

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2024
(Nine Months Ended December 31, 2023)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange
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Scheduled date of filing of Quarterly Report: February 7, 2024
 Scheduled date of payment of dividend: February 29, 2024
 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 Third Quarter Ended December 31, 2023
(April 1, 2023 – December 31, 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	%
Nine months ended Dec. 31, 2023	25,310	18.5	3,262	13.1	3,260	13.6	2,113	8.7
Nine months ended Dec. 31, 2022	21,365	17.1	2,883	(5.6)	2,871	(5.9)	1,945	1.0

Note: Comprehensive income (million yen):
 Nine months ended Dec. 31, 2023: 2,122 (up 8.9%)
 Nine months ended Dec. 31, 2022: 1,949 (up 1.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2023	66.30	-
Nine months ended Dec. 31, 2022	61.02	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	21,759	16,160	74.3
As of Mar. 31, 2023	21,738	15,097	69.4

Reference: Shareholders' equity (million yen): As of Dec. 31, 2023: 16,160 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	11.50		
Fiscal year ending Mar. 31, 2024 (forecast)				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 Dec. 31, 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 Dec. 31, 2023:	356,774 shares	As of Mar. 31, 2023:	368,290 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2023:	31,879,667 shares	Nine months ended Dec. 31, 2022:	31,873,868 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms .

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

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 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 in October 2023 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. Activities include proposals incorporating the cross-selling of our consulting services for current customers and measures to add new customers.

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 across the company, 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 aiming to raise the average salary by 7.4% 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 restructure 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., 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 quarter of the fiscal year. We used this alliance to start joint activities in several fields including IT system development (CRM/low-code software development and enterprise resource planning (ERP)) and data analysis, and benefits are already appearing. 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 nine months of the fiscal year, the COMTURE Group performed as follows.

	First nine months of FY3/23	First nine months of FY3/24	Change	Change (%)
Net sales	21,365	25,310	3,945	18.5%
Gross profit	4,872	5,726	854	17.5%
Operating profit	2,883	3,262	378	13.1%
Ordinary profit	2,871	3,260	389	13.6%
Profit attributable to owners of parent	1,945	2,113	168	8.7%

(Millions of yen)

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 18.5% increase in sales from one year earlier.

Gross profit increased 17.5%. There was a big increase in personnel expenses in order to raise employees' job satisfaction as well as expenses for training programs for reskilling. 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, the gross profit per employee* increased 2.6% because of progress with making recently hired new graduates productive and higher earnings generated by employees who completed reskilling. 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 nine months of the previous fiscal year.

Operating profit increased 13.1%. Selling, general and administrative expenses increased because of activities for more growth in the next fiscal year 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 8.7% 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 74.3% at the end of the first nine months. These figures demonstrate our ability to maintain a high level of financial soundness.

*Gross profit divided by the number of employees (excluding directors and executive officers) at the end of the third quarter

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. In addition, the growth of this business due to joint activities with ITOCHU more than offset the 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. This growth was the result of the shift of people to this business from other COMTURE Group businesses due to reskilling and of business growth due to cross-selling activities involving customers in the financial services sector. 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)

		First nine months of FY3/23	First nine months of FY3/24	Change	Change (%)
Cloud Solutions Business	Net sales	6,537	9,587	3,049	46.6%
	Gross profit	1,742	2,311	568	32.6%
Digital Solutions Business	Net sales	3,046	3,544	497	16.3%
	Gross profit	693	794	100	14.5%
Business Solutions Business	Net sales	6,488	6,537	48	0.7%
	Gross profit	1,260	1,462	201	16.0%
Platform, Operation Services Business	Net sales	3,975	4,332	357	9.0%
	Gross profit	764	772	7	1.0%
Digital Learning Business	Net sales	1,317	1,308	(8)	(0.6)%
	Gross profit	410	386	(24)	(5.8)%

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 1,545 million yen, increased by 772 million yen, increased by 858 million yen, and decreased by 85 million yen, respectively, in the first nine months 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 214 million yen, increased by 113 million yen, increased by 251 million yen, decreased by 68 million yen and increased by 1 million yen, respectively, in the first nine months of FY3/23.

