

Briefing materials on the Financial Results for the 2nd quarter of FY2024

August 8, 2024 Future Corporation

Agenda



1. Topics for the 2nd Quarter of FY2024

2. Results for the 1st Half of FY2024

3. Forecast for FY2024

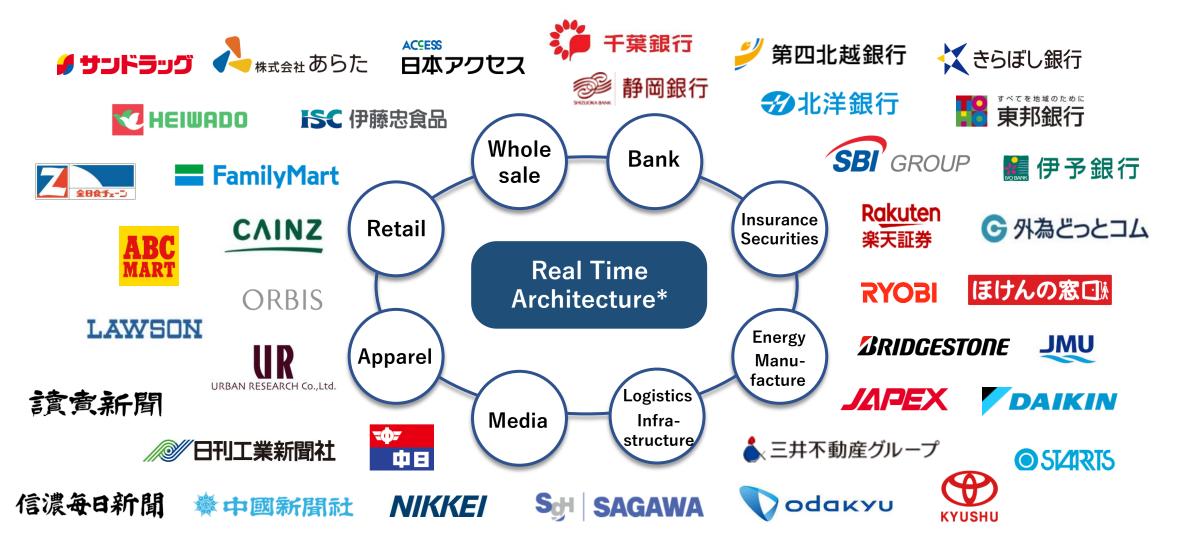


1. Topics for the 2nd Quarter of FY2024

DX investments remain strong across various industries and domains



Creating new value for our clients through our technologies and intellectual properties that we have cultivated and accumulated over many years



^{*}Our core competence is to enable our clients to process vast amount of data in real time.

A support for regional financial institutions to promote DX and contribution to regional development

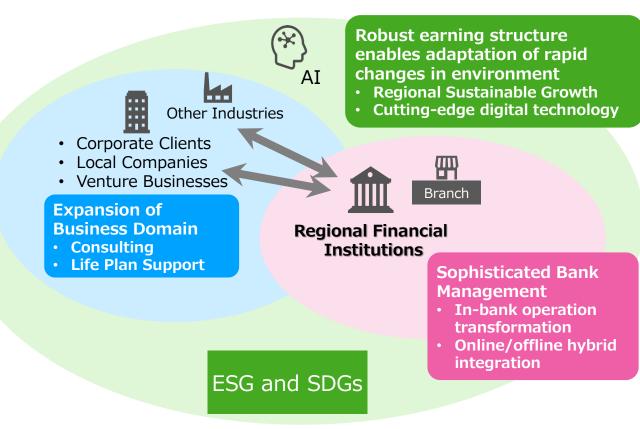


Next Generation Banking System at Fukushima Bank began operation on schedule

- ✓ While adopting new laws and regulations, Next-Gen Banking System at Fukushima Bank successfully began its operation on the 16th of July 2024.
- ✓ A subsequent project at Shimane Bank is currently undergoing testing phase on schedule.







