross profit	207	232	24	11.9%
Business Solutions Business	Net sales	2,077	2,107	30	1.5%
	Gross profit	334	489	154	46.3%
Platform, Operation Services Business	Net sales	1,311	1,424	112	8.6%
	Gross profit	253	242	(10)	(4.3)%
Digital Learning Business	Net sales	504	517	12	2.6%
	Gross profit	159	160	1	1.0%

Note: Due to the revision of the scope of each business segment in the current fiscal year, net sales in the Cloud Solutions, Digital Solutions, Business Solutions, and Platform, Operation Services businesses decreased by 434 million yen, increased by 319 million yen, increased by 141 million yen, and decreased by 26 million yen, respectively, in the first three months of FY3/23.

In addition to the above, due to a change in the method of presenting personnel expenses during the April and May training period for new graduates as selling, general and administrative expenses, gross profit in the Cloud Solutions, Digital Solutions, Business Solutions, Platform, Operation Services and Digital Learning businesses decreased by 40 million yen, increased by 72 million yen, increased by 38 million yen, increased by 12 million yen and increased by 1 million yen, respectively.

Activities of the business categories are as follows.

Business Category	Activities
Cloud Solutions Business	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
Digital Solutions Business	Construction of data infrastructures by working with global AI vendors (Google Cloud Platform, 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
Business Solutions Business	Construction, operation and modernization concerning accounting, personnel, fintech and other core IT systems using collaborations with SAP, SuccessFactors and other global ERP package vendors.
Platform, Operation Services Business	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.

Digital Learning Business	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.
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(2) Explanation of Financial Position

Total assets were 21,345 million yen at the end of the first quarter, 393 million yen less than the end of the previous fiscal year. There were increases in cash and deposits of 1,003 million yen due to an increase in profit before income taxes and work in process of 110 million yen due to an increase in the number of projects. Notes and accounts receivable-trade decreased 977 million yen as payments for these receivables were collected, insurance funds, which is included in other investments and other assets, decreased 537 million yen due to cancellation and goodwill decreased 84 million yen because of amortization.

Liabilities decreased 601 million yen to 6,039 million yen. This was mainly attributable to an increase in other included in other current liabilities of 356 million yen mainly due to an increase in social insurance premiums deposited and decreases in accounts payable-trade of 173 million yen due to payment of trade payables, provision for bonuses of 535 million yen because of the payment of bonuses and income taxes payable of 149 million yen because of the payment of taxes.

Net assets increased 208 million yen to 15,305 million yen mainly because of profit attributable to owners of parent of 558 million yen and dividend payments of 350 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, 2024 that was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)” on May 12, 2023.

These 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**

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	1Q of FY3/24 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	10,202	11,205
Notes and accounts receivable-trade	6,094	5,116
Work in process	170	280
Other	318	356
Total current assets	16,785	16,959
Non-current assets		
Property, plant and equipment		
Buildings, net	508	494
Vehicles, net	10	9
Tools, furniture and fixtures, net	211	197
Construction in progress	1	3
Total property, plant and equipment	731	704
Intangible assets		
Goodwill	1,694	1,609
Software	13	12
Other	98	90
Total intangible assets	1,806	1,713
Investments and other assets		
Investment securities	173	163
Guarantee deposits	701	690
Deferred tax assets	854	958
Other	686	154
Total investments and other assets	2,415	1,967
Total non-current assets	4,953	4,385
Total assets	21,738	21,345

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	1Q of FY3/24 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	1,670	1,497
Short-term borrowings	700	700
Accrued expenses	608	605
Income taxes payable	662	512
Provision for bonuses	1,204	668
Provision for bonuses for directors (and other officers)	34	-
Provision for loss on construction contracts	2	-
Other	790	1,147
Total current liabilities	5,673	5,131
Non-current liabilities		
Retirement benefit liability	533	540
Asset retirement obligations	321	321
Deferred tax liabilities	60	0
Other	52	46
Total non-current liabilities	968	908
Total liabilities	6,641	6,039
Net assets		
Shareholders' equity		
Share capital	1,022	1,022
Capital surplus	3,631	3,631
Retained earnings	10,543	10,751
Treasury shares	(107)	(107)
Total shareholders' equity	15,089	15,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	8
Total accumulated other comprehensive income	8	8
Total net assets	15,097	15,305
Total liabilities and net assets	21,738	21,345

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

(Millions of yen)

	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	6,855	8,098
Cost of sales	5,394	6,300
Gross profit	1,461	1,798
Selling, general and administrative expenses	774	938
Operating profit	686	860
Non-operating income		
Interest income	1	0
Dividend income	0	0
Gain on cancellation of insurance policies	2	-
Other	1	1
Total non-operating income	5	2
Non-operating expenses		
Interest expenses	0	1
Loss on valuation of investment securities	5	0
Other	4	0
Total non-operating expenses	10	2
Ordinary profit	681	860
Extraordinary income		
Insurance claim income	103	1
Gain on sale of investment securities	-	4
Total extraordinary income	103	6
Extraordinary losses		
Loss on valuation of investment securities	17	-
Total extraordinary losses	17	-
Profit before income taxes	767	867
Income taxes	288	308
Profit	478	558
Profit attributable to owners of parent	478	558

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

(Millions of yen)

	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	478	558
Other comprehensive income		
Valuation difference on available-for-sale securities	3	0
Total other comprehensive income	3	0
Comprehensive income	482	558
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	482	558

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

The tax expenses were calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year in which the quarter under review falls, and multiplying that rate by the quarterly profit before income taxes for the quarter under review.

Reclassifications

In previous fiscal years, the salaries of employees hired following graduation were included in cost of sales during the April and May initial training period. Beginning with this fiscal year, 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 month training period. For consistency with this change, the consolidated statement of income for the first three months of the previous fiscal year have been restated.

As a result, 84 million yen in cost of sales in the previous fiscal year's consolidated statement of income has been reclassified as selling, general and administrative expenses. This change increased gross profit by 84 million yen in the first three months of the previous fiscal year.

Segment and Other Information

Segment information

I First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

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

II First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)

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

Subsequent Events

Not applicable.

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.