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Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

October 23, 2024

Company name: Future Corporation
Listing: Tokyo Stock Exchange
Securities code: 4722
URL: <https://www.future.co.jp>
Representative: Yasufumi Kanemaru Chairman and President
Inquiries: Yasukazu Matsushita Executive Officer
Telephone: +81-3-5740-5724
Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: None
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA ※		Operating profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	51,916	17.4	13,483	18.7	11,599	11.7	8,006	12.5
September 30, 2023	44,222	11.6	11,363	11.2	10,383	10.9	7,119	(1.1)

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥ 5,672 million [(24.6)%]
Nine months ended September 30, 2023: ¥ 7,521 million [76.9%]

※ EBITDA = Operating income + Depreciation + Amortization of goodwill

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	90.36	—
September 30, 2023	80.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2024	89,714	53,502	59.6	603.68
December 31, 2023	66,043	51,387	77.8	580.10

(Reference) Equity: As of September 30, 2024: ¥ 53,502 million
As of December 31, 2023: ¥ 51,387 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	20.00	-	20.00	40.00
Fiscal year ending December 31, 2024	-	21.00	-		
Fiscal year ending December 31, 2024 (Forecast)				21.00	42.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	70,200	18.3	17,000	13.2	14,650	6.9	9,900	7.4	111.76

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes
 Newly included: 3 (Company name: Revamp Corporation and 2 other companies)
 Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 95,328,000 shares
 December 31, 2023: 95,328,000 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 6,700,416 shares
 December 31, 2023: 6,744,163 shares

3) Average number of shares outstanding during the period:

Nine months ended September 30, 2024: 88,604,749 shares
 Nine months ended September 30, 2023: 88,570,135 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

Any forward-looking statement, including earnings forecasts, contained in this document is based on information currently held by the Company and assumptions the Company considers to be reasonable, and the Company does not promise to achieve any of them. Actual results may differ significantly from forecasts due to various uncertain factors.

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1. Qualitative Information Regarding Financial Results for the Interim Period under Review

(1) Explanation of Operating Results

Looking at the economic environment during the period under review, despite the unstable global situation, domestic inflation prices, continued high interest rates, and large fluctuations in exchange rates, companies continued to make efforts to reform their management through IT, including digital transformation (DX), business reform, and the creation of new digital services using AI and other technologies. In addition, the enforcement of the Act on Reform of Working Conditions and Related Matters (the "Workplace Reform Act") has been implemented and efforts to address labor shortages have accelerated the use of IT to improve productivity and efficiency, review supply chains across the entire enterprise, and address ESG and SDGs, and active IT investment continues across all industries and domains. For individuals, the use of IT for purchasing via e-commerce sites, entertainment and sports viewing via video and online, education and self-development via online services has taken root, and a variety of services related to these activities have been created.

Under these circumstances, the Group's net sales and operating profit increased year-on-year for nine months of the current fiscal year as a result of steady progress in large scale projects that will contribute to the Company's medium- to long-term growth, including the completion of the implementation of a "next-generation banking system" at the first bank, which will serve as the foundation for future banking services. As a result, the Group's net sales, operating profit, and profit attributable to owners of the parent increased year on year in the first nine months of the current fiscal year.

The following is a summary of the results (sales and operating profit) for each segment.

(i) IT Consulting & Services Business

Future Corporation has been selected to participate in the "GENIAC (Generative AI Accelerator Challenge)," a project to strengthen the development capability of domestic generative AI, which is being implemented by the Ministry of Economy, Trade and Industry (METI). We have been selected as an implementing company for the project "Establishment of an Infrastructure Model Specializing in Japanese Language and Software Development" and will form a joint team with collaborating universities to proceed with the development. While advancing academic research and development of cutting-edge AI, we will provide AI consulting services to practically solve issues faced by our clients and industries.

Future Architect, Inc. (including the technology division of Future Corporation) won and promoted projects for a wide variety of clients, including projects to promote DX and improve operational efficiency for clients. As for projects utilizing intellectual property that will contribute to the Company's medium- to long-term growth, the "Next Generation Banking System" implementation project for the first bank started stable operation on July 16, 2024, and license fees related to system use, etc. were recorded during the third quarter of this consolidated fiscal year. The development and testing phases are progressing smoothly. In addition, projects to introduce "GlyphFeeds," a CMS (Contents Management System) for media, "FutureApparel," a core platform system for apparel, and a project to build a system related to the government-led medical insurance DX are progressing smoothly. In addition, a project to build a system related to the government initiative for medical insurance DX is progressing steadily. As a result, both sales and profit increased year-on-year.