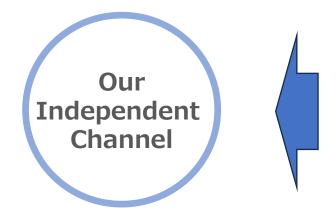
Promoting regional DX through Future's banking solutions

A support for regional financial institutions to promote DX and contribution to regional development



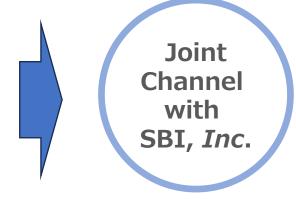
Where regional banks perceive IT investments as their core strategy rather than a burden, we help them develop and implement such strategy

- **✓** By the first half of 2025: secure a 3rd project
- ✓ By the end of 2025: secure a 4th project
- **✓ Post 2026: Multiple projects running simultaneously**



Utilize our network of 30 banks we cultivated via years of consulting service and FutureBANK system





Utilize SBI's network through partnership

A support for regional financial institutions to promote DX and contribution to regional development



We help regional banks to transform their operation style through the use of AI and FutureBANK, our loan support system

- ✓ Leverage our 30+ bank clients' network to promote system upgrades, as well as reaching out to potential clients via their bank alliances
- ✓ FutureBANK operation began in Toho Bank and Kiraboshi Bank in 2024
- ✓ Commenced feasibility studies with Gunma Bank on the use of generative AI in the area of loan operations









The use of generative AI in business



The use of generative AI is steadily expanding both in clients' operations and in the research field

Generative-AI centric operations are expanding

Food Manufacturing Company



Introduced and tuned AI
Chat for their company
wide deployment of
generative AI

Travel Agency Company



In-store Travel proposals and customer services assisted by generative AI

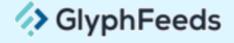
Manufacturing Company



Customized industry trend reports created by generative AI

Feasibility studies with our clients





ESG

Scope 1~3 trial calculation

Strengthening our skills to create and utilize generative AI is crucial

Researcher Recruitment Part-time PhD programs

Joint research with top universities

Unique AI search and QA technology

Vertical LLM

LLM Development & Operation Methodology

In-house GPU cluster

The use of generative AI in business



Introducing generative AI to support legacy system renewal

Current systems Detailed analysis of New system to achieve DX hindering DX the current system **Futurefraqta** ✓ Safe and accurate system ✓ Complex and obscure **Decoding of current** migration and renewal structure makes system **Enhanced operation and** modernization difficult Visualization of maintenance in post-system ✓ Increased maintenance system-wide structure renewal _ costs due to system aging **Futurefragta's decoding** time reduced by 50% **Overall system** with generative AI structure Reduction of skill **Generative Legacy languages** dependency on specific ΑI **Huge source** individual yield to higher assets **Program specification** decoding accuracy extraction

The combination of legacy language (JCL, COBOL, etc.) decoding feature with reading comprehension support from generative AI yields to higher productivity

Integration with Revamp



Business



- ✓ Joint project with a new client already in place
- ✓ Joint sales in the distribution and financial sectors
- ✓ Introducing advancement in digitalization of management support methodologies to Future's clients

Quality & Technology



- ✓ Providing Future's management expertise to Revamp
- ✓ Quality control methodology and core technologies introduced to Revamp

Human Resources



- ✓ Commenced joint training program for new recruits
- ✓ Unifying recruitment process



2. Results for the 1st Half of FY2024

(i) Overview of business results for the 1st half of FY2024



Consolidated results for 1H of FY2024

1H results increased YoY due to the growth of both IT Consulting & Services and Business Innovation.

Net Sales	32,954 Mil. yen ($+16.3%$)
Operating Profit	6,902 Mil. yen ($+9.5%$)
Ordinary Profit	7,107 Mil. yen ($+9.2%$)
Net Income	4,864 Mil. yen (+12.6%)

IT Consulting & Services

Net sales increased YoY largely due to consolidation of Revamp from 2Q.

Net Sales	28,436 Mil. yen ($+16.4%$)
Operating Profit	6,719 Mil. yen (+2.0%)

Business Innovation

Both sales and OP increased YoY mainly due to curiosity's strong performance.

