

Materials for the Briefing on the Financial Results for the Second Quarter of FY2023

August 4, 2023

Future Corporation

(Securities code: 4722, TSE Prime)

Today's Presenters



Yuki Shingu

**Board Director in charge of IT
Consulting Business**

**President and Chief Executive Officer,
Future Architect, Inc.**



Yohei Saito

**Board Director
Chief Technology Officer**

**Executive Vice President,
Future Architect, Inc.**

1. Topics Related to the First Half of FY2023

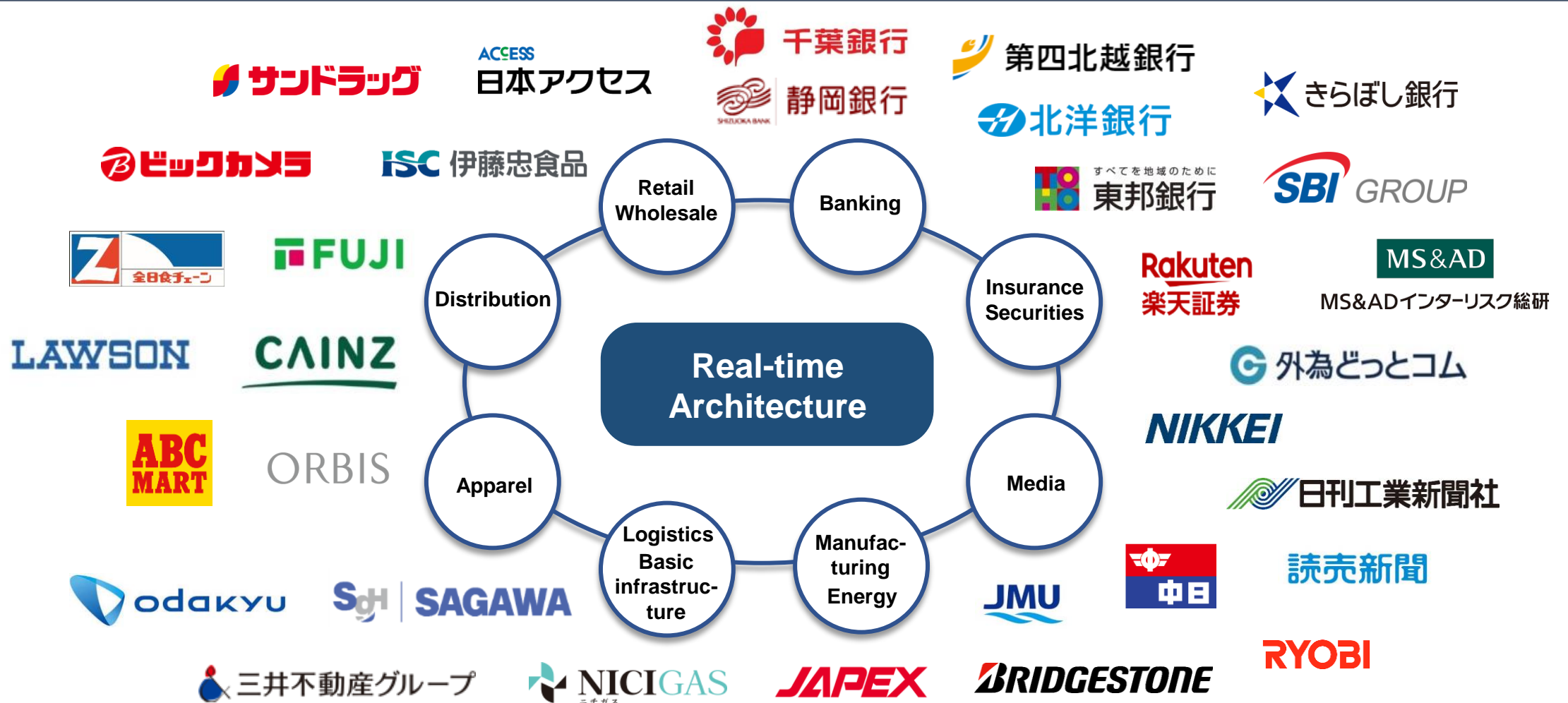
2. Earnings Results for the First Half of FY2023

3. Plan for FY2023

1. Topics Related to the First Half of FY2023

DX initiatives are gaining momentum across all industries and sectors FUTURE

More and more companies are moving toward digitalization as they revamp their supply chain and change the way their employees work

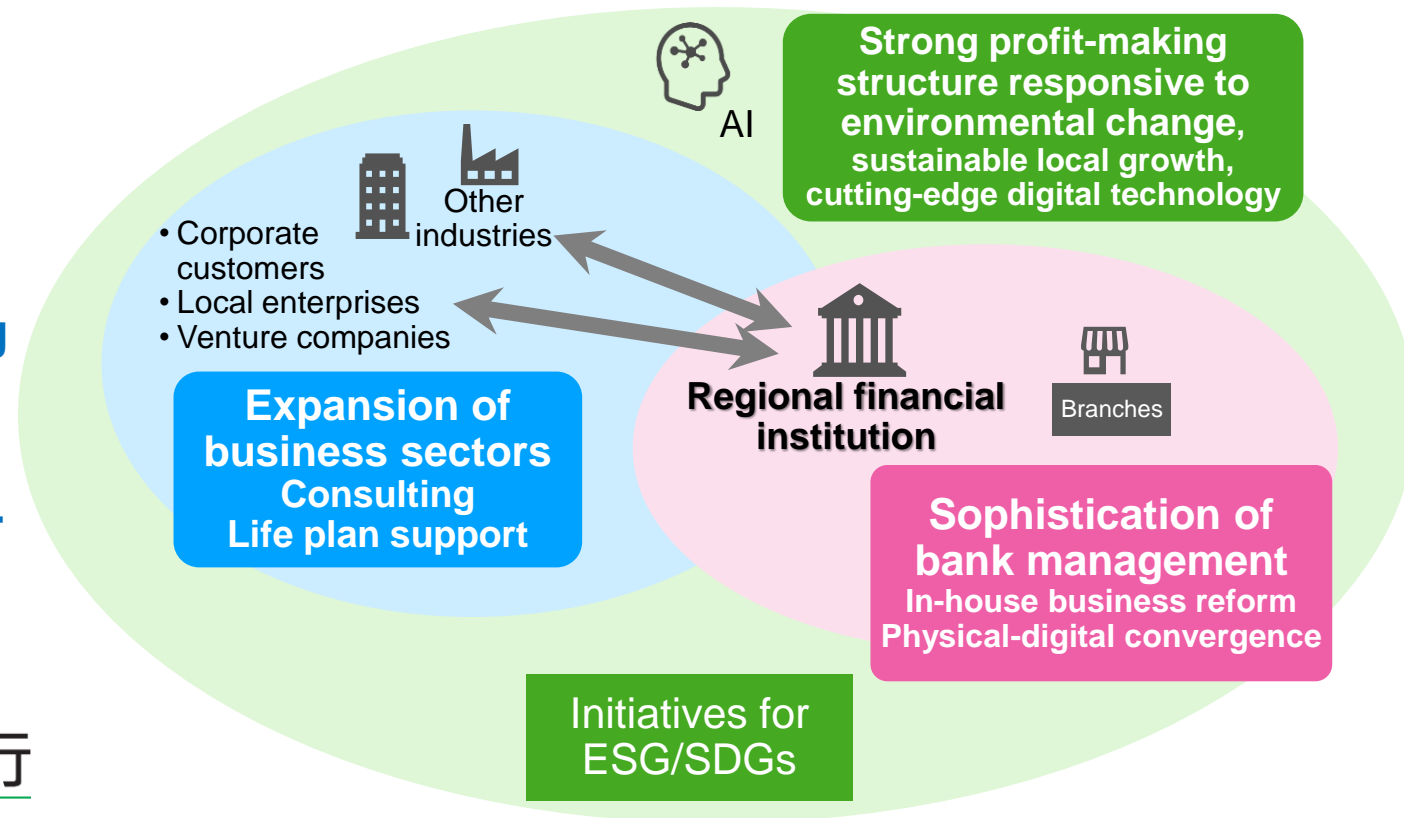


Support DX promotion of regional financial institutions and their contribution to regional revitalization

FUTURE

Launch of integration test in the Next-Generation Banking System project

- ✓ Integration test phase of Fukushima Bank Next-Generation Banking implementation project (full operation planned in 2H of FY2024) launched as planned
- ✓ Shimane Bank project also proceeding as planned
- ✓ Extended to SBI Group's regional financial institutions and FutureBANK-implementing banks



Promote regional DX through Future's banking solutions

Solved industry-wide issues with logistics × IT dedicated team **FUTURE**

Designing of supply chain-wide optimization from the shipper approach to solve issues such as the 2024 problem (a general term for problems facing the transportation industry in Japan such as a decrease in sales and profits of transportation companies, reduced driver salaries, and higher turnover due to the regulation of annual overtime hours to 960)

Issues

(i) Creation of a structure industry-wide instead of individual company basis (co-creation/sophistication)

(ii) Promotion of digitalization and DX in the logistics sector (efficiency improvement/data processing)

(iii) Logistics stagnation and labor shortage due to work style reform (labor saving/sustainability)

Company initiatives

Lead customers and realize logistics DX



✓ **Streamlined consulting**
: from designing concept that connect management with logistics to launching



✓ **Recruitment of logistics-specialized personnel**
with knowledge of industry and logistics

Active investment by “creating new things”



✓ **Industry’s first! FUTURE LOGI** cloud-type auto-equipment control*1 system
implementing company chosen



