



Consolidated Summary Report of Operating Results for the Second Quarter of Fiscal 2023 (Year Ending December 31, 2023) [Japan GAAP]

July 27, 2023

Company name: Future Corporation	Listing: Tokyo Stock Exchange
Securities code: 4722	URL: https://www.future.co.jp
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Scheduled date for filing the quarterly report: August 14, 2023	
Scheduled date for distributing dividend payments: September 15, 2023	
Creation of supplemental material on quarterly financial results: No	
Holding of financial results briefing: Yes (for institutional investors and analysts)	

(Amount rounded off to million yen)

1. Consolidated Results for the Second Quarter of Fiscal 2023 (January 1, 2023, to June 30, 2023)

(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	%
2Q Fiscal 2023	28,344	9.3	6,324	1.8	4,319	(4.4)
2Q Fiscal 2022	25,940	12.2	6,214	65.9	4,517	67.5

(Note) Comprehensive income	2Q Fiscal 2023:	5,260 million yen [83.3%]
	2Q Fiscal 2022:	2,869 million yen [(8.8)%]

	Profit per share
	Yen
2Q Fiscal 2023	48.77
2Q Fiscal 2022	51.03

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q Fiscal 2023	61,895	48,372	78.2	546.05
Fiscal 2022	57,857	44,827	77.5	506.20

(Reference) Shareholders' equity	2Q Fiscal 2023:	48,372 million yen
	Fiscal 2022:	44,827 million yen

2. Cash dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2022	-	17.00	-	20.00	37.00
Fiscal 2023	-	20.00			
Fiscal 2023 (forecast)			-	20.00	40.00

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

3. Projected Consolidated Results for Fiscal 2023 (January 1, 2023, to December 31, 2023)

(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
Full-year	59,500	10.7	13,800	12.8	9,660	4.6	109.08

(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, see “(4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Major Notes” on page 9 of the appendix.

(4) Number of outstanding shares (common stock)

1) Total outstanding shares as of the end of the period (including treasury shares)	2Q Fiscal 2023	95,328,000 shares	Fiscal 2022	95,328,000 shares
2) Total treasury shares as of the end of the period	2Q Fiscal 2023	6,742,171 shares	Fiscal 2022	6,771,952 shares
3) Average number of outstanding shares during the period under review	2Q Fiscal 2023	88,563,124 shares	2Q Fiscal 2022	88,534,040 shares

* 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.

○ Contents

1. Qualitative Information Regarding Financial Results for the Second Quarter under Review	2
(1) IT Consulting & Service Business	2
(2) Business Innovation Business.....	2
2. Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statements of income and comprehensive income	6
(First six-month period).....	6
(3) Quarterly consolidated statements of cash flows	8
(4) Notes to quarterly consolidated financial statements	9
(Notes on premise of a going concern)	9
(Notes on any significant change in shareholders' equity)	9
(Changes in accounting policies)	9
(Segment information).....	10
(Business Combinations).....	11
3. Supplementary Information	12
Orders received	12

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

Explanation of Operating Results

Looking at the economic environment during the first six months of the fiscal year under review, we saw companies continue to actively harness 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, persistent inflation, and the increase of overseas interest rates. Companies are revamping their work styles and overall supply chains following the enforcement of the Work Style Reform Law, and accelerating the use of IT in areas related to ESG and the SDGs. These things boost IT investments in all sectors and fields. 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, has become common, and various related services are being created.

Working against this backdrop, we won contracts from customers in a wide range of industries and made progress with large-scale projects that would contribute to medium-term growth. As a result, consolidated net sales for the first six months totaled 28,344 million yen (up 9.3% year on year) and operating income was 6,324 million yen (up 1.8% year on year). On the other hand, profit attributable to owners of parent decreased slightly to 4,319 million yen (down 4.4% year on year), mainly due to the impact of the reversal of deferred tax assets.

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) continued to move ahead with various projects of customers in a wide range of industries. They include designs of platforms for integrated data management of procurement, manufacturing, and quality control in the retail industry, renovations of mission-critical systems in the apparel industry, grand designs for advancing DX of a newspaper company group, and designs/development relating to the revamping of mission-critical systems and IT infrastructures in the food wholesaling and public service industries. In addition to that, the company made steady progress with the next-generation banking systems to regional financial institutions, a project that would contribute to its medium-term growth, specifically, the loan support system FutureBANK introduction project, as well as with the provision of DX assistance to various companies in the logistics and other industries. On the other hand, higher-than-planned costs for quality improvement at the design stage in some large-scale projects arose. Investments in research and development were also made, resulting in an increase in net sales but a slight decrease in operating income year on year.

