

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2022
(Nine Months Ended December 31, 2021)

[Japanese GAAP]

Company name: COMTURE CORPORATION Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: February 4, 2022
 Scheduled date of payment of dividend: February 28, 2022
 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, 2021
(April 1, 2021 – December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2021	18,239	19.4	3,053	36.9	3,052	34.5	1,925	26.7
Nine months ended Dec. 31, 2020	15,275	(1.5)	2,230	9.9	2,269	11.5	1,519	9.2

Note: Comprehensive income (million yen):
 Nine months ended Dec. 31, 2021: 1,924 (up 25.6%)
 Nine months ended Dec. 31, 2020: 1,532 (up 9.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2021	60.41	-
Nine months ended Dec. 31, 2020	47.68	-

*Diluted net income per share is not presented because there were no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2021	17,561	13,522	77.0
As of Mar. 31, 2021	16,483	12,353	74.9

Reference: Shareholders' equity (million yen): As of Dec. 31, 2021: 13,522 As of Mar. 31, 2021: 12,353

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	7.75	7.75	7.75	7.75	31.00
Fiscal year ending Mar. 31, 2022	8.25	8.25	9.25		
Fiscal year ending Mar. 31, 2022 (forecast)				11.25	37.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	24,100	15.5	3,800	20.6	3,800	19.0	2,400	15.2	75.30

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

Newly added: - 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

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | Yes |
| 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, 2021:	32,241,600 shares	As of Mar. 31, 2021:	32,241,600 shares
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2) Number of treasury shares at the end of the period

As of Dec. 31, 2021:	365,150 shares	As of Mar. 31, 2021:	369,020 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2021:	31,874,262 shares	Nine months ended Dec. 31, 2020:	31,873,323 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 5 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	10
Changes in Accounting Policies	10
Segment and Other Information	10
Additional Information	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Companies and governments need to implement strategic innovations that utilize digital technologies, such as by creating new businesses and services and new ways for people to do their jobs. The growth of IT investments is expected to gain momentum in the digital transformation (DX) sector.

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

COMTURE was one of the first companies to build systems based on Lotus Notes, SAP and other platforms. We increased the number of platforms we handle to match changes in the business climate. Today, we build systems based on AWS, Microsoft, Salesforce, ServiceNow, Pega and other cloud platforms. Services also encompass data analytics using SAS and other tools, the use of robotic process automation (RPA) tools for the efficiency and automation of business processes, and more DX-related solutions. By adding to conventional stand-alone platforms the ability to supply multi-faceted platforms, we can meet the increasingly complex needs of our customers by assembling the best possible solutions. To provide these solutions, we are encouraging our people to acquire even more advanced vendor certifications and improve skills at creating proposals for customers. Another priority is providing services with even more added value involving consulting and other fields.

We are using formats that combine online and face-to-face interaction for efficient sales activities and the presentation of proposals to prospective customers. Daily business reports utilize a sales force automation (SFA) system to facilitate the timely sharing of information with many people, including management. The goal is to utilize the collective knowledge of our group even more in order to raise our proposals to a higher level and strengthen sales activities. Launching new businesses faster in growing market sectors is another priority. We have started a project that covers all COMTURE businesses for the purpose of creating ideas based on customers' needs and then using these ideas for new businesses that can contribute to our next stage of growth.

Market conditions are favorable for receiving new orders and our highest priority is recruiting and retaining the engineers we require to handle these orders and maintain strong performance. Improving salaries and other benefits for employees is the most important point for recruiting and retaining engineers. One step was an average salary increase of 10% in the current fiscal year. We have also been increasing engagement with our workforce, such as by utilizing small groups and other forms of unrestricted R&D activities and by establishing more ties between management and employees.

We are making progress with recruiting talented new college graduates and people who have experience at other companies. We are now reinforcing recruiting activities by strengthening collaborations with recruiting agents.

In addition, we are utilizing strategic forms of collaboration with partner companies to be the first to receive information about engineers we can hire who will become productive immediately. Activities involving engineers also include support for training programs in growing market sectors. Overall, there are numerous activities under way to recruit and retain engineers.

Looking ahead to how people will do their jobs after the pandemic ends, we are creating new working styles by increasing the use of digital technologies for internal systems, offering employees the option of a hybrid format that combines telework and on-site work, shortening and staggering working times, and using internet communication tools for internal and external lines of communication.

Due to numerous measures that reflect changes in the business climate, we achieved the twelfth consecutive year of sales growth in the first nine months on an effective sales basis (see note). The result was record-high gross profit in the first nine months for the tenth consecutive year.