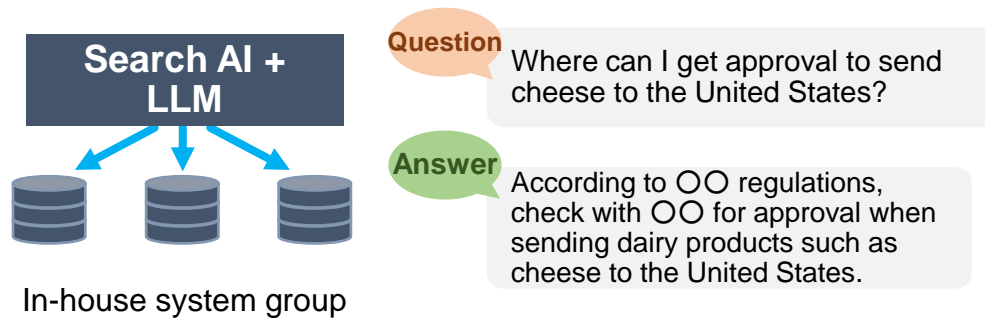
✓ **Installation of AI technology into smartphones**
on top of conventional AI OCR

*1. Structure that connects and controls all logistics automated equipment; referred to as the Warehouse Control System (WCS)

Application of large language model (LLM) to actual business

Use in customer business

Vast amount of internally inactive data is organized and answered by LLM

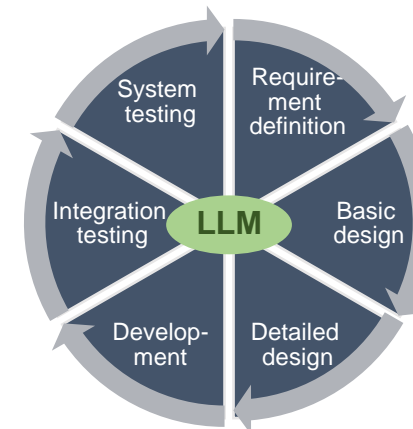


- ✓ Evolution of in-house data usage from mass search to consultation
- ✓ Conversion of unorganized data into know-how by utilizing LLM

Use in system development projects

AI-based defect analysis and auto-review of operational flow adequacy

AI-based test data generation and test case leak detection/auto-correction



Proposal of business improvements through AI-based business flow analysis

AI-based assurance of consistency and validity of design documents, and auto-review

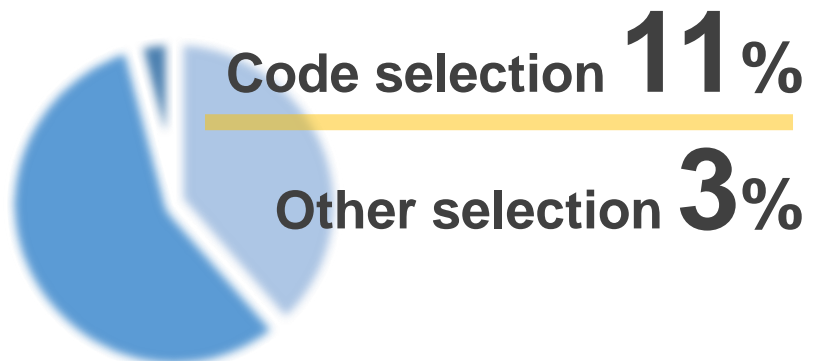
Futurefraqta + Generative AI

- ✓ Evolution of engineering by combining Futurefraqta's performance data and know-how with generative AI

Diversified selection methods in line with the diversified new graduate applicants

Launching of value selection according to experience/skills from FY2024 new graduate recruitment
Newly formed categories that take into account individual skills and experience

Presentation selection **86%**



FY2024 new graduate recruitment
(as of July 31, 2023)

+

Value selection

Potential recruitment

For personnel who identify with Future's culture and have the potential to play an active role as an IT consultant

Advanced recruitment

For personnel with knowledge and skills in specific areas such as AI, data science, biotechnology, cybersecurity, middleware development, and business

Professional recruitment

For personnel capable of bringing business ideas into reality, including product and service creation, and demonstrating leadership in practical work

Personnel with different backgrounds have been hired year-round via various courses in the past

Sports event measures making full use of metaverse and AR/VR technologies
Expansion of membership management system to other industries and successful increase in net sales and operating income (131% year on year)

Linkage of metaverse space with match venue at the 2023 Paris Saint-Germain Handball Japan Tour

Virtual venue before and after the game

- Stamp rally
- Virtual player card
- NFT digital attendance certificate

Actual venue on the day of the game

- AR Photo
- VR arena
- trading card

Fans can collect information in the metaverse space before the event and acquire benefits at the match venue, which raises their motivation to cheer and come to games

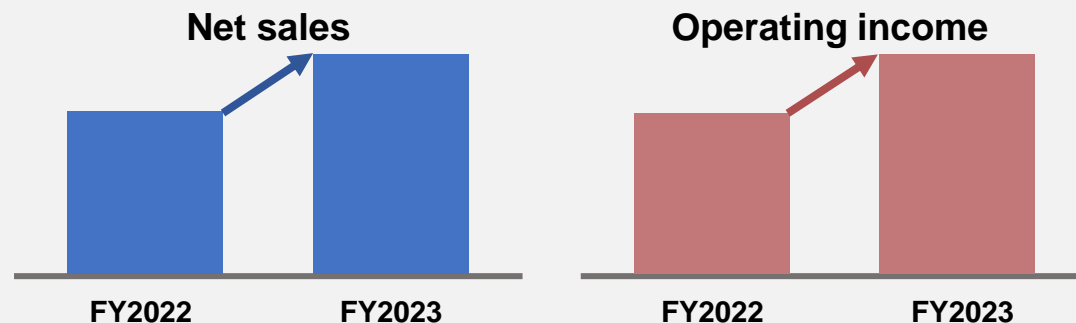
Expansion of membership management/point system with a track record in the sports area to other industries

Construction/Forestry

Food and Drink/Retail

Insurance/Finance

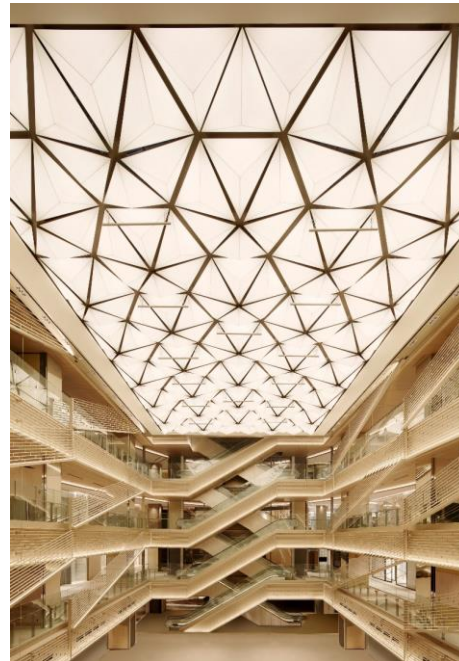
Year-on-year increase in net sales and operating income by 131% and 136%, respectively



Design studio's participation in the Future Group Reinforcement of future social infrastructure design capabilities and increase in added value



Head office of CURIOSITY inc.
(Shibuya-ku, Tokyo)



Accomplishment of design
(GINZA SIX)

Borderless design
capabilities cultivated
in real space

×

Cutting-edge
technology and
consulting capabilities



- ✓ **Contribution to the creation and provision of well-designed services utilizing technology through collaboration with customers**
- ✓ **Creation of high-added-value in new business sectors such as metaverse through collaboration with Future Group companies**

CURIOSITY's area of expertise

- Designing overseas luxury brand stores
- Designing architectural interior of luxury hotels and residences
- Designing large-scale commercial facilities and products
- Total art direction

2. Earnings Results for the First Half of FY2023

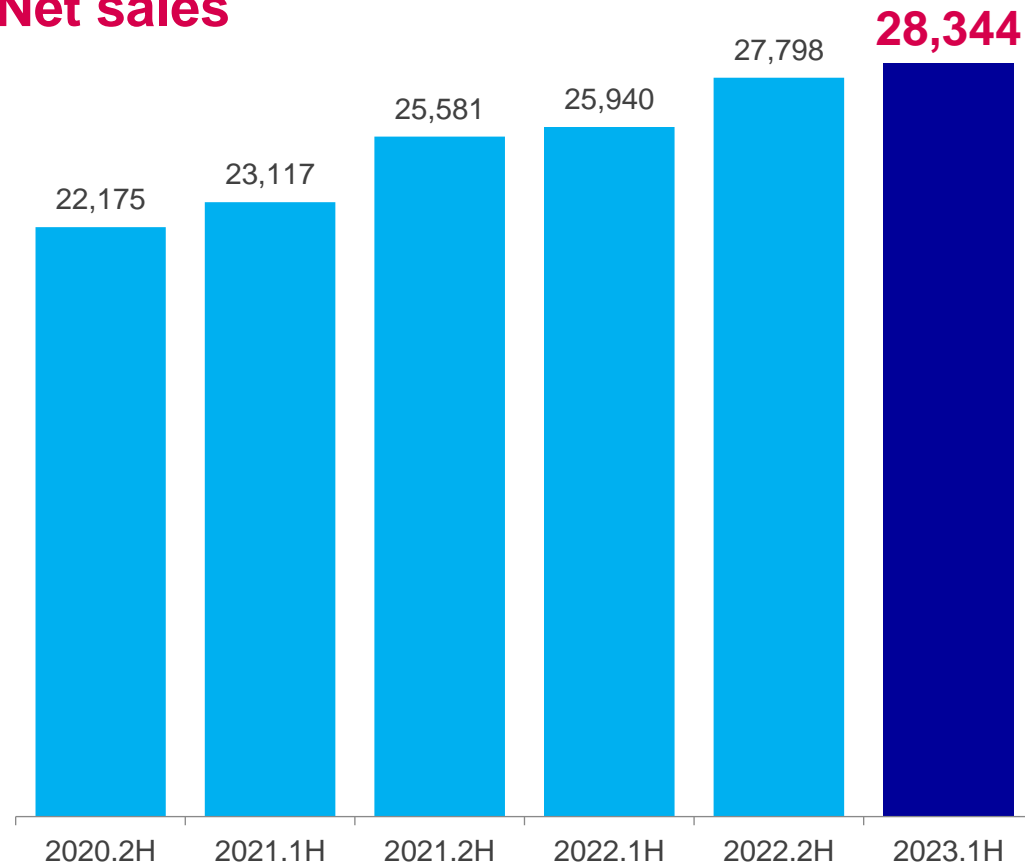
(i) Highlights of Financial Results for the First Half of FY2023

