

Briefing on Financial Results for the Second Quarter of FY2016



August 1, 2016
Future Corporation

1. Earnings Results for the Second Quarter of FY2016

2. Topics Related to the Second Quarter of FY2016

3. Future Outlook for the Second Half of FY2016

1. Earnings Results for the Second Quarter of FY2016

Consolidated Earnings Highlights

Net sales stood at 17,220 million yen, up 1.1% year-on-year
Operating income amounted to 1,930 million yen, down 7.5% year-on-year

Consolidated net sales

- Higher net sales were recorded year-on-year by the IT Consulting Business, New Media & Web Service Business and Corporate Revitalization Business, but the Package & Service Business posted a year-on-year decrease in net sales

Consolidated operating income

- Higher operating income was recorded year-on-year by the IT Consulting Business and Corporate Revitalization Business, but the Package & Service Business posted a significant year-on-year decrease in operating income.
- New Media & Web Service's operating income decreased due to upfront investment in new business.

Orders received

- Order backlog grew year-on-year in the IT Consulting Business and New Media & Web Service Business, yet decreased year-on-year in the Package & Service Business.
- On a quarter-on-quarter basis, order backlog grew in all of these three segments.

Consolidated Results for the First Half of FY2016

(Million yen)	FY2016 Results for the first half	Year-on-year comparison		Compared with projected results	
		FY2015 Results for the first half	Change	FY2016 Plan for the first half	Change
Net sales	17,225	17,033	+1.1%	17,980	-4.2%
Operating income (Operating income Margin)	1,937 (11.3%)	2,093 (12.3%)	-7.5%	2,400 (13.3%)	-19.3%
Ordinary income (Ordinary income Margin)	1,900 (11.0%)	2,102 (12.3%)	-9.6%	2,410 (13.4%)	-21.2%
Profit attributable to owners of parent (Profit margin)	1,129 (6.5%)	1,197 (7.0%)	-5.7%	1,355 (7.5%)	-16.7%

Consolidated Balance Sheets

(Million yen)	End of Jun. 2016	End of Dec. 2015	Change
Current assets	17,812	17,696	+ 116
Non-current assets	4,787	5,132	-344
Total assets	22,600	22,828	-228
Current liabilities	4,316	5,082	-765
Non-current liabilities	1,428	1,445	-17
Total liabilities	5,745	6,527	-782
Total net assets	16,855	16,301	+553
Shareholders' equity ratio	74.1%	70.6%	+3.5pts

Main changes

(Million yen)

		End of Jun. 2016	End of Dec. 2015	Change
Current assets:	Increase in cash and deposits	10,784	9,650	+1,133
	Decrease in notes and accounts receivable – trade	3,867	5,020	-1,153
Non-current assets:	Decrease in goodwill	797	969	-171
Current liabilities:	Decrease in notes and accounts payable – trade	1,190	1,303	-113
	Decrease in income taxes payable	777	1,243	-465
Net assets:	Increase in retained earnings	14,281	13,756	+524

Consolidated Cash Flows

(Million yen)	FY2016 Results for the first half	FY2015 Results for the first half	Change
Net cash provided by (used in) operating activities	1,776	1,038	+ 737
Net cash provided by (used in) investing activities	-34	-462	+ 427
Net cash provided by (used in) financing activities	-683	-438	-244
Effect of exchange rate changes on cash and cash equivalents	-5	-68	+63
Increase (decrease) in cash and cash equivalents	1,053	69	+ 983
Cash and cash equivalents at beginning of the period	9,757	8,614	+ 1,142
Cash and cash equivalents at end of the period	10,810	8,683	+ 2,126

Main changes

(Million yen)

		First half of FY2016	First half of FY2015	Change
Operating CF:	Profit before income taxes and non-controlling interests	1,879	2,105	-226
	Decrease in notes and accounts receivable - trade	1,130	618	+511
	Income taxes paid	-1,238	-1,359	+121
Investing CF:	Purchases of investment securities	-	-298	+298
	Proceeds from sales of investment securities	100	22	+77
Financing CF:	Cash dividends paid	-603	-491	-111

