



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

October 25, 2023

Company name:	Future Corporation	Listing:	Tokyo Stock Exchange
Securities code:	4722	URL:	https://www.future.co.jp
Representative:	Yasufumi Kanemaru, Chairman and President		
Contact:	Yasukazu Matsushita, Executive Officer	TEL:	03-5740-5724
Scheduled date for filing the quarterly report:	November 14, 2023		
Scheduled date for distributing dividend payments:	-		
Creation of supplemental material on quarterly financial results:	No		
Holding of financial results briefing:	No		

(Amount rounded off to million yen)

1. Consolidated Results for the Third Quarter of Fiscal 2023 (January 1, 2023 to September 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	%
3Q Fiscal 2023	44,222	11.6	10,383	10.9	7,119	(1.1)
3Q Fiscal 2022	39,614	10.7	9,361	43.0	7,195	54.7

(Note) Comprehensive income	3Q Fiscal 2023:	7,521 million yen [76.9%]
	3Q Fiscal 2022:	4,252 million yen [(31.6)%]

	Profit per share
	Yen
3Q Fiscal 2023	80.38
3Q Fiscal 2022	81.26

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q Fiscal 2023	63,558	48,864	76.9	551.62
Fiscal 2022	57,976	44,829	77.3	506.23

(Reference) Shareholders' equity	3Q Fiscal 2023:	48,864 million yen
	Fiscal 2022:	44,829 million yen

(Note) The Company applied provisional accounting for a business combination for the third quarter of the fiscal year ending December 31, 2023. Each figure for the fiscal year ended December 31, 2022 is the figure reflecting the provisional accounting.

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	12.9	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 “(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)	3Q Fiscal 2023	95,328,000 shares	Fiscal 2022	95,328,000 shares
2) Total treasury shares as of the end of the period	3Q Fiscal 2023	6,744,159 shares	Fiscal 2022	6,771,952 shares
3) Average number of outstanding shares during the period under review	3Q Fiscal 2023	88,570,135 shares	3Q Fiscal 2022	88,542,082 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.

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

Explanation of Operating Results

Looking at the economic environment during the first nine 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 of the Group for the first nine months of the current fiscal year totaled 44,222 million yen (up 11.6% year on year) and operating income was 10,383 million yen (up 10.9% year on year). On the other hand, profit attributable to owners of parent decreased slightly to 7,119 million yen (down 1.1% year on year), mainly due to the recording of gain on sale of investment securities as extraordinary income in the previous quarter.

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 and won contracts with them. 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 projects to introduce next-generation banking systems to regional financial institutions. The first one is at the final integration test phase toward release in the next fiscal year and the second one for another bank is at the developmental phase. These projects will contribute to the company's medium-term growth. The Company also provided DX assistance to various companies in the logistics and other industries. Furthermore, as a result of ensuring quality control in implementing projects, its net sales and operating income increased 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. On the other hand, orders received were sluggish due to a slowdown of IT investment by SMEs following the implementation of the invoice system in Japan (a consumption tax system that started in October 2023). As a result, net sales and operating income decreased year on year.

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. In addition, net sales and operating profit increased year on year mainly due to an increase in license sales of YDC SONAR®.

Orders for cybersecurity-related services of dit Co., Ltd., such as vulnerability assessment, incident response, and network security solutions, were slower than planned despite an increase in new project acquisition, and in terms of product sales, no orders were received in large-scale projects. While recruiting costs were also incurred continuously, net sales and operating income declined year on year.

As a result, the segment saw both net sales and operating income increase to reach 38,067 million yen (up 12.5% year on year) and 10,631 million yen (up 7.0% year on year) respectively.

(2) Business Innovation Business

YOCABITO Co., Ltd. saw a recovery in gross margin ratio as it cleared its slow-moving inventories to a certain extent, and utilized a digital platform to implement per-product appropriate profit management, product renewal and removal, and strategic sales price setting, etc., but saw net sales and operating income decrease year on year due to continued stagnant sales in its outdoor business in the fiercely competitive

market.