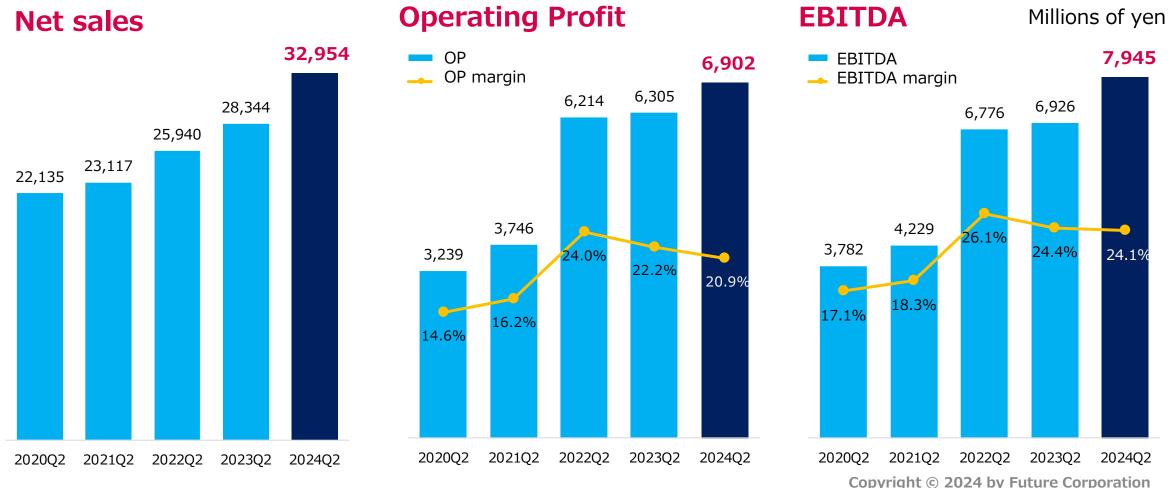
Operating Profit 245 Mil. yen (PY 2023 : △310百万円)	Net Sales	4,535 Mil. yen (+14.2%)
	Operating Profit	245 Mil. yen (^{FY} ₂₀₂₃ :△310百万円)

Adjustments between segments

(ii) Sales, OP and EBITDA for the 1st half of FY2024



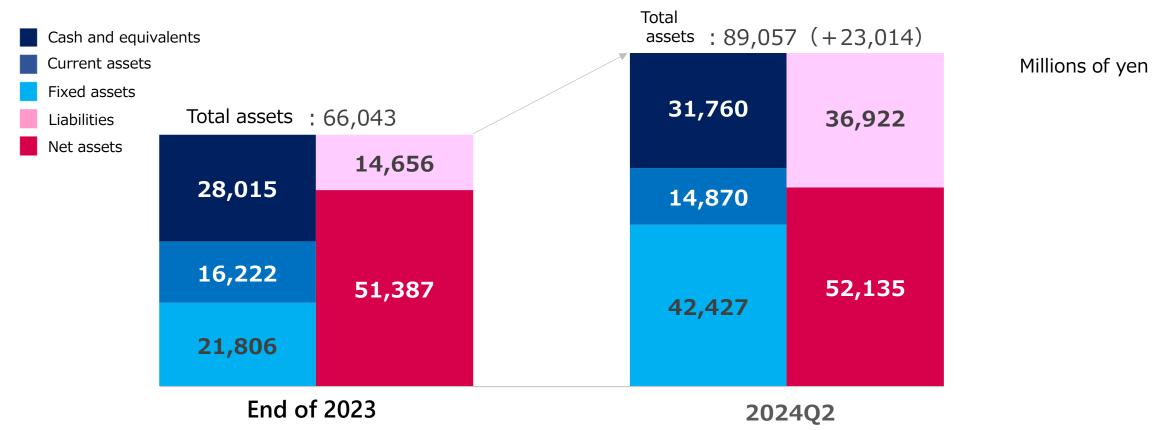
- IT Consulting & Services performed well. "Next-Gen Banking System" at Fukushima Bank went live in July and the other large-scale projects are also proceeding without troubles.
- The figures of Revamp are consolidated from the second quarter.
- Business Innovation increased its net sales and OP vis-à-vis last year. Curiosity performed very well.



(iii) Consolidated Balance Sheet



- ✓ Customer-related assets (JPY10.7 billion) and goodwill (10.8 billion yen) are recognized due to the purchase price allocation of the acquisition of Revamp (*). In addition, total assets increased by JPY23.0 billion from the end of the previous year, mainly due to the consolidation of Revamp.
- ✓ Borrowed JPY20.0 billion to fund the acquisition of Revamp. The repayment of the loan has started, and the balance of the loan at the end of Q2 was JPY19.2 billion.

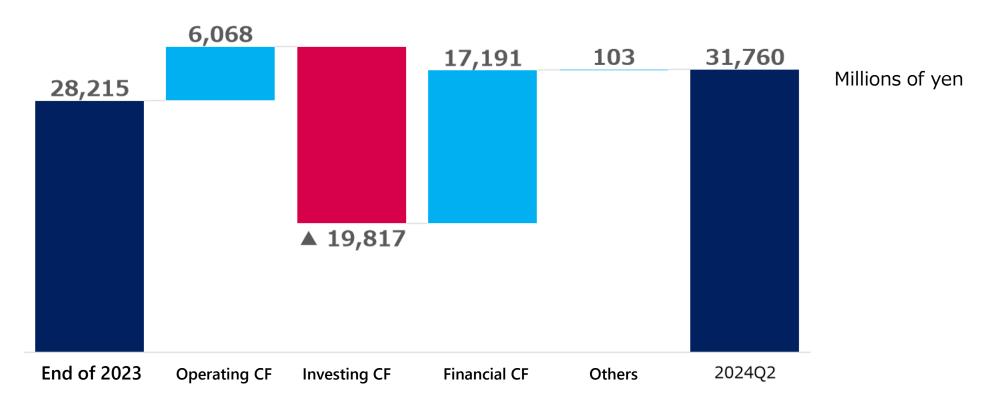


^(*) See Appendix-(iii) for details on goodwill and intangible assets in relation to the acquisition of Revamp.

