

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021**[Japanese GAAP]**

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Listing: Tokyo Stock Exchange, First Section
 URL: <https://www.comture.com/en/ir/index.html>

Scheduled date of Annual General Meeting of Shareholders: June 15, 2021
 Scheduled date of payment of dividend: June 16, 2021
 Scheduled date of filing of Annual Securities Report: June 16, 2021
 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, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	20,868	(0.3)	3,150	11.2	3,192	11.3	2,083	5.5
Fiscal year ended Mar. 31, 2020	20,932	15.8	2,833	10.2	2,867	11.3	1,974	9.2

Note: Comprehensive income (million yen):
 Fiscal year ended Mar. 31, 2021: 2,092 (up 6.1%)
 Fiscal year ended Mar. 31, 2020: 1,971 (up 9.2%)

	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, 2021	65.38	-	17.7	20.4	15.1
Fiscal year ended Mar. 31, 2020	62.17	62.16	19.5	20.7	13.5

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 fiscal year ended March 31, 2021 is not presented because there were no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	16,483	12,353	74.9	387.60
As of Mar. 31, 2020	14,771	11,195	75.8	351.27

Reference: Shareholders' equity (million yen): As of Mar. 31, 2021: 12,353 As of Mar. 31, 2020: 11,195

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, 2021	1,562	(1,391)	(813)	8,251
Fiscal year ended Mar. 31, 2020	1,735	(701)	50	8,893

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2020	14.50	14.50	7.25	7.25	-	924	46.6	9.1
Fiscal year ended Mar. 31, 2021	7.75	7.75	7.75	7.75	31.00	988	47.4	8.4
Fiscal year ending Mar. 31, 2022 (forecast)	8.25	8.25	8.25	8.25	33.00		44.2	

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, 2022 (April 1, 2021 – March 31, 2022)

(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	11,155	10.8	1,561	16.8	1,561	13.5	1,061	15.3	33.29
Full year	23,000	10.2	3,500	11.1	3,500	9.6	2,380	14.2	74.67

*** Notes**

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

(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: Yes
 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, 2021: 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 Mar. 31, 2021: 369,020 shares As of Mar. 31, 2020: 370,158 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2021: 31,873,137 shares Fiscal year ended Mar. 31, 2020: 31,767,820 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	14,930	8.1	2,428	27.5	4,812	148.5	3,997	201.2
Fiscal year ended Mar. 31, 2020	13,805	17.1	1,904	0.3	1,936	2.7	1,327	(9.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	125.43	-
Fiscal year ended Mar. 31, 2020	41.78	41.77

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 fiscal year ended March 31, 2021 is not presented because there were no potential shares with dilutive effects.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	14,873	11,639	78.3	365.18
As of Mar. 31, 2020	11,326	8,567	75.6	268.82

Reference: Shareholders' equity (million yen): As of Mar. 31, 2021: 11,639 As of Mar. 31, 2020: 8,567

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

Although the outlook concerning the global COVID-19 pandemic remains uncertain, there are signs of a recovery of social and economic activity due to progress with measures to stop the spread of infections.

There are concerns about a slowdown in IT investments at companies and the public sector due to the current difficulties. However, demand associated with IT investments is beginning to recover and companies are implementing strategic management reforms that utilize global digital technologies. As a result, the growth of IT investments is expected to gain momentum in the digital transformation (DX) sector.

The COMTURE Group regards these trends as an opportunity for long-term growth. We are taking many actions to play key roles in our customers' business model upgrades and innovations by supplying assistance for the use of the products of major platform and tool vendors worldwide, as we build stronger ties with these vendors, while also providing our own templates and solutions for added value. COMTURE was one of the first companies to build low-code, customized systems based on Lotus Notes, SAP and other platforms. We increased the number of platforms we handle to match changes in the business climate. Today, we build systems based on Salesforce, ServiceNow, Microsoft, AWS and other cloud platforms. Services also encompass data analytics using SAS and other tools as well as the use of robotic process automation (RPA) tools for the efficiency and automation of business processes. By adding to conventional stand-alone platforms the ability to supply multi-faceted platforms, we can meet the increasingly complex needs of our customers by assembling the best possible solutions. To provide these solutions, we are encouraging our people to acquire even more advanced vendor certifications and improve skills at creating proposals for customers. Another priority is creating solutions with even more added value involving upstream business processes, consulting and other fields.

We are using formats that combine online and face-to-face interaction for sales activities and the presentation of proposals to prospective customers. Daily business reports utilize a sales force automation (SFA) system to facilitate the timely sharing of information with many people, including management. The goals are to raise our proposals to a higher level and strengthen sales activities.

