

# Briefing on Financial Results for the Second Quarter of FY2017

August 1, 2017  
Future Corporation

1. Earnings Results for the Second Quarter of FY2017

2. Topics Related to the Second Quarter of FY2017

3. Future Outlook for the Second Half of FY2017

# 1. Earnings Results for the Second Quarter of FY2017

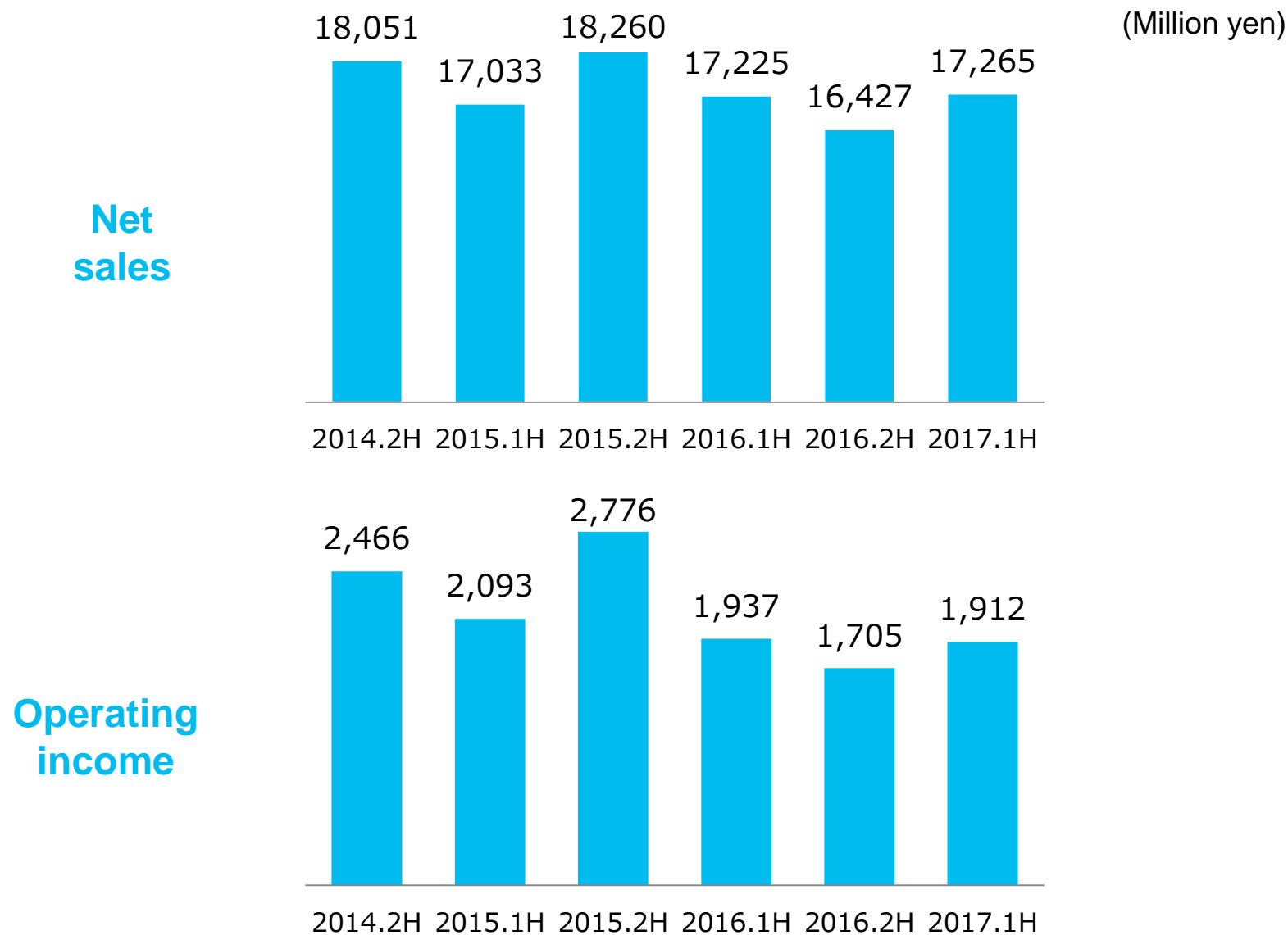
# 1. Earnings Results for the First Half of Fiscal 2017 –(i) Earnings Highlights

(Million yen)

|  | FY2017<br>Results for<br>the first half | Compared with projected<br>results |        | Year-on-year comparison                 |        |
|--|---|------------------------------------|--------|---|--------|
|  |   | FY2017 Plan<br>for the first half  | Change | FY2016<br>Results for the<br>first half | Change |
| Net sales  | <b>17,265</b>                           | 17,710                             | -2.5%  | <b>17,225</b>                           | 0.2%   |
| Operating<br>income<br>(Operating income margin)                 | <b>1,912</b><br>(11.1%)                 | 1,835<br>(10.4%)                   | 4.2%   | <b>1,937</b><br>(11.2%)                 | -1.3%  |
| Profit attributable<br>to owners of<br>parent<br>(Profit margin) | <b>1,487</b><br>(8.6%)                  | 1,171<br>(6.6%)                    | 27.0%  | <b>1,129</b><br>(6.6%)                  | 31.7%  |

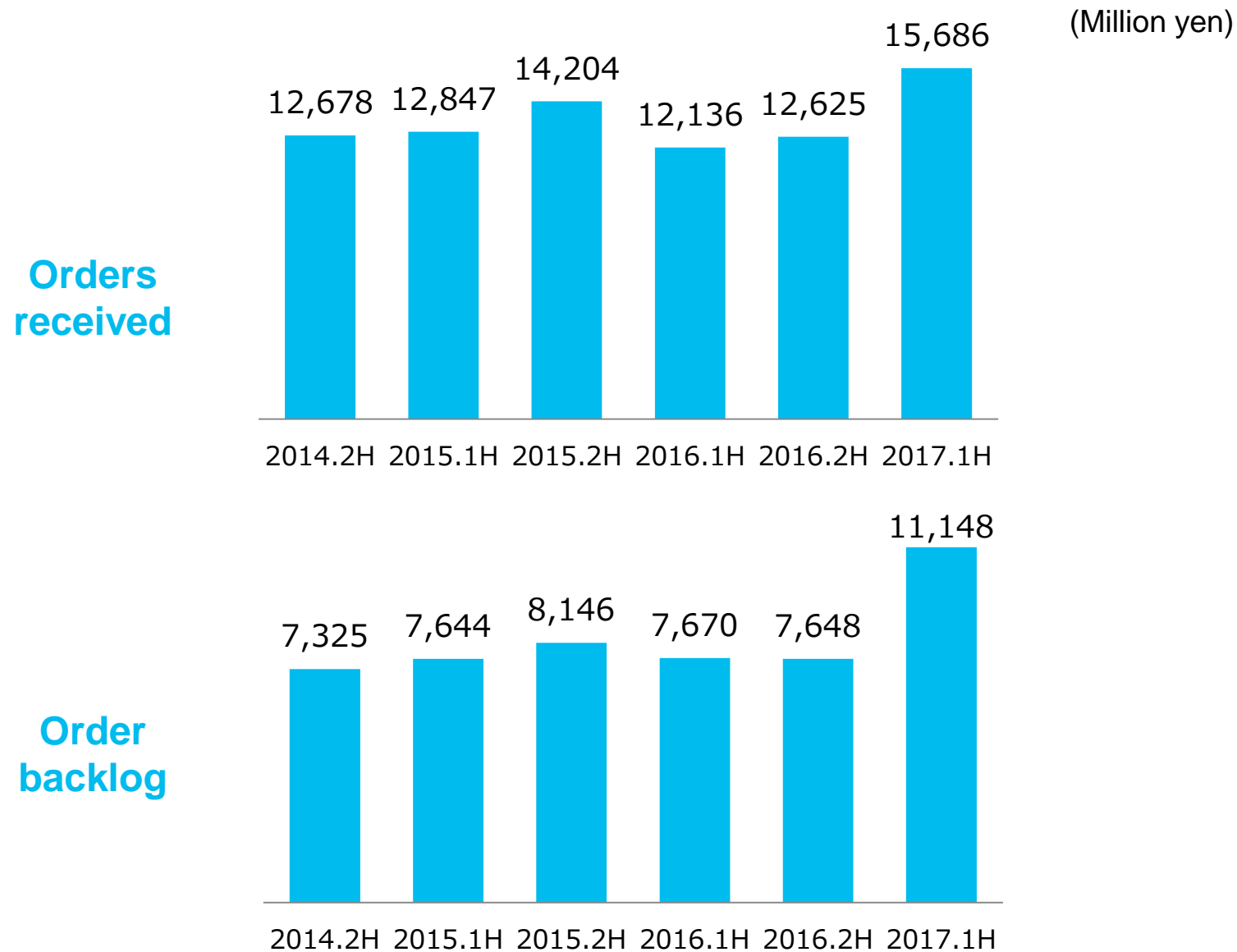
# 1. Earnings Results for the First Half of Fiscal 2017