(iv) Cash flows



✓ Operating CF saw an inflow of JPY 6.0 billion. Investing CF saw an outflow of JPY19.8 billion mainly due to the acquisition of Revamp. Financial CF saw an inflow of JPY17.1 billion due to the bank loan of JPY20.0 billion to finance the acquisition of Revamp while dividends payment amounted to JPY1.7 billion. In total, cash and cash equivalents increased JPY3.5 billion from the end of the previous year.

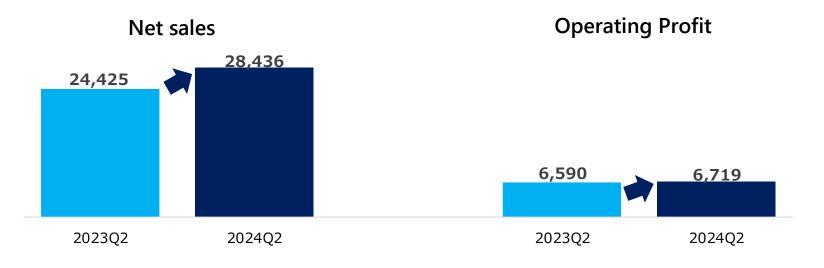


(v) Performance by subsidiary: IT Consulting & Services

Profit



Millions of yen

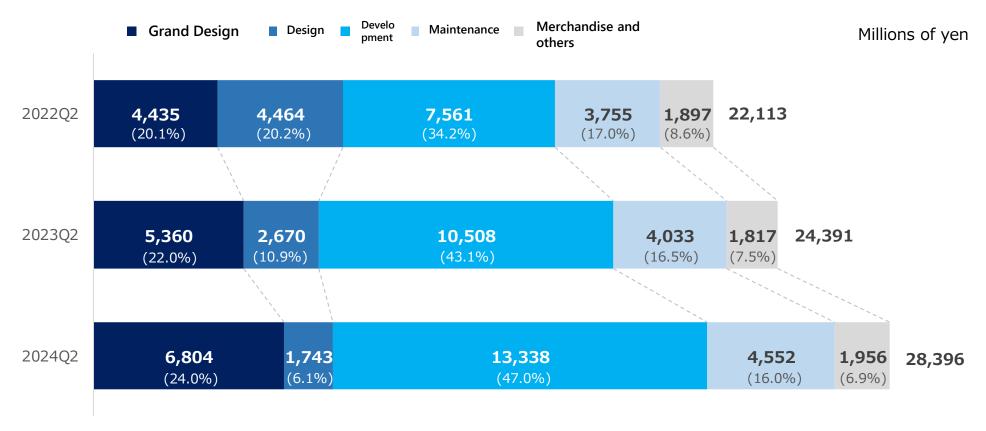


Future Architect ✓ "Next-Gen Banking System" at Fukushima Bank went live in July, and the development and test phases of the second bank also progressed without troubles. In addition, we had several projects utilizing our own Operating sales IP such as "GlyphFeeds" and "FutureApparel." Last, DX demands from many customers remained strong, Profit resulting in increased sales and OP. **Future Inspace** ✓ In addition to regular maintenance and operation business, FIS had some projects related to the development of system renewal and cloud migration for its existing customers, resulting in increased Operating sales sales and OP. **Profit FutureOne** ✓ Although FutureOne obtained several projects with respect to its original "InfiniOne" software package particularly for a few specific industries such as steel industry, its sales and OP declined due to the peak-Operating sales out of a large-scale project. **Profit** Revamp ✓ It is consolidated from the second quarter this year. Its business including strategy consulting and Operating sales implementation as well as DX is robust and progressing well.

(vi) Breakdown of sales by phase (IT Consulting & Services)



- ✓ The sales in Development phase increased due to the various large-scale projects such as Next-Gen Banking System.
- ✓ The impact of Revamp is an increase of c. JPY1.8 billion in Grand Design, c. JPY200 million in Maintenance and c. JPY 100 million in Merchandise and others.



