

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	%	Yen
Fiscal 2022	10,174	(1,009)	(3,017)	27,552
Fiscal 2021	9,611	(1,689)	(2,498)	21,430

2. Cash dividends

	Annual dividends					Total cash dividends	Dividend payout ratio (consolidat ed)	Ratio of dividends to net assets (consolidat ed)
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	Yen
Fiscal 2021	-	23.00	-	28.00	51.00	2,257	35.4	5.6
Fiscal 2022	-	17.00	-	20.00	37.00	3,276	35.5	7.6
Fiscal 2023 (projection)	-	20.00	-	20.00	40.00		36.7	

(Note) 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 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
First six months (accumulated total)	28,300	9.1	6,600	6.2	4,620	2.3	52.17
Full-year	59,500	10.7	13,800	12.8	9,660	4.6	109.08

* Notes

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

(2) 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 “(5) Notes to consolidated financial statements (Changes in accounting policies)” in “4. Consolidated Financial Statements and Major Notes” on page 15 of the appendix.

(3) Number of outstanding shares (common stock)

1) Total outstanding shares as of the end of the period (including treasury shares)	Fiscal 2022	95,328,000 shares	Fiscal 2021	95,328,000 shares
2) Total treasury shares as of the end of the period	Fiscal 2022	6,771,952 shares	Fiscal 2021	6,801,478 shares
3) Average number of outstanding shares during the period under review	Fiscal 2022	88,546,007 shares	Fiscal 2021	88,509,695 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.

(Reference) Overview of non-consolidated results

Non-consolidated Results for Fiscal 2022 (January 1, 2022 to December 31, 2022)

(1) Non-consolidated operating results

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

	Net sales		Operating revenue		Operating income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2022	8,039	6.7	4,418	54.5	5,926	18.8	5,164	39.3
Fiscal 2021	7,532	39.7	2,860	(17.3)	4,989	5.9	3,708	(10.6)

	Profit per share
	Yen
Fiscal 2022	58.32
Fiscal 2021	41.90

- (Notes)
1. The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended December 31, 2022, and each figure for the fiscal year ended December 31, 2022 is the figure after adopting 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) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2022	40,838	34,344	84.1	387.82
Fiscal 2021	43,467	35,468	81.6	400.66

(Reference) Shareholders' equity Fiscal 2022: 34,344 million yen Fiscal 2021: 35,468 million yen

- (Notes)
1. The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended December 31, 2022, and each figure for the fiscal year ended December 31, 2022 is the figure after adopting 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.

* This summary of annual financial results is outside the scope of auditing 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 consolidated financial statements were previously stated in thousands of yen, but effective from the beginning of the current fiscal year these amounts are now stated in millions of yen. The figures for the previous fiscal year are also presented in millions of yen for ease of comparison.

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1. Overview of Operating Results and Other

(1) Overview of operating results for fiscal 2022

(Overview of the fiscal year under review)

Consolidated results of the Group for the fiscal year under review (January 1, 2022 to December 31, 2022) were as follows:

Net sales	¥53,738 million	(up 10.3% year on year)
Operating income	¥12,229 million	(up 35.9% year on year)
Profit attributable to owners of parent	¥9,236 million	(up 45.0% year on year)

Looking at the economic environment during the current fiscal year, 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, ongoing inflation, and the rapid depreciation of the yen. Companies are implementing teleworking as part of their workplace reform efforts, revamping their overall supply chains, and accelerating the use of IT in areas related to ESG and the SDGs, and 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, have spread widely.

Working against this backdrop, Future Corporation (the “Company”) won contracts for various types of projects from customers in a wide range of industries and made steady progress with a large-scale project. As a result, consolidated net sales and profits for the current fiscal year increased 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) decided to introduce a next-generation banking system to another regional financial institution, a project that will contribute to the Company’s medium- to long-term growth. The installation is the second of its kind. The Company also worked on various 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 the provision of sustainable DX assistance to various companies in the logistics and other industries. This, as well as its ongoing efforts to ensure quality control, resulted in an increase in net sales and operating income year on year.

