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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 6, 2024

Company name: COMTURE CORPORATION

Listing: Tokyo

Securities code: 3844

URL: <https://www.comture.com/>

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Scheduled date to commence dividend payments: August 30, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	8,753	8.1	795	(7.6)	793	(7.7)	502	(10.1)
June 30, 2023	8,098	18.1	860	25.3	860	26.3	558	16.7

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 502 million [(10.1)%
Three months ended June 30, 2023: ¥ 558 million [15.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	15.76	-
June 30, 2023	17.52	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	22,951	16,941	73.8
March 31, 2024	23,442	16,805	71.7

(Reference) Equity: As of June 30, 2024: ¥ 16,941 million
As of March 31, 2024: ¥ 16,805 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen 11.50	Yen 11.50	Yen 11.50	Yen 11.50	Yen 46.00
Fiscal year ending March 31, 2025	12.00				
Fiscal year ending March 31, 2025 (Forecast)		12.00	12.00	12.00	48.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	37,700	10.3	4,900	6.5	4,900	6.6	3,250	3.7	101.93

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
Excluded: - (Company name:)

Although it does not correspond to a material change in the scope of consolidation, Software Creation Co., Ltd., a consolidated subsidiary, has been excluded from the scope of consolidation from the first quarter of this fiscal year because it ceased to exist because of an absorption merger with the Company as the surviving company.

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2024: 32,241,600 shares

March 31, 2024: 32,241,600 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 358,559 shares

March 31, 2024: 356,904 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 31,883,041 shares

Three months ended June 30, 2023: 31,873,155 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

- 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 several 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.

- Due to the revision of the Financial Instruments and Exchange Act, there will be no submission of quarterly reports.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Investments in the digital transformation (DX) continue to gain momentum as companies become increasingly aware of the importance of using digital technologies for strategic business process innovations. As investments increase, customers' needs involving system integration, assistance for performing low code system development internally, the outsourcing of IT system operations, and other services are becoming even greater and more diverse.

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 to achieve net sales of 100 billion yen in the fiscal year ending in March 2032 includes DX services and support that incorporates our own templates and solutions for the provision of added value, an activity centered on building stronger ties with global vendors.

As one step to accomplish this goal, we have upgraded our consulting business unit from a department to a division. Consulting operations are centered on business consulting and other services with substantial added value. As a business group rather than a division, our consulting operations will be even better able to create proposals for customers and create new business opportunities. By focusing on these goals, we will continue to strengthen our ability to create proposals incorporating the cross-selling of our consulting services for current customers and measures to add new customers.

Market conditions are favorable 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 2.9% in the first quarter of in the current fiscal year. We have also taken more actions to increase engagement with our workforce. We have restructured our personnel system and started to ask employees to complete an engagement survey. Revisions include more career paths and training programs and remuneration that more closely reflects contributions and skills. All these steps are creating an environment that enables our employees to clearly see their progress with upgrading skills and adding new ones.

In April 2024, 196 new graduates joined the COMTURE Group. In addition, we have already given 200 students who will graduate by March 2025 preliminary job offer notifications, exceeding the initial recruiting plan. The number of people with prior work experience that we are hiring has increased significantly from one year earlier as we use employment agents and referrals.

Training and skill development programs are a priority in order to raise the value of our engineers. New graduates start their careers at COMTURE with a three-month training period that ends in June. In the second quarter of this fiscal year, we plan to start programs for the multi-skilling of current employees and the reskilling of people for changing to a new career path. We will continue to use the resources of Edifist Learning, Inc., the COMTURE Group's IT training company, to strengthen training programs for the entire 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 to be the first to procure engineers who can become productive immediately.

In addition to recruiting engineers, there are many activities for expanding business operations to more business domains. Generative AI is one example. We used an alliance with Microsoft Japan to start a training service for Microsoft Copilot, which is this company's generative AI assistant. About 4,000 people are already participating in this training. The goals are to alter how people regard companies and give them skills for using generative AI. Next, we will provide support to enable system engineers to incorporate generative AI in a variety of business processes. We are also aiming to use generative AI throughout the COMTURE Group for implementing business process reforms and to offer installation support and training services for providing this generative AI know-how to our customers.

