

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2020
(Six Months Ended September 30, 2019)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange, First Section
 Stock code: 3844 URL: <https://www.comture.com/en/ir/index.html>
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Scheduled date of filing of Quarterly Report: November 8, 2019
 Scheduled date of payment of dividend: November 29, 2019
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

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

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2019	10,076	18.8	1,346	10.9	1,351	10.7	940	15.7
Six months ended Sep. 30, 2018	8,484	8.2	1,214	55.1	1,220	52.7	812	29.8

Note: Comprehensive income (million yen): Six months ended Sep. 30, 2019: 938 (up 15.4%)
 Six months ended Sep. 30, 2018: 813 (up 29.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	29.69	29.68
Six months ended Sep. 30, 2018	27.79	27.75

Reference: Equity in earnings of affiliates (million yen): Six months ended Sep. 30, 2019: -
 Six months ended Sep. 30, 2018: 6

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
	Million yen	Million yen	%
As of Sep. 30, 2019	14,658	10,671	72.5
As of Mar. 31, 2019	12,988	9,019	69.4

Reference: Shareholders' equity (million yen): As of Sep. 30, 2019: 10,624 As of Mar. 31, 2019: 9,016

2. Dividends

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

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	10.7	2,880	12.0	2,874	11.6	2,021	11.8	64.68

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

*** Notes**

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

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2019:	32,241,600 shares	As of Mar. 31, 2019:	32,241,600 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	368,608 shares	As of Mar. 31, 2019:	993,326 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	31,663,388 shares	Six months ended Sep. 30, 2018:	29,236,666 shares
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COMTURE conducted a 2-for-1 common stock split effective on October 1, 2019. Number of outstanding shares has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2020, our principal business sectors, the Cloud Solutions Business and Digital Solutions Business, continued to grow amid a favorable business environment, delivering growth in excess 40% compared with the same period a year earlier.

Information technology has become a vital component of companies and society overall. Above all, companies are showing strong willingness to invest for transforming a broad range of operations with cloud and digital technologies to revolutionize businesses and organizations. In a report the specialist IT research company IDC Japan Co., Ltd. predicts average annual growth rate exceeding 30%.

Continuous growth is expected in expenditures as companies aim for higher sales and earnings, innovative business models, new ways for people to do their jobs, more efficient business activities, and other advances.

Given this business environment, the COMTURE Group is actively engaged in the digital transformation (DX) area, viewing it as an opportunity for long-term growth.

The Group is actively engaged in expanding upstream processes and improving its consulting and proposal generation capabilities based upon robotic process automation.

The Group is promoting its “Transforming needs into solutions” activities to deliver highly effective business proposals to clients. People who interact with customers carefully listen to their demands and interests. Then all of us work on developing and presenting new proposals and services to respond to customer needs. In this way we are working on increasing added value and steadily raising customer satisfaction.

The COMTURE Group’s four segments posted results as follows, with both the Cloud Solutions Business and the Digital Solutions Business delivering strong growth.

Net sales (segment results)

Cloud Solutions Business:	3,890 million yen	(up 42.9% year-on-year)
Digital Solutions Business:	978 million yen	(up 42.4% year-on-year)
Enterprise Solutions Business:	2,252 million yen	(up 5.7% year-on-year)
Platform, Operation Services Business:	2,955 million yen	(up 0.4% year-on-year)

Gross profit (segment results)

Cloud Solutions Business:	951 million yen	(up 46.2% year-on-year)
Digital Solutions Business:	278 million yen	(up 45.2% year-on-year)
Enterprise Solutions Business:	459 million yen	(down 7.4% year-on-year)
Platform, Operation Services Business:	628 million yen	(down 8.2% 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 Amazon Web Service, Microsoft, Salesforce.com, ServiceNow and other global platformers.

Digital Solutions Business

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

Enterprise Solutions Business

Consulting, design, development and other services for ERP packages (SAP) and enterprise systems.

Platform, Operation Services Business

Undertaking system and network environment design and construction using collaborations with HPE, Dell, Cisco and other global platformers. Remote surveillance of systems at the COMTURE Group's center, as well as providing help desk operations for PCs and business applications, etc.

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

Net sales:	10,076 million yen (up 18.8% year-on-year)
Operating profit:	1,346 million yen (up 10.9% year-on-year)
Ordinary profit:	1,351 million yen (up 10.7% year-on-year)
Profit attributable to owners of parent:	940 million yen (up 15.7% year-on-year)

Net sales in the first half recorded high growth for the ninth consecutive year and reached to an all-time high. As mentioned above, there were strong growth in sales in the Cloud Solutions Business and the Digital Solutions Business.

