Consolidated Summary Report of Operating Results for the First Quarter of Fiscal 2022 (Year Ending December 31, 2022) [Japan GAAP]

April 27, 2022

Company name: Future Corporation   Shares listed on: First Section of Tokyo Stock Exchange
Securities code: 4722   URL https://www.future.co.jp
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Scheduled date for filing the quarterly report: May 13, 2022
Scheduled date for distributing dividend payments: —-
Creation of supplemental material on quarterly financial results: No
Holding of financial results briefing: No

(Amounts rounded off to million yen)

1. Consolidated Results for the First Quarter of Fiscal 2022 (January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year changes.)

	Net sales		Operating income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
1Q Fiscal 2022	12,605	13.7	3,341	96.2	2,386	92.0
1Q Fiscal 2021	11,083	0.5	1,702	2.9	1,242	8.3

(Note) Comprehensive income   1Q Fiscal 2022: 814 million yen (565.2%)   1Q Fiscal 2021: 122 million yen ((91.1)%)

	Profit per share
	Yen
1Q Fiscal 2022	26.96
1Q Fiscal 2021	14.05

(Notes) 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first quarter of the fiscal year ending December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

2. The Company conducted a two-for-one stock split of its common stock on January 1, 2022. Profit per share is computed based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q Fiscal 2022	52,197	41,440	79.4	468.12
Fiscal 2021	54,483	41,801	76.7	472.19

(Reference) Shareholders' equity   1Q Fiscal 2022: 41,440 million yen   Fiscal 2021: 41,801 million yen

(Notes) 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first quarter of the fiscal year ending December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

2. The Company conducted a two-for-one stock split of its common stock on January 1, 2022. Net assets per share is computed based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. Cash Dividends

	Dividends per share				
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Period-end dividend	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2021	—	23.00	—	28.00	51.00
Fiscal 2022	—				
Fiscal 2022 (forecast)		15.00	—	15.00	30.00

(Notes) 1. Revisions to the most recently announced dividend forecast: None

2. The Company conducted a two-for-one stock split of its common stock on January 1, 2022. The dividend amounts for fiscal 2021 are the actual dividend amounts before the stock split was conducted.

3. Projected Consolidated Results for Fiscal 2022 (January 1, 2022 to December 31, 2022)

(Percentage figures indicate year-on-year changes.)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	26,500	14.6	5,000	33.5	3,500	29.8	39.54
Full-year	55,500	14.0	10,500	16.7	7,350	15.4	83.03

(Note) Revisions to the most recently announced earnings forecast: None

* Notes

(1) Changes in significant subsidiaries during the quarter under review (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of accounting treatment particular to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies or estimates and retrospective restatements
1) Changes in accounting policies in accordance with revisions of accounting standards: Yes
2) Changes in accounting policies other than item 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatements: None

(Note) For more information, please see “(3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Major Notes” on page 8 of the appendix.

(4) Number of outstanding shares (common stock)

1) Total outstanding shares as of the end of the period (including treasury shares)	1Q Fiscal 2022	95,328,000 shares	Fiscal 2021	95,328,000 shares
2) Total treasury shares as of the end of the period	1Q Fiscal 2022	6,801,478 shares	Fiscal 2021	6,801,478 shares
3) Average number of outstanding shares during the period under review	1Q Fiscal 2022	88,526,522 shares	1Q Fiscal 2021	88,482,769 shares

(Note) The Company conducted a two-for-one stock split of its common stock on January 1, 2022. “Total outstanding shares as of the end of the period,” “Total treasury shares as of the end of the period,” and “Average number of outstanding shares during the period under review” are computed on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* This summary of quarterly financial results is outside the scope of quarterly reviews by a certified public accountant or an audit corporation.

* Points to note about the proper use of projections, and other noteworthy events

Any forward-looking statement, including earnings forecasts, contained in this document is based on information currently held by the Company and assumptions the Company considers to be reasonable, and the Company does not promise to achieve any of them. Actual results may differ significantly from forecasts due to various uncertain factors.

(Change in the way yen amounts are reported)

The figures for accounts and other items presented in the Company's quarterly consolidated financial statements were previously stated in thousands of yen, but effective from the first quarter of the current fiscal year and the first three months of the current fiscal year these amounts are now stated in millions of yen. The figures for the previous fiscal year and the first three months of the previous fiscal year are also presented in millions of yen for ease of comparison.