Future Inspace, Inc. stably acquired commissioned maintenance and operation projects in cooperation with Future Architect, Inc., and continued to receive orders for new development projects. As a result, net sales and operating income increased year on year.

Future One, Inc., undertook optimization in customizing “InfiniOne,” its original package software, while strengthening channels with outside sales partners, etc. As a result, its net sales and operating income increased year on year.

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 fell year on year.

Both net sales and operating income of dit Co., Ltd. rose year on year. The company received favorable orders for vulnerability assessment, incident response, network security solution and other cyber security-related services, and made progress in the development of WADJET, an integration analytics platform against cyberattacks.

As a result, the segment saw both net sales and operating income increase to reach 45,593 million yen (up 16.1% year on year) and 12,910 million yen (up 44.7% year on year) respectively.

2) Business Innovation Business

YOCABITO CO., LTD. recorded lower-than-expected revenue since sales of winter apparel were weaker than expected because of the weather conditions, and the outdoor goods market continued to be fiercely competitive. The depreciation of the yen and a rise in purchase costs, etc. due to rising raw material costs and logistics costs weighed on profit, resulting in a decrease in net sales and operating income year on year.

CodeCamp, Inc. enjoyed an uptick in orders from corporate customers from which sales are expected in the next fiscal year, but orders from individual customers fell in the current fiscal year as more competitors entered the market. As a result, net sales and operating income decreased year on year.

Tokyo Calendar Inc.'s sales were boosted by significant growth in magazine sales as a result of the strengthened digital promotion and stable revenue from net services including Tokyo Calendar Date. However, the company recorded costs associated with Gourmet Calendar, a new service that started in January 2023, resulting in an increase in net sales but a decrease in operating income year on year.

LaiBlitz, Inc. saw an increase in system expansion demand from professional baseball teams that intend to strengthen their team management, and also introduced FastBiz, a packaged membership management and e-commerce service, to several sports teams including a rugby team, leading to a year-on-year increase in both net sales and operating income.

As a result, the segment saw both net sales and operating income drop year on year, with net sales totaling 8,274 million yen (down 13.8% year on year) and an operating loss standing at 272 million yen (down from an operating income of 413 million yen for the same period last year).

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

(2) Overview of the financial position for fiscal 2022

(Assets, liabilities and net assets)

The following is the analysis of financial position for the fiscal year under review.

Assets	¥57,857 million	(up 6.2% year on year)
Liabilities	¥13,030 million	(up 2.7% year on year)
Net assets	¥44,827 million	(up 7.2% year on year)

The following is the analysis of financial position for the fiscal year under review.

1) Assets

Current assets were 38,835 million yen on a consolidated basis at the end of the fiscal year under review, up 6,723 million yen from the preceding year, and non-current assets amounted to 19,022 million yen, down 3,349 million yen, with total assets standing at 57,857 million yen, up 3,374 million yen. The main factors included a decline in the market price of investment securities in investments and other assets (down 4,840 million yen), offset mainly by an increase in cash and deposits (up 6,121 million yen) that was boosted by increase in profit, an increase in software (up 1,076 million yen), and an increase in notes and accounts receivable – trade and contract assets (up 1,328 million yen).

2) Liabilities

Current liabilities were 9,860 million yen at the end of the fiscal year under review, up 1,954 million yen from the preceding year, and non-current liabilities were 3,169 million yen, down 1,605 million yen. Hence, total liabilities came to 13,030 million yen, up 348 million yen. The main factors included a decrease in deferred tax liabilities (down 1,595 million yen year on year) due to a decline in the market price of investment securities held, offset by an increase in other current liabilities (up 1,346 million), an increase in accounts payable – other (up 318 million yen), and an increase in accounts payable - trade (up 154 million).

