

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 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 Annual General Meeting of Shareholders: June 23, 2020

Scheduled date of payment of dividend: June 24, 2020

Scheduled date of filing of Annual Securities Report: June 24, 2020

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 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	%
Fiscal year ended Mar. 31, 2020	20,932	15.8	2,833	10.2	2,867	11.3	1,974	9.2
Fiscal year ended Mar. 31, 2019	18,070	10.3	2,570	30.6	2,575	28.1	1,807	29.6

Note: Comprehensive income (million yen):

Fiscal year ended Mar. 31, 2020: 1,971 (up 9.2%)

Fiscal year ended Mar. 31, 2019: 1,805 (up 28.6%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2020	62.17	62.16	19.5	20.7	13.5
Fiscal year ended Mar. 31, 2019	61.25	61.19	26.0	23.9	14.2

Reference: Equity in earnings of affiliates (million yen):

Fiscal year ended Mar. 31, 2020: -

Fiscal year ended Mar. 31, 2019: 17

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.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	14,771	11,195	75.8	351.27
As of Mar. 31, 2019	12,988	9,019	69.4	288.56

Reference: Shareholders' equity (million yen):

As of Mar. 31, 2020: 11,195 As of Mar. 31, 2019: 9,016

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2020	1,735	(701)	50	8,893
Fiscal year ended Mar. 31, 2019	1,544	(109)	2,173	7,809

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2019	9.50	9.50	9.50	19.50	48.00	721	39.2	10.4
Fiscal year ended Mar. 31, 2020	14.50	14.50	7.25	7.25	-	924	46.6	9.1
Fiscal year ending Mar. 31, 2021 (forecast)	7.75	7.75	7.75	7.75	31.00		47.7	

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 forecasts 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

COMTURE will begin using Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) 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): Yes

Newly added: 1 (UX-Systems Co., Ltd.) Excluded: -

(2) 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

(3) Number of outstanding shares (common stock)

- 1) Number of shares outstanding at the end of the period (including treasury shares)
 As of Mar. 31, 2020: 32,241,600 shares As of Mar. 31, 2019: 32,241,600 shares
 2) Number of treasury shares at the end of the period
 As of Mar. 31, 2020: 370,158 shares As of Mar. 31, 2019: 993,326 shares
 3) Average number of shares outstanding during the period
 Fiscal year ended Mar. 31, 2020: 31,767,820 shares Fiscal year ended Mar. 31, 2019: 29,517,520 shares

COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. Average number of shares outstanding during the period has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	13,805	17.1	1,904	0.3	1,936	2.7	1,327	(9.2)
Fiscal year ended Mar. 31, 2019	11,791	15.9	1,898	51.0	1,886	48.2	1,461	74.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	41.78	41.77
Fiscal year ended Mar. 31, 2019	49.51	49.47

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.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	11,326	8,567	75.6	268.82
As of Mar. 31, 2019	10,095	7,043	69.7	225.31

Reference: Shareholders' equity (million yen): As of Mar. 31, 2020: 8,567 As of Mar. 31, 2019: 7,040

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

* This financial report is not subject to audit 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. Overview of Results of Operations, (4) Outlook" on page 5 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

In the IT services market in Japan, companies are increasing the pace of digital transformation (DX) investments. Additionally, the COVID-19 outbreak has further raised the speed of the DX because of the growth of teleworking and other new formats for work.

The COMTURE Group regards these trends as an opportunity for long-term growth. Group companies took many actions based on the theme of “Lead the Future” in order to play a leading role in using the DX to take companies and society into the future. As a comprehensive IT vendor, we combined new technologies and solutions for the utilization of cloud, big data, AI and other types of digital platforms. We are committed to the growth of upstream business activities such as consulting with substantial added value. We also strengthened capabilities for creating proposals for the use of data analytics. Overall, these activities allowed group companies to play key roles in business model upgrades and innovations for our customers.

One priority of the COMTURE Group is enhancing the ability to boost customer satisfaction levels to create outstanding proposals by focusing on the theme of “transforming customers’ needs into solutions.” Accomplishing this goal entails identifying customers’ demands and interests and then using teams to come up with the necessary knowledge to meet these requirements. These activities are guided by our corporate philosophy of providing every customer with the best possible proposals and services. We are determined to continue utilizing this approach in order to consistently improve customer satisfaction and provide even more added value.

