

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2024
(Six Months Ended September 30, 2023)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange
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Scheduled date of filing of Quarterly Report: November 2, 2023
 Scheduled date of payment of dividend: November 30, 2023
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2023
(April 1, 2023 – September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2023	16,761	19.3	1,950	12.5	1,946	11.8	1,251	5.5
Six months ended Sep. 30, 2022	14,045	17.1	1,733	(11.6)	1,741	(11.4)	1,186	(2.8)

Note: Comprehensive income (million yen):
 Six months ended Sep. 30, 2023: 1,253 (up 5.2%)
 Six months ended Sep. 30, 2022: 1,190 (down 2.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	39.26	-
Six months ended Sep. 30, 2022	37.21	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	21,782	15,657	71.9
As of Mar. 31, 2023	21,738	15,097	69.4

Reference: Shareholders' equity (million yen): As of Sep. 30, 2023: 15,657 As of Mar. 31, 2023: 15,097

2. Dividends

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

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)
 (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,000	20.5	4,750	16.8	4,750	16.8	3,150	16.9	98.83

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

*** Notes**

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

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2023:	32,241,600 shares	As of Mar. 31, 2023:	32,241,600 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	356,664 shares	As of Mar. 31, 2023:	368,290 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	31,877,050 shares	Six months ended Sep. 30, 2022:	31,874,147 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms .

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

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (4) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 6 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

The successful management of companies requires strategic reforms that include the creation of new businesses using digital technologies and innovations for the ways people do their jobs. Investments in the digital transformation (DX) sector is gaining momentum.

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

COMTURE builds systems based on Microsoft, Salesforce, ServiceNow, Amazon Web Service, Google Cloud Platform and other cloud services. Our services also encompass data science using SAS and other tools, SAP and other enterprise resource planning tools, SuccessFactors and other systems for human resources, and more DX-related solutions. The growing demand for the construction of systems based on the platform and solutions of these global vendors is increasing opportunities for making value-added and highly profitable proposals. Furthermore, we are creating solutions that use two or more platform. By using these types of activities, we are meeting the increasingly complex needs of our customers by assembling the best possible solutions. To support these activities, we are raising the technological skills of our workforce by encouraging people to acquire even more advanced vendor certifications. In addition, we have established Consulting Division as an organization that provides business process consulting and other services with substantial added value. We are actively taking actions to reinforce our ability to create proposals for customers and prospective customers and create business opportunities.

For sales activities and the presentation of proposals to prospective customers, one priority is further upgrading sales capabilities with the goal of transforming customers' needs into solutions. Daily business reports utilize a sales force automation (SFA) system (Salesforce) to facilitate the timely sharing of information with many people, including management. The goal is to utilize the collective knowledge of our team even more in order to raise our proposals to a higher level. To speed up progress with businesses in growing market sectors, we have transformed information about prior customer relationships into solution/service templates that can reinforce our skills for creating proposals and raising the development productivity.

Market conditions are favorable for receiving new orders and our highest priority is recruiting and retaining the engineers. Raising salaries and other benefits for employees is one of the most important points for recruiting and retaining engineers. One step was an average salary increase of 8.1% in the previous fiscal year and we are working on achieving our plan to raise the average salary by 8.0% in the current fiscal year. We have also been increasing engagement with our workforce, such as by allowing individuals to use a working style combining telework and work at a COMTURE office, utilizing small groups and other forms of unrestricted R&D activities, establishing more ties between management and employees, adding more space for facilitating discussions that encompass two or more departments, and holding networking events. To monitor and confirm the benefits of these measures, we have started to ask employees to complete an engagement survey. In April 2024, the beginning of the next fiscal year, we plan to reconstruct our personnel system. Planned revisions include more career paths and training programs and remuneration that more closely reflects contributions and skills. The objective of the new system is to give our employees clearly visible and meaningful benefits of their progress with upgrading skills and adding new ones.