Consolidated Results by Segment

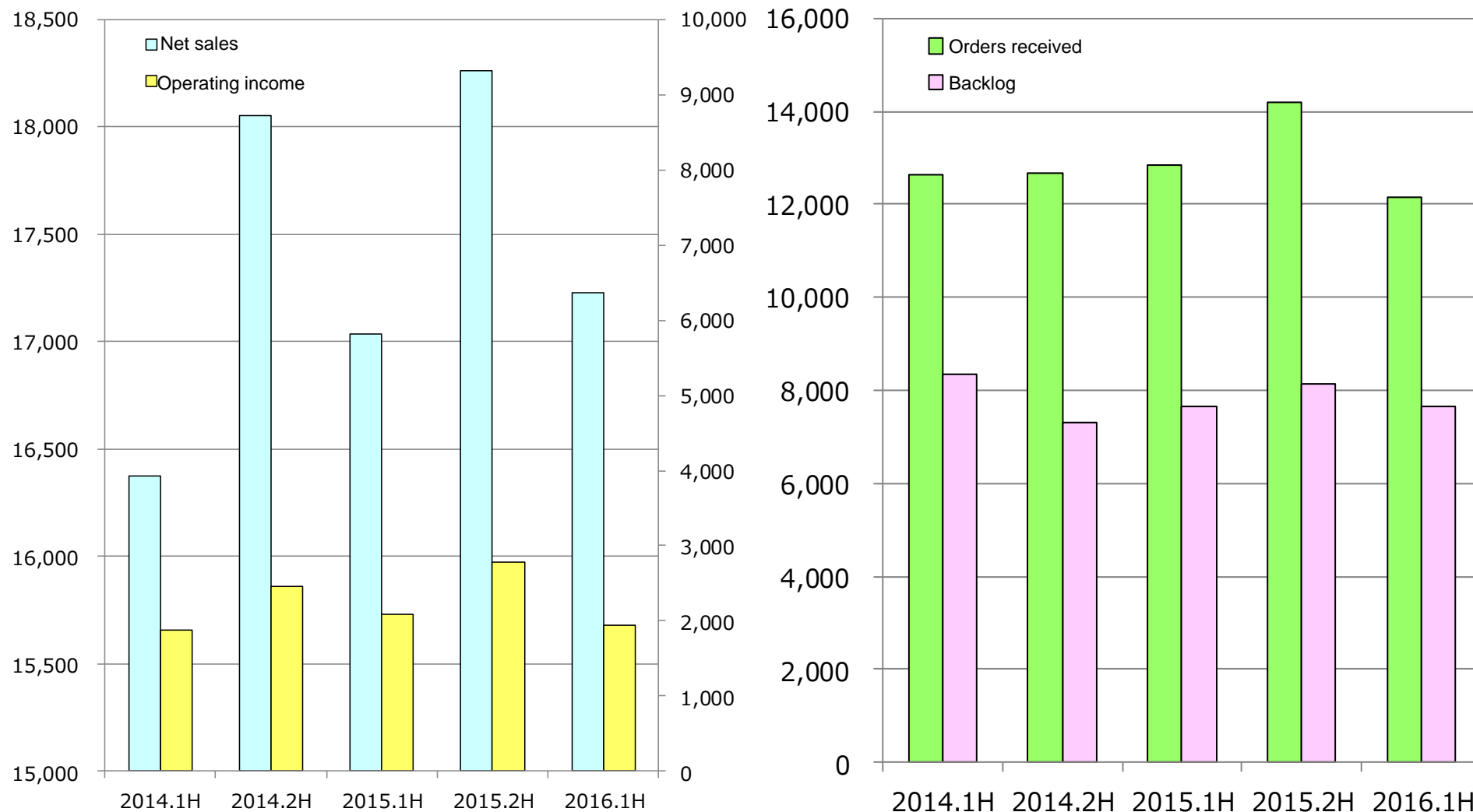
(Million yen)	FY2016 Results for the first half	FY2015 Results for the first half	Year-on-year change
Net Sales	17,225	17,033	+1.1%
IT Consulting	10,767	10,370	+3.8%
Package & Service	1,640	2,095	-21.7%
New Media & Web Service	2,601	2,394	+8.7%
Corporate Revitalization	2,272	2,243	+1.3%
Other	-	-	-
Adjustments	-56	-69	-19.2%
Operating Income	1,937	2,093	-7.5%
IT Consulting	2,200	1,938	+13.5%
Package & Service	-179	151	-
New Media & Web Service	-146	-59	-
Corporate Revitalization	23	12	+88.4%
Other	-11	0	-
Adjustments	50	50	-0.2%

Consolidated Orders Received and Backlog by Segment

(Million yen)	Orders received			Backlog		
	First half of FY2016	First half of FY2015	Year-on-year change	First half of FY2016	First half of FY2015	Year-on-year change
IT Consulting Business	10,075	10,618	-542	6,494	6,468	+ 26
Package & Service Business	1,739	2,094	-355	1,042	1,157	-114
New Media & Web Service Business	321	134	+186	133	19	+114
Total	12,136	12,847	-710	7,670	7,644	+ 26