First half of Fiscal 2023 consolidated earnings	<p>Net sales continued to be steady, operating income slightly increased due to incurred costs related to growth investment (R&D/M&A)</p> <table><tr><td>Net sales</td><td>28,344 million yen (+9.3%)</td></tr><tr><td>Operating income</td><td>6,324 million yen (+1.8%)</td></tr><tr><td>Ordinary income</td><td>6,526 million yen (+1.5%)</td></tr><tr><td>Profit</td><td>4,319 million yen (-4.4%)</td></tr></table>	Net sales	28,344 million yen (+9.3%)	Operating income	6,324 million yen (+1.8%)	Ordinary income	6,526 million yen (+1.5%)	Profit	4,319 million yen (-4.4%)
Net sales	28,344 million yen (+9.3%)								
Operating income	6,324 million yen (+1.8%)								
Ordinary income	6,526 million yen (+1.5%)								
Profit	4,319 million yen (-4.4%)								
IT Consulting & Service Business	<p>Net sales progressed steadily, operating income remained flat due to incurred costs related to R&D and design quality improvement</p> <table><tr><td>Net sales</td><td>24,425 million yen (+10.1%)</td></tr><tr><td>Operating income</td><td>6,590 million yen (-0.4%)</td></tr></table> <p style="text-align: right;">*Refer to Appendix-(iv)</p>	Net sales	24,425 million yen (+10.1%)	Operating income	6,590 million yen (-0.4%)				
Net sales	24,425 million yen (+10.1%)								
Operating income	6,590 million yen (-0.4%)								
Business Innovation Business	<p>Operating income decreased due to incurred share of amortization of goodwill related to the new M&A</p> <table><tr><td>Net sales</td><td>3,971 million yen (+3.2%)</td></tr><tr><td>Operating income</td><td>-291 million yen (previous fiscal year: -206 million yen)</td></tr></table> <p style="text-align: right;">*Refer to Appendix-(iv)</p>	Net sales	3,971 million yen (+3.2%)	Operating income	-291 million yen (previous fiscal year: -206 million yen)				
Net sales	3,971 million yen (+3.2%)								
Operating income	-291 million yen (previous fiscal year: -206 million yen)								
Inter-segment adjustment	<table><tr><td>Net sales</td><td>-307 million yen</td></tr><tr><td>Operating income</td><td>66 million yen (previous fiscal year: -191 million yen)</td></tr></table>	Net sales	-307 million yen	Operating income	66 million yen (previous fiscal year: -191 million yen)				
Net sales	-307 million yen								
Operating income	66 million yen (previous fiscal year: -191 million yen)								

(ii) Changes in Net Sales, Operating Income, and Operating Income Margin

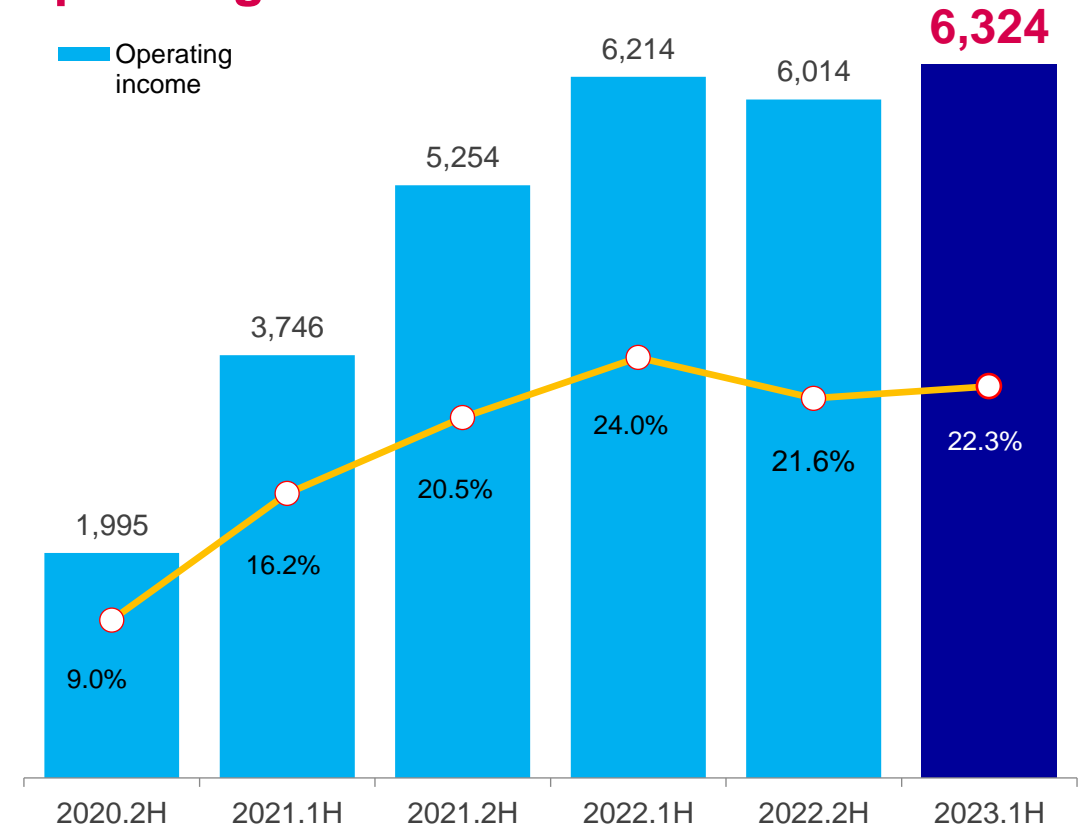
- ✓ Net sales increased due to steady progress of many projects from various customers and PJ that may contribute to medium- to long-term growth
- ✓ Operating income increased slightly due to incurred costs related to R&D and design quality improvement and increased share of amortization of goodwill from M&A

Net sales



Operating income

(Million yen)

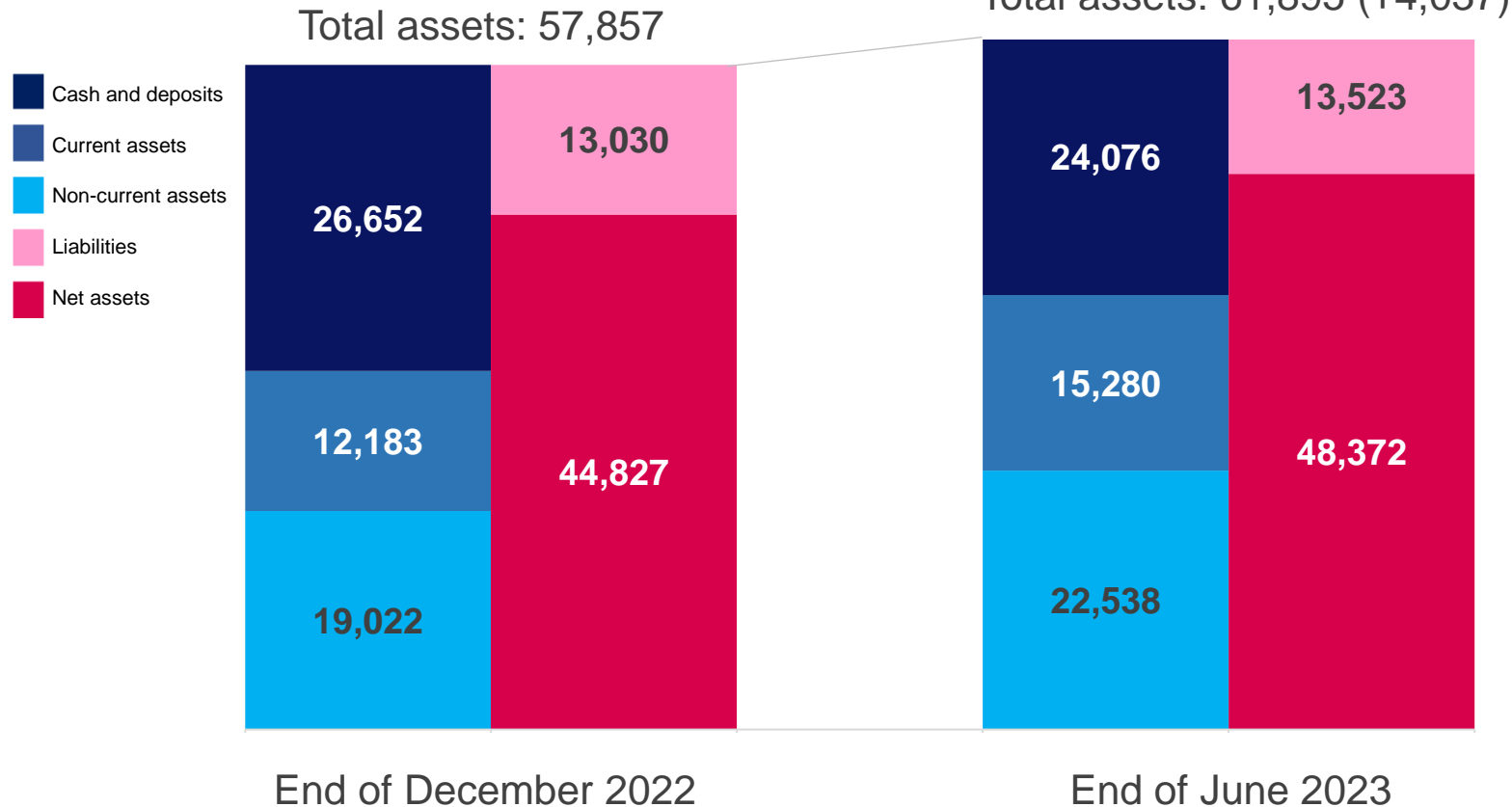


(iii) Year-on-year Changes in First Half of FY2023 Balance Sheet

✓ Growth-investment-related assets increased mainly due to software (next-generation banking systems, etc.) and M&A-associated goodwill posted. Accounts receivable-trade also increased with higher sales. Cash and deposits decreased due to dividend and tax payments, in addition to growth investments