In addition to these measures, in the current fiscal year, 213 new graduates joined the COMTURE Group and became productive quickly because of our training programs. In addition, we are shifting resources to growing business sectors by using reskilling programs for current employees. Due to measures like these, we are making steady progress with becoming even more profitable. In another step to hire the people we require, we are recruiting engineers with previous work experience who can be productive immediately. To hire these engineers, we are strengthening ties with recruiting agents, using a program that encourages employees to introduce a prospective new employee and taking other actions. In addition, we acquired TAKT SYSTEMS, INC. and TAKT BUSINESS SOFT, INC., which have a team of 100 engineers, in the previous fiscal year. We are also constantly seeking opportunities for M&A deals that can speed up the growth of the COMTURE Group.

Increasing the utilization of engineers at COMTURE's partner companies is another goal. We are using strategic forms of collaboration with major partner companies, such as by making them core partners. One aim is to be first to receive information about engineers who can become productive immediately. Activities for the recruitment of engineers also include the educational programs of Edifist Learning Inc., an IT training company in the COMTURE Group, to assist individuals acquire skills in growing market sectors.

In addition to recruiting engineers, we are also working on other ways to achieve more growth. One significant measure was the establishment of a business alliance with ITOCHU Corporation in the first three months of the fiscal year. We have started joint activities involving system development that are already producing benefits. For example, activities are under way for providing joint proposals about DX support to ITOCHU Group companies, and with IT companies in the ITOCHU Group for enlarging markets for our services.

There are many activities involving generative AI in order to add new business domains. We are considering the addition of a generative AI menu in the Cloud Solutions Business and plan to use this technology in our system development process. Plans also include the launch of a training program for companies that want to start using generative AI. These types of measures will make it possible to conduct generative AI business operations that fully utilize the strengths of all COMTURE Group companies. To use generative AI at the COMTURE Group, we have started a program for creating our own environment for utilizing this technology in our corporate departments. About 100 people are engaged in this program in order to make corporate business processes more efficient and to make decisions faster.

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

	(Millions of yen)			
	1H of FY3/23	1H of FY3/24	Change	Change (%)
Net sales	14,045	16,761	2,716	19.3%
Gross profit	3,156	3,670	513	16.3%
Operating profit	1,733	1,950	216	12.5%
Ordinary profit	1,741	1,946	205	11.8%
Profit attributable to owners of parent	1,186	1,251	65	5.5%

Sales increased as more resources were shifted to DX-related businesses and due to sales activities backed by stronger relationships with platformers and tool vendors and progress with making people hired during the previous fiscal year productive, and double-digit growth of access to resources of partner companies. M&A also contributed to sales growth. The result was an 19.3% increase in sales from one year earlier.

Gross profit increased 16.3%. Personnel expenses continued to increase sharply with the goal of raising employees' job satisfaction. However, sales per employee increased because of upgrading proposal skills and the quality of services, improvements in productivity, the expansion of consulting activities, and the shift of resources to growing market sectors. In addition, recently hired new graduates started to make contribution to sales. In previous fiscal years, personnel expenses during the April and May training period for employees hired following graduation were classified as cost of sales. Beginning with the first quarter, these expenses are included in selling, general and administrative expenses. This change increased gross profit by 84 million yen in the first half of the previous fiscal year.

Operating profit increased 12.5%. Selling, general and administrative expenses increased because of activities for more growth including investments in human resources, such as for recruiting and personnel system reforms, and expenses involving M&A. Although expenses were higher, operating profit increased mainly because the amortization of all goodwill in the previous fiscal year reduced earnings.

Profit attributable to owners of parent increased 5.5% from one year earlier partially because there was a receipt of an insurance payment in the previous fiscal year.

The shareholders' equity ratio, which is an indicator of financial soundness, was 71.9% at the end of the first half. These figures demonstrate our ability to maintain a high level of financial soundness.