## – (ii) Analysis of Earnings Results (Net Sales and Operating Income)



# 1. Earnings Results for the First Half of Fiscal 2017

## – (ii) Analysis of Earnings Results (Orders Received and Order Backlog)




# 1. Earnings Results for the First Half of Fiscal 2017

## – (ii) Analysis of Earnings Results (Balance Sheets)

(Million yen)

Net assets: 17,331

Net assets: 18,411 



End of Dec. 2016



End of Jun. 2017

### ○Major increase/decrease in assets

|                                       |          |
|---------------------------------------|----------|
| Notes and accounts receivable - trade | : +503   |
| Work in process                       | : +251   |
| Property, plant and equipment         | : +543   |
| Goodwill                              | : +1,215 |
| Software                              | : +505   |
| Investment securities                 | : +297   |
| Cash and deposits                     | : -2,771 |

### ○Major increase/decrease in liabilities

|                           |        |
|---------------------------|--------|
| Accounts payable - other  | : +621 |
| Other current liabilities | : +340 |
| Accounts payable - trade  | : -187 |
| Income taxes payable      | : -595 |

# 1. Earnings Results for the First Half of Fiscal 2017

## – (ii) Analysis of Earnings Results (Cash Flows)

\* Refer to Appendix (iii) on Page 35

(Million yen)

Balance of cash and cash equivalents

10,810  
8,989

2016.1H 2017.1H

Net cash provided by (used in) operating activities

1,776  
407

2016.1H 2017.1H

### ○ Major changes in operating CF

Income before income taxes and minority interests : +357  
Decrease in proceeds due to a fall in notes and accounts receivable - trade : -920  
Increase in disbursement reflecting a decline in notes and accounts payable - trade : -330  
Increase in disbursement for other operating items : -501

Net cash provided by (used in) investing activities

2016.1H 2017.1H  
-34  
-2,566

Net cash provided by (used in) financing activities

2016.1H 2017.1H  
-683  
-609

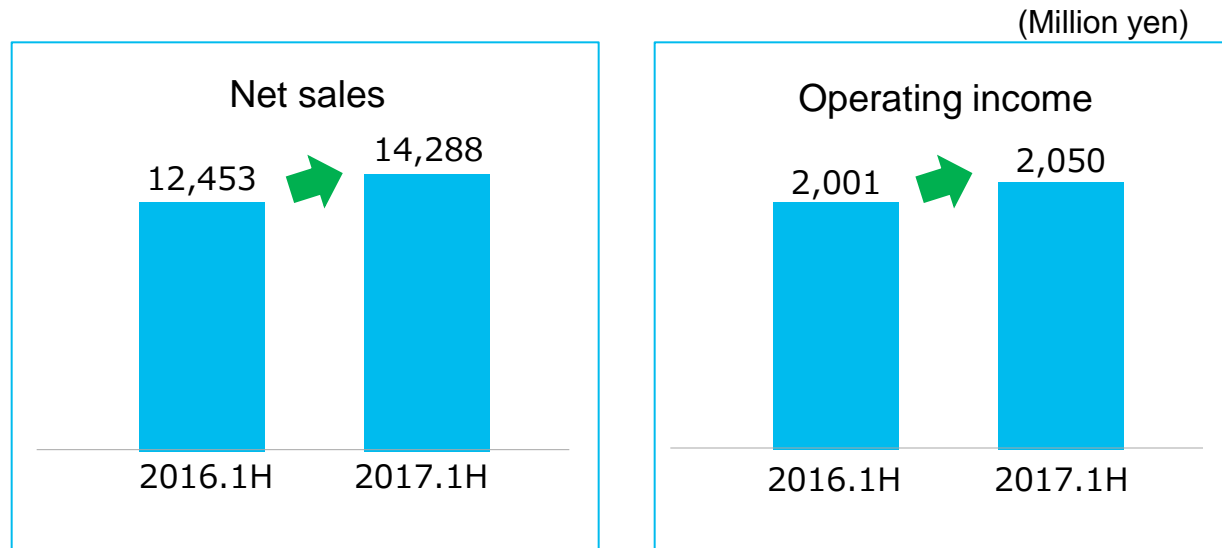
### ○ Major changes in investing CF

Increase in disbursement due to purchase of property, plant and equipment : -205  
Increase in disbursement due to acquisition of intangible assets : -403  
Increase in disbursement due to acquisition of the subsidiary : -1,681  
Increase in disbursement due to purchase of investment securities : -299



# 1. Earnings Results for the First Half of Fiscal 2017

## – (iii) Results by Segment (IT Consulting & Service Business)



### Future Architect, Inc.

- Boost in net sales backed by orders from new customers including retailers, newspaper companies, and logistics companies.
- Engaged in development of financial cloud computing systems at multiple banks in the Tokyo metropolitan area. Launched a project to upgrade transaction systems of foreign currency trading firm.
- Completion of a project accounting for large portion of net sales in the same period of fiscal 2016.

### YDC Corporation

- Acquired at the beginning of fiscal 2017. Positive momentum in development of systems centered on manufacturing business under entrusted contract, as well as license sales of in-house products.