Balance Sheets

(Million yen)



Major Changes

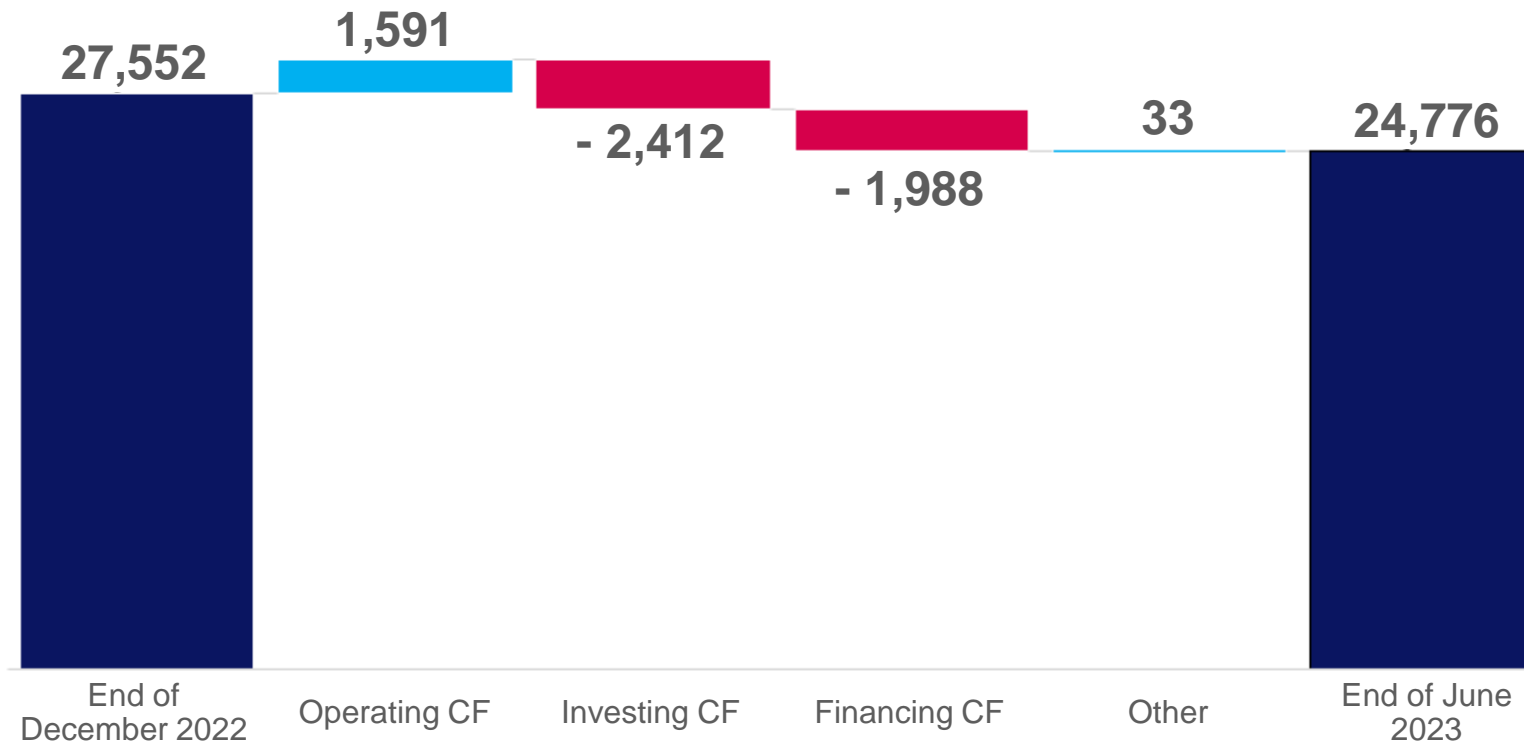
Cash and deposits	- 2,576
M&A, dividend/ tax payments	
Current assets	+ 3,097
Accounts receivable-trade and contract assets	+ 1,124
Prepaid expenses, etc.	+ 2,273
Non-current assets	+ 3,516
Goodwill (CURIOSITY inc.)	+ 1,505
Increase in stock price of shares held	+ 1,499
Software	+ 600
Liabilities	+ 493
Net assets	+ 3,545
Profit	+ 4,319
Dividend payment	- 1,771
Valuation difference on available-for-sale securities	+ 922

(iv) Cash Flows for the First Half of FY2023

✓ Operating CF saw an inflow of 1,590 million yen (4,540 million yen in the same period last year), mainly due to tax payments and increased trade receivables. Investing CF saw an outflow of 2,410 million yen due to implementation of growth investments such as the posting of share acquisition with M&A and software. Financial CF saw an outflow of 1,980 million yen, mainly due to payment of dividends, etc. As a result, cash and deposits decreased by 2,770 million yen compared with the previous fiscal year-end

Cash Flows

(Million yen)



Major breakdown of cash flows

Operating CF

Profit before income taxes	:	6,526
Depreciation and amortization of goodwill	:	601
Tax payment	:	- 3,426
Increase in trade receivables, etc.	:	- 2,110
Net	:	1,591

Investing CF

Purchase of intangible assets	:	- 898
Acquisition of shares of subsidiaries, etc.	:	- 1,552
Other	:	38
Net	:	- 2,412

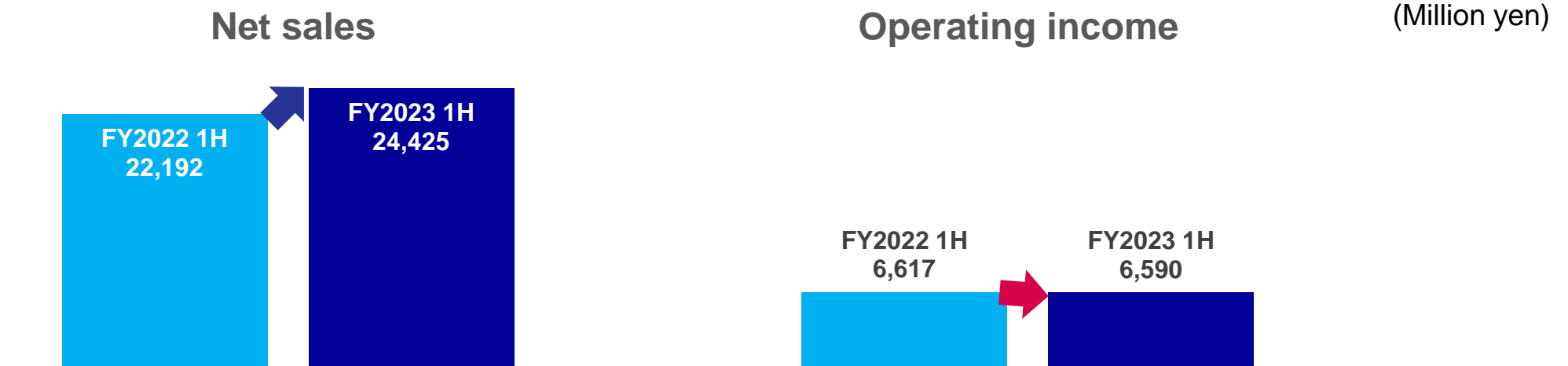
Financing CF











Dividend payment	:	- 1,771
Repayments of lease liabilities	:	- 96
Other	:	- 121
Net	:	- 1,988

Net increase (decrease) in cash and cash equivalents

	:	- 2,775
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(v) Earnings Results of IT Consulting & Service Business