Launching new businesses faster in growing market sectors is another priority. We have started a project that covers all COMTURE businesses for the purpose of creating ideas based on customers' needs and then using these ideas for new businesses that can contribute to our next stage of growth.

We are using many activities for more flexibility in how our people do their jobs. We are increasing the use of digital technologies for internal systems, offering employees the option of a hybrid format that combines telework and on-site work, shortening and staggering working times, and using internet communication tools for internal and external lines of communication. All of these working style initiatives provide a framework for achieving a "better normal."

Due to numerous measures that reflect changes in the business climate, as well as activities for growth of digital transformation operations, sales in the current fiscal year were effectively higher than one year earlier for the eleventh consecutive year and gross profit was higher for the tenth consecutive year as both sales and gross profit increased to all-time highs.

In the Cloud Solutions Business, sales and gross profit increased. Performance benefited from an increase in demand for moving data systems and business processes to the cloud, mainly at large companies in the financial services, manufacturing and pharmaceutical sectors. In addition, demand increased for the construction of business process applications by using low-code development on a cloud platform.

In the Digital Solutions Business, sales and gross profit increased. One reason is growth of the data analysis business, which includes demand forecasting for retail companies, risk management for financial institutions, and other activities. Growth of the data management business, such as building and maintaining infrastructures for collecting and storing large amount of data for retail companies, was another reason for the increases in sales and earnings.

In the Business Solutions Business, sales and gross profit increased mainly because of the growth of the SAP, personnel and other central data system business, and increasing demand for the development of a cloud-based financial product sales system for banks.

In the Platform, Operation Services Business, sales and gross profit decreased. Sales increased for infrastructure/network construction services and the operation of cloud environments. But total sales and earnings were lower because of the decision to stop providing operation services, which were an activity that had little added value.

In the Digital Learning Business, sales and gross profit decreased. Lessons were shifted from a classroom format to an online format due to the COVID-19 pandemic, but sales and earnings were lower because of the downturn in the performance of this business in the fiscal year's first half.

(Millions of yen)

		FY3/20	FY3/21	Change	Change (%)
Cloud Solutions Business	Net sales	7,087	8,063	976	13.8%
	Gross profit	1,646	1,863	217	13.1%
Digital Solutions Business	Net sales	2,149	2,424	275	12.8%
	Gross profit	625	660	35	5.7%
Business Solutions Business	Net sales	4,878	5,661	783	16.1%
	Gross profit	1,069	1,272	203	19.0%
Platform, Operation Services Business	Net sales	5,607	4,486	(1,121)	(20.0)%
	Gross profit	1,297	1,085	(212)	(16.3)%
Digital Learning Business	Net sales	286	233	(53)	(18.5)%
	Gross profit	70	9	(61)	(87.0)%

- Notes: 1. COMTURE started applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) in the fiscal year ended March 31, 2021, which is earlier than required. Net sales for FY3/20 have been calculated assuming that this standard had been used from the beginning of the fiscal year ended March 31, 2020.
2. Due to the reorganization of structures for business operations on April 1, 2020, the education operations that were previously in the Platform, Operation Services Business became the new Digital Learning Business. Net sales for FY3/20 have been calculated as comparative figures assuming that this reorganization had been implemented at the beginning of FY3/20.

In the fiscal year ended on March 31, 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, Pega 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.
Business Solutions Business	Construction, operation, modernization and consulting concerning accounting, personnel, fintech and other core IT systems using collaborations with SAP and other ERP package vendors
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.
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In the current fiscal year, the COMTURE Group performed as follows.

(Millions of yen)

	FY3/20	FY3/21	Change	Change (%)
Net sales	20,009	20,868	859	4.3%
Gross profit	4,708	4,891	182	3.9%
Operating profit	2,833	3,150	317	11.2%
Ordinary profit	2,867	3,192	325	11.3%
Profit attributable to owners of parent	1,974	2,083	108	5.5%

Note: COMTURE started applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) in the fiscal year ended March 31, 2021, which is earlier than required. Net sales for FY3/20 have been calculated assuming that this standard had been used from the beginning of the fiscal year ended March 31, 2020.

Sales increased 4.3% despite the negative effect of unprofitable projects. Sales growth was attributable to the ongoing shift to businesses involving the digital transformation, promoting sales activities by strengthening collaborations with vendors and other reasons. This is the eleventh consecutive year of effective sales growth.

Gross profit increased 3.9% even though there were higher personnel expenses and up-front investments were made for expanding and strengthening business operations. Earnings growth was attributable to an increase in sales per employee resulting from upgraded proposal skills, improvements in productivity and the quality of services, the expansion of consulting activities, a shift to growing market sectors, and other reasons.