The performance of the COMTURE Group’s four business segments was as follows. In the Cloud Solutions Business and Digital Solutions Business, which are growth business domains, sales increased 24.7% and 29.2%, respectively. Enterprise Solutions Business sales increased 15.5% because manufacturers have resumed making investments in internal IT systems. In the Platform, Operation Services Business, sales increased 3.4% as the COMTURE Group shifted resources from system operations and other business sectors with low added value to sectors with substantial added value, such as the construction of cloud environments.

Net sales (segment results)

Cloud Solutions Business:	7,599 million yen	(up 24.7% year-on-year)
Digital Solutions Business:	2,173 million yen	(up 29.2% year-on-year)
Enterprise Solutions Business:	4,902 million yen	(up 15.5% year-on-year)
Platform, Operation Services Business:	6,258 million yen	(up 3.4% year-on-year)

Gross profit (segment results)

Cloud Solutions Business:	1,646 million yen	(up 16.4% year-on-year)
Digital Solutions Business:	625 million yen	(up 32.9% year-on-year)
Enterprise Solutions Business:	1,069 million yen	(up 7.6% year-on-year)
Platform, Operation Services Business:	1,368 million yen	(up 2.0% year-on-year)

We have changed the composition of business segments in the current fiscal year. Activities of the business segments are as follows.

Cloud Solutions Business

Providing solutions, construction of cloud environments and other activities using collaborations with Microsoft, Salesforce.com, ServiceNow and other global cloud solution platformers.

Digital Solutions Business

Providing data analysis solutions using big data and AI tools, support for the visualization, efficiency and automation of business processes using robotic process automation tools.

Enterprise Solutions Business

ERP package (SAP and others) collaboration and services extending from business system consulting to the design and development of enterprise systems

Platform, Operation Services Business

System and network environment designs and construction using collaborations with global 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 for PCs and business applications.

In the fiscal year ended March 31, 2020, the COMTURE Group performed as follows.

Net sales:	20,932 million yen (up 15.8% year-on-year)
Gross profit	4,708 million yen (up 11.6% year-on-year)
Operating profit:	2,833 million yen (up 10.2% year-on-year)
Ordinary profit:	2,867 million yen (up 11.3% year-on-year)
Profit attributable to owners of parent:	1,974 million yen (up 9.2% year-on-year)

Net sales were up significantly for the tenth consecutive year and reached to an all-time high. Sales growth was very strong in the Cloud Solutions Business and the Digital Solutions Business.

Profit attributable to owners of parent increased for the ninth consecutive year to an all-time high despite the occurrence of some unprofitable project. This performance was the result of growth in sales per head because of measures to strengthen proposal skills, improve the quality and productivity of services, expand consulting operations, and make other improvements. In addition, higher sales per head offset upfront investments for more growth and further strengthening our business operations. Labor costs increased and there were expenditures for recruiting activities to increase the number of new hires, more office space and strengthening internal IT systems. Business performance of the three former segments of COMTURE Group was as follows.

1) Solution Services

In the cloud business, which is one of the group's main business sectors, there was growth in demand for IT systems for call centers and the shift of on-premises systems to the cloud. In the big data/AI business, demand increased for demand forecasting systems and the establishment of environments for data analysis. In the ERP business, there was growth in introduction of new customers and upgrading existing systems. In the RPA business, sales were higher for clerical systems that automate data input tasks. As a result, sales increased 15.9% year-on-year to 13,805 million yen, and gross profit increased 8.5% to 3,082 million yen.

2) Network Services

Positive actions are under way to shift the focus of this business to growing market sectors and adding more value. These include the cloud environment construction business, which assists customers move to the cloud, and the remote surveillance business. A subsidiary newly consolidated in the current fiscal year also contributed to this segment's performance. As a result, sales increased 15.6% year-on-year to 7,374 million yen and gross profit increased 18.2% to 1,655 million yen.

3) Product Sales

In this segment, the resale business for cloud service licenses grew significantly. As a result, sales increased 53.2% year-on-year to 74 million yen and gross profit increased 27.8% to 9 million yen.