(2) Explanation of Financial Position

Total assets were 21,759 million yen at the end of the third quarter, 20 million yen more than the end of the previous fiscal year. There were increases in cash and deposits of 830 million yen mainly due to an increase in profit before income taxes and work in process of 113 million yen due to an increase in the number of projects. Notes and accounts receivable-trade decreased 276 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 1,042 million yen to 5,598 million yen. This was mainly attributable to decreases in short-term borrowings of 500 million yen due to repayments, income taxes payable of 347 million yen because of the payment of taxes, provision for bonuses of 321 million yen because of the payment of bonuses and accounts payable-trade of 135 million yen due to payment of trade payables. Accrued expenses increased 181 million yen mainly because of an increase in accrued social insurance payments.

Net assets increased 1,063 million yen to 16,160 million yen mainly because of profit attributable to owners of parent of 2,113 million yen and dividend payments of 1,083 million yen.

(3) 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)	3Q of FY3/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	10,202	11,032
Notes and accounts receivable-trade	6,094	5,817
Work in process	170	283
Other	318	403
Total current assets	16,785	17,537
Non-current assets		
Property, plant and equipment		
Buildings, net	508	465
Vehicles, net	10	7
Tools, furniture and fixtures, net	211	183
Construction in progress	1	-
Total property, plant and equipment	731	656
Intangible assets		
Goodwill	1,694	1,440
Software	13	17
Other	98	220
Total intangible assets	1,806	1,678
Investments and other assets		
Investment securities	173	159
Guarantee deposits	701	689
Deferred tax assets	854	978
Other	686	59
Total investments and other assets	2,415	1,886
Total non-current assets	4,953	4,222
Total assets	21,738	21,759

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	3Q of FY3/24 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	1,670	1,535
Short-term borrowings	700	200
Accrued expenses	608	789
Income taxes payable	662	314
Provision for bonuses	1,204	882
Provision for bonuses for directors (and other officers)	34	28
Provision for loss on construction contracts	2	-
Asset retirement obligations	-	10
Other	790	932
Total current liabilities	5,673	4,694
Non-current liabilities		
Retirement benefit liability	533	537
Asset retirement obligations	321	310
Deferred tax liabilities	60	0
Other	52	55
Total non-current liabilities	968	904
Total liabilities	6,641	5,598
Net assets		
Shareholders' equity		
Share capital	1,022	1,022
Capital surplus	3,631	3,652
Retained earnings	10,543	11,573
Treasury shares	(107)	(103)
Total shareholders' equity	15,089	16,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	17
Total accumulated other comprehensive income	8	17
Total net assets	15,097	16,160
Total liabilities and net assets	21,738	21,759

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

(Millions of yen)

	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	21,365	25,310
Cost of sales	16,493	19,583
Gross profit	4,872	5,726
Selling, general and administrative expenses	1,988	2,464
Operating profit	2,883	3,262
Non-operating income		
Interest income	3	1
Dividend income	0	0
Foreign exchange gain	-	3
Gain on cancellation of insurance policies	2	-
Other	5	5
Total non-operating income	10	10
Non-operating expenses		
Interest expenses	0	2
Loss on valuation of investment securities	17	-
Loss on redemption of investment securities	-	9
Other	4	1
Total non-operating expenses	23	12
Ordinary profit	2,871	3,260
Extraordinary income		
Insurance claim income	103	0
Gain on sale of investment securities	-	5
Total extraordinary income	103	6
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Loss on sales of investment securities	2	-
Loss on valuation of investment securities	17	-
Total extraordinary losses	20	-
Profit before income taxes	2,953	3,266
Income taxes	1,008	1,152
Profit	1,945	2,113
Profit attributable to owners of parent	1,945	2,113

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

(Millions of yen)

	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Profit	1,945	2,113
Other comprehensive income		
Valuation difference on available-for-sale securities	4	8
Total other comprehensive income	4	8
Comprehensive income	1,949	2,122
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,949	2,122

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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 statements of income for the nine months ended December 31, 2022 have been restated.

As a result, 84 million yen in cost of sales in the previous fiscal year's consolidated statements of income has been reclassified as selling, general and administrative expenses. This change increased gross profit by 84 million yen in the nine months ended December 31, 2022.

Segment and Other Information

Segment information

I First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)

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

II First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)

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

Subsequent Events

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.