Operating profit increased 11.2% because of numerous cost cutting measures. Major actions were an improvement in recruiting methods to reduce expenses and the use of teleworking and internet conferences to reduce commuting and meeting expenses.

Ordinary profit increased 11.3% in part because of income for the surrender value of insurance policies.

Profit attributable to owners of parent increased 5.5% to an all-time high and achieved the tenth consecutive year of earnings growth.

The shareholders' equity ratio, which is an indicator of financial soundness, was 74.9% at the end of the fiscal year and the return on equity, an indicator of the ability to create added value, was 17.7%. These figures demonstrate our ability to maintain high levels of both financial soundness and profitability.

(2) Financial Position

Total assets were 16,483 million yen at the end of the current fiscal year, 1,712 million yen more than the end of the previous fiscal year. This was attributable mainly to increases of 815 million yen in goodwill because of M&A for make Digital Learning Business even stronger, 299 million yen in investment securities mainly because of an investment in a company in the Advance IT sector and 1,046 million yen in notes and accounts receivable-trade because of an increase in sales. Cash and deposits decreased 642 million yen mainly due to the M&A.

Liabilities increased 553 million yen to 4,129 million yen. This was mainly attributable to an increase in accounts payable-trade of 156 million yen because of sales growth, a net increase in short-term and long-term borrowings of 160 million yen for ensuring stable working capital, an increase in provision for bonuses of 207 million yen to reward employees for their contributions. Income taxes payable decreased 287 million yen.net increase in

Net assets increased 1,158 million yen to 12,353 million yen mainly because profit attributable to owners of parent of 2,083 million yen was more than dividend payments of 972 million yen.

(3) Cash Flows

There was a net decrease of 642 million yen in cash and cash equivalents from the end of the previous fiscal year to 8,251 million yen at the end of the current fiscal year. Major components of cash flows were as follows.

Net cash provided by operating activities decreased 10.0% to 1,562 million yen. Major sources of cash were profit before income taxes of 3,108 million yen, an increase of 173 million yen in provision for bonuses. Major uses of cash were income taxes paid of 1,457 million yen and an increase in trade payables of 733 million yen.

Net cash used in investing activities increased 98.3% to 1,391 million yen. Major uses of cash were purchase of shares of subsidiaries resulting in change in scope of consolidation of 904 million yen, purchase of investment securities of 600 million yen. Major sources of cash were proceeds from redemption of investment securities of 200 million yen.

Net cash used in financing activities was 813 million yen, compared with 50 million yen provided a year earlier. There were payments of 970 million yen for dividends, and net increase in short-term and long-term borrowings of 160 million yen.

(4) Outlook

The DX sector, which is the primary market for the COMTURE Group, is growing rapidly because of the increasing interest at companies in the benefits of the DX and this growth trend is expected to continue.

Due to the outlook for social and economic activity to start recovering, companies are likely to begin using a broad range of working styles and create new business models. Cloud platforms and other digital technologies will be essential for accomplishing both goals. More growth is expected for measures to eliminate the use of paper documents, move internal IT systems to the cloud, and use data and data analysis to become more competitive. At the same time, methods used for developing IT systems are changing. There is an increasing need for low-code development, which reduces the need to write code, and agile development, which greatly shortens the software development lifecycle. As a result, we anticipate more growth in the demand for system development for the platforms and tools required by these new software development methods.

Success in this business climate will require giving customers support for their DX activities as well as significantly altering COMTURE itself, a process we call the COMTURE Transformation (CX). We plan on taking many actions, centered on collaborations with platform and tool vendors worldwide, in order to advance to the next stage of our growth.

Accomplishing this goal will require the ability to continue to hire talented engineers. We will encourage our people to acquire vendor certifications and continue training activities for them who can become the next generation of key personnel at the COMTURE Group. We also continue recruiting more people who can become key members of our team.

We are also focusing on sales processes that can increase the volume of business with current customers and add new customers for the growth of orders and sales. Based on the outlook, we forecast a 10.2% increase in sales to 23,000 million yen for the fiscal year ending in March 2022.

For earnings growth, we plan to increase added value by strengthening consulting and other upstream processes, improving productivity, making quality management more rigorous to reduce unprofitable projects, and taking other actions. We also plan on expenditures for improving remuneration and employee benefits, recruiting and training activities, R&D to create new businesses, and other initiatives. As a result, we expect earnings to increase to all-time highs for the eleventh consecutive year. We forecast operating profit of 3,500 million yen, ordinary profit of 3,500 million yen and profit attributable to owners of parent of 2,380 million yen.