The COMTURE Group reports its performance in the following five business categories.

Business Category	Activities
Cloud Solutions Business	Collaboration using alliances with global SaaS vendors (Microsoft, Salesforce, ServiceNow and others), consulting and integration services for the installation and use of CRM and other cloud services, and other activities
Digital Solutions Business	Construction of data infrastructures by working with global AI vendors (Google Cloud Platform, Amazon Web Services and others), provision of data analysis solutions by working with global data analysis vendors (SAS, Informatica, Databricks and others), and other activities
Business Solutions Business	Construction, operation and modernization concerning accounting, personnel, fintech and other core IT systems using collaborations with SAP, SuccessFactors and other global ERP package vendors
Platform, Operation Services Business	Hybrid cloud environments using virtualization software (Kubernetes and others), design, construction and operation of virtual networks (Cisco and others), IT system remote surveillance at COMTURE Group's service centers using global tools, help desk operations, and other activities
Digital Learning Business	Education services with cooperation of global vendors (Microsoft, Salesforce, ServiceNow and others) for acquiring vendor certifications and IT education services to give people skills needed to perform DX jobs

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

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

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

In the Business Solutions Business, sales and gross profit were higher because of the growth of the SAP business, including SAP's S/4 HANA ERP system, resulting from the shift of people to this business from other COMTURE Group businesses due to reskilling and of an increase in demand for the services of this business at financial institutions. The resolution of issues that arose in the previous fiscal year also contributed to sales and earnings growth.

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

In the Digital Learning Business, demand increased at companies for new employee, DX and other structured training programs. However, sales and gross profit decreased because of a temporary decline in sales of the vendor certification education business caused mainly by a change in the system used for earning these certifications.

(Millions of yen)

		1H of FY3/23	1H of FY3/24	Change	Change (%)
Cloud Solutions Business	Net sales	4,223	6,339	2,116	50.1%
	Gross profit	1,150	1,454	304	26.4%
Digital Solutions Business	Net sales	1,986	2,315	328	16.6%
	Gross profit	453	495	42	9.3%
Business Solutions Business	Net sales	4,257	4,316	59	1.4%
	Gross profit	789	958	168	21.4%
Platform, Operation Services Business	Net sales	2,631	2,856	224	8.5%
	Gross profit	458	480	22	4.9%
Digital Learning Business	Net sales	945	933	(12)	(1.3)%
	Gross profit	305	281	(23)	(7.8)%

Note: Due to the partial revision of business categories in the first quarter of the current fiscal year, net sales in the Cloud Solutions, Digital Solutions, Business Solutions, and Platform, Operation Services businesses decreased by 898 million yen, increased by 651 million yen, increased by 285 million yen, and decreased by 38 million yen, respectively, in the first half of FY3/23.

In addition, due to a change in the classification of personnel expenses during the April and May training period for new graduates as selling, general and administrative expenses, gross profit in the Cloud Solutions, Digital Solutions, Business Solutions, Platform, Operation Services and Digital Learning businesses decreased by 98 million yen, increased by 123 million yen, increased by 73 million yen, decreased by 16 million yen and increased by 2 million yen, respectively.

(2) Explanation of Financial Position

Total assets were 21,782 million yen at the end of the second quarter, 43 million yen more than the end of the previous fiscal year. There was an increase in cash and deposits of 1,124 million yen mainly due to an increase in profit before income taxes. Notes and accounts receivable-trade decreased 393 million yen as payments for these receivables were collected, and insurance funds, which are included in other investments and other assets, decreased 652 million yen.

Liabilities decreased 516 million yen to 6,125 million yen. This was mainly attributable to decreases in short-term borrowings of 500 million yen due to repayments, accounts payable-trade of 140 million yen due to payment of trade payables and income taxes payable of 119 million yen because of the payment of taxes. The provision for bonuses, an important means of rewarding employees for their dedication and hard work, increased 218 million yen. Accrued expenses increased 153 million yen mainly because of an increase in accrued social insurance payments.