Future Inspace, Inc. reported year-on-year increases in both sales and profit on the back of continued strong development of system infrastructure renewal and cloud migration projects for existing customers, in addition to regular maintenance and operation services.

FutureOne, Inc. reported year-on-year increases in both sales and profit in sales of its original packaged software "Infini One," which is one of its strengths, due to an increase in new orders received as a result of industry-specific sales development, such as in the steel industry.

YDC Corporation contributed to sales growth by promoting value to customers through the execution of DX projects, in addition to driving the construction of "Smart Factory," which realizes the digitization of factory management through the use of data through DX consulting, etc., for customers mainly in the manufacturing industry. However, sales and profits declined year-on-year due to the peak-out of large consulting projects, higher

recruiting costs reflecting aggressive investments including human assets, and an increase in software amortization burden.

In addition to its existing services such as cyber defense exercises, dit Co., Ltd. launched a new security consulting service in the medical field and received orders for projects from key hospitals in the region, but product sales orders did not recover, resulting in lower sales and profits compared to the same period of the previous year.

Revamp Corporation's performance was solid, with new orders for projects in the healthcare field in addition to existing projects in the management marketing business, which supports private equity funds and management practices. The DX business, which provides consulting services for core system renewal and company-wide structural reform, is generally progressing as planned. The Group has included the profit and loss of Revamp Corporation from the second quarter of the consolidated fiscal year.

As a result, net sales in this segment increased 18.5% year on year to 45,113 million yen, and operating profit rose 6.6% to 11,332 million yen.

(ii) Business Innovation Business

YOCABITO Co., Ltd. increased sales of high-margin products through measures to promote procurement, product listing, and e-commerce sales in a single integrated manner, as well as by reducing distribution costs by downsizing the products it handles. However, sales decreased and operating loss remained unchanged from the same period of the previous fiscal year due to continued severe competition in the outdoor and apparel markets and an increase in sales promotion expenses and other expenses associated with the liquidation of unprofitable products.

Tokyo Calendar, Inc. reported year-on-year increases in both sales and profit due to steady growth in advertising sales in the content business and online service revenues from "TOKYO CALENDAR DATE" and other services.

LaiBlitz, Inc. posted year-on-year increases in both sales and profit due to the introduction of the "Future Fastball" team enhancement system for sports teams, several additional functionality projects for existing clients, and an order for a support project for a rugby team in the marketing business.

CURIOSITY INC. has been performing well in terms of both sales and earnings, backed by steady progress in several large-scale store designs for overseas luxury brands, including jewelry and watches. The Group has newly consolidated this company since the second quarter of the previous fiscal year, and its performance will make a full-year contribution from the current fiscal year.

As a result, net sales in this segment were 6,833 million yen (up 12.7% year-on-year) and operating profit was 364 million yen (compared with an operating loss of 323 million yen in the same period last year).

Operating loss of 26 million yen was recorded in "Adjustments," which includes revenues and expenses of the holding company function of Future Corporation and elimination of intersegment transactions in the reportable segments.

The decrease was due mainly to the recording of operating profit of 199 million yen in the same period of the previous fiscal year. This was mainly due to expenses incurred by Future Corporation in connection with the acquisition of shares of Revamp Co.

(Note) The above segment performance figures are before adjustment for intersegment sales or transfers.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current consolidated fiscal year amounted to 89,714 million yen, up 23,671 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in goodwill (up 10,312 million yen from the end of the previous consolidated fiscal year) and customer-related assets (up 10,157 million yen) following the inclusion of Revamp Corporation and its one consolidated subsidiary and one equity method affiliate in the scope of consolidation.

Total liabilities amounted to 36,212 million yen, up 21,555 million yen from the end of the previous fiscal year. This was mainly due to an increase in current portion of long-term loans payable (up 2,856 million yen from the end of the previous consolidated fiscal year) and an increase in long-term loans payable (up 15,714 million yen) as a result of financing for the acquisition of all shares of Revamp Co.