Predicting when the COVID-19 pandemic will end is still impossible and this forecast incorporates the effects of changes in the business climate due to this crisis. We will closely monitor the constantly changing situation such as the prolonged spread of the infection, to determine the effects on our performance and will make an announcement promptly if any revisions to the forecast are needed.

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)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,893,827	8,251,238
Notes and accounts receivable-trade	3,139,705	4,186,488
Work in process	131,159	88,103
Other	282,173	262,826
Total current assets	12,446,865	12,788,656
Non-current assets		
Property, plant and equipment		
Buildings, net	360,020	483,179
Vehicles, net	10,631	7,091
Tools, furniture and fixtures, net	163,125	263,694
Construction in progress	39,759	-
Other, net	3,740	1,310
Total property, plant and equipment	577,278	755,276
Intangible assets		
Goodwill	119,136	935,018
Software	9,943	9,703
Other	2,862	2,992
Total intangible assets	131,941	947,714
Investments and other assets		
Investment securities	505,605	804,835
Guarantee deposits	642,509	642,303
Deferred tax assets	356,767	482,538
Other	110,563	62,240
Total investments and other assets	1,615,447	1,991,917
Total non-current assets	2,324,667	3,694,908
Total assets	14,771,532	16,483,565

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	882,867	1,038,873
Short-term borrowings	200,000	500,000
Current portion of long-term borrowings	139,992	70,036
Accrued expenses	302,332	384,802
Income taxes payable	562,592	274,773
Provision for bonuses	468,751	676,426
Provision for bonuses for directors (and other officers)	19,000	20,700
Provision for loss on construction contracts	29,748	-
Asset retirement obligations	27,200	-
Other	532,885	647,544
Total current liabilities	3,165,369	3,613,155
Non-current liabilities		
Long-term borrowings	70,036	-
Retirement benefit liability	-	132,954
Provision for retirement benefits for directors (and other officers)	47,498	-
Asset retirement obligations	190,766	244,264
Other	102,450	139,404
Total non-current liabilities	410,751	516,623
Total liabilities	3,576,121	4,129,778
Net assets		
Shareholders' equity		
Share capital	1,022,124	1,022,124
Capital surplus	3,602,597	3,617,017
Retained earnings	6,678,575	7,812,666
Treasury shares	(110,993)	(109,368)
Total shareholders' equity	11,192,304	12,342,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,106	11,346
Total accumulated other comprehensive income	3,106	11,346
Total net assets	11,195,410	12,353,786
Total liabilities and net assets	14,771,532	16,483,565

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	20,932,344	20,868,118
Cost of sales	16,223,588	15,976,666
Gross profit	4,708,755	4,891,451
Selling, general and administrative expenses	1,875,206	1,740,787
Operating profit	2,833,548	3,150,663
Non-operating income		
Interest income	1,053	5,043
Dividend income	19	21
Surrender value of insurance policies	4,396	48,862
Gain on investments in investment partnerships	31,111	228
Gain on sale of investment securities	-	1,660
Gain on redemption of investment securities	7,232	-
Other	4,306	2,087
Total non-operating income	48,119	57,904
Non-operating expenses		
Interest expenses	1,566	1,303
Share issuance costs	5,129	-
Loss on valuation of investment securities	-	5,996
Other	7,828	8,776
Total non-operating expenses	14,524	16,075
Ordinary profit	2,867,143	3,192,492
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	7,117	3,148
Loss on valuation of investment securities	28,871	81,077
Total extraordinary losses	35,988	84,225
Profit before income taxes	2,883,326	3,108,266
Income taxes-current	906,296	1,101,610
Income taxes-deferred	(3,558)	(77,209)
Total income taxes	902,737	1,024,400
Profit	1,980,588	2,083,865
Profit attributable to non-controlling interests	5,689	-
Profit attributable to owners of parent	1,974,899	2,083,865

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Profit	1,980,588	2,083,865
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,881)	8,239
Total other comprehensive income	(8,881)	8,239
Comprehensive income	1,971,707	2,092,105
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,966,017	2,092,105
Comprehensive income attributable to non-controlling interests	5,689	-