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

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024	Change	Change (%)
Net sales	8,098	8,753	654	8.1%
Gross profit	1,798	1,880	81	4.5%
Operating profit	860	795	(65)	(7.6)%
Ordinary profit	860	793	(66)	(7.7)%
Profit attributable to owners of parent	558	502	(56)	(10.1)%

Sales increased 8.1% from one year earlier. The shift of more resources to DX-related businesses and sales activities backed by stronger relationships with platformers and tool vendors contributed to this growth. Higher sales were also attributable to increasing demand for COMTURE Group services at financial institutions, a recovery in the hiring of people with prior work experience, and an increase in engineer resources at partner companies.

Gross profit increased 4.5% despite a big increase in personnel expenses due to higher salary and larger number of employees and expenses for strengthening training programs for new graduates. The gross profit increase was mainly due to higher sales per employee, the result of shifting people to growing market sectors, raising the quality of services and improving productivity, and to an increase in the number of productive workforce at partner companies.

Operating profit decreased 7.6% because of higher expenses for expenditures concerning human resources, including earlier recruitment of new graduates and people with prior work experience and events for increasing engagement with employees.

Profit attributable to owners of parent decreased 10.1% from one year earlier.

The shareholders' equity ratio, which is an indicator of financial soundness, was 73.8% at the end of the first 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, 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	Training services with cooperation of global vendors (Microsoft, Salesforce, ServiceNow and others) for acquiring vendor certifications and IT training 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 increased because of increasing demand for moving internal data systems to the cloud, primarily at large companies while using collaborations with Microsoft Japan and other vendors, consulting services for the digitalization of business processes, and the use of low code development tools for the establishment of internal IT systems. A decrease in orders received due to the shortage of engineer resources and

higher expenses for training new graduates caused gross profit to decline.

In the Digital Solutions Business, there was growth of the data analysis business and the data management business, such as building infrastructures for collecting and storing large amount of data, and an increase in demand for the establishment of cloud environments also contributed to higher sales and gross profit.

In the Business Solutions Business, sales increased due to the continuing growth of the SAP business and increasing demand at financial institutions for the development of front office systems to serve customers and for the automation of business processes. Gross profit decreased because of higher expenses for training new graduates.

In the Platform, Operation Services Business, sales and gross profit were higher because of increasing demand for the outsourcing of IT system operations and IT system security support and the growth of activities involving networks.

In the Digital Learning Business, sales and gross profit increased because of the growing demand for generative AI training programs and the growth of training programs outsourced by other companies.

(Millions of yen)

		For the three months ended June 30, 2023	For the three months ended June 30, 2024	Change	Change (%)
Cloud Solutions Business	Net sales	2,962	3,175	213	7.2%
	Gross profit	673	671	(1)	(0.2)%
Digital Solutions Business	Net sales	1,087	1,138	51	4.7%
	Gross profit	232	243	11	4.8%
Business Solutions Business	Net sales	2,107	2,308	201	9.6%
	Gross profit	489	468	(20)	(4.2)%
Platform, Operation Services Business	Net sales	1,424	1,564	139	9.8%
	Gross profit	242	306	63	26.2%
Digital Learning Business	Net sales	517	565	48	9.4%
	Gross profit	160	188	28	17.5%

(2) Explanation of Financial Position

Total assets were 22,951 million yen at the end of the first quarter, 491 million yen less than the end of the previous fiscal year. There were increases in other current assets of 241 million yen mainly as a result of an increase in prepaid expenses due to the purchase of bulk licenses of business application software, and work in process of 105 million yen due to an increase in the number of projects. Notes and accounts receivable-trade decreased 673 million yen as payments for these receivables were collected, and cash and deposits decreased 244 million yen because of the payment of bonuses.

Liabilities decreased 626 million yen to 6,010 million yen. This was mainly attributable to decreases in provision for bonuses of 444 million yen because of the payment of bonuses, income taxes payable of 328 million yen because of the payment of taxes and accounts payable-trade of 78 million yen due to payment of trade payables. There was an increase in other current liabilities of 321 million yen mainly due to an increase in social insurance premiums deposited.

Net assets increased 135 million yen to 16,941 million yen mainly because of profit attributable to owners of parent of 502 million yen and dividend payments of 366 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, 2025 that was announced in the “Summary of Consolidated Financial Results for the Year Ended March 31, 2024 (Japanese GAAP)” on May 10, 2024.