While Tokyo Calendar Inc. saw a robust stream of revenue from magazines and advertising sales get on a recovery track, net sales increased but the operating income fell year on year due to costs relating to the development of its new service Gourmet Calendar.

While CodeCamp Co., Ltd. saw a decrease in sales from individual customers due to the reduction of advertisements, it continued to enjoy an uptick in its corporate training business. In addition, as a result of appropriate cost control, the company saw an increase in net sales and operating income year on year.

LaiBlitz, Inc. steadily worked on new development projects in the construction and restaurant industries, and more additional functional development for a sports team that introduced a packaged membership management service called FastBiz and a data analysis system called Fastball, leading to a year-on-year increase in both net sales and operating income.

As a result, the segment saw an increase in net sales and a decrease in operating income year on year, with net sales totaling 6,061 million yen (up 2.6% year on year) and an operating loss standing at 323 million yen (down from an operating loss of 307 million yen for the same period last year).

Operating income under adjustments which post income and expenses of Future Corporation's holding company functions and eliminations of intersegment transactions in the reporting segment, was 199 million yen, an increase of 440 million yen year on year (up from an operating loss of 240 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)	Third quarter of the current consolidated fiscal year (September 30, 2023)
Assets		
Current assets		
Cash and deposits	26,652	24,731
Notes and accounts receivable – trade, and contract assets	8,549	10,104
Securities	1,000	500
Merchandise and finished goods	1,116	1,346
Work in process	22	18
Other	1,498	4,764
Allowance for doubtful accounts	(3)	(3)
Total current assets	38,835	41,460
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,815	1,858
Accumulated depreciation	(1,142)	(1,235)
Buildings and structures, net	673	623
Land	0	0
Other	3,107	3,302
Accumulated depreciation	(2,703)	(2,878)
Other, net	404	423
Total property, plant and equipment	1,078	1,047
Intangible assets		
Goodwill	401	1,131
Software	2,992	3,649
Customer-related assets	56	111
Technology-related assets	322	1,166
Other	5	4
Total intangible assets	3,777	6,062
Investments and other assets		
Investment securities	12,856	13,593
Lease and guarantee deposits	1,188	1,199
Deferred tax assets	-	2
Other	244	193
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	14,284	14,987
Total non-current assets	19,140	22,097
Total assets	57,976	63,558

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2022)	Third quarter of the current consolidated fiscal year (September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	1,067	1,642
Accounts payable – other	1,810	1,197
Income taxes payable	2,280	2,266
Provision for bonuses	250	1,379
Provision for quality assurance	60	93
Provision for loss on projects	37	-
Other	4,354	4,612
Total current liabilities	9,860	11,191
Non-current liabilities		
Asset retirement obligations	356	357
Deferred tax liabilities	2,798	2,998
Other	130	146
Total non-current liabilities	3,285	3,501
Total liabilities	13,146	14,693
Net assets		
Shareholders' equity		
Capital	4,000	4,000
Capital surplus	37	84
Retained earnings	35,858	39,434
Treasury shares	(2,210)	(2,201)
Total shareholders' equity	37,685	41,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,123	7,507
Deferred gains or losses on hedges	(5)	2
Foreign currency translation adjustment	25	35
Total accumulated other comprehensive income	7,143	7,546
Total net assets	44,829	48,864
Total liabilities and net assets	57,976	63,558

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

(in millions of yen)