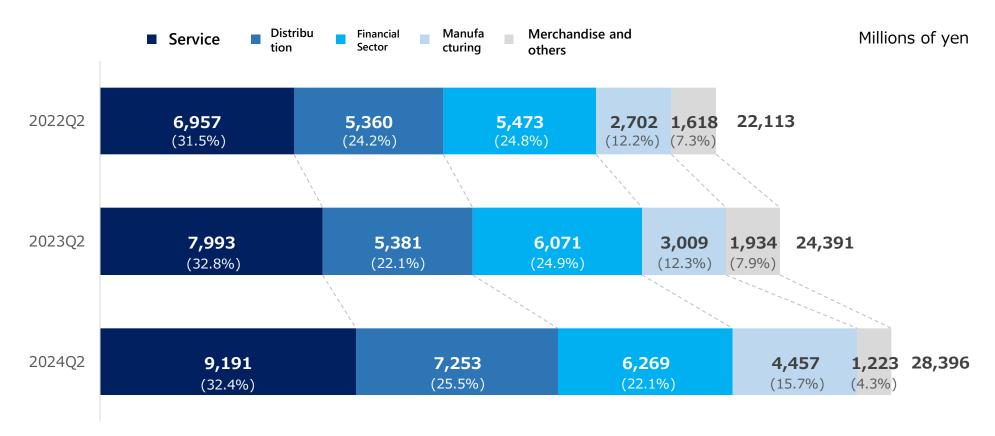
(Note 1) The figures of sales represent sales to external customers in the IT Consulting & Services.

(Note 2) "Merchandise and others" includes the selection, procurement and sales of relevant IT equipments, and the sales of licenses.

(vii) Breakdown of sales by industry (IT Consulting & Services)



- Sales in financial and distribution sectors increased due to Next-Gen Banking System and the large-scale projects for food wholesalers.
- The impact of Revamp is an increase of c. JPY800 million in service, c. JPY800 million in distribution and c. JPY500 million in manufacturing sectors.

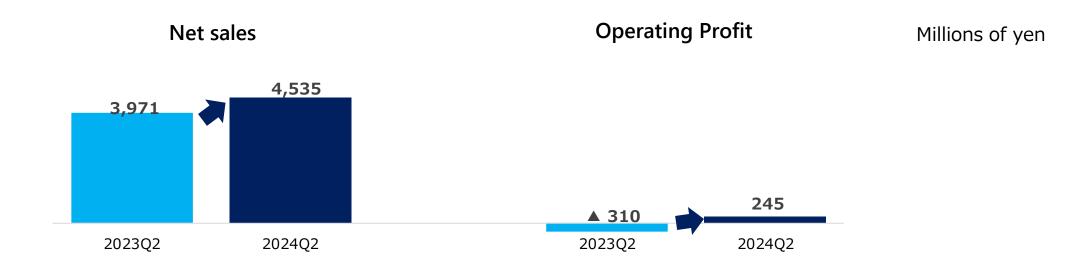


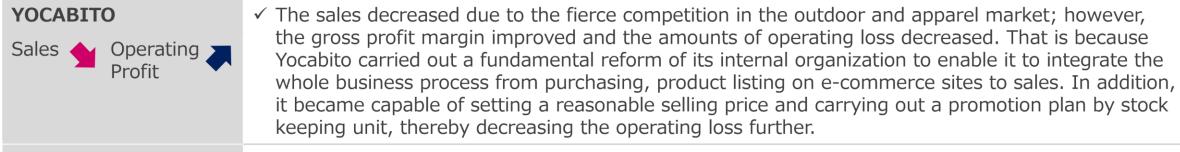
(Note 1) The figures of sales represent sales to external customers in the IT Consulting & Services.

(Note 2) "Merchandise and others" includes the selection, procurement and sales of relevant IT equipments and the sales to government and local public agencies.