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. An announcement will be made promptly if there is any additional information that should be disclosed.

1 Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	12,123	11,879
Notes and accounts receivable - trade	6,577	5,903
Work in process	109	215
Other	414	656
Total current assets	19,225	18,654
Non-current assets		
Property, plant and equipment		
Buildings, net	451	476
Vehicles, net	6	6
Tools, furniture and fixtures, net	176	197
Construction in progress	14	-
Total property, plant and equipment	649	680
Intangible assets		
Goodwill	1,355	1,270
Software	43	47
Software in progress	185	256
Other	65	57
Total intangible assets	1,650	1,632
Investments and other assets		
Investment securities	136	131
Guarantee deposits	689	768
Deferred tax assets	1,035	1,033
Other	55	50
Total investments and other assets	1,916	1,983
Total non-current assets	4,217	4,297
Total assets	23,442	22,951

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,871	1,792
Short-term borrowings	200	200
Accrued expenses	977	923
Income taxes payable	657	328
Provision for bonuses	1,258	813
Provision for bonuses for directors (and other officers)	37	9
Provision for loss on construction contracts	14	9
Asset retirement obligations	10	10
Other	856	1,177
Total current liabilities	5,882	5,264
Non-current liabilities		
Retirement benefit liability	438	426
Asset retirement obligations	311	311
Other	5	7
Total non-current liabilities	754	745
Total liabilities	6,637	6,010
Net assets		
Shareholders' equity		
Share capital	1,022	1,022
Capital surplus	3,652	3,652
Retained earnings	12,228	12,363
Treasury shares	(103)	(103)
Total shareholders' equity	16,798	16,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	7
Total accumulated other comprehensive income	7	7
Total net assets	16,805	16,941
Total liabilities and net assets	23,442	22,951

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	8,098	8,753
Cost of sales	6,300	6,873
Gross profit	1,798	1,880
Selling, general and administrative expenses	938	1,084
Operating profit	860	795
Non-operating income		
Interest income	0	0
Dividend income	0	0
Foreign exchange gains	-	0
Other	1	0
Total non-operating income	2	1
Non-operating expenses		
Interest expenses	1	0
Loss on valuation of investment securities	0	-
Other	0	2
Total non-operating expenses	2	3
Ordinary profit	860	793
Extraordinary income		
Insurance claim income	1	-
Gain on sale of investment securities	4	-
Total extraordinary income	6	-
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Total extraordinary losses	-	0
Profit before income taxes	867	792
Income taxes	308	290
Profit	558	502
Profit attributable to owners of parent	558	502

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	558	502
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Total other comprehensive income	0	(0)
Comprehensive income	558	502
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	558	502

(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.

Changes in Accounting Policies**Application of Accounting Standard for Current Income Taxes**

COMTURE has applied the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022) from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions concerning the accounting classification of income taxes (taxation of other comprehensive income) are made in accordance with the transitional treatment stipulated in the proviso of Paragraph 20-3 of this revised accounting standard and with Paragraph 65-2, Item 2 of Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). The application of this standard has no effect on the consolidated financial statements.

For the revision concerning the change in the treatment in the consolidated financial statements of the tax deferral of gains or losses on sales of shares of subsidiaries, etc. between consolidated companies, COMTURE has applied the Implementation Guidance on Accounting Standard for Tax Effect Accounting beginning with the first quarter of the current fiscal year. This change has been applied retrospectively and the quarterly and fiscal year consolidated financial statements for the previous fiscal year are shown after this restatement. This change in accounting policies has no effect on the consolidated financial statements in the previous fiscal year.

Segment and Other Information

Segment information

I For the three months ended June 30, 2023

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

II For the three months ended June 30, 2024

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

Notes to Quarterly Consolidated Statements of Cash Flows

A quarterly consolidated statement of cash flows for the first three months of the fiscal year ending March 31, 2025 has not been prepared.

Depreciation (includes amortization expenses related to intangible assets minus goodwill and to long-term prepaid expenses) for the first three months of each fiscal year is as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	51 million yen	53 million yen
Amortization of goodwill	84 million yen	84 million yen

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.