(2) Financial Position

Total assets were 14,771 million yen at the end of the current fiscal year, 1,783 million yen more than the end of the previous fiscal year. This was mainly attributable to increases of 1,084 million yen in cash and deposits, primarily the result of profit attributable to owners of parent of 1,974 million yen, 183 million yen in buildings, net, and 305 million yen in guarantee deposits, both primarily the result of the addition of office space due to the growth of business operations, and 194 million yen in investment securities, mostly for an investment in an AI-related company.

Liabilities decreased 392 million yen to 3,576 million yen. This was mainly attributable to decreases of 144 million yen in accounts payable-trade caused by the timing of payments, 139 million yen due to the repayment of the current portion of long-term borrowings, 64 million yen in accrued expenses, and 65 million yen in provision for bonuses.

Net assets increased 2,175 million yen to 11,195 million yen mainly because profit attributable to owners of parent of 1,974 million yen was more than dividend payments of 997 million yen due to the strong fiscal year performance, and capital surplus increased 1,016 million yen due to the distribution of treasury shares when share acquisition rights were exercised.

(3) Cash Flows

There was a net increase of 1,084 million yen in cash and cash equivalents from the end of the previous fiscal year to 8,893 million yen at the end of the current fiscal year. Major components of cash flows were as follows.

1) Cash flows from operating activities

Net cash provided by operating activities increased 12.4% to 1,735 million yen. Major sources of cash were profit before income taxes of 2,883 million yen, depreciation of 126 million yen and amortization of goodwill of 128 million yen. Major uses of cash were income taxes paid of 833 million yen, and decreases in trade payables and accrued expenses of 144 million yen and 95 million yen, respectively.

2) Cash flows from investing activities

Net cash used in investing activities increased 539.5% to 701 million yen. Major uses of cash were purchase of property, plant and equipment of 341 million yen, purchase of investment securities of 349 million yen, and payments of guarantee deposits of 381 million yen. Major sources of cash were proceeds from redemption of investment securities of 100 million yen and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 242 million yen.

3) Cash flows from financing activities

Net cash provided by financing activities decreased 97.7% to 50 million yen. There were proceeds of 1,187 million yen from disposal of treasury shares from exercise of share acquisition rights, payments of 993 million yen for dividends, and repayments of long-term borrowings of 139 million yen.

(4) Outlook

The digital transformation (DX) market, which is the primary business sector of the COMTURE Group, is growing rapidly because the increasing need at companies to use DX for management reforms. We believe that the speed of this growth will increase in the coming years.

There is currently uncertainty about the level of IT investments by companies 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 are determined to overcome the challenges created by this crisis and become a highly resilient organization capable of sustained growth.

There is a diverse array of needs involving the DX at companies. One example is speeding up business operations by moving internal IT systems to the cloud. Another is data analysis and utilization based on big data and AI tools in order to target business opportunities that were not previously visible. Needs also include the use of RPA to automate and streamline various tasks and the use of teleworking by establishing an IT environment that includes web conferences and job management. Furthermore, the conversion of applications to electronic data can make procedures paperless.

The goal of the COMTURE Group is to continue growing by leveraging the group's proposal and technology skills, which are its greatest strengths, to become a comprehensive IT vendor that is a one-stop source of services for the DX at companies and in society.

Accomplishing this goal will require the ability to continue to hire talented engineers. We will continue to place emphasis on activities for recruiting and training talented young people who can become the next generation of key personnel at the COMTURE Group.

We plan to increase orders and sales by using these actions to increase business with current customers and establish relationships in new customer segments. Based on this outlook, we forecast an increase in sales to 21,000 million yen in the fiscal year ending in March 2021, the eleventh consecutive year of sales growth.

Furthermore, we forecast growth in earnings resulting from the addition of more value through consulting, system design and other upstream processes, measures to improve productivity, and more rigorous measures involving quality enhancement in order to reduce the occurrence of unprofitable projects. We also plan to conduct extensive recruiting and training activities and to make investments for enlarging and strengthening business operations. As a result, we forecast all-time high earnings for the tenth consecutive year with an operating profit of 3,045 million yen, an ordinary profit of 3,045 million yen and a profit attributable to owners of parent of 2,070 million yen.