(viii) Performance by subsidiary: Business Innovation







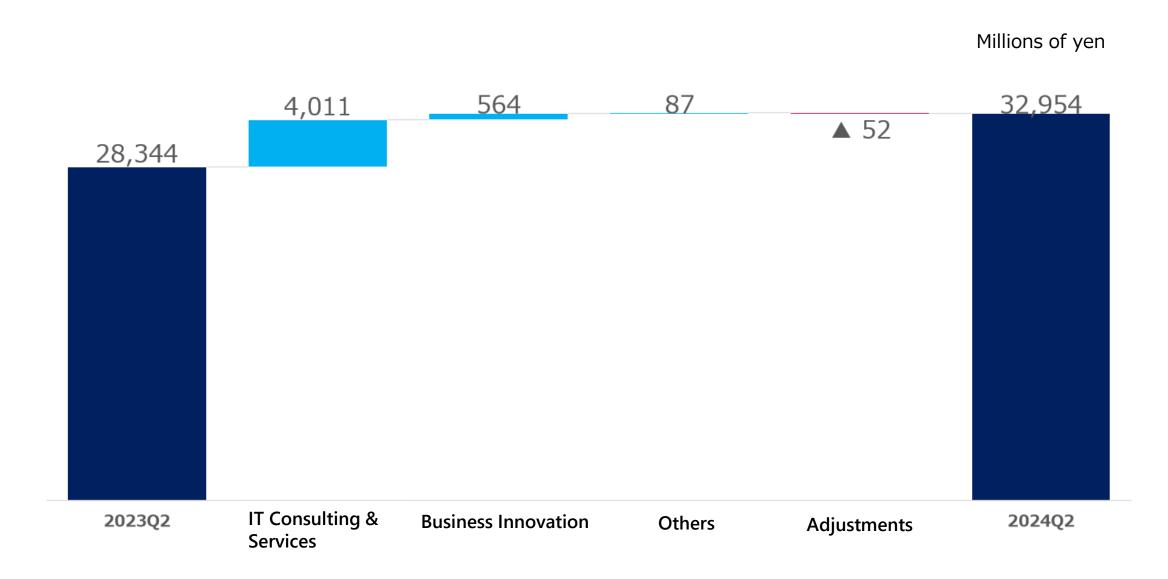
curiosity

Sales Operating income

✓ Both Sales and OP increased due to steady progress in several design projects for large stores of foreign luxury brands. We consolidated it from the 2nd quarter of the previous year so it has the full year impact from this year.

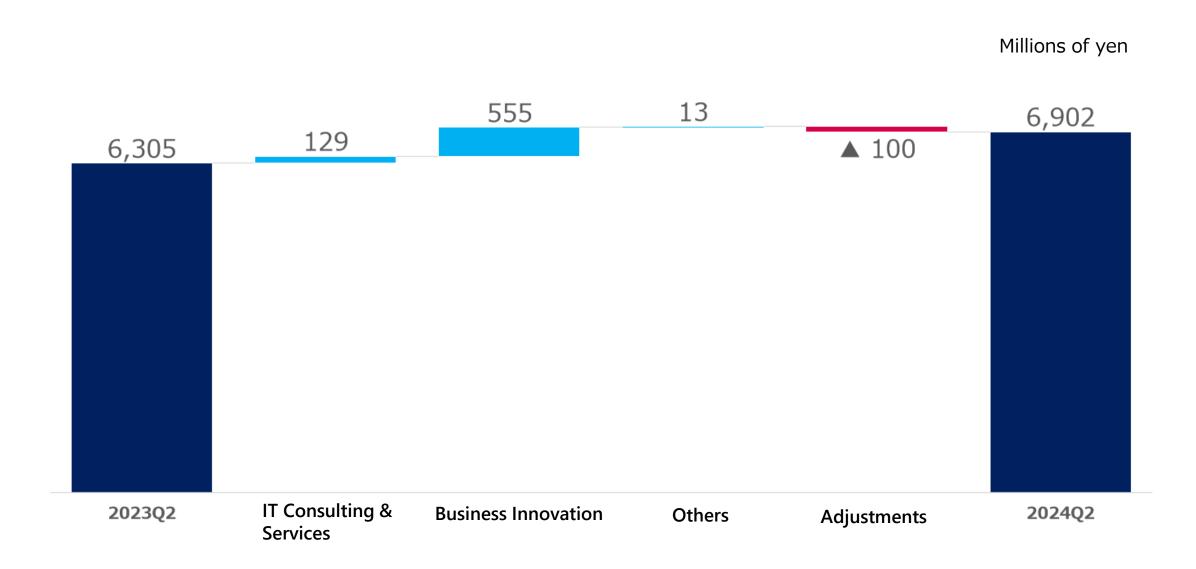
(ix) Analysis of consolidated net sales increase/decrease





(x) Analysis of consolidated OP increase/decrease







3. Forecast for FY2024

(i) Forecast for FY2024



- ✓ 1H results were in line with the plan. Full-year forecasts remain unchanged from the ones which were disclosed on April 24.
- ✓ As the Next-Gen Banking System at Fukushima Bank went live successfully, we will assign the relevant employees to new projects in the 2nd half of the year.
- ✓ Revenue synergies in relation to the acquisition of Revamp will materialize in the next year and beyond.