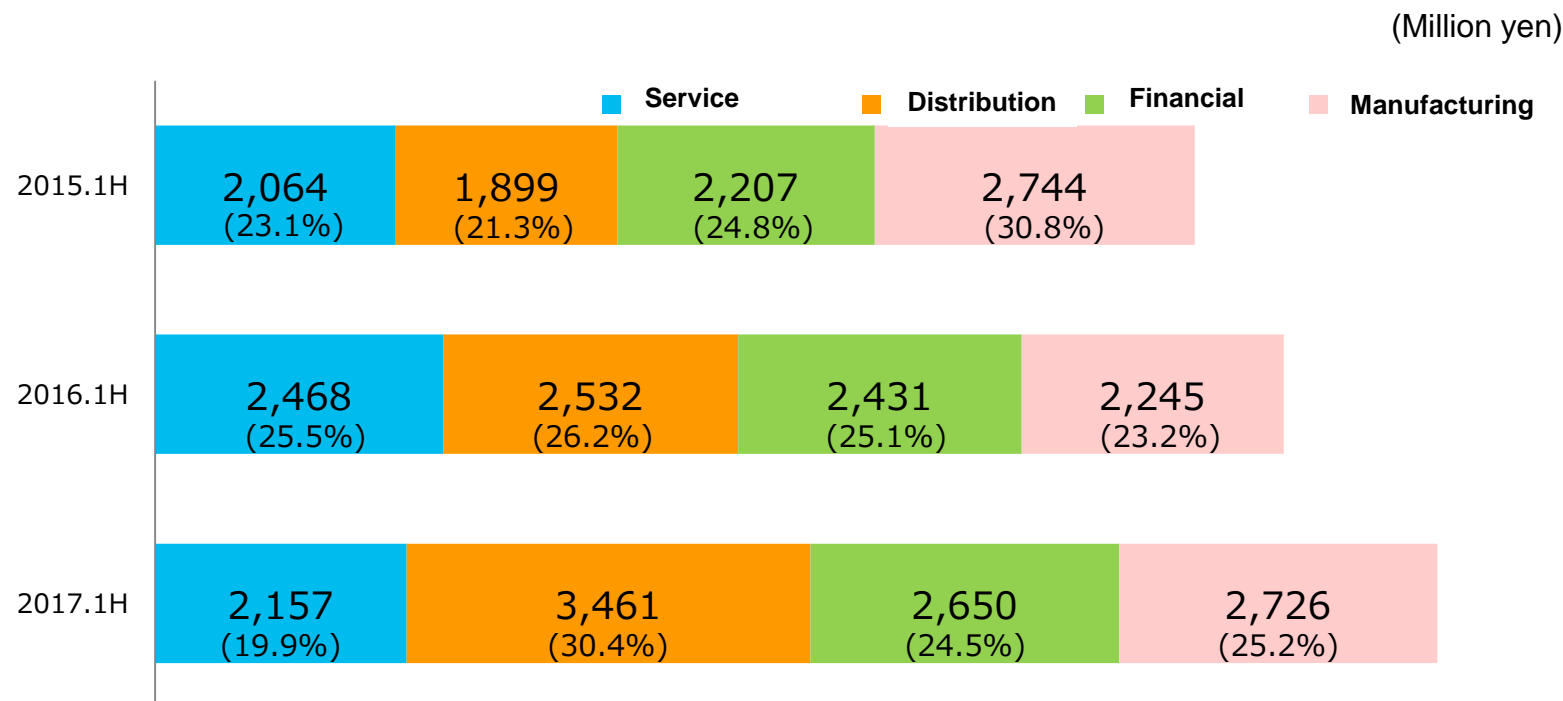
### FutureOne, Inc.

- Steady growth in project orders received mainly from medium-sized firms.
- Increase in license sales of in-house package software products to other companies.

# 1. Earnings Results for the First Half of Fiscal 2017

## — (iv) Sales Analysis (Trends of Sales by Industry)

### Trends of sales by industry

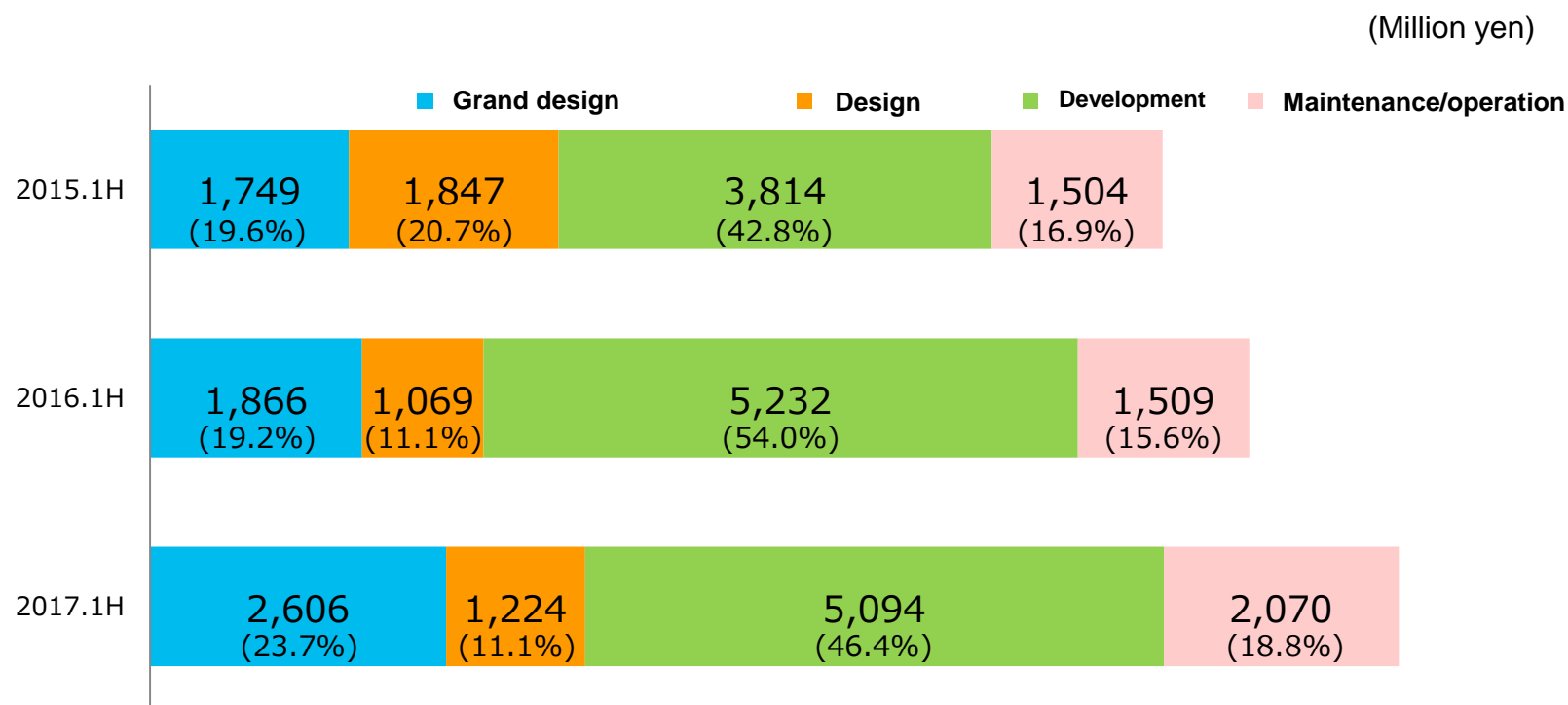


Note: The above figures reflect total numbers combining sales in Future Architect and YDC, and proceeds from the maintenance/operation projects transferred from Future Architect to Future Inspace. Figures of procured goods and their maintenance are not included.

# 1. Earnings Results for the First Half of Fiscal 2017

## — (iv) Sales Analysis (Trends of Sales by Industry)

### Trends of sales by phase

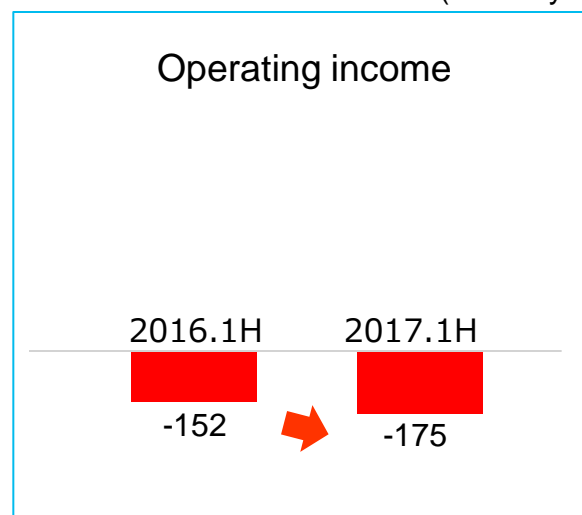
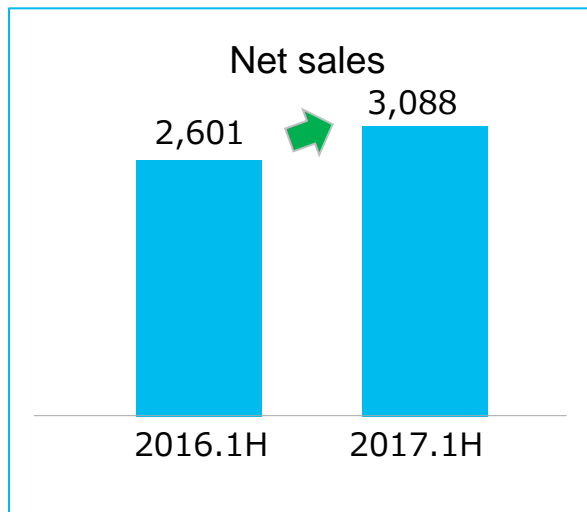


Note: The above figures reflect total numbers combining sales in Future Architect and YDC, and proceeds from the maintenance/operation projects transferred from Future Architect to Future Inspace. Figures of procured goods and their maintenance are not included.