This forecast incorporates the effects of changes in the business climate due to COVID-19. We will closely monitor the constantly changing situation involving this crisis to determine the effects on our performance. To continue to earn the confidence of shareholders, we will make an announcement promptly if any revisions to this forecast are needed during the fiscal year.

COMTURE will begin using Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) in the fiscal year ending in March 2021, which is earlier than required. The forecasts for sales and earnings in the fiscal year ending in March 2021 use this revenue recognition standard. Assuming that this standard had been used in the fiscal year that ended in March 2020, the year-on-year growth rates in this forecast are 5.0% for sales, 7.5% for operating profit, 6.2% for ordinary profit and 4.8% for profit attributable to owners of parent.

2. Basic Approach to the Selection of Accounting Standards

As the COMTURE Group's operations are limited to Japan and we have no overseas activity, we expect to employ Japanese accounting standards for the foreseeable future. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS), depending on our percentage of foreign shareholders and adoption trends among other companies in Japan.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	7,809,231	8,893,827
Notes and accounts receivable-trade	3,057,885	3,139,705
Work in process	59,720	131,159
Other	292,766	282,173
Total current assets	11,219,604	12,446,865
Non-current assets		
Property, plant and equipment		
Buildings, net	176,238	360,020
Vehicles, net	15,939	10,631
Tools, furniture and fixtures, net	84,174	163,125
Construction in progress	-	39,759
Other, net	6,170	3,740
Total property, plant and equipment	282,522	577,278
Intangible assets		
Goodwill	247,589	119,136
Software	18,934	9,943
Other	2,867	2,862
Total intangible assets	269,391	131,941
Investments and other assets		
Investment securities	311,516	505,605
Shares of subsidiaries and associates	180,133	-
Guarantee deposits	337,410	642,509
Deferred tax assets	338,328	356,767
Other	49,277	110,563
Total investments and other assets	1,216,666	1,615,447
Total non-current assets	1,768,581	2,324,667
Total assets	12,988,185	14,771,532

	(Thousands of yen)	
	FY3/19	FY3/20
	(As of Mar. 31, 2019)	(As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,027,165	882,867
Short-term borrowings	200,000	200,000
Current portion of long-term borrowings	139,992	139,992
Accrued expenses	366,456	302,332
Income taxes payable	501,155	562,592
Provision for bonuses	534,001	468,751
Provision for bonuses for directors (and other officers)	22,040	19,000
Provision for loss on construction contracts	-	29,748
Asset retirement obligations	56,738	27,200
Other	649,101	532,885
Total current liabilities	3,496,651	3,165,369
Non-current liabilities		
Long-term borrowings	210,028	70,036
Provision for retirement benefits for directors (and other officers)	-	47,498
Asset retirement obligations	165,571	190,766
Other	96,141	102,450
Total non-current liabilities	471,740	410,751
Total liabilities	3,968,392	3,576,121
Net assets		
Shareholders' equity		
Share capital	1,022,124	1,022,124
Capital surplus	2,582,274	3,602,597
Retained earnings	5,701,524	6,678,575
Treasury shares	(301,001)	(110,993)
Total shareholders' equity	9,004,922	11,192,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,988	3,106
Total accumulated other comprehensive income	11,988	3,106
Share acquisition rights	2,883	-
Total net assets	9,019,793	11,195,410
Total liabilities and net assets	12,988,185	14,771,532

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	18,070,110	20,932,344
Cost of sales	13,850,244	16,223,588
Gross profit	4,219,866	4,708,755
Selling, general and administrative expenses	1,649,077	1,875,206
Operating profit	2,570,789	2,833,548
Non-operating income		
Interest income	83	1,053
Dividend income	17	19
Surrender value of insurance policies	35	4,396
Share of profit of entities accounted for using equity method	17,872	-
Gain on investments in investment partnerships	6,873	31,111
Gain on redemption of investment securities	-	7,232
Other	2,983	4,306
Total non-operating income	27,865	48,119
Non-operating expenses		
Interest expenses	1,955	1,566
Share issuance cost	10,391	5,129
Loss on valuation of investment securities	7,232	-
Other	3,338	7,828
Total non-operating expenses	22,918	14,524
Ordinary profit	2,575,736	2,867,143
Extraordinary income		
Gain on bargain purchase	-	49,131
Gain on step acquisitions	-	3,039
Gain on reversal of share acquisition rights	151	-
Total extraordinary income	151	52,171
Extraordinary losses		
Loss on retirement of non-current assets	-	7,117
Loss on sales of non-current assets	3,155	-
Loss on valuation of investment securities	-	28,871
Total extraordinary losses	3,155	35,988
Profit before income taxes	2,572,732	2,883,326
Income taxes-current	779,635	906,296
Income taxes-deferred	(14,734)	(3,558)
Total income taxes	764,901	902,737
Profit	1,807,830	1,980,588
Profit attributable to non-controlling interests	-	5,689
Profit attributable to owners of parent	1,807,830	1,974,899