Millions of yen

	FY2024		FY2024	Difference	Rate of
	Full-year Forecast	1H Budget	1H Results	(vs. 1H Budget)	Progress (vs. Full-year forecast)
Net Sales	70,200	32,100	32,954	+ 854	46.9%
Operating Profit (OP margin)	14,650	6,800	6,902	+ 102	47.1%
(Or margin)	(20.9%)	(21.2%)	(20.9%)		
Profit attributable to owners of parent	9,900	4,600	4,864	+ 264	49.1%
(Net income margin)	(14.1%)	(14.3%)	(14.8%)		

(ii) Sales, OP and EBITDA Forecasts for FY2024



Millions of yen



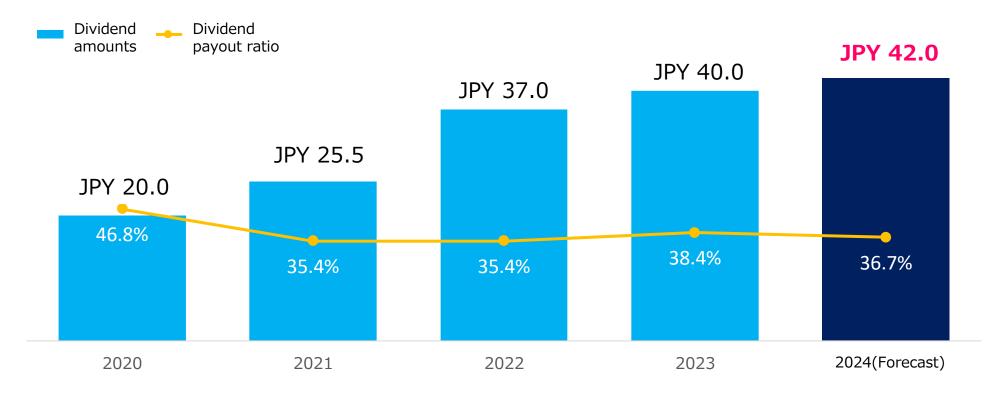
(*) In FY2023, the provisional accounting treatment for the business combination was retrospectively finalized so the OP figure in the above chart for FY2022 is slightly different from the one which was disclosed last year (JPY12,229 million).

(iii) Dividends



✓ Interim dividends of JPY 21 per share were approved at the BoD in July. Full-year dividends of JPY 42 (year-end dividends of JPY 21) remain unchanged.

Annual dividends per share (*)



^(*) The two-for-one stock split was implemented on Jan 1, 2022. The amounts of dividend before 2021 are adjusted taking into account the effect of such stock split.

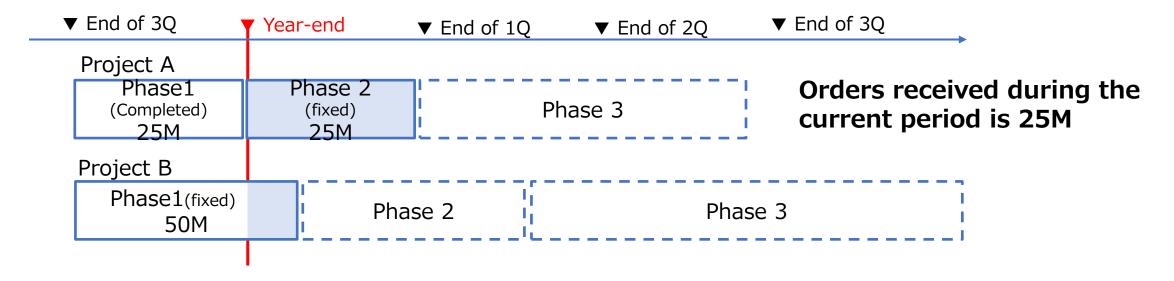


Appendices

Appendix-1-1 Approach to Order Backlog (IT Consulting & Services Business)



(1) For risk management purposes, orders for long-term projects are treated as received once contracts are signed.



(2) Of the received orders, the amount excluded from sales on a percentage of completion basis is aggregated as order backlog.