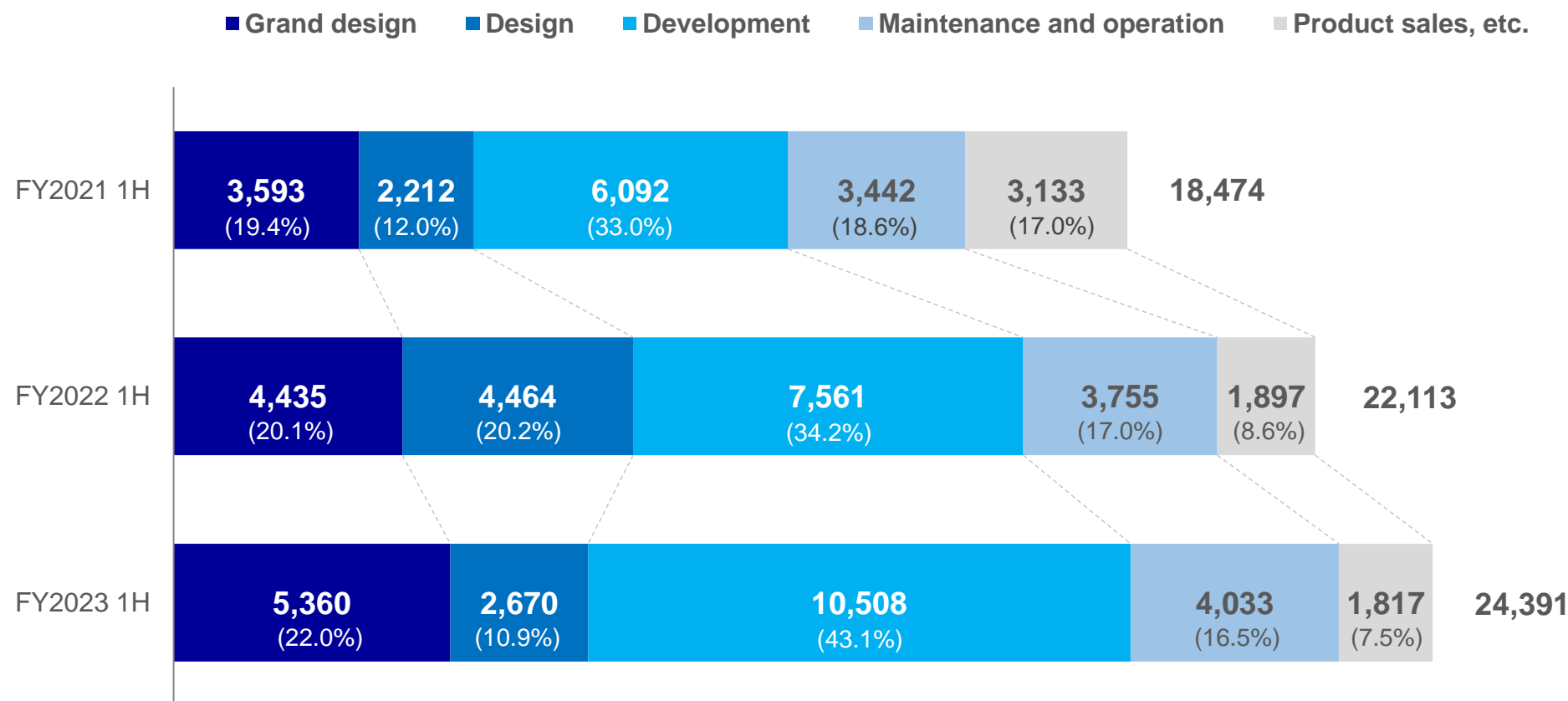


Future Architect, Inc. Net sales  Operating income 	✓ Net sales increased due to smooth progress in DX support for various customers. Operating income progressed likewise but decreased slightly due to R&D investments, in addition to incurred costs related to design quality improvement in certain large-scale PJs.
Future Inspace, Inc. Net sales  Operating income 	✓ Net sales and operating income increased due to continuous steady development of system infrastructure renewal and cloud migration projects of existing customers, in addition to provision of regular maintenance and operation services.
FutureOne Net sales  Operating income 	✓ Net sales and operating income grew due to increased orders for its sales of the original InfiniOne software package, the company's key product, through industry-specific sales strategies, mainly in the steel industry.
YDC Corporation Net sales  Operating income 	✓ Net sales and operating income grew, mainly due to increased orders from the strategic planning phase, such as grand design, and increased license sales of YDC SONAR®, in addition to the steady new acquisition and deep cultivation of SI projects.
dit Co., Ltd. Net sales  Operating income 	✓ Net sales and operating income decreased due to lower-than-expected orders for cybersecurity-related services and product sales in large-scale projects, along with increased recruiting costs.

(vi) Change in Composition of Revenue by Phase (IT Consulting & Service Business)

✓ Large-scale projects moved from the design phase to the development phase with the grand design phase accumulating smoothly

(Million yen)



Note 1: Total net sales consist of net sales for external customers of the IT Consulting & Service Business.

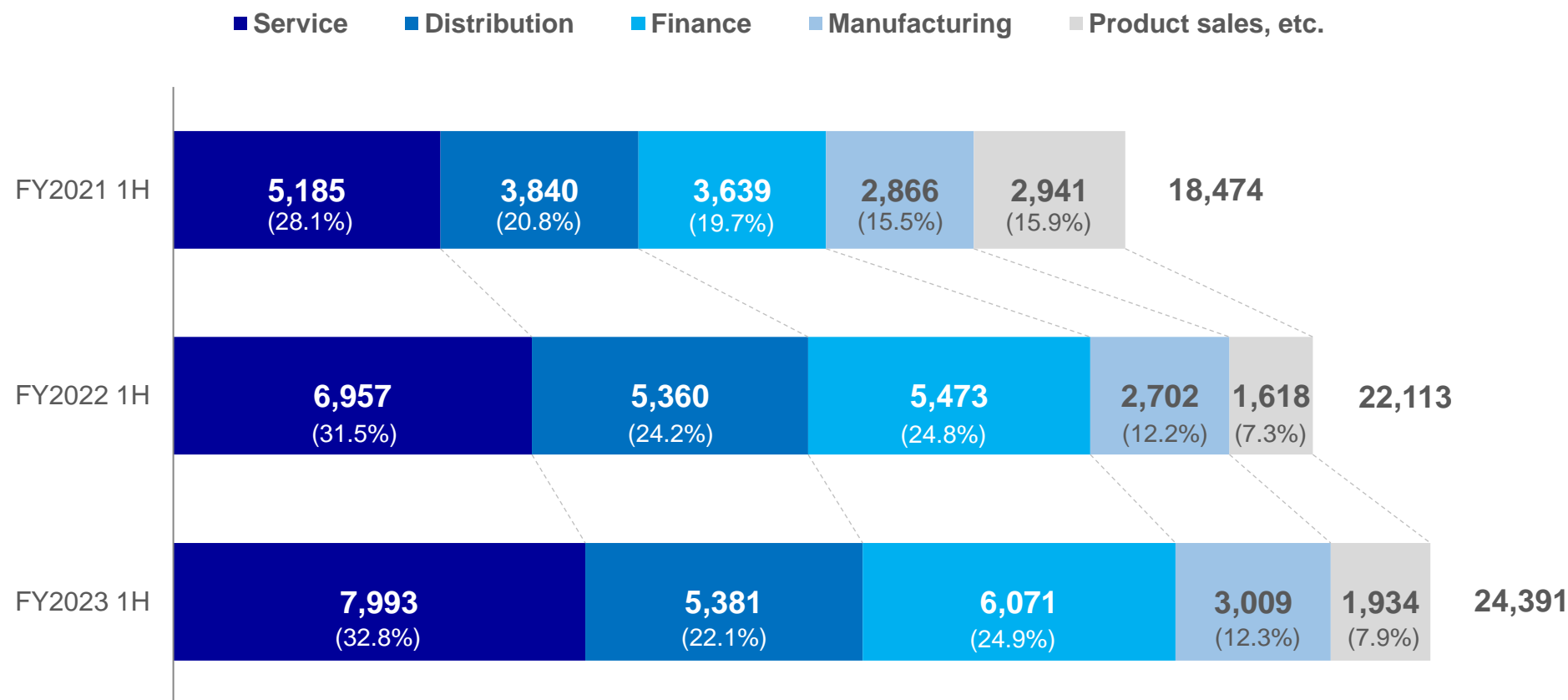
Note 2: "Product sales, etc." consist mainly of selection, procurement, and sale of IT equipment, and sale of licenses.

Note 3: Figures for fiscal 2021 are those before the Accounting Standard for Revenue Recognition is adopted.

(vii) Change in Composition of Revenue by Industry (IT Consulting & Service Business)

✓ Sales in services and finance, including logistics, increased

(Million yen)

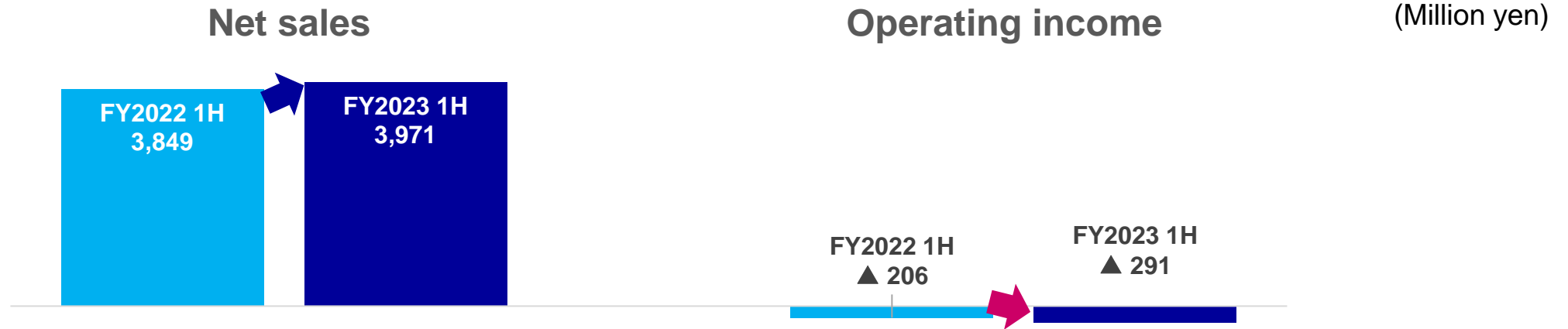










Note 1: Total net sales consist of net sales for external customers of the IT Consulting & Service Business.

Note 2: "Product sales, etc." consist of selection, procurement, and sale of IT equipment, sale of licenses, and sales for national and regional government offices.

Note 3: Figures for fiscal 2021 are those before the Accounting Standard for Revenue Recognition is adopted.