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit	1,807,830	1,980,588
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,116)	(8,881)
Total other comprehensive income	(2,116)	(8,881)
Comprehensive income	1,805,714	1,971,707
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,805,714	1,966,017
Comprehensive income attributable to non-controlling interests	-	5,689

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,019,869	279,019	4,462,350	(904,145)	4,857,093
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2,255	2,255			4,510
Dividends of surplus			(568,656)		(568,656)
Profit attributable to owners of parent			1,807,830		1,807,830
Purchase of treasury shares				(517)	(517)
Disposal of treasury shares		2,300,999		603,661	2,904,660
Purchase of shares of consolidated subsidiaries					-
Net changes in items other than shareholders' equity					-
Total changes during period	2,255	2,303,255	1,239,174	603,143	4,147,828
Balance at end of period	1,022,124	2,582,274	5,701,524	(301,001)	9,004,922

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	14,104	14,104	1,214	4,872,412
Changes during period				
Issuance of new shares - exercise of share acquisition rights				4,510
Dividends of surplus				(568,656)
Profit attributable to owners of parent				1,807,830
Purchase of treasury shares				(517)
Disposal of treasury shares				2,904,660
Purchase of shares of consolidated subsidiaries				-
Net changes in items other than shareholders' equity	(2,116)	(2,116)	1,668	(447)
Total changes during period	(2,116)	(2,116)	1,668	4,147,380
Balance at end of period	11,988	11,988	2,883	9,019,793

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,022,124	2,582,274	5,701,524	(301,001)	9,004,922
Changes during period					
Issuance of new shares - exercise of share acquisition rights					-
Dividends of surplus			(997,848)		(997,848)
Profit attributable to owners of parent			1,974,899		1,974,899
Purchase of treasury shares				(375)	(375)
Disposal of treasury shares		1,016,774		190,383	1,207,158
Purchase of shares of consolidated subsidiaries		3,547			3,547
Net changes in items other than shareholders' equity					-
Total changes during period	-	1,020,322	977,051	190,008	2,187,382
Balance at end of period	1,022,124	3,602,597	6,678,575	(110,993)	11,192,304

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	11,988	11,988	2,883	9,019,793
Changes during period				
Issuance of new shares - exercise of share acquisition rights				-
Dividends of surplus				(997,848)
Profit attributable to owners of parent				1,974,899
Purchase of treasury shares				(375)
Disposal of treasury shares				1,207,158
Purchase of shares of consolidated subsidiaries				3,547
Net changes in items other than shareholders' equity	(8,881)	(8,881)	(2,883)	(11,764)
Total changes during period	(8,881)	(8,881)	(2,883)	2,175,617
Balance at end of period	3,106	3,106	-	11,195,410

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,572,732	2,883,326
Depreciation	83,344	126,882
Amortization of goodwill	145,078	128,453
Gain on bargain purchase	-	(49,131)
Loss (gain) on step acquisitions	-	(3,039)
Increase (decrease) in allowance for doubtful accounts	(80)	-
Increase (decrease) in provision for bonuses	171,548	(92,041)
Increase (decrease) in provision for bonuses for directors (and other officers)	2,840	(3,040)
Increase (decrease) in provision for loss on construction contracts	-	29,748
Interest and dividend income	(100)	(1,073)
Interest expenses	1,955	1,566
Share of loss (profit) of entities accounted for using equity method	(17,872)	-
Issuance cost of share acquisition rights	10,391	-
Loss (gain) on redemption of investment securities	-	(7,232)
Loss (gain) on valuation of investment securities	7,232	28,871
Loss (gain) on investments in investment partnerships	(6,873)	(31,111)
Loss (gain) on sales of non-current assets	3,155	-
Loss on retirement of non-current assets	-	7,117
Decrease (increase) in trade receivables	(666,683)	(9,762)
Decrease (increase) in inventories	(8,852)	(71,438)
Increase (decrease) in trade payables	352,213	(144,297)
Increase (decrease) in accrued expenses	(202,176)	(95,597)
Increase (decrease) in accrued consumption taxes	31,138	(11,517)
Other, net	(121,284)	(116,626)
Subtotal	2,357,707	2,570,054
Interest and dividends received	1,528	1,073
Interest paid	(1,926)	(1,560)
Income taxes paid	(813,061)	(833,921)
Net cash provided by (used in) operating activities	1,544,248	1,735,645