3) Net assets

Net assets were 44,827 million yen at the end of the fiscal year under review, up 3,025 million yen from the preceding year. The main factors included a decrease in valuation difference on available-for-sale securities (down 3,588 million yen), offset by an increase in retained earnings (up 6,556 million yen).

(3) Overview of cash flows for fiscal 2022

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

1) Net cash provided by (used in) operating activities

Net cash from operating activities saw an inflow of 10,174 million yen in total (compared with an inflow of 9,611 million yen in the previous fiscal year), chiefly due to the posting of profit before income taxes of 13,266 million yen and depreciation of 1,201 million yen, despite income taxes paid amounting to 3,972 million yen.

2) Net cash provided by (used in) investing activities

Net cash from investing activities saw an outflow of 1,009 million yen (compared with an outflow of 1,689 million yen in the previous fiscal year), chiefly due to the posting of purchase of intangible assets of 1,693 million yen, and purchase of investment securities of 989 million yen, offset mainly by proceeds from sale of investment securities of 1,432 million yen.

3) Net cash provided by (used in) financing activities

Net cash from financing activities saw an outflow of 3,017 million yen (compared with an outflow of 2,498 million yen in the previous fiscal year), mainly reflecting cash dividends paid of 2,756 million yen.

4) Cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the fiscal year under review stood at 27,552 million yen, with an increase of 6,121 million yen resulting from operating, investing and financing activities.

(4) Future outlook

The Group's earnings forecast for the fiscal year ending December 31, 2023 is as follows.

Net sales	¥59,500 million	(up 10.7% year on year)
Operating income	¥13,800 million	(up 12.8% year on year)
Profit attributable to owners of parent	¥9,660 million	(up 4.6% year on year)

In the medium to long term, corporations will continue making aggressive investments in information technology as they move toward DX and adapt to changes in the ways people work, such as remote working, as well as address economic and social issues, including ESG factors and the SDGs.

The Group will strive to accurately grasp the needs of companies promoting these management reforms through IT, then leverage Group synergies to provide active and multilateral support in an effort to gain even further support from customers in many and diverse industries.

As an effort related to ESG and SDG themes, which are of growing concern, the Group has been disclosing the GHG emissions since September 2022. In addition to an effort to grasp the change in emissions due to the work style shift to teleworking, the Group has taken advanced actions including the launch of Future Sustainatopia that utilizes Group Company LaiBlitz, Inc.'s metaverse platform. We will continue to promote our measures concerning ESG and the SDGs, and support customers' environmental and decarbonization efforts.

Furthermore, by making effective use of intellectual property and conducting flexible strategic investments including M&As as the Group, we will evolve our business model and achieve further growth from the next fiscal year onward. In addition, the Group will also invest in its business foundation with a view to the future, such as continuous personnel recruitment and training and R&D. In tandem with this, the Group will strengthen its governance by strengthening internal communication within the Group and further improving the accuracy of its quality management.

Noteworthy events in each business segment are as follows.

1) IT Consulting & Service Business

Future Architect, Inc. has received orders for grand designs from customers implementing management reforms and core system renewals from diverse industries conscious of the advancement of DX. The company will ensure the implementation of these projects, while striving to acquire more orders from companies with investment demand, for example by providing customers with DX professional development programs. It will also strengthen its provision of IT solutions that will contribute to solving long-standing issues facing an entire industry, such as a next-generation banking system for the regional financial sector and GlyphFeeds for the media sector, and bolster its initiatives aimed at medium- to long-term success, such as supporting the realization of digitally sophisticated corporate strategies as a whole. Furthermore, it will enhance its organizational capabilities as a leader of the next generation through emphasizing the acquisition of excellent talented people, investment in training, quality control and project management.

Future Inspace, Inc. has started working on a number of system infrastructure renewal and cloud migration projects for existing customers and expects the scale of these projects to expand until around 2023. The company will continue to enhance the quality of its development work and train employees with an eye to ensuring steady project implementation and continuously increasing revenue.