Contents

1. Qualitative Information Regarding Financial Results for the First Quarter under Review

Explanation of Operating Results

Looking at the economic environment during the first three months of the current fiscal year, we saw companies actively harnessing the power of IT to change their operations, such as promoting digital transformation (DX), implementing business reforms, and developing new digital services, despite global uncertainty. As companies implement teleworking as part of their workplace reform efforts and revamp their overall supply chains, they are racing toward digitalization. More and more companies across all industries and fields have been moving toward DX since last fiscal year. In terms of individual lifestyles, the use of IT-driven services, such as shopping at e-commerce sites, enjoying entertainment and sports on video and online, and accessing education and self-development services online, have spread widely. At the same time, camping and other outdoor leisure activities continued to be popular.

Working against this backdrop, we won various types of contracts from customers in a wide range of industries and made steady progress with projects that would contribute to medium-term growth. As a result, consolidated net sales for the first three months totaled 12,605 million yen (up 13.7% year on year), operating income was 3,341 million yen (up 96.2% year on year), and profit attributable to owners of parent came to 2,386 million yen (up 92.0% year on year).

Details of the performance (net sales and operating income) of each segment are as follows.

(1) IT Consulting & Service Business

Future Architect, Inc. (including the technology division of Future Corporation) built digital infrastructures for the retail and logistics industries using its proprietary AI technology, such as full digitalization of forms with the AI-OCR technology. The company also worked on strategic projects as it continued to receive a steady stream of orders from a wide variety of customers. These included the development of a fully automated system using AI and IoT technology in the energy industry as well as a mission-critical system designed to accelerate digital commerce for the apparel industry, and the revamping of customers' IT infrastructures. In addition to that, the company made steady progress with projects that would contribute to medium-term growth, including a project introducing next-generation banking systems to regional financial institutions and projects aimed at renovating mission-critical systems for staffing service providers and wholesalers. The company also continued to implement strict quality control. As a result, it enjoyed a year-on-year increase in net sales and a sharp increase in operating income.

Future Inspace, Inc. steadily acquired contracts for system infrastructure renewal and cloud migration projects from existing customers, in addition to providing regular maintenance and operation services. As a result, net sales and operating income increased year on year.

Future One, Inc. saw a year-on-year decline in net sales due to the adoption of the revenue recognition standard, but its operating income increased year on year as a result of steadily working on a large-scale project that had been ongoing since last year, ensuring quality, and improving the control of other projects.

YDC Corporation endeavored to expand its customer base in the logistics field by providing unique know-how to the Group's customers. However, due to a decrease in SI projects, net sales and operating income decreased year on year.

Both net sales and operating income of dit Co., Ltd. declined year on year due to procurement delays for its network construction-related service components caused by semiconductor shortages, although the company received solid orders for vulnerability assessment, computer forensics, incident response, and other cyber security-related services.

As a result, net sales of the segment increased to 10,882 million yen (up 22.0% year on year) and operating income grew substantially to 3,505 million yen (up 117.1% year on year).

(2) Business Innovation Business

YOCABITO CO., LTD. focused on switching to a new e-commerce infrastructure system and opening a flagship store in the face of significant delays in the delivery of products from overseas, growing competition for outdoor-related products, and a lull in demand. As a result, both net sales and operating income declined year on year.

CodeCamp, Inc. enjoyed an uptick in orders from corporate customers and the growth of CodeCampKIDS for kids, but orders from individual customers declined as more competitors entered the market. The company also made active investment for curriculum development and advertisement to enhance recognition, resulting in a decrease in net sales and operating income year on year.

Tokyo Calendar Inc. saw a steady stream of revenue from its online services such as Tokyo Calendar Date as well as growth in advertising revenue due to the enhanced quality of corporate promotions, resulting in year-on-year increases in net sales and operating income.

LaiBlitz, Inc. saw both net sales and operating income increase year on year after focusing on using FastMotion, its sports video analysis technology, for winter sports and introducing FastBiz, a packaged membership management and e-commerce service, to the soccer and entertainment industries.