Net assets increased 560 million yen to 15,657 million yen mainly because of profit attributable to owners of parent of 1,251 million yen and dividend payments of 717 million yen.

(3) Explanation of Cash Flows

There was a net increase of 1,124 million yen in cash and cash equivalents from the end of the previous fiscal year to 11,326 million yen at the end of the second quarter. Major components of cash flows were as follows.

Cash flows from operating activities

Net cash provided by operating activities increased 85.9% to 1,680 million yen. Major sources of cash were profit before income taxes of 1,951 million yen, a decrease in notes and accounts receivable-trade of 393 million yen, an increase in provision for bonuses of 218 million yen, and amortization of goodwill of 169 million yen. Major uses of cash were income taxes paid of 952 million yen.

Cash flows from investing activities

Net cash provided by investing activities increased 365.4% to 666 million yen. Major sources of cash were proceeds of 653 million yen from cancellation of insurance funds.

Cash flows from financing activities

Net cash used in financing activities increased 10.8% to 1,222 million yen. There were payments of 722 million yen for dividends and a net decrease in short-term borrowings of 500 million yen.

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

There are no revisions to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2024 that was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)” on May 12, 2023.

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

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

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	2Q of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	10,202	11,326
Notes and accounts receivable-trade	6,094	5,700
Work in process	170	180
Other	318	383
Total current assets	16,785	17,591
Non-current assets		
Property, plant and equipment		
Buildings, net	508	479
Vehicles, net	10	8
Tools, furniture and fixtures, net	211	187
Construction in progress	1	6
Total property, plant and equipment	731	682
Intangible assets		
Goodwill	1,694	1,525
Software	13	13
Other	98	93
Total intangible assets	1,806	1,631
Investments and other assets		
Investment securities	173	149
Guarantee deposits	701	690
Deferred tax assets	854	977
Other	686	59
Total investments and other assets	2,415	1,876
Total non-current assets	4,953	4,191
Total assets	21,738	21,782

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	2Q of FY3/24 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	1,670	1,530
Short-term borrowings	700	200
Accrued expenses	608	761
Income taxes payable	662	542
Provision for bonuses	1,204	1,422
Provision for bonuses for directors (and other officers)	34	18
Provision for loss on construction contracts	2	-
Other	790	733
Total current liabilities	5,673	5,209
Non-current liabilities		
Retirement benefit liability	533	546
Asset retirement obligations	321	321
Deferred tax liabilities	60	0
Other	52	46
Total non-current liabilities	968	915
Total liabilities	6,641	6,125
Net assets		
Shareholders' equity		
Share capital	1,022	1,022
Capital surplus	3,631	3,652
Retained earnings	10,543	11,077
Treasury shares	(107)	(103)
Total shareholders' equity	15,089	15,648
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	9
Total accumulated other comprehensive income	8	9
Total net assets	15,097	15,657
Total liabilities and net assets	21,738	21,782

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

	(Millions of yen)	
	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	14,045	16,761
Cost of sales	10,888	13,091
Gross profit	3,156	3,670
Selling, general and administrative expenses	1,422	1,719
Operating profit	1,733	1,950
Non-operating income		
Interest income	3	1
Dividend income	0	0
Foreign exchange gain	-	3
Gain on cancellation of insurance policies	2	-
Gain on valuation of investment securities	4	-
Other	3	3
Total non-operating income	13	8
Non-operating expenses		
Interest expenses	0	2
Loss on redemption of investment securities	-	9
Other	4	0
Total non-operating expenses	5	12
Ordinary profit	1,741	1,946
Extraordinary income		
Insurance claim income	103	0
Gain on sale of investment securities	-	4
Total extraordinary income	103	5
Extraordinary losses		
Loss on sales of investment securities	2	-
Loss on valuation of investment securities	17	-
Total extraordinary losses	19	-
Profit before income taxes	1,824	1,951
Income taxes	638	700
Profit	1,186	1,251
Profit attributable to owners of parent	1,186	1,251