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

Future One, Inc. worked on boosting orders for the sale of its original InfiniOne software package, the company's key product, through industry-specific sales strategies, mainly in the steel industry. As a result, it enjoyed a year-on-year increase in both net sales and operating income.

YDC Corporation saw continuous steady progress in developing new customers as well as expanding existing customers while developing their demands, particularly in the manufacturing industry. In addition to these traditional SI, it enjoyed an increase in orders led by the strategic planning phase, such as mission-critical system renovation and grand design consultation for the SmartFactory concept. Furthermore, due to an increase in the license sales of YDC SONAR® and other factors, its net sales and operating income increased year on year.

Both net sales and operating income of dit Co., Ltd. declined year on year. This was due to a lower-than-expected increase in orders for cybersecurity-related services, such as vulnerability assessment, incident response, and network security solutions, lacking product sales orders in large-scale projects, and increased recruiting costs.

As a result, net sales of the segment increased to 24,425 million yen (up 10.1% year on year) while operating income slightly decreased to 6,590 million yen (down 0.4% year on year).

(2) Business Innovation Business

The net sales and operating income of YOCABITO Co., Ltd. decreased year on year due to stagnant sales in its outdoor business caused by a still fiercely competitive market as well as rising logistics costs, while training gear sales, including private brands, remained strong.

While Tokyo Calendar Inc. saw a robust stream of revenue from its online services, such as magazines, advertising, and Tokyo Calendar Date, its net sales increased but the operating income decreased year on year due to costs relating to the launch of its new service Gourmet Calendar.

While CodeCamp Co., Ltd. saw a decrease in sales from individual customers, it enjoyed an uptick in its corporate training business from orders won before the previous quarter and, with significantly reducing costs, led to an increase in net sales and operating income year on year.

LaiBlitz, Inc. posted an increase in net sales and operating income year on year as a result of starting the rollout of Fast Biz, a packaged membership management and e-commerce service for sports teams, and smartphone app development technologies to other business types, including restaurant and insurance industries.

As a result, the segment saw an increase in net sales and a decrease in operating income year on year, with net sales totaling 3,971 million yen (up 3.2% year on year) and an operating loss standing at 291 million yen (up from an operating loss of 206 million yen for the same period last year).

Operating income under adjustment, which records income and expenses of Future Corporation's holding company functions and eliminations of intersegment transactions in the reporting segment, was 66 million yen, an increase of 257 million yen year on year (up from an operating loss of 191 million yen for the same period last year). This was mainly due to the increased technical support fees that Future Corporation received through its IT consulting and services business.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2022)	Second quarter of the current consolidated fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and deposits	26,652	24,076
Notes and accounts receivable – trade, and contract assets	8,549	9,673
Securities	1,000	700
Merchandise and finished goods	1,116	1,098
Work in process	22	39
Other	1,498	3,782
Allowance for doubtful accounts	(3)	(13)
Total current assets	38,835	39,356
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,815	1,842
Accumulated depreciation	(1,142)	(1,203)
Buildings and structures, net	673	639
Land	0	0
Other	3,107	3,284
Accumulated depreciation	(2,703)	(2,827)
Other, net	404	456
Total property, plant and equipment	1,078	1,096
Intangible assets		
Goodwill	661	2,097
Software	2,992	3,592
Other	5	4
Total intangible assets	3,659	5,694
Investments and other assets		
Investment securities	12,856	14,356
Lease and guarantee deposits	1,188	1,196
Deferred tax assets	-	1
Other	244	196
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	14,284	15,747
Total non-current assets	19,022	22,538
Total assets	57,857	61,895

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2022)	Second quarter of the current consolidated fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	1,067	979
Current portion of long-term borrowings	-	14
Accounts payable – other	1,810	1,665
Income taxes payable	2,280	2,255
Provision for bonuses	250	278
Provision for quality assurance	60	76
Provision for loss on projects	37	2
Other	4,354	4,575
Total current liabilities	9,860	9,848
Non-current liabilities		
Asset retirement obligations	356	357
Deferred tax liabilities	2,682	3,138
Other	130	179
Total non-current liabilities	3,169	3,674
Total liabilities	13,030	13,523
Net assets		
Shareholders' equity		
Capital stock	4,000	4,000
Capital surplus	37	84
Retained earnings	35,856	38,404
Treasury shares	(2,210)	(2,201)
Total shareholders' equity	37,683	40,287
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,123	8,046
Deferred gains or losses on hedges	(5)	3
Foreign currency translation adjustment	25	34
Total accumulated other comprehensive income	7,143	8,084
Total net assets	44,827	48,372
Total liabilities and net assets	57,857	61,895