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(68,288)	(341,300)
Proceeds from sales of property, plant and equipment	4,315	-
Purchase of intangible assets	(2,853)	(194)
Purchase of investment securities	(50,000)	(349,989)
Proceeds from redemption of investment securities	-	100,000
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	242,417
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(47,376)
Payments of guarantee deposits	(23,753)	(381,775)
Proceeds from refund of guarantee deposits	1,763	55,708
Other, net	29,096	20,821
Net cash provided by (used in) investing activities	(109,720)	(701,688)
Cash flows from financing activities		
Repayments of long-term borrowings	(139,992)	(139,992)
Dividends paid	(566,946)	(993,829)
Proceeds from issuance of share acquisition rights	1,698	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	3,296	-
Proceeds from disposal of treasury shares from exercise of share acquisition rights	2,878,910	1,187,460
Other, net	(3,142)	(2,999)
Net cash provided by (used in) financing activities	2,173,824	50,638
Net increase (decrease) in cash and cash equivalents	3,608,352	1,084,595
Cash and cash equivalents at beginning of period	4,200,879	7,809,231
Cash and cash equivalents at end of period	7,809,231	8,893,827

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Reclassifications

“Dividend income of insurance” under non-operating income, presented as a separate line item in the previous fiscal year, is reclassified and included in “Other” in the current fiscal year since the amount is less than 10/100 of total non-operating income. Consolidated financial statements for the previous fiscal year have been restated to reflect this reclassification.

As a result, “Dividend income of insurance” of 36 thousand yen and “Other” of 2,947 thousand yen under non-operating income presented in the previous fiscal year’s consolidated statement of income are reclassified and included in “Other” of 2,983 thousand yen.

Segment and Other Information

Segment information

1. Overview of reportable segment

(1) Method of determining the reportable segments

The reportable segments of the COMTURE Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The COMTURE Group consists of COMTURE CORPORATION, COMTURE Marketing Corporation, COMTURE Network Corporation, UX-Systems Co., Ltd., and one more company. Each company has separate sections for technology development, sales and system operations. The Group’s business activities are divided into three reportable segments: Solution Services, Network Services and Product Sales.

(2) Products and services by each reportable segment

Solutions Services provides services involving the cloud, mobile links, the installation and use of products, system construction and other activities.

Network Services provides IT system surveillance services and constructs and operates networks.

Product Sales is involved primarily with marketing activities, sales of products and the establishment of business partner relationships with other companies.

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in the “Basis of Preparation of Consolidated Financial Statements.” Profits for reportable segments are operating profit. Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment			Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Solution Services	Network Services	Product Sales			
Net sales						
External sales	11,898,567	6,123,245	48,297	18,070,110	-	18,070,110
Inter-segment sales and transfers	14,157	257,213	-	271,370	(271,370)	-
Total	11,912,724	6,380,458	48,297	18,341,481	(271,370)	18,070,110
Segment profit	1,894,393	673,642	2,558	2,570,594	195	2,570,789
Segment assets	10,108,948	3,517,488	263,063	13,889,500	(901,314)	12,988,185
Segment liabilities	3,051,807	993,881	11,918	4,057,608	(89,215)	3,968,392
Other items						
Depreciation	76,984	6,276	83	83,344	-	83,344
Amortization of goodwill	74,110	70,967	-	145,078	-	145,078
Increase in property, plant and equipment and intangible assets	130,599	3,953	-	134,552	-	134,552

Notes: 1. Adjustments are as follows.