YDC Corporation will focus on proposing smart factory solutions to the manufacturing industry and stepping up efforts to propose solutions to new and existing customers by introducing such solutions to pilot customers, while in the logistics area, it will aim to acquire new projects by taking further advantage of the Group synergy.

In addition, the Company released CPQ SaaS, a cloud-based solution for product configuration and quoting, and also launched “Manufacture GX,” a green transformation assistance service for the manufacturing industry to help realize sustainable growth of manufacturers and a carbon-neutral society. Through these efforts, the company will strive to increase revenue further.

Future One, Inc. will leverage the strength of its original InfiniOne software package to boost orders through industry-specific sales strategies and enhance its product lineup all with an eye to higher revenue.

In order to further enhance its capability to respond to the security lifecycle of companies, dit Co., Ltd. will strengthen its human resources through recruitment activity and internal training, and promote the provision of its managed EDR* service and security awareness training service, which are in especially high demand, for further revenue growth.

* Endpoint Detection and Response (EDR): An endpoint security solution that combines continuous monitoring and response capabilities

2) Business Innovation Business

YOCABITO CO., LTD. will further enhance its brand awareness through flagship store promotion, etc., and attract more customers to both the EC site and real stores with an addition of another EC site that opened in January, striving to increase profitability.

CodeCamp, Inc. will enhance its service for corporate customers in consideration of the market needs including DX professional development and reskilling, and continue to focus on growing web-design service for individual customers, aiming to receive more orders.

In January 2023, Tokyo Calendar Inc. started pre-launch operation of Gourmet Calendar, a restaurant reservation service that works with its monthly magazine. We will strive to grow Gourmet Calendar, with hopes of positioning the service as another pillar of revenue. Tokyo Calendar Inc. also has been active in the development for active use of user data, aiming to enhance digital promotion for further profitability.

LaiBlitz, Inc. promotes the use of FastBiz, a packaged membership management and e-commerce service, in revitalizing the local community. It also started a community service using a metaverse platform “MetaStation,” allowing a space where companies can provide various services, aiming for further profitability.

(5) Dividend policy and dividends for the current and next year

The Company determines its dividend by comprehensively taking into account the state of its accounting period profit and loss, cash flows and treasury stock purchasing while placing shareholder return as its priority management issue and securing a proper level of internal reserves for the organization to continue growing in a sustainable manner.

The Company plans to apply a dividend payout ratio standard of at least 35% of consolidated earnings.

Under the above-mentioned policy, we plan to pay a total dividend of 20.00 yen per share as a year-end dividend from surplus. The full fiscal year dividend comprising the year-end dividend and the previously paid interim dividend is expected to be 37.00 yen per share (consolidated dividend payout ratio of 35.5%).

Under the above-mentioned policy, we plan to pay an annual dividend of 40.00 yen per share (year-end dividend of 20.00 yen and interim dividend of 20.00 yen , consolidated dividend payout ratio of 36.7%) as a dividend from surplus for the next fiscal year.

2. The Future Group

The Group (the Company and its related companies) has introduced a holding company structure, and consists of 19 consolidated subsidiaries and four equity-method affiliates as of December 31, 2022.

The Company, as a holding company, establishes the Group's growth strategy, monitors management of the Group companies, and provides specialty services to these companies. Details of the business segments of the Group and how major related companies in charge are positioned in the relevant segment are as follows.

(IT Consulting & Service Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

Company name	Business activities
Future Architect, Inc. (subsidiary)	Provision of IT consulting services from an objective and independent standpoint by using leading-edge information technology
Future Inspace, Inc. (subsidiary)	Additional development as well as maintenance and operation services for projects primarily developed by Future Architect, Inc.
YDC Corporation (subsidiary)	Provision of IT consulting services, including a solution for integrating and analyzing quality information, mainly to customers in the manufacturing business
Future One, Inc. (subsidiary)	Development, sales and maintenance of mission-critical packaged software for sales management, production management, accounting and other processes as well as provision of cloud-based services
dit Co., Ltd. (subsidiary)	Security consulting and forensic services Sales of products for network operations and security
Innovation Laboratory, Inc. (subsidiary)	Provision of management consulting services to create innovation
Logizard Co., Ltd. (affiliate)	Development and sales of and support for cloud-based logistics and inventory management software (warehouse management system or WMS)

(Business Innovation Business)

In this business, the Group provides original services using IT and creates business innovations.