	First nine months of the previous consolidated fiscal year (from January 1, 2022 to September 30, 2022)	First nine months of the current consolidated fiscal year (from January 1, 2023 to September 30, 2023)
Net sales	39,614	44,222
Cost of sales	19,702	22,706
Gross profit	19,912	21,515
Selling, general and administrative expenses		
Directors' compensations	425	473
Salaries and bonuses	4,466	4,751
Other salaries	223	238
Rents	713	706
Training expenses	531	620
Research and development expenses	626	938
Depreciation	320	299
Recruiting expenses	577	730
Amortization of goodwill	7	116
Other	2,659	2,258
Total selling, general and administrative expenses	10,551	11,132
Operating income	9,361	10,383
Non-operating income		
Dividend income	187	160
Share of profit of entities accounted for using equity method	42	36
Other	10	55
Total non-operating income	240	252
Non-operating expenses		
Loss on investments in investment partnerships	-	15
Other	4	3
Total non-operating expenses	4	18
Ordinary income	9,596	10,617
Extraordinary income		
Gain on sale of investment securities	732	-
Total extraordinary income	732	-
Extraordinary losses		
Loss on valuation of investment securities	10	-
Total extraordinary losses	10	-
Profit before income taxes	10,319	10,617
Income taxes – current	3,590	3,763
Income taxes – deferred	(466)	(265)
Total income taxes	3,124	3,497
Profit	7,195	7,119
(Breakdown)		
Profit attributable to owners of parent	7,195	7,119

(in millions of yen)

	First nine months of the previous consolidated fiscal year (from January 1, 2022 to September 30, 2022)	First nine months of the current consolidated fiscal year (from January 1, 2023 to September 30, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,962)	384
Deferred gains or losses on hedges	3	7
Foreign currency translation adjustment	15	10
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(2,942)	402
Comprehensive income	4,252	7,521
(Breakdown)		
Comprehensive income attributable to owners of parent	4,252	7,521
Comprehensive income attributable to non-controlling interests	-	-

(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 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 nine months of the previous consolidated fiscal year (from January 1, 2022 to September 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	33,736	5,856	39,593	21	39,614	-	39,614
(2) Intersegment sales or transfer	98	52	151	284	435	(435)	-
Total	33,835	5,909	39,744	305	40,050	(435)	39,614
Segment profit (loss)	9,938	(307)	9,631	(29)	9,601	(240)	9,361

- (Notes)
1. "Other" is a segment for operations not included in reportable segments. The segment covers an operation business of a handball team, and 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 nine months of the current consolidated fiscal year (from January 1, 2023 to September 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	38,018	5,947	43,965	257	44,222	-	44,222
(2) Intersegment sales or transfer	49	114	163	376	539	(539)	-
Total	38,067	6,061	44,129	633	44,762	(539)	44,222
Segment profit (loss)	10,631	(323)	10,308	(125)	10,183	199	10,383

- (Notes)
1. "Other" is a segment for operations not included in reportable segments. The segment covers an operation business of a handball team, and 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.

(Business Combinations)

Provisional accounting pertaining to business combination

The Company applied provisional accounting for the business combination with CURIOSITY inc. implemented on April 21, 2023, for the second quarter of the fiscal year ending December 31, 2023, and finalized the accounting for the third quarter under review.

Due to the finalization of this provisional accounting, the amount of goodwill calculated tentatively of 1,553 million yen decreased by 707 million yen to 846 million yen. The decrease of goodwill is mainly due to an increase in customer-related assets of 105 million yen, technology-related assets of 914 million yen, and deferred tax liabilities of 312 million yen.

Amortization period is 8 years for goodwill, 2 years for customer-related assets, and 10 years for technology-related assets.

3. Supplementary Information

Orders received

(in millions of yen)

Category	First nine months of the previous consolidated fiscal year (from January 1, 2022 to September 30, 2022)		First nine months of the current consolidated fiscal year (from January 1, 2023 to September 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	37,905	15,805	42,252	18,339
Business Innovation Business	1,729	352	3,559	1,680
Total	39,635	16,157	45,811	20,020

Category	Second quarter of the current consolidated fiscal year (from April 1, 2023 to June 30, 2023)		Third quarter of the current consolidated fiscal year (from July 1, 2023 to September 30, 2023)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	12,610	16,741	15,225	18,339
Business Innovation Business	1,542	1,377	1,295	1,680
Total	14,152	18,118	16,520	20,020