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Press Release

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Notice on Consolidated Earnings Results for the First Three Months of FY2017

1. Consolidated earnings results for the first three months of FY2017

The Group's consolidated earnings results for the first three months of FY2017 (from January 1, 2017 to March 31, 2017) were as follows.

Net sales	8,715 million yen	(up 1.4% year-on-year)
Operating income	992 million yen	(down 13.8% year-on-year)
Quarterly profit attributable to owners of parent	612 million yen	(down 15.7% year-on-year)

The details of the performance of each business segment are as follows.

(1) IT Consulting & Service Business

Future Architect Inc. has been in the development phase of financial cloud computing services (SKYBANK) for orders received in the end of the last year from an urban bank and a major regional bank based in a metropolitan area, and received project orders from several new clients including major companies in the retail, the newspaper, and the logistics industries. Meanwhile, due to the settlement of the development of a large-scale project, both net sales and operating income decreased year on year.

YDC Corporation, a company newly consolidated since the quarter under review, performed strongly in its system development subcontracting business and license sales business for the manufacturing industry, which contributed to consolidated net sales and operating income.

FutureOne Inc.'s net sales and operating income significantly improved year on year because the number of new project orders increased year on year and development went well.

Consequently, net sales of this segment for the first quarter stood at 7,482 million yen, up 17.0% year-on-year, and its operating income amounted to 1,088 million yen, down 8.6% year-on-year.

(2) New Media & Web Service Business

eSPORTS Co., Ltd. posted an increase in net sales mainly contributed by the sale of private brand

training goods and equipment such as flat benches and indoor exercise bikes, while operating income leveled off due to an increase in fees associated with sales and marketing.

Tokyo Calendar Inc. posted a significant year-on-year increase in sales for web advertisement thanks to the growing number of monthly page views that steadily increased from 30 million at the end of last year to 35 million in March.

CodeCamp Inc. posted an increase in net sales year on year contributed by CodeIncubate, a newly-established engineer training program for people thinking about a career change, and TORAKAJI, a business development specialist training program. However, operating loss remains due mainly to a front-load investments.

Consequently, this segment recorded sales of 1,285 million yen, up 20.4% year-on-year, and operating loss amounted to 108 million yen against that of ¥88 million yen a year earlier.

Notes: Segment business results stated in the paragraphs above are before adjustment for internal sales and transfers among segments.

Effective April 1, 2016, the Company shifted to a holding company structure to realign its organizational platform. Accordingly, starting from the second quarter of the previous fiscal year, we migrated to a method of: 1) recording, as costs under segment income adjustment, Group operation costs which were previously included in the costs of the IT Consulting Business; and 2) recording business outsourcing service fees and group growth subsidies received from individual Future Group companies as income under segment income adjustments. In addition, from the first quarter of the fiscal year under review, the Group integrated “IT Consulting Business” and “Package & Service Business” into “IT Consulting & Service Business.” Year-on-year changes were calculated for comparison upon adjusting the values for the previous fiscal year’s first quarter cumulative period for the revised reporting segment categorization and measurement methods.

2. Outlook for the future

(1) IT Consulting & Service Business

The Group’s IT consulting business strives to improve its corporate value by expanding the acceptance of orders for projects which contribute to the innovation of clients’ business and IT framework, using the following strengths:

- (i) Providing consistent services from grand design to detailed design, development, maintenance and operation using our in-house components (Future Component) which enable the latest global IT technology and data processing in real time, while considering business innovations and operational and system improvements as a three-part initiative
- (ii) Renovating clients’ complex, multi-layered core systems using a method in which black-boxed legacy systems are scientifically analyzed before being reconstructed as the latest open system

(Future Formula)

(iii) Realizing design and development of high quality systems in a short term by utilizing a proprietary project-monitoring and management method (Future Navi and Futurefraqta)

Furthermore, the Group will focus on the following initiatives.

1. Develop and deliver the latest IT systems which creates innovation

The Group has contributed to clients in the manufacturing industry transforming into a Smart Factory with an IoT platform developed using AI. Going forward, we will make greater contributions to clients' business innovation through advancing research and development of the latest IT systems which tap into AI, IoT and big data.

2. Deliver the Group's unique application cloud systems such as distribution cloud systems

The Group has provided core systems for a number of clients in the retail industry including home improvement retailers, supermarkets, voluntary chain stores and convenience stores. The Group is committed to the development of SKYRETAIL, a distribution cloud system where the Group's accumulated knowledge about the retail industry and a next-generation system architecture enabled by the latest IT systems are combined. This provides a highly efficient system that contributes to clients' business innovation and operational improvement.

3. Strengthen collaboration among subsidiaries

As of January 5, 2017, Future Corporation acquired, from Yokogawa Electric Corporation, 81% of the shares of YDC Corporation, which is highly experienced in consulting and developing systems for the manufacturer industry, making it a consolidated subsidiary company. Going forward, we intend to provide a higher value-added service to clients through the provision of mutual complementary knowledge, solutions, and technical and developmental skills held by our IT Consulting & Service Business subsidiaries including Future Architect, Future Inspace, FutureOne Micro CAD, and YDC, while strengthening collaboration among them.

(2) New Media & Web Service Business

eSPORTS Co., Ltd. will carry on strategic purchases of such products as good-selling private brand training goods and equipment and popular outdoor products and sportswear, as well as enhancing its own EC site and developing smartphone applications in collaboration with Tokyo Calendar, with an intention to increase exposure to clients and eventually increase sales and profit.

Tokyo Calendar has attracted a particular user base and created original video content, which is expected to raise its monthly page views to 40 million in April. Taking this advantage to raise advertisement revenue and collaborating with Matchalarm Inc., a provider of online match-making service that Future Group acquired at the end of the first quarter, Tokyo Calendar will focus on the development of paid-membership service to grow sales and profit.

CodeCamp will strengthen corporate sales of online programming education service to establish and enhance the profit base.

We have not changed our earnings forecast for the second cumulative quarter of FY2017 and the full fiscal year ending December 31, 2017, which was announced on February 7, 2017.

- Any questions relating to the above press release should be directed to:

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