Company name	Business activities
YOCABITO CO., LTD. (subsidiary)	Sales of sports, outdoor and fitness gear on the Internet
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," provision of information using websites and smartphone applications, and services including reservations for tables at restaurants
CodeCamp, Inc. (subsidiary)	Online and offline educational service including operation of the online programming school "CodeCamp"
LaiBlitz, Inc. (subsidiary)	Development of software related to sports and entertainment and operation of online services

Among affiliated companies engaged in businesses that are not included in the two businesses mentioned above, such as investing in, as well as holding and managing securities, the main companies are as follows:

- Major affiliated company
Future Investment Corp. (subsidiary)

3. Basic Approach to Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements among enterprises, the Group prepares consolidated financial statements under Japanese GAAP.

The Company intends to adopt International Financial Reporting Standards (IFRS) appropriately in consideration of circumstances inside and outside of Japan.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Consolidated fiscal year under review (December 31, 2022)
Assets		
Current assets		
Cash and deposits	20,530	26,652
Notes and accounts receivable – trade	7,220	-
Notes and accounts receivable – trade, and contract assets	-	8,549
Securities	1,900	1,000
Merchandise and finished goods	1,230	1,116
Work in process	9	22
Other	1,224	1,498
Allowance for doubtful accounts	(3)	(3)
Total current assets	32,112	38,835
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,685	1,815
Accumulated depreciation	(1,003)	(1,142)
Buildings and structures, net	682	673
Land	0	0
Other	2,969	3,107
Accumulated depreciation	(2,497)	(2,703)
Other, net	471	404
Total property, plant and equipment	1,155	1,078
Intangible assets		
Goodwill	10	661
Software	1,915	2,992
Customer-related assets	208	-
Other	4	5
Total intangible assets	2,138	3,659
Investments and other assets		
Investment securities	17,697	12,856
Lease and guarantee deposits	1,175	1,188
Deferred tax assets	19	-
Other	261	244
Allowance for doubtful accounts	(75)	(4)
Total investments and other assets	19,078	14,284
Total non-current assets	22,371	19,022
Total assets	54,483	57,857

(in millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Consolidated fiscal year under review (December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	913	1,067
Accounts payable – other	1,491	1,810
Income taxes payable	2,215	2,280
Provision for bonuses	243	250
Provision for quality assurance	34	60
Provision for loss on projects	-	37
Other	3,007	4,354
Total current liabilities	7,906	9,860
Non-current liabilities		
Asset retirement obligations	350	356
Deferred tax liabilities	4,278	2,682
Other	147	130
Total non-current liabilities	4,775	3,169
Total liabilities	12,682	13,030
Net assets		
Shareholders' equity		
Capital stock	4,000	4,000
Capital surplus	-	37
Retained earnings	29,299	35,856
Treasury shares	(2,221)	(2,210)
Total shareholders' equity	31,078	37,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,711	7,123
Deferred gains or losses on hedges	1	(5)
Foreign currency translation adjustment	9	25
Total accumulated other comprehensive income	10,723	7,143
Total net assets	41,801	44,827
Total liabilities and net assets	54,483	57,857

(2) Consolidated statements of income and comprehensive income

(in millions of yen)