(3) Consolidated Statement of Changes in Equity

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
Cumulative effects of changes in accounting policies					-
Restated balance	1,022,124	2,582,274	5,701,524	(301,001)	9,004,922
Changes during period					
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
Cumulative effects of changes in accounting policies				-
Restated balance	11,988	11,988	2,883	9,019,793
Changes during period				
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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,022,124	3,602,597	6,678,575	(110,993)	11,192,304
Cumulative effects of changes in accounting policies			22,342		22,342
Restated balance	1,022,124	3,602,597	6,700,917	(110,993)	11,214,646
Changes during period					
Dividends of surplus			(972,118)		(972,118)
Profit attributable to owners of parent			2,083,865		2,083,865
Purchase of treasury shares				(99)	(99)
Disposal of treasury shares		14,420		1,724	16,144
Purchase of shares of consolidated subsidiaries					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	14,420	1,111,747	1,625	1,127,792
Balance at end of period	1,022,124	3,617,017	7,812,666	(109,368)	12,342,439

	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	3,106	3,106	-	11,195,410
Cumulative effects of changes in accounting policies				22,342
Restated balance	3,106	3,106	-	11,217,753
Changes during period				
Dividends of surplus				(972,118)
Profit attributable to owners of parent				2,083,865
Purchase of treasury shares				(99)
Disposal of treasury shares				16,144
Purchase of shares of consolidated subsidiaries				-
Net changes in items other than shareholders' equity	8,239	8,239	-	8,239
Total changes during period	8,239	8,239	-	1,136,032
Balance at end of period	11,346	11,346	-	12,353,786

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	2,883,326	3,108,266
Depreciation	126,882	143,416
Amortization of goodwill	128,453	78,578
Gain on bargain purchase	(49,131)	-
Loss (gain) on step acquisitions	(3,039)	-
Increase (decrease) in allowance for doubtful accounts	-	14,049
Increase (decrease) in provision for bonuses	(92,041)	173,876
Increase (decrease) in provision for bonuses for directors (and other officers)	(3,040)	1,700
Increase (decrease) in provision for loss on construction contracts	29,748	(29,748)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	(47,498)
Interest and dividend income	(1,073)	(5,064)
Interest expenses	1,566	1,303
Surrender value of insurance policies	4,396	(48,862)
Loss (gain) on redemption of investment securities	(7,232)	-
Loss (gain) on valuation of investment securities	28,871	87,073
Loss (gain) on investments in investment partnerships	(31,111)	(228)
Loss on retirement of non-current assets	7,117	3,148
Decrease (increase) in trade receivables	(9,762)	(733,234)
Decrease (increase) in inventories	(71,438)	7,735
Increase (decrease) in trade payables	(144,297)	(26,250)
Increase (decrease) in accrued expenses	(95,597)	57,027
Increase (decrease) in accrued consumption taxes	(11,517)	72,936
Other, net	(121,022)	158,007
Subtotal	2,570,054	3,016,232
Interest and dividends received	1,073	4,573
Interest paid	(1,560)	(1,368)
Income taxes paid	(833,921)	(1,457,182)
Net cash provided by (used in) operating activities	1,735,645	1,562,254

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(341,300)	(250,405)
Payments for asset retirement obligations	-	(28,866)
Purchase of intangible assets	(194)	(2,500)
Proceeds from sale of investment securities	-	-
Purchase of investment securities	(349,989)	(600,006)
Proceeds from redemption of investment securities	100,000	200,000
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	242,417	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(904,833)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(47,376)	-
Payments of guarantee deposits	(381,775)	(3,041)
Proceeds from refund of guarantee deposits	55,708	65,863
Proceeds from cancellation of insurance funds	-	102,821
Other, net	20,821	29,735
Net cash provided by (used in) investing activities	(701,688)	(1,391,232)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	300,000
Repayments of long-term borrowings	(139,992)	(139,992)
Dividends paid	(993,829)	(970,895)
Proceeds from disposal of treasury shares from exercise of share acquisition rights	1,187,460	-
Other, net	(2,999)	(2,723)
Net cash provided by (used in) financing activities	50,638	(813,611)
Net increase (decrease) in cash and cash equivalents	1,084,595	(642,589)
Cash and cash equivalents at beginning of period	7,809,231	8,893,827
Cash and cash equivalents at end of period	8,893,827	8,251,238

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

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 fiscal year ended 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. Payments are generally made within one year. 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 beginning of the current fiscal year was reflected in retained earnings at the beginning of the fiscal year 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 fiscal year. In addition, net sales decreased 1,307 million yen, and operating profit and profit before income taxes increased 4 thousand yen each in the current fiscal year.

Reclassifications

“Surrender value of insurance policies,” which was included in “Other, net” under “Cash flows from operating activities” in the previous fiscal year, is presented as a separate line item in the current fiscal year due to increased materiality. To reflect this change in presentation, “Other, net” of 4 million yen under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year is reclassified and presented in “Surrender value of insurance policies” of 4 million yen.

Segment and Other Information

Segment 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 ended 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.

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.