(viii) Earnings Results of Business Innovation Business

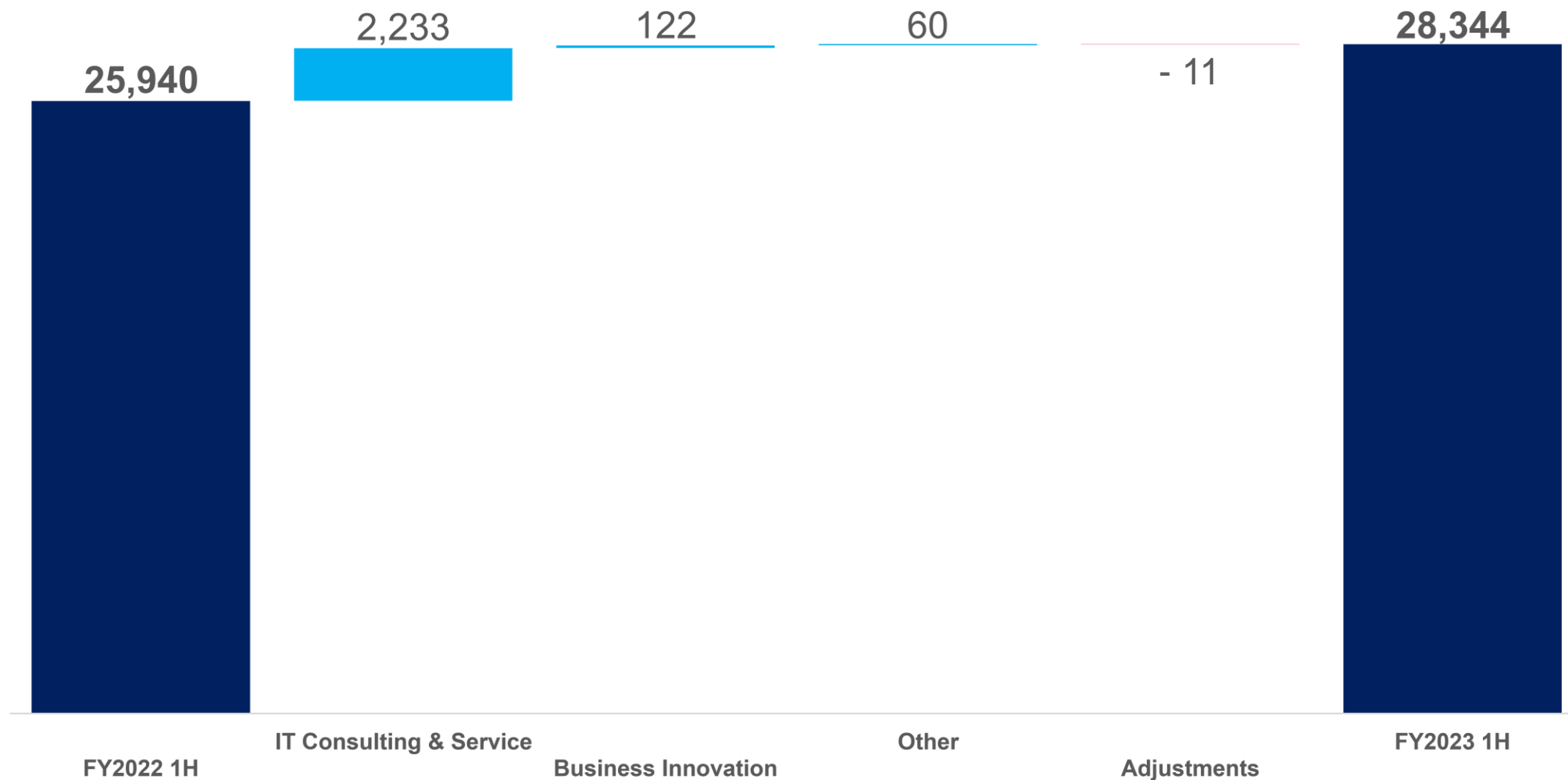


<p>YOCABITO Co., Ltd. (formerly eSPORTS)</p> <p>Net sales  Operating income </p>	<p>✓ Net sales and operating income decreased mainly due to stagnant sales in its outdoor business caused by a still fiercely competitive market and rising logistics costs, while training gear sales, including private brands, remained strong.</p>
<p>Tokyo Calendar Inc.</p> <p>Net sales  Operating income </p>	<p>✓ Net sales increased, but operating income fell due to incurred costs relating to the launch of its new service Gourmet Calendar, despite a robust stream of revenue from its online services, such as magazines, advertising, and Tokyo Calendar Date.</p>
<p>CodeCamp Co., Ltd.</p> <p>Net sales  Operating income </p>	<p>✓ Net sales and operating income increased due to an uptick in its corporate training business from orders won before the previous quarter and significant cost reduction, despite lower sales to individual customers.</p>
<p>LaiBlitz Inc.</p> <p>Net sales  Operating income </p>	<p>✓ Net sales and operating income increased mainly due to the starting of the rollout of Fast Biz, a packaged membership management and e-commerce service for sports teams, and smartphone app development technology to other types of industries, including restaurant and insurance.</p>

(ix) Analysis of Net Sales Increase/Decrease for the First Half of FY2023



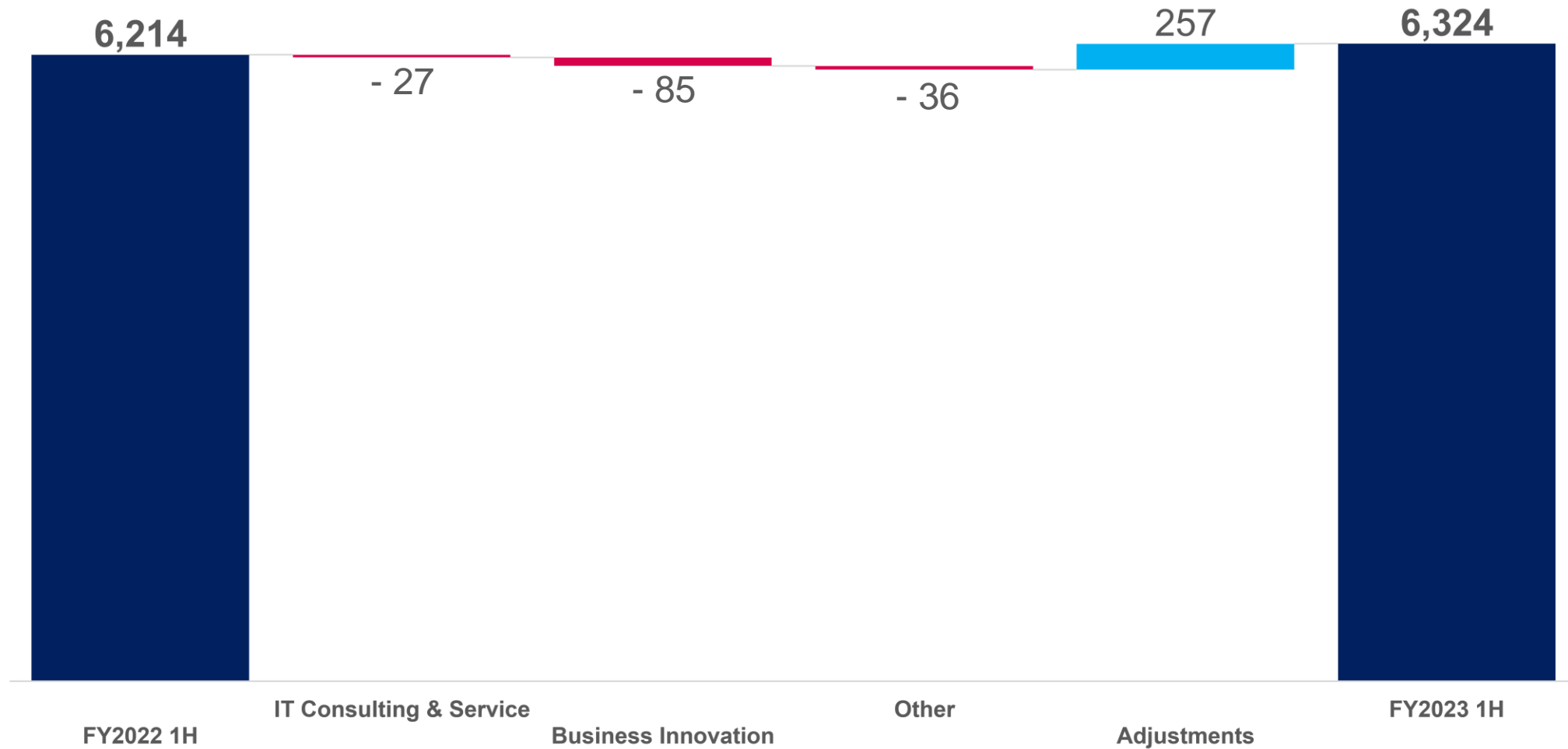
(Million yen)



(x) Analysis of Operating Income Increase/Decrease for the First Half of FY2023



(Million yen)



3. Plan for FY2023

(i) Full-year Earnings Outlook in FY2023 Plan

- ✓ The full-year earnings outlook is unchanged from the initially announced value thanks to the steady PJ progress despite slightly lower-than-planned 1H results