Profit attributable to owners of parent in the first half increased for the ninth consecutive year to an all-time high. This increase was the result of a rise 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. Labor costs increased and there were expenditures for a larger workforce, more office space and strengthening of internal IT systems.

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

1) Solution Services

The performance of this segment in the first half benefited from the significant expansion of the cloud, big data and AI businesses due to the growth in the DX-related market. The introduction of ERP and development of renewal business also contributed to sales growth. As a result, sales increased 17.8% year-on-year to 6,464 million yen and operating profit increased 7.2% to 894 million yen.

2) Network Services

This segment is taking many actions to shift its focus to growing market sectors and add more value. Two important sources of growth are the cloud environment construction business, which assists customers move to the cloud, and the remote surveillance business. Moreover, the subsidiary newly consolidated in the current fiscal year also contributed. As a result, sales increased 20.3% year-on-year to 3,741 million yen and operating profit increased 21.7% to 463 million yen.

3) Product Sales

In this segment, the resale business for cloud service licenses grew significantly. As a result, sales increased 102.7% year-on-year to 38 million yen and operating profit increased 780.4% to 3 million yen.

(2) Explanation of Financial Position

Total assets were 14,658 million yen at the end of the second quarter, 1,670 million yen more than the end of the previous fiscal year. This was attributable mainly to increases of 1,456 million yen in cash and deposits, 242 million yen in guarantee deposits due to head office expansion and 343 million yen in the purchase of property, plant and equipment, while there were decreases of 172 million yen in notes and accounts receivable-trade, 180 million yen in a reduction of shares of subsidiaries and associates resulting from the acquisition of additional shares of an equity-method affiliate to make this company a consolidated subsidiary.

Liabilities increased 18 million yen to 3,986 million yen. This was mainly attributable to increases of 37 million yen in accrued expenses, 35 million yen in provision for bonuses, and 10 million yen in asset retirement obligations.

Net assets increased 1,651 million yen to 10,671 million yen mainly because profit attributable to owners of parent was more than dividend payments due to the strong first half performance, and disposal of treasury shares from exercise of share acquisition rights in the first quarter.

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

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

The above forecasts are based on judgments made in accordance with information available to management at the time this report was prepared. Actual results may differ from these forecasts for a number of reasons.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	2Q of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	7,809,231	9,266,201
Notes and accounts receivable-trade	3,057,885	2,885,836
Work in process	59,720	71,581
Other	292,766	308,006
Total current assets	11,219,604	12,531,626
Non-current assets		
Property, plant and equipment		
Buildings, net	176,238	373,568
Vehicles, net	15,939	13,285
Tools, furniture and fixtures, net	84,174	193,379
Construction in progress	-	40,764
Other, net	6,170	4,955
Total property, plant and equipment	282,522	625,954
Intangible assets		
Goodwill	247,589	175,050
Software	18,934	14,592
Other	2,867	2,867
Total intangible assets	269,391	192,510
Investments and other assets		
Investment securities	311,516	259,842
Shares of subsidiaries and associates	180,133	-
Guarantee deposits	337,410	580,389
Deferred tax assets	338,328	355,889
Other	49,277	112,411
Total investments and other assets	1,216,666	1,308,532
Total non-current assets	1,768,581	2,126,996
Total assets	12,988,185	14,658,622

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	2Q of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	1,027,165	855,055
Short-term borrowings	200,000	200,000
Current portion of long-term borrowings	139,992	139,992
Accrued expenses	366,456	404,272
Income taxes payable	501,155	496,854
Provision for bonuses	534,001	569,932
Provision for bonuses for directors (and other officers)	22,040	12,666
Asset retirement obligations	56,738	-
Other	649,101	777,026
Total current liabilities	3,496,651	3,455,799
Non-current liabilities		
Long-term borrowings	210,028	140,032
Asset retirement obligations	165,571	233,250
Other	96,141	157,807
Total non-current liabilities	471,740	531,089
Total liabilities	3,968,392	3,986,889
Net assets		
Shareholders' equity		
Share capital	1,022,124	1,022,124
Capital surplus	2,582,274	3,599,049
Retained earnings	5,701,524	6,106,059
Treasury shares	(301,001)	(110,993)
Total shareholders' equity	9,004,922	10,616,240
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,988	8,614
Total accumulated other comprehensive income	11,988	8,614
Share acquisition rights	2,883	-
Non-controlling interests	-	46,878
Total net assets	9,019,793	10,671,733
Total liabilities and net assets	12,988,185	14,658,622