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Net sales	48,698	53,738
Cost of sales	26,144	27,083
Gross profit	22,553	26,655
Selling, general and administrative expenses		
Directors' compensations	571	567
Salaries and bonuses	5,589	6,086
Other salaries	282	295
Rents	1,096	945
Training expenses	609	615
Research and development expenses	601	980
Depreciation	366	444
Recruiting expenses	466	767
Amortization of goodwill	39	44
Other	3,929	3,677
Total selling, general and administrative expenses	13,553	14,426
Operating income	9,000	12,229
Non-operating income		
Dividend income	229	338
Share of profit of entities accounted for using equity method	30	61
Other	31	15
Total non-operating income	291	415
Non-operating expenses		
Foreign exchange losses	2	30
Loss on retirement of non-current assets	-	3
Loss on investments in investment partnerships	-	34
Other	0	2
Total non-operating expenses	2	70
Ordinary income	9,289	12,574
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	6	-
Gain on sale of investment securities	0	732
Total extraordinary income	7	732
Extraordinary losses		
Loss on valuation of investment securities	23	40
Amortization of goodwill	88	-
Total extraordinary losses	112	40
Profit before income taxes	9,185	13,266

(in millions of yen)

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Income taxes – current	2,898	4,028
Income taxes – deferred	(109)	1
Total income taxes	2,788	4,029
Profit	6,396	9,236
(Breakdown)		
Profit attributable to owners of parent	6,369	9,236
Profit attributable to non-controlling interests	27	-
Other comprehensive income		
Valuation difference on available-for-sale securities	(517)	(3,588)
Deferred gains or losses on hedges	5	(6)
Foreign currency translation adjustment	0	15
Share of other comprehensive income of entities accounted for using equity method	(4)	0
Total other comprehensive income	(516)	(3,579)
Comprehensive income	5,880	5,657
(Breakdown)		
Comprehensive income attributable to owners of parent	5,853	5,657
Comprehensive income attributable to non-controlling interests	27	-

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

(in millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,000	21	25,150	(2,235)	26,936
Changes of items during the period					
Dividends from surplus			(1,902)		(1,902)
Profit attributable to owners of parent			6,369		6,369
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		30		14	44
Purchase of shares of consolidated subsidiaries		(51)	(317)		(369)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(21)	4,149	14	4,142
Balance at the end of the period	4,000	-	29,299	(2,221)	31,078

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	11,229	(4)	13	11,239	53	38,228
Changes of items during the period						
Dividends from surplus						(1,902)
Profit attributable to owners of parent						6,369
Purchase of treasury shares						(0)
Disposal of treasury shares						44
Purchase of shares of consolidated subsidiaries						(369)
Net changes of items other than shareholders' equity	(517)	5	(4)	(516)	(53)	(569)
Total changes of items during the period	(517)	5	(4)	(516)	(53)	3,572
Balance at the end of the period	10,711	1	9	10,723	-	41,801

Consolidated fiscal year under review (from January 1, 2022 to December 31, 2022)

(in millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,000	-	29,299	(2,221)	31,078
Cumulative effects due to changes in accounting policies			64		64
Balance at the beginning of the current fiscal year reflecting changes in accounting policies	4,000	-	29,364	(2,221)	31,142
Changes of items during the period					
Dividends from surplus			(2,744)		(2,744)
Profit attributable to owners of parent			9,236		9,236
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		37		10	48
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	37	6,492	10	6,540
Balance at the end of the period	4,000	37	35,856	(2,210)	37,683

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of the period	10,711	1	9	10,723	41,801
Cumulative effects due to changes in accounting policies					64
Balance at the beginning of the current fiscal year reflecting changes in accounting policies	10,711	1	9	10,723	41,865
Changes of items during the period					
Dividends from surplus					(2,744)
Profit attributable to owners of parent					9,236
Purchase of treasury shares					(0)
Disposal of treasury shares					48
Net changes of items other than shareholders' equity	(3,588)	(6)	16	(3,579)	(3,579)
Total changes of items during the period	(3,588)	(6)	16	(3,579)	2,961
Balance at the end of the period	7,123	(5)	25	7,143	44,827

(4) Consolidated statements of cash flows

(in millions of yen)