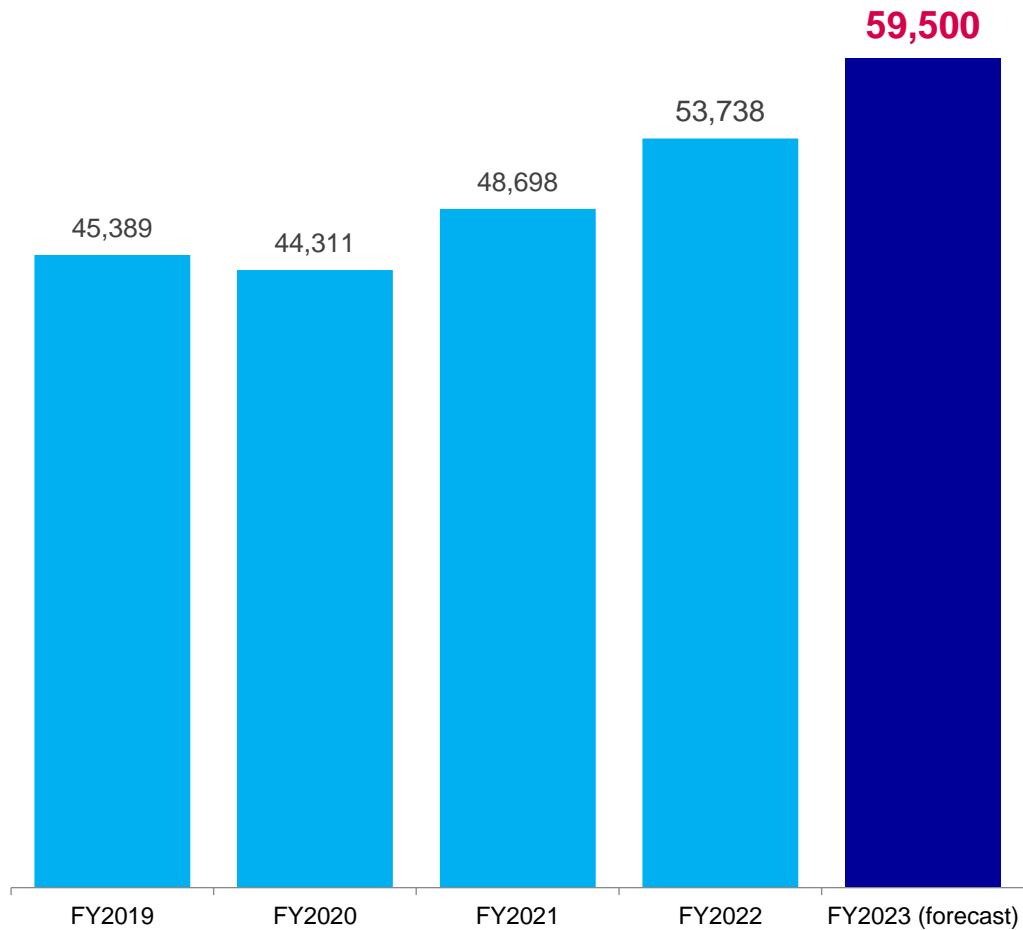
(Million yen)

	FY2023		FY2023 1H result	Difference (vs. 1H plan)	Rate of progress (vs. full-year plan)
	Full-year plan	1H plan			
Net sales	59,500	28,300	28,344	+ 44	47.6%
Operating income (Operating income margin)	13,800 (23.2%)	6,600 (23.3%)	6,324 (22.3%)	- 27	645.8%
Profit attributable to owners of parent (Net income margin)	9,660 (16.2%)	4,620 (16.3%)	4,319 (15.2%)	- 301	44.7%

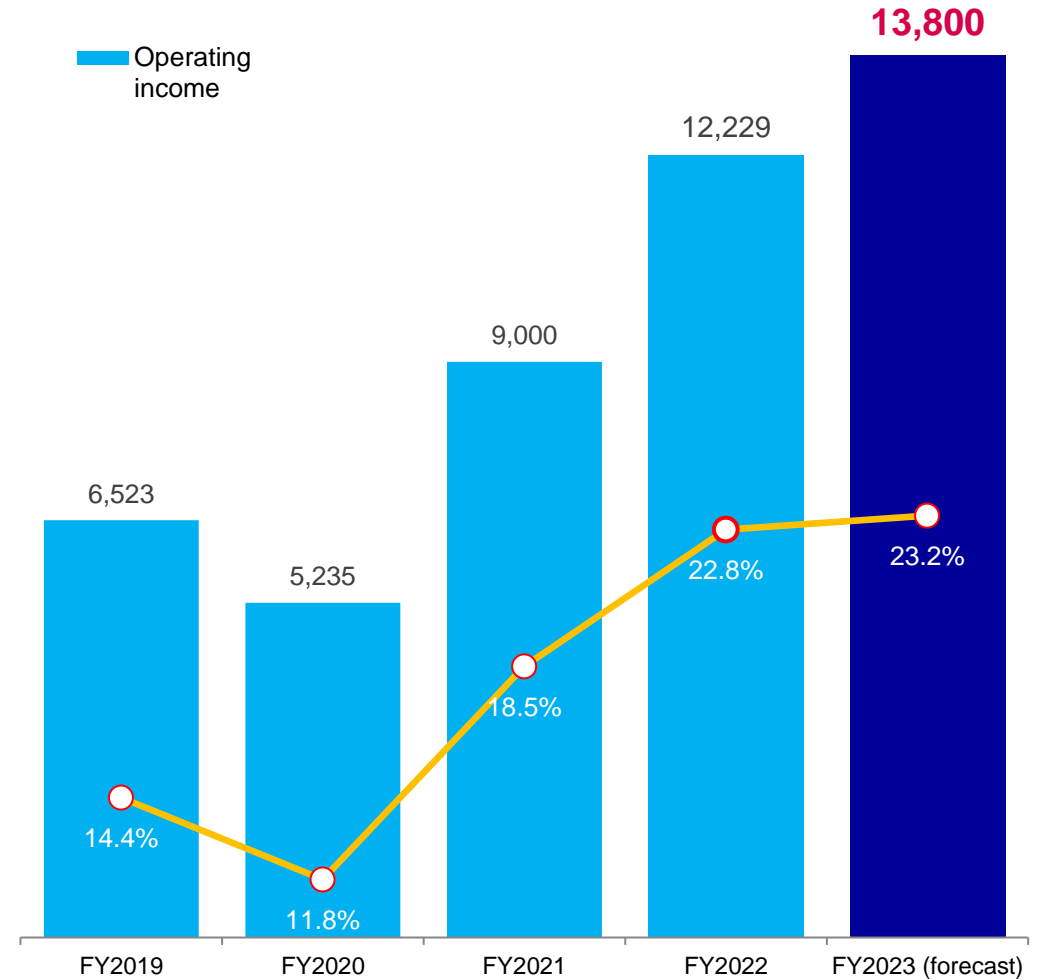
(ii) Change in Net Sales and Operating Income in FY2023 Plan **FUTURE**

(Million yen)

Net sales



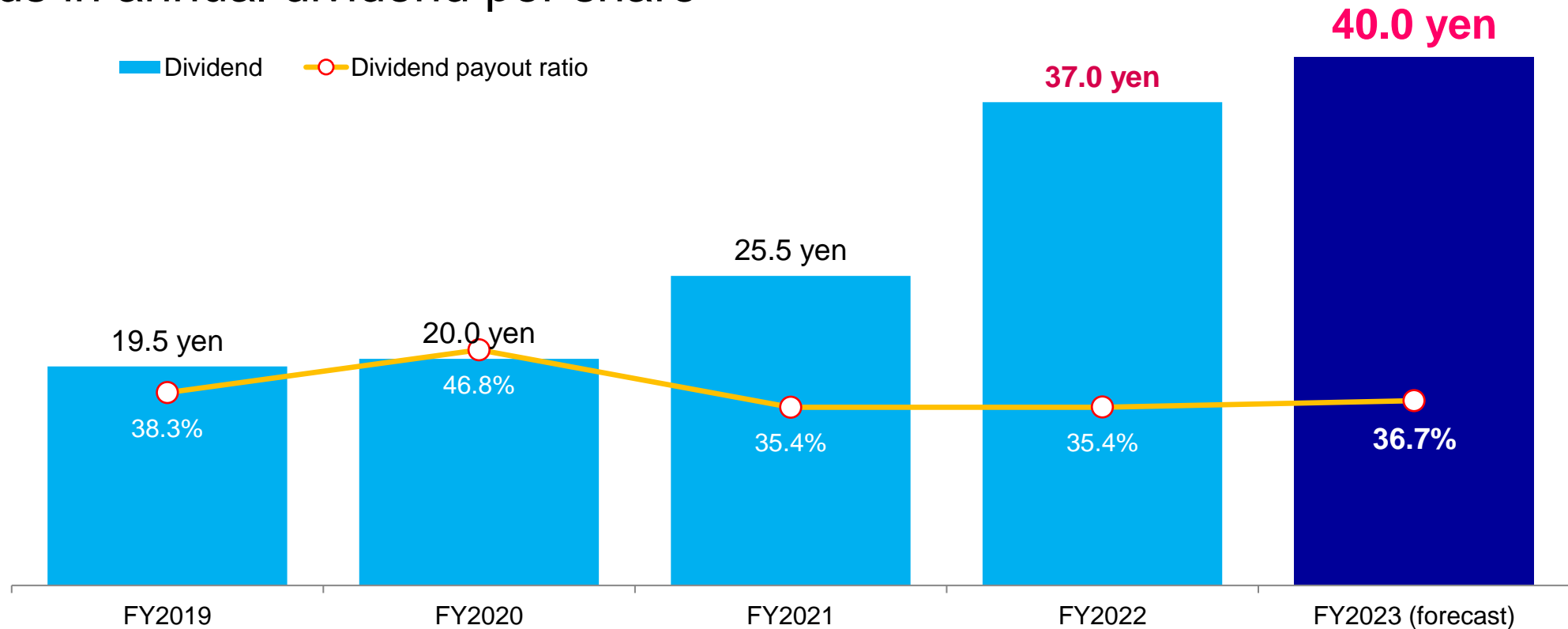
Operating income



(iii) Dividends in FY2023 Plan

✓ Interim dividend was resolved to be 20 yen at the Board of Directors held on July 28. Annual dividend of 40 yen (year-end dividend of 20 yen) remains unchanged

Trends in annual dividend per share*



* The Company conducted a two-for-one stock split of its common stock on January 1, 2022. The annual dividend amount before 2021 is calculated by taking into consideration the effect of the stock split.