Note: COMTURE started applying Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) in the fiscal year ended March 31, 2021, which is earlier than required. Sales comparisons use the assumption that this standard had been used in prior fiscal years too.

In the Cloud Solutions Business, sales and the gross profit increased because of higher demand for several services. Sources of growth include the use of collaborations with Microsoft and Salesforce.com to build customer information systems, the shift of internal data systems to the cloud, primarily at large companies in the manufacturing and service sectors, and consulting and other services involving the digitalization of business processes.

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

In the Business Solutions Business, sales and the gross profit increased along with the growth in demand for many services. There was growth of the SAP business, including the use of SAP's S/4HANA ERP system, increasing demand for the development of IT systems for human resources, increasing demand for the use of COMTURE products for connections to the Japanese Banks' Payment Clearing Network, and other areas of growth.

In the Platform, Operation Services Business, sales and the gross profit increased. Demand is increasing for the construction of Amazon Web Services (AWS) and other cloud environments and services for the shift of operations to the cloud. There is also 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, sales and gross profit increased because of growth of the DX education business for cloud service certifications of Microsoft, Salesforce, ServiceNow and other companies as well as the growth of sales at a subsidiary newly consolidated in this fiscal year.

(Millions of yen)

		First nine months of FY3/21	First nine months of FY3/22	Change	Change (%)
Cloud Solutions Business	Net sales	5,962	6,838	875	14.7%
	Gross profit	1,352	1,744	392	29.0%
Digital Solutions Business	Net sales	1,703	2,095	391	23.0%
	Gross profit	458	590	132	28.8%
Business Solutions Business	Net sales	4,114	4,392	277	6.8%
	Gross profit	880	1,001	121	13.8%
Platform, Operation Services Business	Net sales	3,315	3,704	388	11.7%
	Gross profit	817	910	93	11.4%
Digital Learning Business	Net sales	179	1,208	1,029	575.0%
	Gross profit	3	325	321	9,023.0%

Activities of the business categories are as follows.

Business Category	Activities
Cloud Solutions Business	Providing system solutions and other activities using collaborations with Microsoft, Salesforce.com, ServiceNow, Pega and other global platformers.
Digital Solutions Business	Providing data analysis solutions using SAS, Informatica and other big data/AI tools, support for the automation of business processes using UiPath, Automation Anywhere and other robotic process automation tools.

Business Solutions Business	Construction, operation, modernization and consulting concerning accounting, personnel, fintech and other core IT systems using collaborations with SAP and other ERP package vendors
Platform, Operation Services Business	System and network environment designs, construction and operation using collaborations with cloud platformers (Amazon Web Service, Google Cloud Platform, etc.) and hardware vendors (Hewlett Packard Enterprise, Dell, Cisco, etc.); remote surveillance of IT systems at the COMTURE Group's service center; help desk operations.
Digital Learning Business	Education services using e-learning and other platforms to upgrade the IT skills of a company's employees and enable employees to acquire platform vendor certifications.

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

	(Millions of yen)			
	First nine months of FY3/21	First nine months of FY3/22	Change	Change (%)
Net sales	15,275	18,239	2,963	19.4%
Gross profit	3,511	4,572	1,060	30.2%
Operating profit	2,230	3,053	823	36.9%
Ordinary profit	2,269	3,052	783	34.5%
Profit attributable to owners of parent	1,519	1,925	405	26.7%

Sales increased as more resources were shifted to DX-related businesses and sales activities backed by stronger relationships with platformers and tool vendors and for other reasons. The Digital Learning Business subsidiary also contributed to sales growth. As a result, sales increased 19.4% from one year earlier as COMTURE posted the twelfth consecutive year of effective sales growth in the first nine months of a fiscal year.

Gross profit increased 30.2%. One reason was a 6.3% increase in sales per employee. This was attributable to upgrading proposal skills, improvements in productivity and the quality of services, the expansion of consulting activities, the shift of resources to growing market sectors, and other reasons. Gross profit increased significantly even though there was a big increase in labor cost to improve employees' job satisfaction and an increase in outsourcing expenses due to the growth of business operations.

Operating profit increased 36.9% despite an increase in up-front investments for growth, such as for recruiting and training employees to earn certifications, and an increase in goodwill amortization. Earnings were higher mainly because of a decline in commuting, meeting and other expenses because of working style reforms, including the use of teleworking and internet conferences.

Profit attributable to owners of parent increased 26.7% to an all-time high for the first nine months.