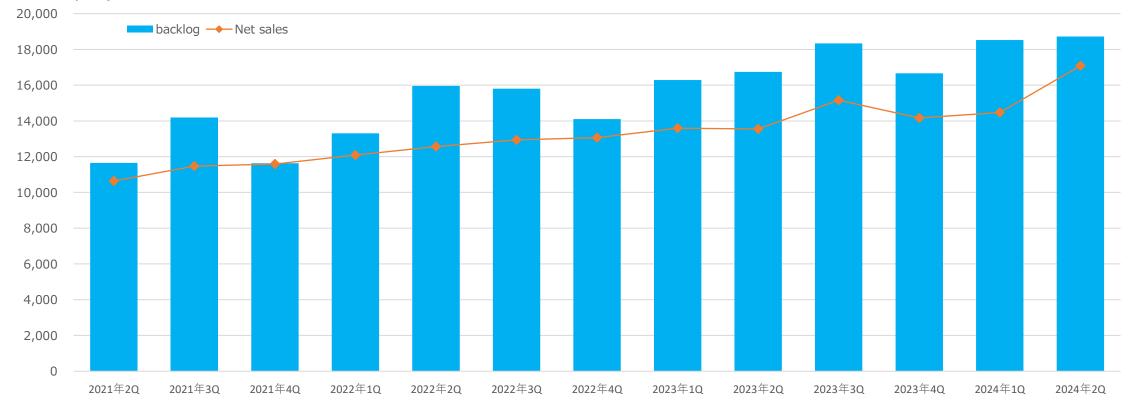
Order backlog of the current period = Order backlog from the current period + Orders received during the current period - Sales

Appendix-1-2 Relationship between order backlog and net sales



IT Consulting & Services Business Order backlog and sales trends (Quarterly)

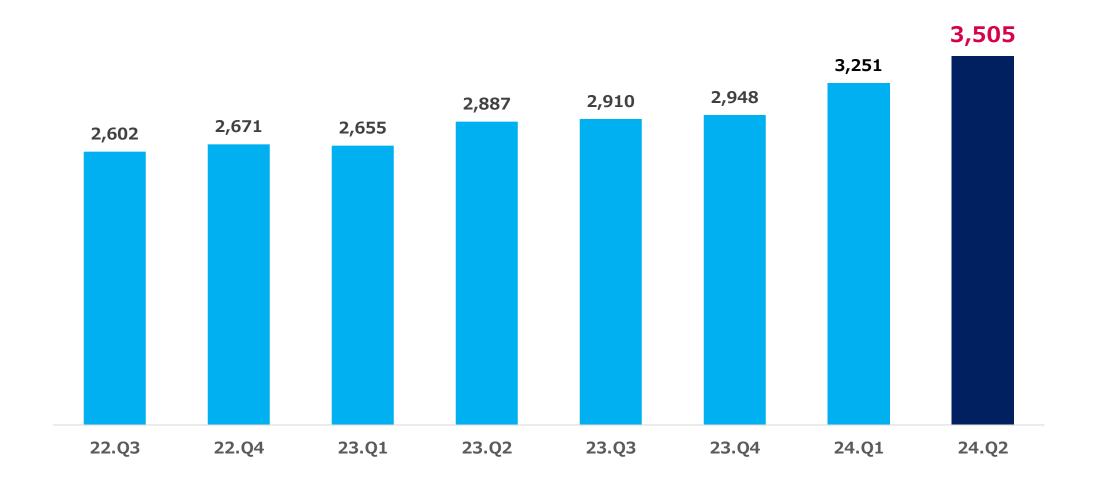
(Millions of yen)



- As explained on the previous slide, the order backlog at the end of the FY does not necessarily correlate with future sales.
- Accounting Standard for Revenue Recognition has been applied with contracts beginning after January 2023.

Appendix-2 Quarterly changes in number of employees (Consolidated Basis)





Appendix-3 Purchase Price Allocation of intangible assets and goodwill regarding the acquisition of Revamp



- ✓ The purchase price allocation with respect to the acquisition of Revamp are decided as shown in the below chart.
- ✓ JPY10.7 billion is allocated to customer-related assets which are regarded as identifiable, and the remaining JPY10.8 billion is recognized as goodwill.

Summary of Purchase Price Allocation

Millions of yen

Assets	Amounts Years of amortization	Years of	Amortization amounts		
		amortization	FY2024*	FY2025	FY2026
Customer related assets (Customer lists)	10,325	17	456	607	607
Customer related assets (order backlog)	399	1	299	100	_
Goodwill	10,815	15	541	721	721
Total	21,539		1,296	1,428	1,328

^{*}For 9 months



Financial results, supplementary materials, presentation materials and other IR materials are available on our website.

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

IR Contacts E-mail: ir@future.co.jp

This material contains forward-looking statements and, as such, is subject to known and unknown risks and uncertainties particularly in relation to the Japanese economy and IT industry; therefore, we do not guarantee nor promise its accuracy.