Appendix

Appendix-(i) Earnings (Comparative Analysis)



(Million yen)

	FY2023 full-year result	Compared with projection		YoY change	
		Full-year plan	Rate of change	Results for FY2021	Rate of change
Net sales	28,344	28,300	0.2%	25,940	9.3%
Operating income (Operating income margin)	6,324 (22.3%)	6,600 (23.3%)	-4.2% (24.0%)	6,214	1.8%
Profit attributable to owners of parent (Net income margin)	4,319 (15.2%)	4,620 (16.3%)	-6.5% (17.4%)	4,517	-4.4%

Appendix-(ii) Balance Sheet

(Million yen)	End of Jun. 2023	End of Dec. 2022	Change	Major changes
Total assets	61,895	57,857	+ 4,038	
Current assets	39,356	38,835	+ 521	
Cash and deposits	24,076	26,652	- 2,576	Growth investment expenses such as M&A and software, dividend payment
Notes and accounts receivable-trade, and contract assets	9,673	8,549	+ 1,124	Increase in accounts receivable-trade from increased sales
Securities	700	1,000	- 300	
Other current assets	4,907	2,634	+ 2,273	Increase in prepaid expenses and income taxes refund receivable
Non-current assets	22,538	19,022	+ 3,516	
Property, plant and equipment	1,096	1,078	+ 18	
Intangible assets (including goodwill)	5,694	3,659	+ 2,035	Goodwill (+1,505), Software (+600)
Investment securities	14,356	12,856	+ 1,500	Increase in stock price of shares held (+1,499)
Other non-current assets	1,392	1,429	- 37	
Total liabilities	13,523	13,030	+ 493	
Accounts payable – trade, Accounts payable – other	2,644	2,877	- 233	
Income taxes payable	2,255	2,280	- 25	
Deferred tax liabilities	3,138	2,682	+ 456	Increase in deferred tax liabilities due to an increase in stock price of shares held
Other liabilities	5,486	5,191	+ 295	
Total net assets	48,372	44,827	+ 3,545	
Shareholders' equity	40,287	37,683	+ 2,604	Profit +4,319, dividend payment (-1,771), etc.
Valuation difference on available-for-sale securities	8,046	7,123	+ 923	Increase in valuation difference due to an increase in stock price of shares held
Other net assets	39	21	+ 18	
(Percentage)				
Shareholders' equity ratio	78.2%	77.5%	0.7%	

Appendix-(iii) Cash Flows

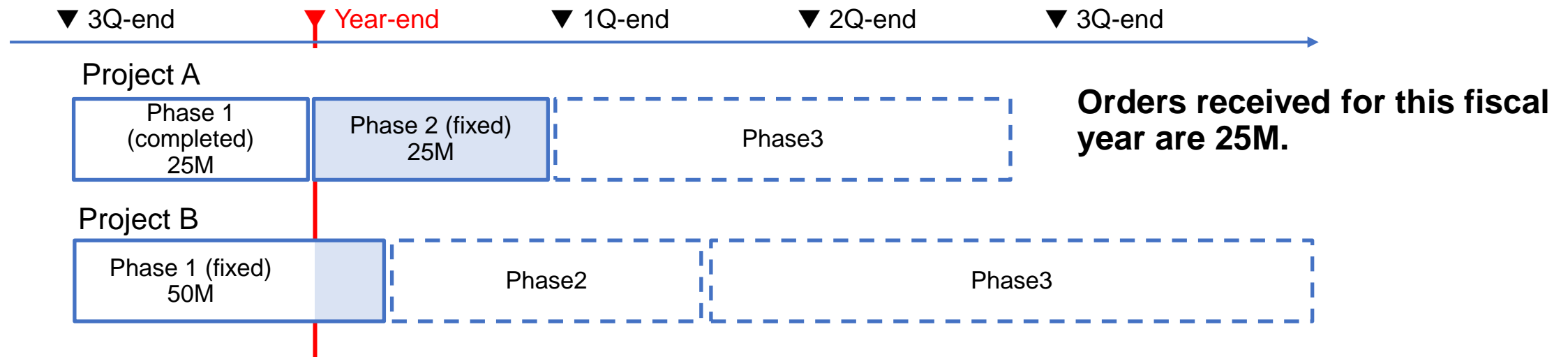
(Million yen)	FY2023 1H	FY2022 1H	Change	Major changes
Cash flows from operating activities	1,591	4,540	- 2,949	
Profit before income taxes	6,526	6,469	57	Increase in revenue due to an increase in profit before income taxes
Depreciation and amortization of goodwill	601	561	40	
Non-cash gains and losses other than depreciation	- 210	- 293	83	
Changes in receivables and payables	- 2,060	17	- 2,077	Increase in accounts receivable-trade from increased sales, etc.
Tax payment	- 3,426	- 2,403	- 1,023	Increase in tax payments due to record high profit for the previous fiscal year
Other	160	189	- 29	
Cash flows from investing activities	- 2,412	- 997	- 1,415	
Purchase of non-current assets (tangible and intangible)	- 955	- 877	- 78	Investments in next-generation banking system
Purchase of investment securities	- 142	- 814	672	
Purchase of shares of subsidiary's stock	- 1,410	0	- 1,410	Acquisition of CURIOSITY inc.
Other	95	694	- 599	
Cash flows from financing activities	- 1,988	- 1,252	- 736	
Dividend payment	- 1,771	- 1,173	- 598	Increase in dividend payment due to dividend increase
Repayments of lease liabilities	- 96	- 78	- 18	
Purchase of additional shares of subsidiary's stock	0	0		
Other	- 121	- 1	- 120	
Effect of exchange rate changes on cash and cash equivalents	34	34	0	
Net increase (decrease) in cash and cash equivalents	- 2,775	2,324	- 5,099	
Cash and cash equivalents at the beginning of the period	27,552	21,430	6,122	
Cash and cash equivalents at the end of the period	24,776	23,754	1,022	

Appendix-(iv) Results by Segment

(Million yen)	FY2023 1H	FY2022 1H	YoY change
Net sales	28,344	25,940	9.3%
IT Consulting & Service	24,425	22,192	10.1%
Business Innovation	3,971	3,849	3.2%
Other	254	194	30.9%
Adjustments	- 307	- 296	-
Operating income	6,324	6,214	1.8%
IT Consulting & Service	6,590	6,617	-0.4%
Business Innovation	- 291	- 206	-
Other	- 40	- 4	-
Adjustments	66	- 191	-

Appendix-(v) Interpretation of Order Backlog (IT Consulting & Service Business) **FUTURE**

- (1) For the purpose of risk control of long-term, large-scale projects, only a fixed amount of a project, on which a contract has been signed, is recognized as an order received



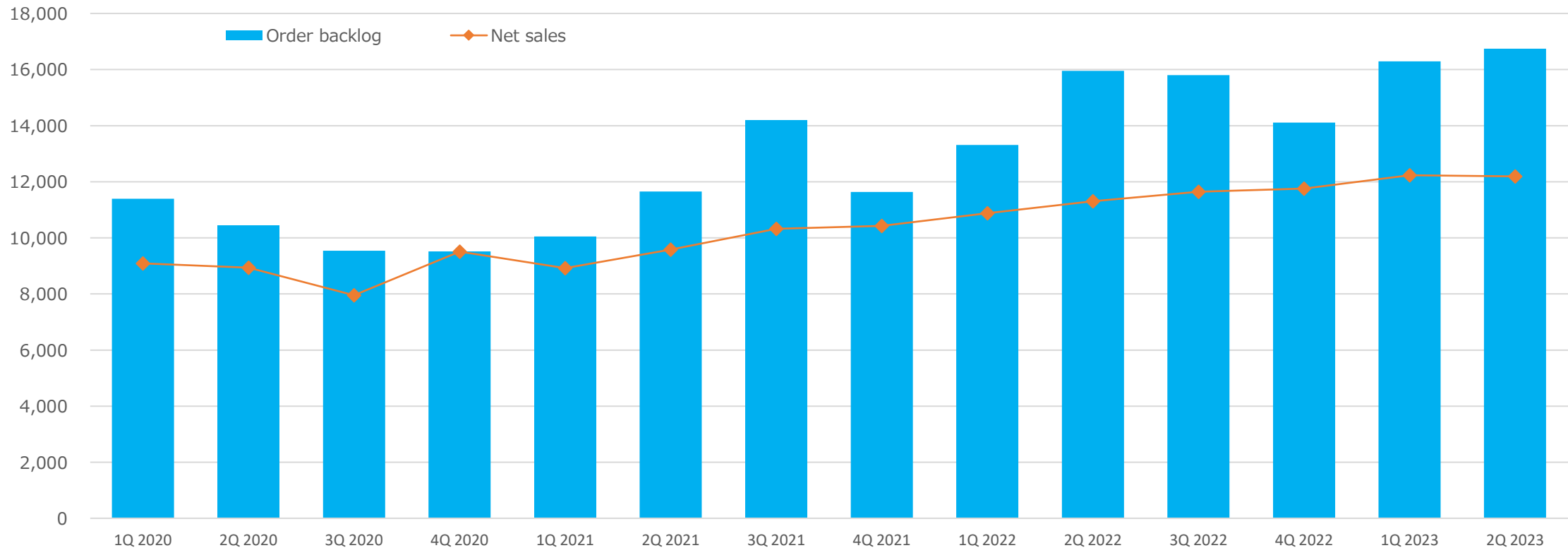
- (2) Out of orders fixed, amounts unrealized in accordance with the percentage of completion method are totaled as the amount of order backlog

Back orders of the current fiscal year = back orders of the previous fiscal year + orders received in the current fiscal year – sales (on a percentage of completion method/completed contract method)

Appendix-(vi) Relationship between Order Backlog and Net Sales

Changes in Order Backlog and Net Sales (IT Consulting & Service Business) (On a quarterly basis)

(Million yen)



- As referred to in Interpretation of Order Backlog on the previous page, the order backlog at year end and future net sales are not necessarily related to each other
- The Company adopted the Accounting Standard for Revenue Recognition, etc. in presenting orders for which the contract term begins after January 2022



FUTURE

Consolidated Summary Report of Operating Results, Supplementary Materials, Materials for the Briefing on the Financial Results and other IR materials are also available on the Company's website.

https://www.future.co.jp/investor_relations/

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E-mail: ir@future.co.jp

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