# 1. Earnings Results for the First Half of Fiscal 2017

## — (iv) Results by Segment (New Media & Web Service Business)

(Million yen)



### Tokyo Calendar Inc.

- Boost in monthly page views from 30 million as of December 2016 to 40 million as of June 2017.
- Focused on in-house production of video content, and achieved sales growth in web-based advertisement activities.
- Launched event activities and released application software products through collaboration with Matchalarm Inc. which was incorporated as a subsidiary of the Future Group at the end of March 2017.
- The goal is to post a surplus for the full year.

### eSPORTS Co., Ltd.

- Sales growth backed by positive momentum in sales of outdoor and fitness training goods of private brands.
- Decline in operating income due to lower gross profit margin and increased transport costs.

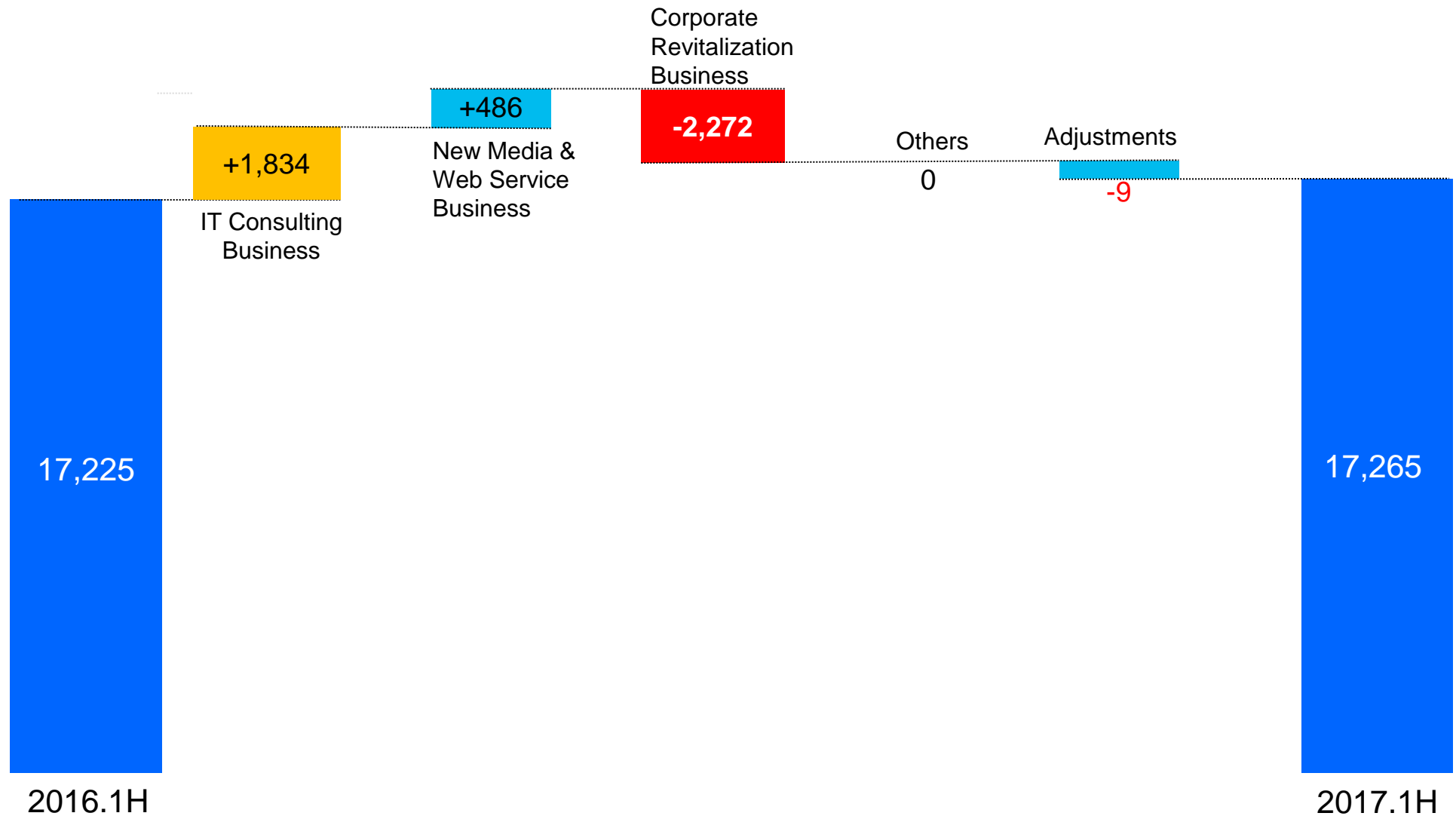
### CodeCamp Inc.

- Sales growth in online programming education services.
- Services of offering programming education and outplacement for job seekers contributed to a boost in sales.
- Upfront investments in recruitment of personnel and disbursement for advertisement led to the succeeding operating loss.

# 1. Earnings Results for the First Half of Fiscal 2017

## – (v) Analysis of Changes in Net Sales

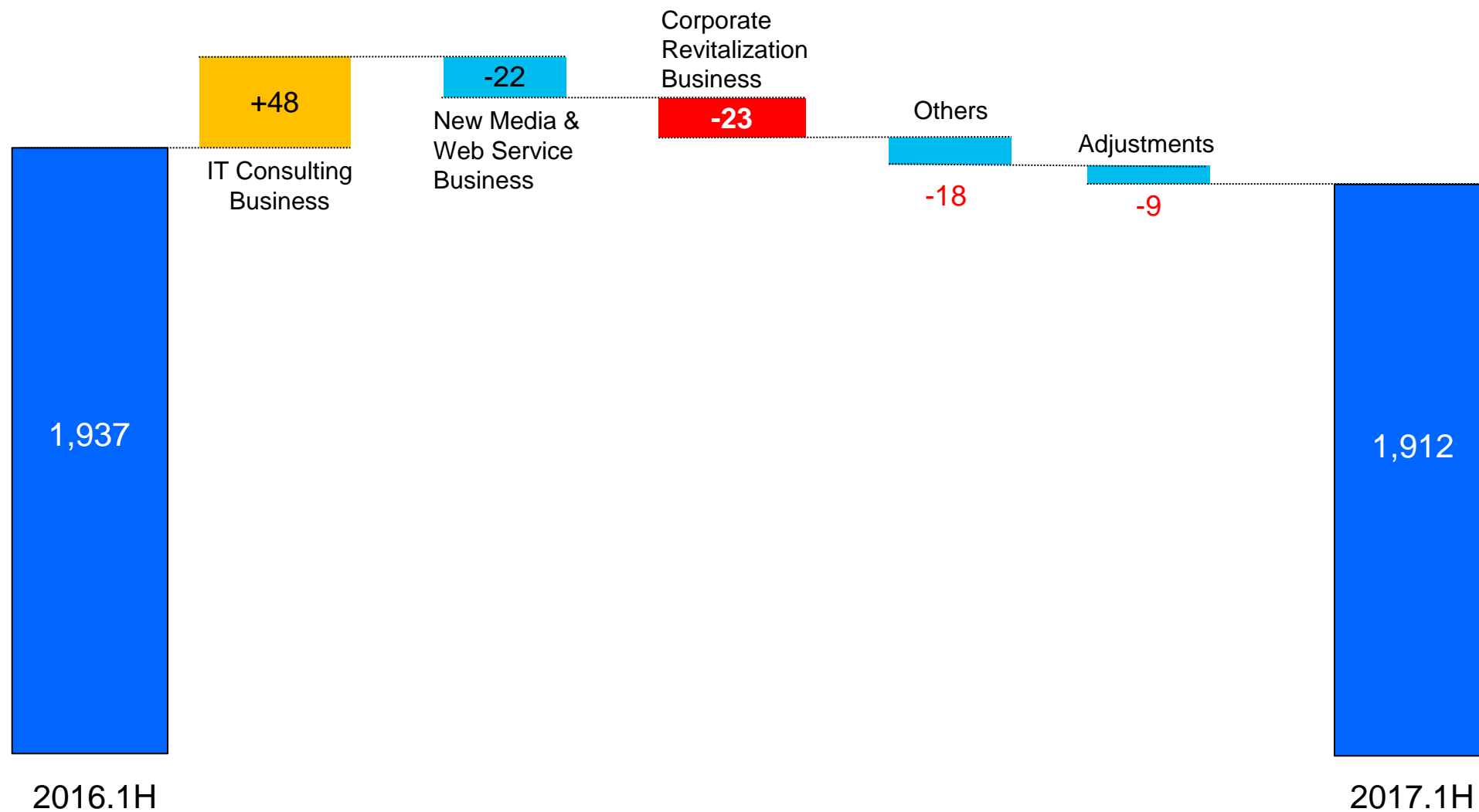
(Million yen)