Net assets totaled 53,502 million yen, up 2,115 million yen from the end of the previous consolidated fiscal year. The main factor was an increase in retained earnings (up 4,373 million yen from the end of the previous consolidated fiscal year) due to the accumulation of profits, etc., while valuation difference on available-for-sale securities decreased (down 2,331 million yen) due to the decline in market prices of shares held.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	28,015	30,388
Notes and accounts receivable - trade, and contract assets	10,195	13,474
Securities	200	-
Merchandise and finished goods	1,160	1,382
Work in process	31	18
Other	4,637	2,446
Allowance for doubtful accounts	(3)	(0)
Total current assets	44,237	47,710
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,869	1,962
Accumulated depreciation	(1,317)	(1,449)
Buildings and structures, net	552	513
Land	0	0
Other	3,115	2,741
Accumulated depreciation	(2,648)	(2,159)
Other, net	466	581
Total property, plant and equipment	1,020	1,095
Intangible assets		
Goodwill	1,083	11,396
Software	3,370	3,610
Customer-related intangible assets	90	10,247
Technology related assets	1,135	1,041
Other	4	10
Total intangible assets	5,684	26,306
Investments and other assets		
Investment securities	13,770	12,952
Leasehold and guarantee deposits	1,205	1,524
Deferred tax assets	0	-
Other	126	131
Allowance for doubtful accounts	(1)	(5)
Total investments and other assets	15,102	14,603
Total non-current assets	21,806	42,004
Total assets	66,043	89,714

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,096	1,768
Current portion of long-term borrowings	-	2,856
Accounts payable - other	1,604	1,330
Income taxes payable	2,582	2,619
Provision for bonuses	277	1,655
Reserve for quality assurance	103	96
Provision for loss on project contracts	38	33
Other	5,140	4,342
Total current liabilities	10,842	14,703
Non-current liabilities		
Long-term borrowings	-	15,714
Asset retirement obligations	357	355
Deferred tax liabilities	3,324	5,338
Other	132	99
Total non-current liabilities	3,813	21,508
Total liabilities	14,656	36,212
Net assets		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	84	146
Retained earnings	41,537	45,911
Treasury shares	(2,201)	(2,186)
Total shareholders' equity	43,421	47,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,938	5,607
Deferred gains or losses on hedges	(2)	(5)
Foreign currency translation adjustment	30	30
Total accumulated other comprehensive income	7,966	5,631
Total net assets	51,387	53,502
Total liabilities and net assets	66,043	89,714

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income and Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	44,222	51,916
Cost of sales	22,706	26,380
Gross profit	21,515	25,535
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	473	610
Salaries and bonuses	4,751	5,897
Other salaries	238	257
Rent expenses on land and buildings	706	835
Training expenses	620	702
Research and development expenses	938	943
Depreciation	299	881
Hiring expenses	730	811
Amortization of goodwill	116	503
Other	2,258	2,493
Total selling, general and administrative expenses	11,132	13,936
Operating profit	10,383	11,599
Non-operating income		
Dividend income	160	162
Share of profit of entities accounted for using equity method	36	123
Foreign exchange gains	42	-
Gain on sale of investment securities	-	145
Other	12	63
Total non-operating income	252	494
Non-operating expenses		
Interest expenses	1	104
Loss on investments in investment partnerships	15	69
Foreign exchange losses	-	29
Financial fees	-	220
Other	2	0
Total non-operating expenses	18	423
Ordinary profit	10,617	11,670
Extraordinary income		
Gain on sale of investment securities	-	166
Total extraordinary income	-	166
Profit before income taxes	10,617	11,837
Income taxes - current	3,763	4,411
Income taxes - deferred	(265)	(580)
Income taxes	3,497	3,830
Profit	7,119	8,006
Profit attributable to		
Profit attributable to owners of parent	7,119	8,006

(Millions of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	384	(2,331)
Deferred gains or losses on hedges	7	(3)
Foreign currency translation adjustment	10	0
Share of other comprehensive income of entities accounted for using equity method	(0)	-
Total other comprehensive income	402	(2,334)
Comprehensive income	7,521	5,672
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,521	5,672

(3) Notes to quarterly consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(Changes in significant subsidiaries during the period under review)

During the first quarter of the current consolidated fiscal year, the Company acquired all of Revamp Corporation's shares. Therefore, it has included Revamp Corporation and one of its subsidiaries in the scope of consolidation and has made one of its affiliates an equity-method affiliate.