- (1) The 195 thousand yen adjustment to segment profit is an elimination for inter-segment transactions.
 - (2) The (901,314) thousand yen adjustment to segment assets is an elimination for inter-segment transactions and includes (813,000) thousand yen in elimination of investments and capital.
 - (3) The (89,215) thousand yen adjustment to segment liabilities is an elimination for inter-segment transactions.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Reportable segment			Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Solution Services	Network Services	Product Sales			
Net sales						
External sales	13,781,411	7,078,433	72,499	20,932,344	-	20,932,344
Inter-segment sales and transfers	24,410	295,823	1,516	321,750	(321,750)	-
Total	13,805,821	7,374,257	74,015	21,254,094	(321,750)	20,932,344
Segment profit	1,904,340	925,868	8,120	2,838,329	(4,781)	2,833,548
Segment assets	11,339,546	4,472,244	271,397	16,083,188	(1,311,656)	14,771,532
Segment liabilities	2,758,490	903,260	12,629	3,674,380	(98,258)	3,576,121
Other items						
Depreciation	120,790	6,008	83	126,882	-	126,882
Amortization of goodwill	57,485	70,967	-	128,453	-	128,453
Increase in property, plant and equipment and intangible assets	442,138	305	-	442,443	-	442,443

Notes: 1. Adjustments are as follows.

- (1) The (4,781) thousand yen adjustment to segment profit is an elimination for inter-segment transactions.
- (2) The (1,311,656) thousand yen adjustment to segment assets is an elimination for inter-segment transactions and includes (1,211,825) thousand yen in elimination of investments and capital.
- (3) The (98,258) thousand yen adjustment to segment liabilities is an elimination for inter-segment transactions.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

Related information

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Information by product or service

This information is omitted because the same information is presented in Segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Not applicable because no single external customer accounted for 10% or more of net sales in the consolidated statement of income.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Information by product or service

This information is omitted because the same information is presented in Segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Not applicable because no single external customer accounted for 10% or more of net sales in the consolidated statement of income.

Information related to impairment losses of non-current assets for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment				Elimination or corporate	Total
	Solution Services	Network Services	Product Sales	Subtotal		
Balance at end of period	70,170	177,418	-	247,589	-	247,589

Note: Goodwill amortization is omitted because the same information is presented in Segment information.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Reportable segment				Elimination or corporate	Total
	Solution Services	Network Services	Product Sales	Subtotal		
Balance at end of period	12,685	106,451	-	119,136	-	119,136

Note: Goodwill amortization is omitted because the same information is presented in Segment information.

Information related to gain on bargain purchase for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

In the Network Services segment, COMTURE made an additional investment in UX Systems Co., Ltd. that resulted in the reclassification of this company from an equity-method affiliate to a consolidated subsidiary. The date of this change was April 1, 2019 for accounting purposes. Due to this investment, a gain on bargain purchase of 49,131 thousand yen was recorded in the fiscal year that ended in March 2020.

Per Share Information

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	288.56	351.27
Net income per share	61.25	62.17
Diluted net income per share	61.19	62.16

Notes: 1. COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. Net assets per share, 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.

2. The basis of calculating the net income per share and diluted net income per share is as follows:

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	1,807,830	1,974,899
Amount not attributable to ordinary shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	1,807,830	1,974,899
Average number of common stock outstanding (Shares)	29,517,520	31,767,820
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
[of which interest expenses (After deducting amount equivalent to tax) (Thousands of yen)]	-	-
Increase in number of common stock (Shares)	25,782	4,234
[of which convertible bond-type bonds with share acquisition rights (Shares)]	-	-
[of which share acquisition rights (Shares)]	[25,782]	[4,234]
Potential shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

3. The basis of calculating the net assets per share is as follows:

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Total net assets (Thousands of yen)	9,019,793	11,195,410
Deduction from total net assets (Thousands of yen)	2,883	-
[of which share acquisition rights]	[2,883]	[-]
[of which non-controlling interests]	-	-
Net assets applicable to common stock (Thousands of yen)	9,016,910	11,195,410
Number of common stock shares used in calculation of net assets per share (Shares)	31,248,274	31,871,442

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.