(2) Quarterly consolidated statements of income and comprehensive income
(First six-month period)

(in millions of yen)

	First six months of the previous consolidated fiscal year (From January 1, 2022, to June 30, 2022)	First six months of the current consolidated fiscal year (From January 1, 2023, to June 30, 2023)
Net sales	25,940	28,344
Cost of sales	12,858	14,692
Gross profit	13,081	13,651
Selling, general and administrative expenses		
Directors' compensations	282	308
Salaries and bonuses	2,926	3,124
Other salaries	147	154
Rents	477	469
Training expenses	353	385
Research and development expenses	364	680
Depreciation	209	117
Recruiting expenses	382	490
Amortization of goodwill	5	118
Other	1,717	1,479
Total selling, general and administrative expenses	6,866	7,327
Operating income	6,214	6,324
Non-operating income		
Dividend income	187	160
Share of profit of entities accounted for using equity method	30	15
Other	7	40
Total non-operating income	225	216
Non-operating expenses		
Loss on investments in investment partnerships	-	13
Other	7	1
Total non-operating expenses	7	15
Ordinary income	6,432	6,526
Extraordinary income		
Gain on sale of investment securities	47	-
Total extraordinary income	47	-
Extraordinary losses		
Loss on valuation of investment securities	10	-
Total extraordinary losses	10	-
Profit before income taxes	6,469	6,526
Income taxes – current	2,095	2,139
Income taxes – deferred	(143)	67
Total income taxes	1,951	2,206
Profit	4,517	4,319
(Breakdown)		
Profit attributable to owners of parent	4,517	4,319

(in millions of yen)

	First six months of the previous consolidated fiscal year (From January 1, 2022, to June 30, 2022)	First six months of the current consolidated fiscal year (From January 1, 2023, to June 30, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,665)	922
Deferred gains or losses on hedges	5	8
Foreign currency translation adjustment	10	9
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(1,648)	940
Comprehensive income	2,869	5,260
(Breakdown)		
Comprehensive income attributable to owners of parent	2,869	5,260
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(in millions of yen)

	First six months of the previous consolidated fiscal year (From January 1, 2022, to June 30, 2022)	First six months of the current consolidated fiscal year (From January 1, 2023, to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	6,469	6,526
Depreciation	556	483
Amortization of goodwill	5	118
Increase (decrease) in allowance for doubtful accounts	(70)	(1)
Increase (decrease) in provision for bonuses	20	27
Increase (decrease) in provision for quality assurance	6	16
Increase (decrease) in provision for loss on projects	-	(34)
Interest and dividend income	(188)	(161)
Interest expenses	0	0
Share of (profit) loss of entities accounted for using equity method	(30)	(15)
Loss (gain) on investments in investment partnerships	-	13
Foreign exchange losses (gains)	6	(56)
Loss (gain) on sale of investment securities	(47)	-
Loss (gain) on valuation of investment securities	10	--
Decrease (increase) in notes and accounts receivable – trade and contract assets	242	(1,000)
Decrease (increase) in inventories	(137)	58
Increase (decrease) in accounts payable – trade	234	(90)
Increase (decrease) accounts payable – other	229	(241)
Decrease (increase) in other assets	96	(993)
Increase (decrease) in other liabilities	(647)	207
Subtotal	6,754	4,856
Interest and dividend income received	188	161
Interest expenses paid	(0)	(0)
Income taxes paid	(2,403)	(3,426)
Net cash provided by (used in) operating activities	4,540	1,591
Cash flows from investing activities		
Purchase of securities	(900)	-
Proceeds from redemption of securities	1,300	100
Purchase of property, plant and equipment	(52)	(57)
Purchase of intangible assets	(825)	(898)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,410)
Purchase of investment securities	(814)	(2)
Proceeds from sale of investment securities	104	-
Proceeds from redemption of investment securities	200	-
Payments for investments in capital	-	(140)
Payments for lease and guarantee deposits	(11)	(9)
Proceeds from collection of lease and guarantee deposits	1	4
Other	1	1
Net cash provided by (used in) investing activities	(997)	(2,412)
Cash flows from financing activities		
Repayments of short-term loans payable	-	(117)
Repayments of long-term loans payable	-	(3)
Repayments of finance lease obligations	(78)	(96)
Cash dividends paid	(1,173)	(1,771)
Net cash provided by (used in) financing activities	(1,252)	(1,988)
Effect of exchange rate changes on cash and cash equivalents	34	34
Net increase (decrease) in cash and cash equivalents	2,324	(2,775)
Cash and cash equivalents at the beginning of the period	21,430	27,552
Cash and cash equivalents at the end of the period	23,754	24,776

(4) 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 Fair Value Measurement, etc.)