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

(Millions of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	1,186	1,251
Other comprehensive income		
Valuation difference on available-for-sale securities	4	1
Total other comprehensive income	4	1
Comprehensive income	1,190	1,253
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,190	1,253

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,824	1,951
Depreciation	72	77
Amortization of goodwill	150	169
Increase (decrease) in provision for bonuses	36	218
Increase (decrease) in provision for bonuses for directors (and other officers)	(18)	(15)
Increase (decrease) in provision for loss on construction contracts	(5)	(2)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(125)	(0)
Increase (decrease) in retirement benefit liability	1	13
Interest and dividend income	(3)	(1)
Interest expenses	0	2
Insurance claim income	(103)	-
Gain on cancellation of insurance policies	(2)	(0)
Loss (gain) on sale of investment securities	2	(4)
Loss (gain) on valuation of investment securities	12	-
Loss (gain) on redemption of investment securities	-	9
Decrease (increase) in trade receivables	344	393
Decrease (increase) in inventories	(15)	(10)
Increase (decrease) in trade payables	(202)	(140)
Increase (decrease) in accrued expenses	27	153
Increase (decrease) in accrued consumption taxes	(125)	(44)
Other, net	(21)	(135)
Subtotal	1,850	2,631
Interest and dividends received	3	1
Interest paid	(0)	(1)
Proceeds from insurance income	114	-
Income taxes paid	(1,065)	(952)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	903	1,680
Cash flows from investing activities		
Purchase of property, plant and equipment	(42)	(7)
Proceeds from sale of investment securities	138	11
Proceeds from redemption of investment securities	-	0
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	41	-
Purchase of other intangible assets	(0)	(12)
Payments of guarantee deposits	(28)	-
Proceeds from refund of guarantee deposits	1	11
Purchase of insurance funds	(1)	-
Proceeds from cancellation of insurance funds	20	653
Other, net	13	10
Net cash provided by (used in) investing activities	143	666

	(Millions of yen)	
	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(190)	(500)
Repayments of long-term borrowings	(210)	-
Dividends paid	(702)	(722)
Other, net	-	(0)
Net cash provided by (used in) financing activities	(1,103)	(1,222)
Net increase (decrease) in cash and cash equivalents	(55)	1,124
Cash and cash equivalents at beginning of period	11,265	10,202
Cash and cash equivalents at end of period	11,209	11,326

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**Calculation of tax expense**

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

Reclassifications

In previous fiscal years, the salaries of employees hired following graduation were included in cost of sales during the April and May initial training period. Beginning with the first quarter of the current fiscal year, these salaries are included in selling, general and administrative expenses in order to more appropriately show the true operations of the COMTURE Group because these new employees are not involved with business projects and make no direct contribution to sales during their two months training period. For consistency with this change, the consolidated statement of income for the first six months of FY3/23 have been restated.

As a result, 84 million yen in cost of sales in the previous fiscal year's consolidated statement of income has been reclassified as selling, general and administrative expenses. This change increased gross profit by 84 million yen in the first six months of FY3/23.

Segment and Other Information**Segment information**

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

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

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

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

Business Combinations

Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment was used at the end of the previous fiscal year for the COMTURE's acquisition of TAKT SYSTEMS, INC. and TAKT BUSINESS SOFT, INC on January 30, 2023, and this treatment was finalized in the second quarter of the current fiscal year. There is no change in the amount due to the finalization of this provisional accounting treatment.

Goodwill resulting from the acquisition

1) Value of goodwill

1,127 million yen

2) Source of goodwill

Since net assets at the time of business combinations were lower than the acquisition cost, the difference was recognized as goodwill.

3) Amortization method and amortization period

Goodwill is amortized over five years by the straight-line method.

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.