# 1. Earnings Results for the First Half of Fiscal 2017

## – (vi) Analysis of Changes in Operating Income

(Million yen)



## 2. Topics Related to the Second Quarter of FY2017

## 2.Topics—Future AI

- Offering of comprehensive services covering AI's application to operations, technical design, and creation of effective results
- Services ranging from design to formulation and operations of AI through analysis of images, speeches, and statistics
- Selection of cutting-edge technologies in deep learning, machine learning, etc., and development of algorithm



### Speech analysis of “customers’ voices”

Automatic analysis of customers’ voices received orally or by telephone and email

Improvement in product design, sales strategy, and service quality



### Cyber metrics

Quantification of professional baseball players’ behavioral indicators

Application to a draft system, development of players, and strategy for games



### Demand forecast/production plan

Formation of models for over 8 million decision making variables

Execution of optimal production based on advanced essential forecast



### Automatic placement of orders at stores

Automatic calculation of optimal volumes and timing for placing orders

Automation of store operations and minimization of opportunity losses



### Analysis of voucher images

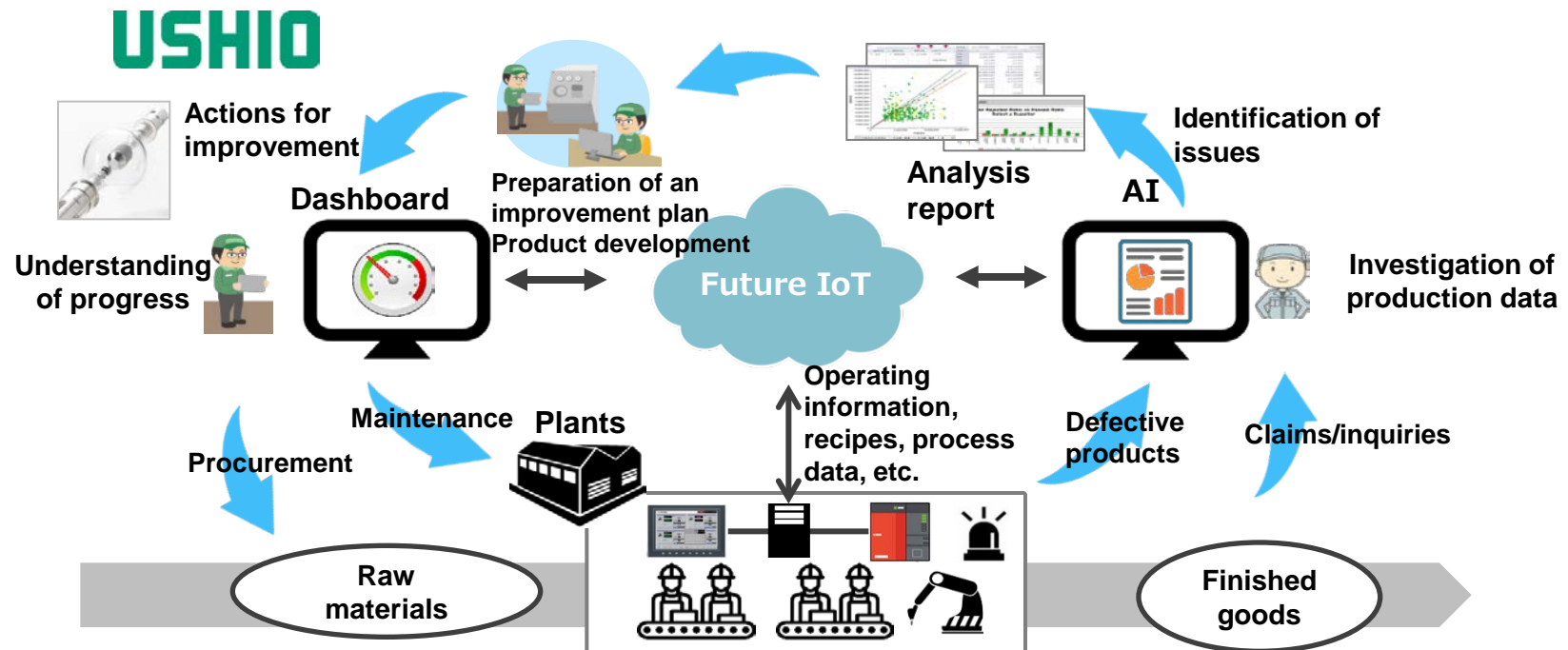
Automation in reading hand-written vouchers

Automation in input of numerical values, and improvement in precision, better than human operations