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

	(Thousands of yen)	
	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	8,484,411	10,076,559
Cost of sales	6,461,261	7,758,683
Gross profit	2,023,150	2,317,875
Selling, general and administrative expenses	808,913	971,783
Operating profit	1,214,236	1,346,092
Non-operating income		
Interest income	43	1,000
Dividend income	8	9
Share of profit of entities accounted for using equity method	6,879	-
Gain on insurance cancellation	33	4,328
Gain on valuation of investment securities	-	7,232
Other	1,513	3,311
Total non-operating income	8,478	15,882
Non-operating expenses		
Interest expenses	1,019	822
Share issuance cost	-	4,526
Other	1,412	5,559
Total non-operating expenses	2,431	10,909
Ordinary profit	1,220,283	1,351,065
Extraordinary income		
Gain on reversal of share acquisition rights	151	-
Gain on bargain purchase	-	49,131
Gain on step acquisitions	-	3,039
Total extraordinary income	151	52,171
Extraordinary losses		
Loss on retirement of non-current assets	-	7,068
Total extraordinary losses	-	7,068
Profit before income taxes	1,220,434	1,396,168
Income taxes	407,834	454,297
Profit	812,600	941,870
Profit attributable to non-controlling interests	-	1,643
Profit attributable to owners of parent	812,600	940,227

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	812,600	941,870
Other comprehensive income		
Valuation difference on available-for-sale securities	715	(3,373)
Total other comprehensive income	715	(3,373)
Comprehensive income	813,315	938,497
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	813,315	936,853
Comprehensive income attributable to non-controlling interests	-	1,643

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,220,434	1,396,168
Depreciation	37,166	50,700
Amortization of goodwill	72,539	72,539
Gain on bargain purchase	-	(49,131)
Loss (gain) on step acquisitions	-	(3,039)
Increase (decrease) in provision for bonuses	190,840	9,138
Increase (decrease) in provision for bonuses for directors (and other officers)	(11,853)	(9,373)
Interest and dividend income	(51)	(1,010)
Interest expenses	1,019	822
Share of loss (profit) of entities accounted for using equity method	(6,879)	-
Gain on insurance cancellation	(33)	(4,328)
Loss (gain) on valuation of investment securities	-	(7,232)
Loss on retirement of non-current assets	-	7,068
Decrease (increase) in trade receivables	147,484	244,106
Decrease (increase) in inventories	(20,798)	(11,860)
Increase (decrease) in trade payables	(83,119)	(172,109)
Increase (decrease) in accrued expenses	(94,099)	6,341
Increase (decrease) in accrued consumption taxes	(34,209)	(151,752)
Other, net	(73,942)	(110,829)
Subtotal	1,344,497	1,266,218
Interest and dividends received	51	1,010
Interest paid	(1,024)	(817)
Income taxes paid	(469,650)	(444,990)
Net cash provided by (used in) operating activities	873,874	821,421
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,985)	(40,890)
Proceeds from sales of property, plant and equipment	-	42,490
Purchase of investment securities	-	(50,000)
Proceeds from redemption of investment securities	-	100,000
Purchase of intangible assets	(1,010)	(194)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	242,417
Payments of guarantee deposits	(83)	(235,073)
Proceeds from refund of guarantee deposits	1,309	464
Purchase of insurance funds	-	(6,627)
Proceeds from cancellation of insurance funds	-	9,747
Other, net	10,375	(8,734)
Net cash provided by (used in) investing activities	5,605	53,600
Cash flows from financing activities		
Purchase of treasury shares	(403)	-
Repayments of long-term borrowings	(69,996)	(69,996)
Dividends paid	(288,304)	(533,828)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	3,448	-
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	-	1,187,460
Other, net	(1,312)	(1,687)
Net cash provided by (used in) financing activities	(356,568)	581,948
Net increase (decrease) in cash and cash equivalents	522,912	1,456,969
Cash and cash equivalents at beginning of period	4,200,879	7,809,231
Cash and cash equivalents at end of period	4,723,791	9,266,201

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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

In accordance with a resolution approved by the COMTURE Board of Directors on July 31, 2019, COMTURE conducted the stock split on October 1, 2019 and partially revised its Articles of Incorporation following the split.

(1) Purpose of the stock split

Using this split to lower the cost of an investment unit of COMTURE stock will make this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

(2) Summary of the stock split**1) Method of the stock split**

Shareholders listed in the final shareholder register on the record date of September 30, 2019 will receive two shares of common stock for each share held on the record date.

2) Increase in the number of shares due to the stock split

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

3) Schedule

Effective date: October 1, 2019

4) Effect of these changes on per share information

Per-share information calculated as if this split had occurred at the beginning of previous fiscal year is presented below.

	(Yen)	
	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net income per share	27.79	29.69
Diluted net income per share	27.75	29.68

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.