As a result, the segment saw net sales decrease to 1,774 million yen (down 18.4% year on year) on top of an operating loss of 67 million yen (down from an operating income of 100 million yen for the same period last year).

(Note) Segment results mentioned above are before adjustment for intersegmental sales and transfers.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	First quarter of the current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	20,530	20,176
Notes and accounts receivable – trade	7,220	-
Notes and accounts receivable – trade, and contract assets	-	7,137
Securities	1,900	2,000
Merchandise and finished goods	1,230	1,385
Work in process	9	8
Other	1,224	894
Allowance for doubtful accounts	(3)	(3)
Total current assets	32,112	31,600
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,685	1,755
Accumulated depreciation	(1,003)	(1,028)
Buildings and structures, net	682	726
Land	0	0
Other	2,969	2,950
Accumulated depreciation	(2,497)	(2,513)
Other, net	471	436
Total property, plant and equipment	1,155	1,164
Intangible assets		
Goodwill	10	7
Software	1,915	2,135
Customer-related assets	208	156
Other	4	5
Total intangible assets	2,138	2,304
Investments and other assets		
Investment securities	17,697	15,714
Lease and guarantee deposits	1,175	1,176
Deferred tax assets	19	52
Other	261	260
Allowance for doubtful accounts	(75)	(75)
Total investments and other assets	19,078	17,128
Total non-current assets	22,371	20,597
Total assets	54,483	52,197

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	First quarter of the current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	913	1,272
Accounts payable – other	1,491	1,077
Income taxes payable	2,215	977
Provision for bonuses	243	1,063
Provision for quality assurance	34	40
Other	3,007	2,499
Total current liabilities	7,906	6,931
Non-current liabilities		
Asset retirement obligations	350	358
Deferred tax liabilities	4,278	3,301
Other	147	164
Total non-current liabilities	4,775	3,825
Total liabilities	12,682	10,757
Net assets		
Shareholders’ equity		
Capital stock	4,000	4,000
Retained earnings	29,299	30,511
Treasury shares	(2,221)	(2,221)
Total shareholders’ equity	31,078	32,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,711	9,131
Deferred gains or losses on hedges	1	4
Foreign currency translation adjustment	9	14
Total accumulated other comprehensive income	10,723	9,150
Total net assets	41,801	41,440
Total liabilities and net assets	54,483	52,197

(2) Consolidated quarterly statements of income and comprehensive income

(First three-month period)

(in millions of yen)

	First three months of the previous consolidated fiscal year (from January 1, 2021 to March 31, 2021)	First three months of the current consolidated fiscal year (from January 1, 2022 to March 31, 2022)
Net sales	11,083	12,605
Cost of sales	6,213	6,261
Gross profit	4,870	6,344
Selling, general and administrative expenses		
Directors' compensations	141	133
Salaries and bonuses	1,405	1,425
Training expenses	60	78
Research and development expenses	125	165
Depreciation	53	102
Recruiting expenses	78	150
Other	1,303	947
Total selling, general and administrative expenses	3,168	3,003
Operating income	1,702	3,341
Non-operating income		
Interest income	0	0
Dividend income	0	―
Share of profit of entities accounted for using equity method	11	18
Foreign exchange gains	5	3
Other	10	3
Total non-operating income	27	26
Non-operating expenses		
Interest expenses	0	0
Total non-operating expenses	0	0
Ordinary income	1,729	3,367
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	6	―
Gain on sales of investment securities	―	42
Total extraordinary income	6	42
Profit before income taxes	1,736	3,409
Total income taxes	480	1,022
Profit	1,255	2,386
(Breakdown)		
Profit attributable to owners of parent	1,242	2,386
Profit attributable to non-controlling interests	12	-

(in millions of yen)

	First three months of the previous consolidated fiscal year (from January 1, 2021 to March 31, 2021)	First three months of the current consolidated fiscal year (from January 1, 2022 to March 31, 2022)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,146)	(1,579)
Deferred gains or losses on hedges	15	2
Foreign currency translation adjustment	0	4
Share of other comprehensive income of entities accounted for using equity method	(2)	0
Total other comprehensive income	(1,133)	(1,572)
Comprehensive income	122	814
(Breakdown)		
Comprehensive income attributable to owners of parent	109	814
Comprehensive income attributable to non-controlling interests	12	—

(3) Notes to quarterly consolidated financial statements

(Notes on premise of a going concern)
Not applicable.