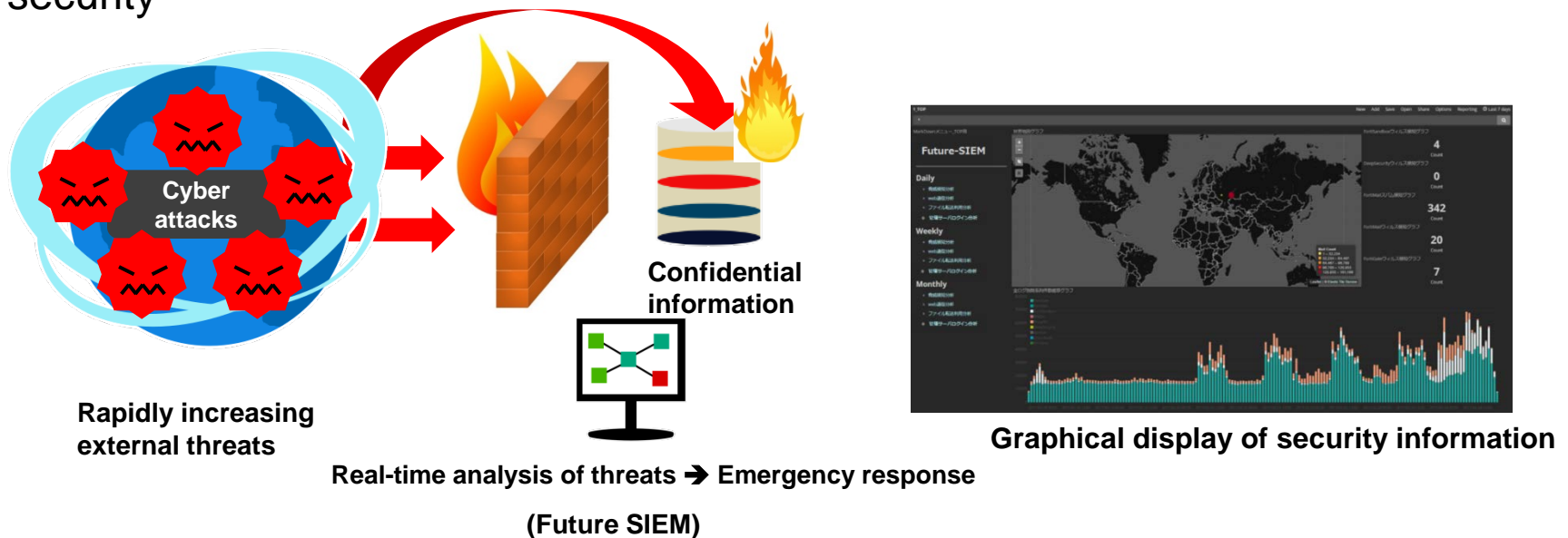
## 2.Topics–Future IoT

- Cloud-based IoT platform service
- Real-time analysis and management of big data collected from production equipment or operating processes, by connecting to networks
- Contribution to improvement in traceability, quality control and productivity
- Service to be launched at major factories of USHIO INC. at home and abroad



## 2.Topics–Security

- Offering of Future SIEM application services which provide real-time analysis of security threats
- Real-time visualization of a broad range of security threats conducted by internal or external organizations, such as unauthorized use or access, data falsification, intrusion of computer virus, information leakage, and disruption of services
- Intuitive grip of security information with graphical displays
- Launch at securities firms and local government institutions which demand tight security



## 2.Topics–FinTech (Electronic money)

- Cloud-based point management and prepaid electronic money system (Future Pay)
- Implementation of the system at over 10 companies including large retailers, home improvement stores, etc., subsequent to the launch of point management system at Lawson convenience stores
- Assurance of high-speed stability at the same level of systems by financial institutions
- Improvement in customer convenience through a direct linkage with POS systems and smartphones



## 2.Topics–The Mainichi Newspapers Group

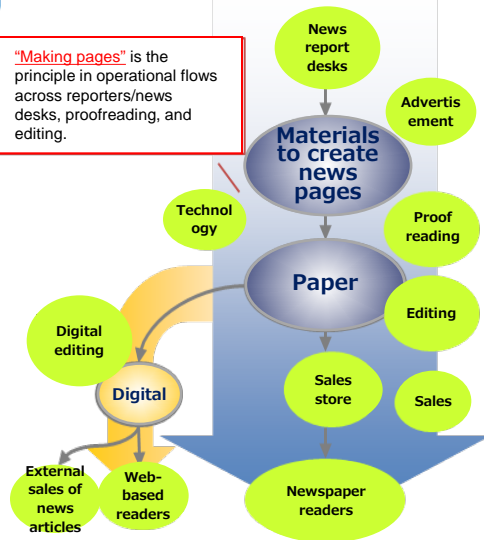
- As a strategic partner, initiated the development of a next-generation core system
- Drastic reform of existing operation which has 145-year history since foundation
- Transformation from paper-based production business to digital data-based and real-time information business
- Contribution to business revitalization in overall media industry and creation of value-added activities

### Current paper-based operations and systems

#### Today



- ✓ Core operation flows **centered on creation of pages**
- ✓ Concept: "Articles printed on paper can be viewed in digital form."

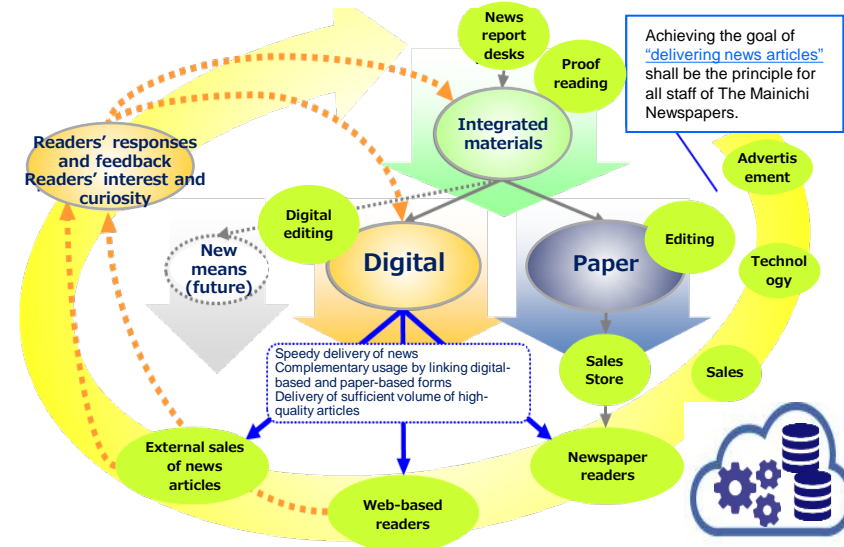


Articles provided in digital form and paper-based form are mostly the same, so reading either will suffice.

### Operations and systems combining both paper and digital forms

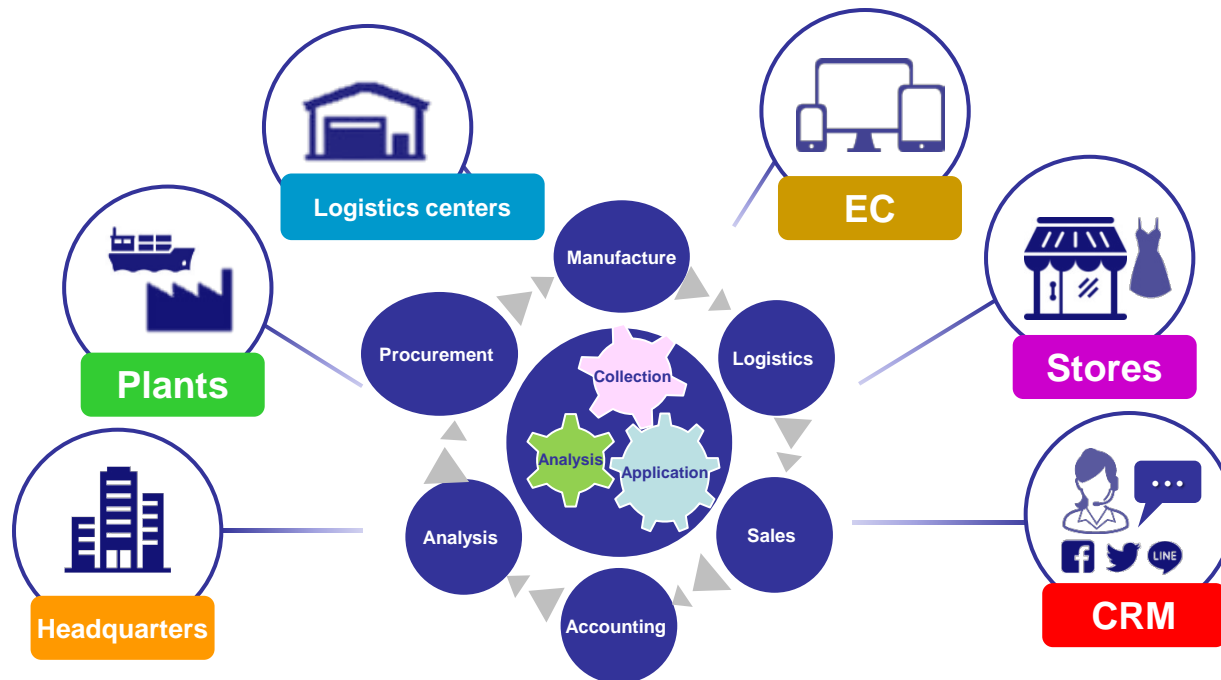
#### Future

- ✓ "Combination of paper-based form and digital form" → Complementary relation maximizing the strength of each form
- ✓ Cycles of utilizing information obtained from readers (responses, feedback, interest, and curiosity) to make articles
- ✓ Pursuit of technical evolution; pursuit of "whenever, wherever, and immediately"