The shareholders' equity ratio, which is an indicator of financial soundness, was 77.0%. These figures demonstrate our ability to maintain high levels of both financial soundness and profitability.

(2) Explanation of Financial Position

Total assets were 17,561 million yen at the end of the third quarter, 1,077 million yen more than the end of the previous fiscal year. Notes and accounts receivable-trade decreased 582 million yen as payments for these receivables were collected, investment securities decreased 170 million yen because of valuation loss due to decline in actual value and other factors, and goodwill decreased 136 million yen because of amortization. Cash and deposits increased 1,924 million yen mainly due to an increase in profit before income taxes.

Liabilities decreased 90 million yen to 4,039 million yen. Income taxes payable increased 389 million yen due to an increase in profit before income taxes, and accrued expenses and other current liabilities increased 172 million yen and 103 million yen, respectively, as the end of the third quarter was a bank holiday. Provision for bonuses decreased 426 million yen because of the payment of bonuses, and short-term and long-term borrowings decreased 370 million yen because of repayments.

Net assets increased 1,168 million yen to 13,522 million yen mainly because of profit attributable to owners of parent of 1,925 million yen and dividend payments of 772 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, 2022 that was announced in the “Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022 (Japanese GAAP)” on July 30, 2021.

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**

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	3Q of FY3/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,251	10,175
Notes and accounts receivable-trade	4,186	3,603
Work in process	88	193
Other	262	277
Total current assets	12,788	14,250
Non-current assets		
Property, plant and equipment		
Buildings, net	483	447
Vehicles, net	7	5
Tools, furniture and fixtures, net	263	216
Other, net	1	-
Total property, plant and equipment	755	669
Intangible assets		
Goodwill	935	798
Software	9	8
Other	2	2
Total intangible assets	947	810
Investments and other assets		
Investment securities	804	633
Guarantee deposits	642	641
Deferred tax assets	482	483
Other	62	72
Total investments and other assets	1,991	1,831
Total non-current assets	3,694	3,310
Total assets	16,483	17,561

	(Millions of yen)	
	FY3/21	3Q of FY3/22
	(As of Mar. 31, 2021)	(As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,038	1,118
Short-term borrowings	500	200
Current portion of long-term borrowings	70	-
Accrued expenses	384	556
Income taxes payable	274	664
Provision for bonuses	676	250
Provision for bonuses for directors (and other officers)	20	20
Other	647	750
Total current liabilities	3,613	3,561
Non-current liabilities		
Retirement benefit liability	132	114
Asset retirement obligations	244	244
Other	139	118
Total non-current liabilities	516	477
Total liabilities	4,129	4,039
Net assets		
Shareholders' equity		
Share capital	1,022	1,022
Capital surplus	3,617	3,631
Retained earnings	7,812	8,965
Treasury shares	(109)	(107)
Total shareholders' equity	12,342	13,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11	10
Total accumulated other comprehensive income	11	10
Total net assets	12,353	13,522
Total liabilities and net assets	16,483	17,561

(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 FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	15,275	18,239
Cost of sales	11,763	13,666
Gross profit	3,511	4,572
Selling, general and administrative expenses	1,281	1,518
Operating profit	2,230	3,053
Non-operating income		
Interest income	3	5
Dividend income	0	0
Gain on cancellation of insurance policies	48	-
Gain on sales of investment securities	1	-
Gain on redemption of investment securities	1	-
Other	1	12
Total non-operating income	56	17
Non-operating expenses		
Interest expenses	0	1
Loss on valuation of investment securities	9	12
Other	7	4
Total non-operating expenses	17	18
Ordinary profit	2,269	3,052
Extraordinary income		
Gain on sale of investment securities	-	5
Total extraordinary income	-	5
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss on valuation of investment securities	-	147
Total extraordinary losses	3	147
Profit before income taxes	2,265	2,910
Income taxes	746	985
Profit	1,519	1,925
Profit attributable to owners of parent	1,519	1,925

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

	(Millions of yen)	
	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Profit	1,519	1,925
Other comprehensive income		
Valuation difference on available-for-sale securities	13	0
Total other comprehensive income	13	0
Comprehensive income	1,532	1,924
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,532	1,924

(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

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.

Changes in Accounting Policies

COMTURE has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information

Segment Information

I First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)

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

II First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)

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

Additional Information

Amounts in the financial statements, presented in thousands of yen in prior periods, are presented in millions of yen beginning with the current first quarter. To simplify prior-year comparisons, figures for the previous fiscal year and the first nine months of the previous fiscal year have been changed to millions of yen.

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.