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Net cash provided by (used in) operating activities		
Profit before income taxes	9,185	13,266
Depreciation	1,018	1,201
Amortization of goodwill	128	44
Increase (decrease) in allowance for doubtful accounts	(3)	(71)
Increase (decrease) in provision for bonuses	(13)	6
Increase (decrease) in provision for quality assurance	(27)	25
Increase (decrease) in provision for loss on projects	(13)	37
Interest and dividend income	(231)	(340)
Interest expenses	0	0
Share of (profit) loss of entities accounted for using equity method	(30)	(61)
Loss (gain) on investments in investment partnerships	-	34
Foreign exchange losses (gains)	2	41
Loss (gain) on sale of shares of subsidiaries and associates	(6)	-
Loss (gain) on sale of investment securities	(0)	(732)
Loss (gain) on valuation of investment securities	23	40
Decrease (increase) in notes and accounts receivable – trade	722	-
Decrease (increase) in notes and accounts receivable – trade and contract assets	-	(1,268)
Decrease (increase) in inventories	(148)	111
Increase (decrease) in accounts payable – trade	(115)	136
Increase (decrease) accounts payable – other	182	299
Decrease (increase) in other assets	29	(60)
Increase (decrease) in other liabilities	126	1,083
Subtotal	10,827	13,793
Interest and dividend income received	233	354
Interest expenses paid	(0)	(0)
Income taxes paid	(1,449)	(3,972)
Net cash provided by (used in) operating activities	9,611	10,174

(in millions of yen)

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Net cash provided by (used in) investing activities		
Purchase of securities	(1,102)	(1,100)
Proceeds from redemption of securities	200	2,000
Purchase of property, plant and equipment	(274)	(76)
Purchase of intangible assets	(748)	(1,693)
Payments for asset retirement obligations	(43)	(1)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(509)
Proceeds from sale of shares of subsidiaries and associates	13	-
Proceeds from liquidation of subsidiaries and associates	19	-
Purchase of investment securities	(40)	(989)
Proceeds from sale of investment securities	3	1,432
Proceeds from redemption of investment securities	-	200
Payments for investments in capital	-	(279)
Payments for lease and guarantee deposits	(15)	(6)
Proceeds from collection of lease and guarantee deposits	276	11
Proceeds from sale of golf membership	19	-
Other	3	3
Net cash provided by (used in) investing activities	(1,689)	(1,009)
Net cash provided by (used in) financing activities		
Repayments of short-term loans payable	-	(13)
Repayments of long-term loans payable	(3)	(74)
Repayments of finance lease obligations	(142)	(172)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(450)	-
Cash dividends paid	(1,902)	(2,756)
Other	(0)	(0)
Net cash provided by (used in) financing activities	(2,498)	(3,017)
Effect of exchange rate changes on cash and cash equivalents	(3)	(26)
Net increase (decrease) in cash and cash equivalents	5,419	6,121
Cash and cash equivalents at the beginning of the period	16,010	21,430
Cash and cash equivalents at the end of the period	21,430	27,552

(5) Notes to consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(Changes in accounting policies)

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

The Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning 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 in the amount expected to be received upon exchange of said goods or services.

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 adoption 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 adoption, assuming the new accounting policy had been adopted to periods prior to the start of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was adopted 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 adopted retrospectively to contracts for which almost all revenue amounts were recognized using the previous treatment prior to the beginning of the current fiscal year.

As a result, net sales, cost of sales, and selling, general and administrative expenses for the current fiscal year respectively decreased by 2,374 million yen, 1,257 million yen, and 930 million yen. Operating income, ordinary income, and profit before income taxes also decreased by 186 million yen. Net asset per share and profit per share decreased by 0.74 yen and 1.47 yen, respectively. The opening balance of retained earnings increased by 64 million yen.

Due to the adoption 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 current fiscal year. “Decrease (increase) in notes and accounts receivable – trade,” which were included in “cash flows from operating activities” in the consolidated balance sheet for the previous fiscal year, are included in “decrease (increase) in notes and accounts receivable – trade and contract assets” effective from 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 consolidated financial statements for the previous fiscal year to conform to the new presentation method.