## 2. Topics—Large apparel manufacture

- Initiation of the system reconstruction project, as a strategic partner
- Project scope covering all system areas including sales management, production procurement, accounting, stores, EC, CRM, etc.
- Automation, mechanization, and labor saving in operations with the full application of AI
- Enhancement of the omni-channel strategy, such as client management independent from sales channels, and sharing of stocks
- Monitoring of development of standard platform targeting mid-sized apparel manufactures



## 2. Topics—SKYBANK/KeyMan

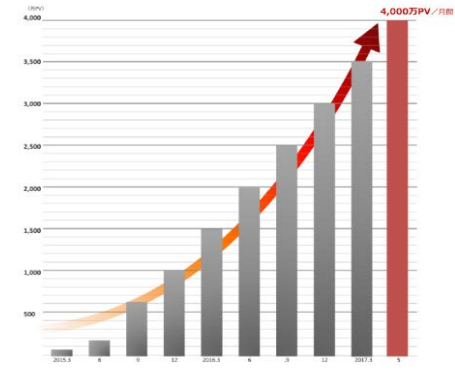
- Customer groups to which the Company offers customer relations and lending systems and services tailored for banks
- New orders received from 3 banks
- Expansion of services to total 26 banks nationwide





## 2. Topics—(iv) Tokyo Calendar

- **Continued growth in Web users**
  - May 2016: 20 million PV
  - December 2016: 30 million PV
  - June 2017: 40 million PV
- **Use of the IT analysis platform helped boost sales of monthly magazines**
  - Analyzed needs of Web readers and released special issues highlighting critical areas
  - The average sales volume of the Special Issue-Shinjuku (April) and the Special Issue-Meguro (May) increased by 26.5% from the average sales volume of the February and March issues.
- **Rapid increase in customers using smartphone applications (for iOS and Android)**
  - Shift in viewers from Web-browser based to smartphone applications
  - Offering of personally optimized contents and functions by using the preference analysis database



## 2. Topics–(iv) Tokyo Calendar

- **Strategic usage of video content**
  - Successful formulation of in-house video production scheme
  - Decision on diversion of the McDonald's (Japan) video advertisement to its TV commercials
  
- **As first step on life-events support services, launched the application TOCALE DATE service in June**
  - Acquisition of Matchalarm Inc. at end of March
  - The implementation of the Media + Services strategy through the promotion activities by Tokyo Calendar helped accelerate business growth



### 3 . Future Outlook for the Second Half of FY2017

1. Major Strategy
2. Target Numbers for Fiscal 2017

## Consulting

- Analysis of legacy systems by using FutureFormula and enhancement of renovation
- Operations of customer-oriented Strategic System Organizations through long-term partnership
- Development of next-generation IT (next-generation architecture including big data, IoT, AI on real-time framework basis)
- Obtaining of new orders through strategic alliances among Future Architect, YDC, and MCAD, and enhancement of new projects such as launch of smart factory

## Cloud services

- Proactive implementation of cloud services with highly specialized applications  
Industry-based cloud series, OmnibusCore, Future Pay, Future AI, Future IoT
- Expansion of security services

Bolster ability to secure new orders from medium-sized companies, and achieve recovery of earnings results

## Strategy for the second half of fiscal 2017

### ERP direct sales business

- Acquired orders from 14 companies in the first six months by targeting medium firms with annual revenue of approximately 10 billion yen
- Continued appeal of strengths in terms of requirement specifications and cost advantage (including maintenance support fees)
- Offering customers the option of using public cloud platforms (AWS & MS-Azure) as well as availability for onsite platforms.

### ERP partner business

- Launched collaborative activities with IBM, NEC, Hitachi, Dell, and their group companies, in addition to collaboration with Fujitsu
- Initiated collaborative work with independently-operated system companies representing regional areas including the Nagoya area

### Bolstering of in-house products



- Customized ERP, InfiniOne: Strengthening of trade business modules
- Software Robotics (RPA): Initiated an examination of a cloud platform for small- and medium-sized companies

### Handling of other companies' products



- Launch of services on non-customized ERP, SAP Business ByDesign

Goal: robust growth in net sales and profits

## Formulate a service platform

Services for supporting life events (dating, marriage, birth, work promotion, etc.) by using web-based media effectively

## Advance toward a participatory communication platform

Shift from the current platform focused on offering of content to users to a new platform centered on communication among users, where authorized users can post lifestyle content, restaurant reviews, etc.

## Product expansion and reinforcement of branding

- Broadening of product categories in health (fitness training), casual bags, pharmaceuticals (daily items)
- Strengthening of product groups which are little affected by changes in weather and are in high demand by customers
- Opened a new store, Ra\*F style, specializing in casual bags



## Research and development of a new service, Pokégym (online fitness service)

- Target customers, shifting from corporations to individuals. Study customers' awareness of services in light of welfare and benefits
- Will further enhance fitness programs available via smartphone. The iPhone application is under development



## Building of system infrastructure to promote growth

Enhance the formation of scientific and systematic environment which is capable of data preparation, price surveys, operation analysis, customer responses, etc. (by also using Future Group's resources and know-how)

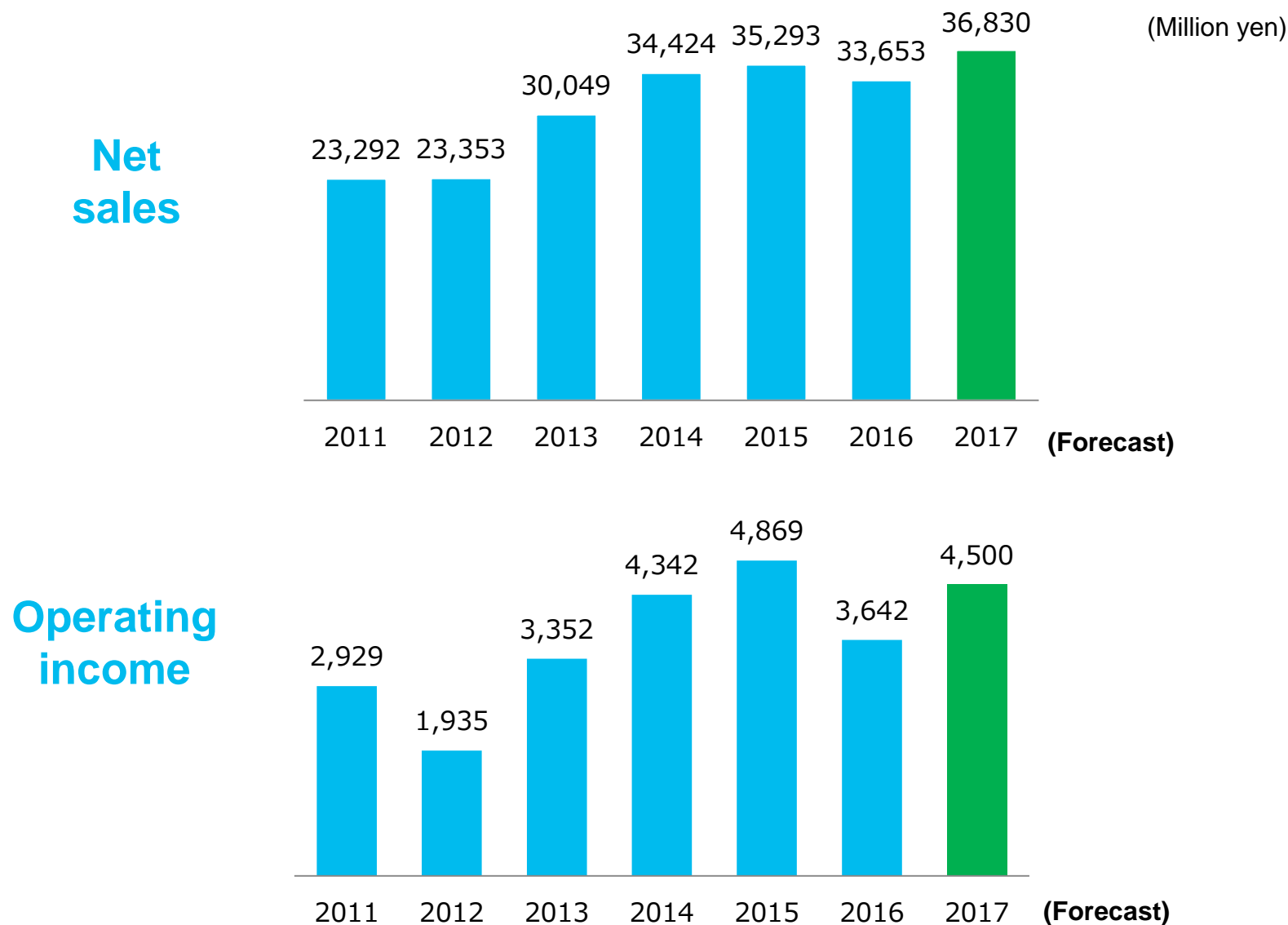
## Forging of a firm management base to achieve net sales of 10 billion yen