(Notes on any significant change in shareholders' equity)
Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it now recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Accordingly the Group conducted the principal-versus-agent assessment and found that it met the definition of the agent in some of the IT Consulting & Service Business segment’s maintenance and operation services. Hence the Group now recognizes revenue as the net amount.

For sales of the Group's software licenses as well as server equipment and other products that come with maintenance services, the Group now recognizes revenue from contracts in which it does not have a performance obligation to be fulfilled over time, such as maintenance services, at the time of sales, and recognizes revenue from contracts that come with maintenance services over the contract term during which the Group has a performance obligation, separately from contracts for sale of goods.

In addition, the Group previously recognized coupons it issued and points paid to other companies in its e-commerce and mail-order business as selling, general and administrative expenses, but now recognizes revenue by deducting these items from net sales. The Group also previously deducted shipping fees paid by customers from selling, general and administrative expenses, but now recognizes them as revenue since the shipping service is included in the performance obligation to provide products and reports shipping fees paid for the service as cost of sales instead of selling, general and administrative expenses as it previously did.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance. However, in accordance with the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized using the previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, net sales, cost of sales, and selling, general and administrative expenses for the first three months of the current fiscal year respectively decreased by 482 million yen, 181 million yen, and 204 million yen. Operating income, ordinary income, and profit before income taxes also decreased by 96 million yen. The opening balance of retained earnings increased by 64 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable – trade," which were included in "current assets" in the consolidated balance sheet for the previous fiscal year, are included in "notes and accounts receivable – trade, and contract assets" effective from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for 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). The effect of this change on the quarterly consolidated financial statements is immaterial.

(Segment information)

Segment information

I. First three months of the previous consolidated fiscal year (from January 1, 2021 to March 31, 2021)

1. Information on the amounts of net sales, and profit or loss by reportable segment

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in quarterly consolidated financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Sales to outside clients	8,916	2,164	11,080	3	11,083	—	11,083
(2) Intersegment sales or transfer	6	10	17	27	44	(44)	-
Total	8,922	2,175	11,097	30	11,128	(44)	11,083
Segment profit (loss)	1,614	100	1,714	(5)	1,709	(6)	1,702

(Notes) 1. "Other" is a segment for operations not included in reportable segments. The segment covers investment in, holding of, and management of securities.

2. Adjustments to segment profit (loss) represent the amount of intersegment transactions eliminated, and income and expenses of the holding company excluding the technology segment.

3. Segment profit (loss) is adjusted with operating income in quarterly consolidated financial statements.

II. First three months of the current consolidated fiscal year (from January 1, 2022 to March 31, 2022)

1. Information on the amounts of net sales, and profit or loss by reportable segment

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in quarterly consolidated financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Sales to outside clients	10,833	1,765	12,598	7	12,605	—	12,605
(2) Intersegment sales or transfer	48	9	58	81	139	(139)	—
Total	10,882	1,774	12,656	88	12,745	(139)	12,605
Segment profit (loss)	3,505	(67)	3,437	(14)	3,422	(81)	3,341

(Notes) 1. "Other" is a segment for operations not included in reportable segments. The segment covers investment in, holding of, and management of securities.

2. Adjustments to segment profit (loss) represent the amount of intersegment transactions eliminated, and income and expenses of the holding company excluding the technology segment.

3. Segment profit (loss) is adjusted with operating income in quarterly consolidated financial statements.

3. Supplementary Information

Orders received

(in millions of yen)

Category	First three months of the previous consolidated fiscal year (from January 1, 2021 to March 31, 2021)		First three months of the current consolidated fiscal year (from January 1, 2022 to March 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	9,445	10,045	12,508	13,311
Business Innovation Business	584	516	697	439
Total	10,029	10,561	13,206	13,750

Category	Fourth quarter of the previous consolidated fiscal year (from October 1, 2021 to December 31, 2021)		First quarter of the current consolidated fiscal year (from January 1, 2022 to March 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	7,833	11,636	12,508	13,311
Business Innovation Business	625	306	697	439
Total	8,459	11,942	13,206	13,750