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change has no effect on the quarterly consolidated financial statements.

(Segment information)

[Segment information]

I First six months of the previous consolidated fiscal year (from January 1, 2022, to June 30, 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	22,113	3,815	25,929	10	25,940	-	25,940
(2) Intersegment sales or transfer	78	33	111	184	296	(296)	-
Total	22,192	3,849	26,041	194	26,236	(296)	25,940
Segment profit (loss)	6,617	(206)	6,411	(4)	6,406	(191)	6,214

- (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 six months of the current consolidated fiscal year (from January 1, 2023, to June 30, 2023)

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	24,391	3,913	28,304	40	28,344	-	28,344
(2) Intersegment sales or transfer	34	58	93	214	307	(307)	-
Total	24,425	3,971	28,397	254	28,652	(307)	28,344
Segment profit (loss)	6,590	(291)	6,299	(40)	6,258	66	6,324

- (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.

2. Information on the amounts of impairment losses or goodwill, etc. of non-current assets by reportable segment

(Significant change in the amount of goodwill)

In the Business Innovation Business segment, the Group has acquired CURIOSITY inc., making it a consolidated subsidiary. The increased amount of goodwill due to such an event is 1,553 million yen during the first six months of the current fiscal year. The amount of goodwill is an amount tentatively calculated since the allocation of acquisition costs has not been completed at the end of the second quarter of the current fiscal year.

(Business Combinations)

Business combination by acquisition

The Company, at its Board of Directors meeting held on March 23, 2023, resolved that Future Investment Corp., a subsidiary of the Company, would acquire all shares of CURIOSITY inc. and make it a subsidiary. Future Investment Corp. entered into a share transfer agreement on April 3, 2023, and acquired all shares on April 21, 2023.

1. Overview of business combination

(1) Name and details of business of the acquired company

Name of the acquired company: CURIOSITY inc.

Details of business: Planning and production of commercial and industrial designs, and planning, development, design, and production of new products

(2) Main reasons for the business combination

By combining the Group's technology and consulting capabilities of designing management and IT with CURIOSITY's boundary-less design capabilities cultivated in real space, a tremendous increase in added value created by the entire Group is expected. Contribution to the development of new areas, such as business creation, is also anticipated. Furthermore, CURIOSITY's potential to significantly expand its design domain will increase by adding new digital power to its design capabilities in real space.

Judging that the acquisition would significantly contribute to enhancing the Group's corporate value over the coming years, the Company decided to acquire shares of the company and make it a subsidiary.

(3) Date of business combination

April 21, 2023 (stock acquisition date)

April 1, 2023 (deemed acquisition date)

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after business combination

CURIOSITY inc.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the company to be acquired

The Company acquired the shares in exchange for cash.

2. Business term of the acquired company included in the quarterly consolidated statement of income for the first six months of the fiscal year under review

From April 1, 2023, to June 30, 2023

3. Acquisition cost for the acquired company and breakdown of the consideration by type

Consideration for the acquisition Cash 2,220 million yen

4. Details and amount of major acquisition-related expenses

Remuneration/fees, etc. for advisory services 96 million yen

5. Amount of goodwill arisen, reasons for it, and method and period of amortization

(1) Amount of goodwill arisen

1,553 million yen

The amount of goodwill is an amount tentatively calculated since the allocation of acquisition costs has not been completed at the end of the second quarter of the current fiscal year.

(2) Reasons for the goodwill arising

Due to the extra earning potential expected from the future development of business

(3) Method and period of amortization

Straight-line amortization over eight years

3. Supplementary Information

Orders received

(in millions of yen)

Category	First six months of the previous consolidated fiscal year (from January 1, 2022, to June 30, 2022)		First six months of the current consolidated fiscal year (from January 1, 2023, to June 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	26,602	15,957	27,026	16,741
Business Innovation Business	1,193	376	2,264	1,377
Total	27,795	16,334	29,290	18,118

Category	First quarter of the current consolidated fiscal year (from January 1, 2023, to March 31, 2023)		Second quarter of the current consolidated fiscal year (from April 1, 2023, to June 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	14,415	16,290	12,610	16,741
Business Innovation Business	721	767	1,542	1,377
Total	15,137	17,058	14,152	18,118