Establish a solid management base with development of human resources, by using Future Group's know-how

**Management of security,  
labor, finance, and  
personal information**

## 3-2. Full-year Forecast for FY2017

### - (i) Trends and Plan for Net Sales and Operating Income



## 3-2. Full-year Forecast for FY2017

-(ii) Comparison with Earnings Results of the First Half (Progress)

(Million yen)

|   | Full- year<br>forecast for<br>FY2017 | FY2017 Results<br>for the first half | Percentage of<br>progress |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Net sales   | 36,830                               | 17,265                               | +46.9%                    |
| Operating income<br>(Operating income<br>margin)              | 4,500<br>(12.2%)                     | 1,912<br>(11.1%)                     | +42.5%                    |
| Profit attributable to<br>owners of parent<br>(Profit margin) | 2,735<br>(7.4%)                      | 1,487<br>(8.6%)                      | +54.4%                    |

# Appendix.



## Appendix. – (i) Balance Sheets

| (Million yen)              | End of Jun. 2017 | End of Dec. 2016 | Change  |
|----------------------------|------------------|------------------|---------|
| Current assets             | 17,814           | 19,159           | -1,345  |
| Non-current assets         | 6,475            | 3,904            | +2,570  |
| Total assets               | 24,289           | 23,603           | +1,225  |
| Current liabilities        | 4,550            | 4,457            | +92     |
| Non-current liabilities    | 1,327            | 1,274            | +53     |
| Total liabilities          | 5,878            | 5,732            | +145    |
| Total net assets           | 18,411           | 17,331           | +1,079  |
| Shareholders' equity ratio | 74.6%            | 75.0%            | -0.4pts |

### Main changes

| (Million yen)         |                               | End of Jun.<br>2017 | End of Dec.<br>2016 | Change |
|-----------------------|-------------------------------|---------------------|---------------------|--------|
| Current assets :      | Cash and deposits             | 8,989               | 11,761              | -2,771 |
| Non-current assets :  | Property, plant and equipment | 952                 | 408                 | + 543  |
|                       | Goodwill                      | 1,565               | 350                 | +1,215 |
|                       | Software                      | 838                 | 333                 | + 505  |
| Current liabilities : | Income taxes payable          | 288                 | 883                 | -595   |
| Net assets :          | Retained earnings             | 15,731              | 14,802              | +928   |

## Appendix. – (ii) Cash Flows

| (Million yen)  | FY2017 Results<br>for the first half   | FY2016 Results<br>for the first half | Change                  |        |
|--|--|--------------------------------------|-------------------------|--------|
| Net cash provided by (used in) operating activities          | 407  | 1,776                                | -1,369                  |        |
| Net cash provided by (used in) investing activities          | -2,566   | -34                                  | -2,531                  |        |
| Net cash provided by (used in) financing activities          | -609   | -683                                 | +73                     |        |
| Effect of exchange rate changes on cash and cash equivalents | -3   | -5                                   | +1                      |        |
| Increase (decrease) in cash and cash equivalents             | -2,771   | 1,053                                | -3,825                  |        |
| Cash and cash equivalents at beginning of the period         | 11,761   | 9,757                                | +2,004                  |        |
| Cash and cash equivalents at end of the period               | 8,989  | 10,810                               | -1,820                  |        |
| Main changes   |  | First half of<br>FY2017              | First half of<br>FY2016 | Change |
| (Million yen)  | Operating CF : Profit before income taxes  | 2,236                                | 1,879                   | +357   |
|  | Decrease (increase) in notes and accounts receivable - trade                     | 209                                  | 1,130                   | -920   |
|  | Increase (decrease) in notes and accounts payable - trade                        | -433                                 | -103                    | -330   |
| Investing CF :   | Purchase of investment securities  | —                                    | -299                    | -299   |
|  | Purchase of shares of subsidiaries resulting in change in scope of consolidation | —                                    | -1,681                  | -1,681 |
| Financing CF :   | Cash dividends paid  | -558                                 | -603                    | +44    |

## Appendix. - (iii) Results by Segment

| (Million yen)           | First half of<br>FY2017 | First half of<br>FY2016 | Year-on-year<br>change |
|-------------------------|-------------------------|-------------------------|------------------------|
| Net sales               |                         |                         |                        |
| IT Consulting & Service | 14,288                  | 12,453                  | +1,834                 |
| New Media & Web Service | 3,088                   | 2,601                   | +486                   |
| Other                   | 0                       | 0                       | —                      |
| Adjustments             | -111                    | -102                    | -9                     |
| Operating income        |                         |                         |                        |
| IT Consulting & Service | 2,050                   | 2,001                   | +48                    |
| New Media & Web Service | -175                    | -152                    | -22                    |
| Other                   | -29                     | -11                     | -18                    |
| Adjustments             | 67                      | 76                      | -9                     |

## Appendix. – (iv) Orders Received and Backlog by Segment

(Million yen)

|                                  | Orders received      |                      |                     | Backlog              |                      |                     |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
|                                  | First half of FY2017 | First half of FY2016 | Year-on-year change | First half of FY2017 | First half of FY2016 | Year-on-year change |
| IT Consulting & Service Business | 15,126               | 11,815               | +3,311              | 10,868               | 7,537                | +3,331              |
| New Media & Web Service Business | 560                  | 321                  | +238                | 279                  | 133                  | +145                |
| Total                            | 15,686               | 12,136               | +3,550              | 11,148               | 7,670                | +3,477              |

Note 1: eSPORTS is not included in the above table because it does not engage in order-based production.



The summary report of operating results, supplementary materials, briefing materials and other various IR materials are also available on the Company's website.

<http://www.future.co.jp/hd-ir/>

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The forecasts in this material are based on currently available information; actual results may differ from such forecasts depending on the future direction of the Japanese economy and the IT service industry. It should be noted that the Company does not guarantee or promise the accuracy of these forecasts.

In this material, the figures in the summary report of operating results, etc. described in units of thousand yen, are stated in units of million yen. Hence, a disparity may be found in some of the totals and differences. For detailed figures, please refer to the summary report of operating results.