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

The Group has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has adopted 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). This change has no effect on the consolidated financial statements.

(Segment information)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

The Group defines the classification of business segments by comprehensively taking into account main services, solutions, customers and markets, and has two reportable segments: the IT Consulting & Service Business and Business Innovation Business.

The business operations of the two reportable segments are as follows:

Reportable segments	Business operations
IT Consulting & Service Business	In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.
Business Innovation Business	In this business, the Group provides original services using IT and creates business innovations.

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

The accounting method applied to the above-mentioned business segments is a method in accordance with the accounting policy applied to the preparation of the consolidated financial statements.

Income of reportable segments is based on operating income.

Intersegment sales and transfers are based on market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in the financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Sales to outside clients	39,160	9,521	48,682	16	48,698	-	48,698
Intersegment sales or transfer	98	74	172	270	443	(443)	-
Total	39,258	9,596	48,854	286	49,141	(443)	48,698
Segment profit	8,925	413	9,338	262	9,600	(600)	9,000
Segment assets	23,518	3,521	27,039	4,518	31,557	22,926	54,483
Other items							
Depreciation	935	64	999	5	1,004	13	1,018
Amortization of goodwill	128	-	128	-	128	-	128
Increase in property, plant and equipment and intangible assets	859	162	1,021	19	1,040	99	1,140

- (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 and segment assets represent the amount of intersegment transactions eliminated and income, expenses and assets of the holding company excluding the technology segment.
 3. Segment profit is adjusted with operating income in consolidated financial statements.

Consolidated fiscal year under review (from January 1, 2022 to December 31, 2022)

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in the financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Sales to outside clients	45,487	8,204	53,691	46	53,738	-	53,738
Intersegment sales or transfer	106	69	176	381	558	(558)	-
Total	45,593	8,274	53,868	428	54,296	(558)	53,738
Segment profit (loss)	12,910	(272)	12,638	(72)	12,566	(336)	12,229
Segment assets	30,323	4,457	34,780	6,200	40,981	16,876	57,857
Other items							
Depreciation	1,021	115	1,137	16	1,153	47	1,201
Amortization of goodwill	10	34	44	-	44	-	44
Increase in property, plant and equipment and intangible assets	1,722	204	1,926	18	1,944	25	1,970

- (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) and segment assets represent the amount of intersegment transactions eliminated and income, expenses and assets of the holding company excluding the technology segment.
 3. Segment profit (loss) is adjusted with operating income in consolidated financial statements.
 4. As stated in Changes in accounting policies, the Company has adopted the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the fiscal year ended December 31, 2022 and changed the accounting method of revenue recognition. Accordingly, the Company also changed the method to calculate profit and loss by business segment.

(Per share data)

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Net assets per share	¥472.19	¥506.20
Profit per share	¥71.97	¥104.32

- (Notes)
1. Diluted profit per share is not recorded because there are no potential shares.
 2. The Company conducted a two-for-one stock split of its common stock on January 1, 2022. Net assets per share and profit per share are computed based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
 3. Profit per share is calculated based on the following:

	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)	Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)
Profit per share		
Profit attributable to owners of parent (millions of yen)	6,369	9,236
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent related to common stock (millions of yen)	6,369	9,236
Average number of outstanding shares during the period under review (share)	88,509,695	88,546,007

(Significant subsequent events)

Not applicable.

5. Other
Orders received

(in millions of yen)

Category	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)		Consolidated fiscal year under review (From January 1, 2022 to December 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	41,280	11,636	47,957	14,106
Business Innovation Business	2,246	306	2,911	703
Total	43,526	11,942	50,868	14,809

Category	Third quarter of the consolidated fiscal year under review (from July 1, 2022 to September 30, 2022)		Fourth quarter of the consolidated fiscal year under review (from October 1, 2022 to December 31, 2022)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	11,470	15,805	10,051	14,106
Business Innovation Business	535	352	1,182	703
Total	12,006	16,157	11,233	14,809