(Notes on any significant change in shareholders' equity)

Not applicable.

(Notes on segment information)

[Segment information]

I First nine months of the previous consolidated fiscal year (from January 01, 2023 to September 30, 2023)

1. Information on the amounts of net sales, and profit or loss by reportable segment

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in quarterly consolidated financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Sales to outside clients	38,018	5,947	43,965	257	44,222	—	44,222
(2) Intersegment sales or transfer	49	114	163	376	539	(539)	—
Total	38,067	6,061	44,129	633	44,762	(539)	44,222
Segment profit (loss)	10,631	(323)	10,308	(125)	10,183	199	10,383

(Notes) 1. “Other” is a segment for operations not included in reportable segments. The segment covers an operation business of a handball team, and investment in, holding of, and management of securities.

2. Adjustments to segment profit (loss) represent the amount of intersegment transactions eliminated, and income and expenses of the holding company excluding the technology segment.

3. Segment profit (loss) is adjusted with operating income in interim consolidated financial statements.

2. Information on the amounts of impairment losses or goodwill, etc. of non-current assets by reportable segment
(Significant change in the amount of goodwill)

In the Business Innovation Business segment, the Group has acquired CURIOSITY inc., making it a consolidated subsidiary. The increase in goodwill due to this event was 846 million yen during the first nine months of the previous consolidated fiscal year. The amount of goodwill concerned reflects a significant revision of the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment for the business combination.

II First nine months of the current consolidated fiscal year (from January 01, 2024 to September 30, 2024)

1. Information on the amounts of net sales, and profit or loss by reportable segment

(in millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in quarterly consolidated financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Sales to outside clients	45,054	6,715	51,769	146	51,916	—	51,916
(2) Intersegment sales or transfer	58	118	177	351	529	(529)	—
Total	45,113	6,833	51,947	498	52,445	(529)	51,916
Segment profit (loss)	11,332	364	11,696	(71)	11,625	(26)	11,599

(Notes) 1. “Other” is a segment for operations not included in reportable segments. The segment covers an operation business of a handball team, and investment in, holding of, and management of securities.

2. Adjustments to segment profit (loss) represent the amount of intersegment transactions eliminated, and income and expenses of the holding company excluding the technology segment.

3. Segment profit (loss) is adjusted with operating income in interim consolidated financial statements.

2. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

The segment assets of the IT Consulting & Service Business for the third quarter of the fiscal year under review increased by 30,129 million yen from the end of the previous fiscal year due to the acquisition of Revamp Corporation and the inclusion of the said company and its subsidiaries in the scope of consolidation and making one of its affiliates an equity-method affiliate during the first quarter.

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

(Significant change in the amount of goodwill)

In the IT Consulting & Service Business segment, the Group has acquired Revamp Corporation and has included the company and its subsidiaries in the scope of consolidation and has made one of its affiliates an equity-method affiliate. The increase in goodwill due to this event was 10,815 million yen during the first nine months of the current consolidated fiscal year. The amount of goodwill concerned reflects a significant revision of the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment for the business combination.

(Notes to quarterly consolidated statements of cash flows)

We have not prepared a quarterly consolidated statement of cash flows for the nine months ended September 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and Amortization of goodwill for the nine-month period are as follows.

	(in millions of yen)	
	First nine months of the previous consolidated fiscal year (from January 01, 2023 to September 30, 2023)	First nine months of the current consolidated fiscal year (from January 01, 2024 to September 30, 2024)
Depreciation	863	1,389
Amortization of goodwill	116	503

3. Supplementary Information

Orders received

Category	First nine months of the previous consolidated fiscal year (from January 01, 2023, to September 30, 2023)		First nine months of the current consolidated fiscal year (from January 01, 2024, to September 30, 2024)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	42,252	18,339	46,567	18,232
Business Innovation Business	3,559	1,680	3,134	888
Total	45,811	20,020	49,701	19,120

Category	Second quarter of the current consolidated fiscal year (from April 01, 2024, to June 30, 2024)		Third quarter of the current consolidated fiscal year (from July 01, 2024, to September 30, 2024)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	15,573	18,721	16,112	18,232
Business Innovation Business	935	1,322	855	888
Total	16,508	20,044	16,967	19,120