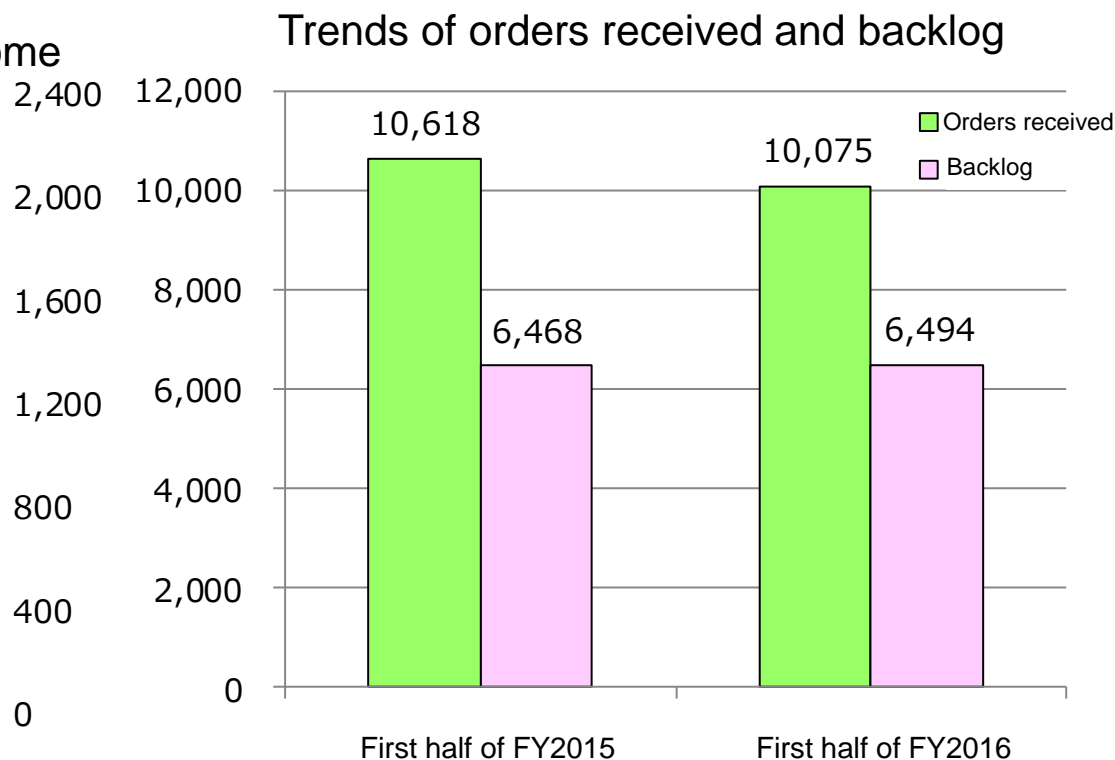
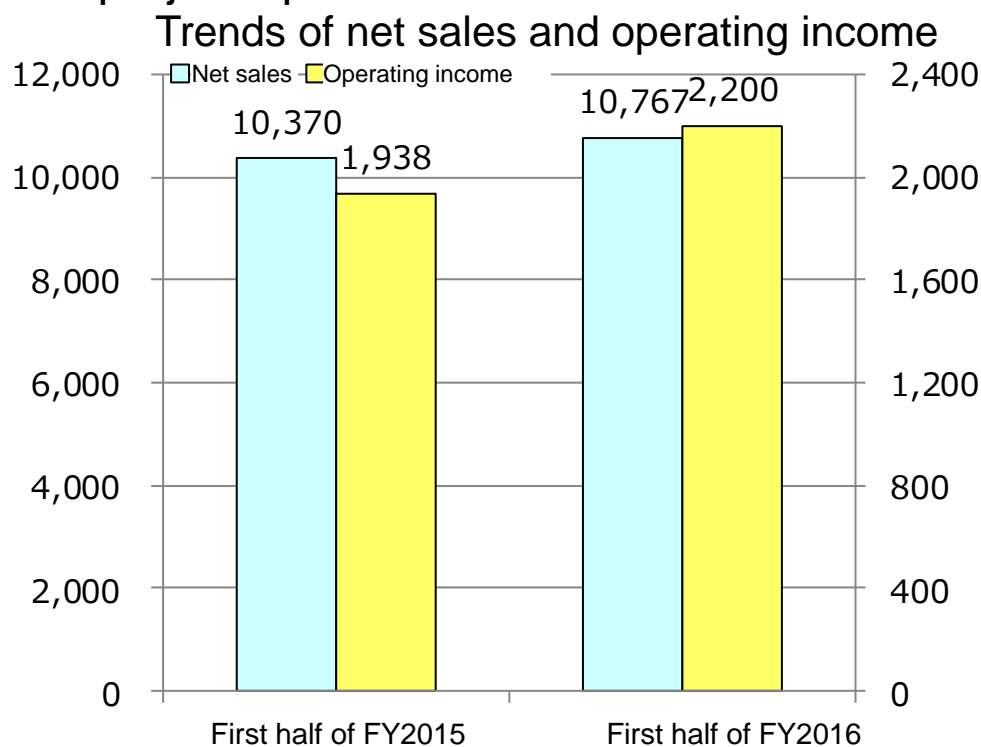
Note: eSPORTS and Uoei are not included in the above table because they do not engage in order-based production.

Trends of Half-Yearly Consolidated Results



Results by Segment (IT Consulting Business)

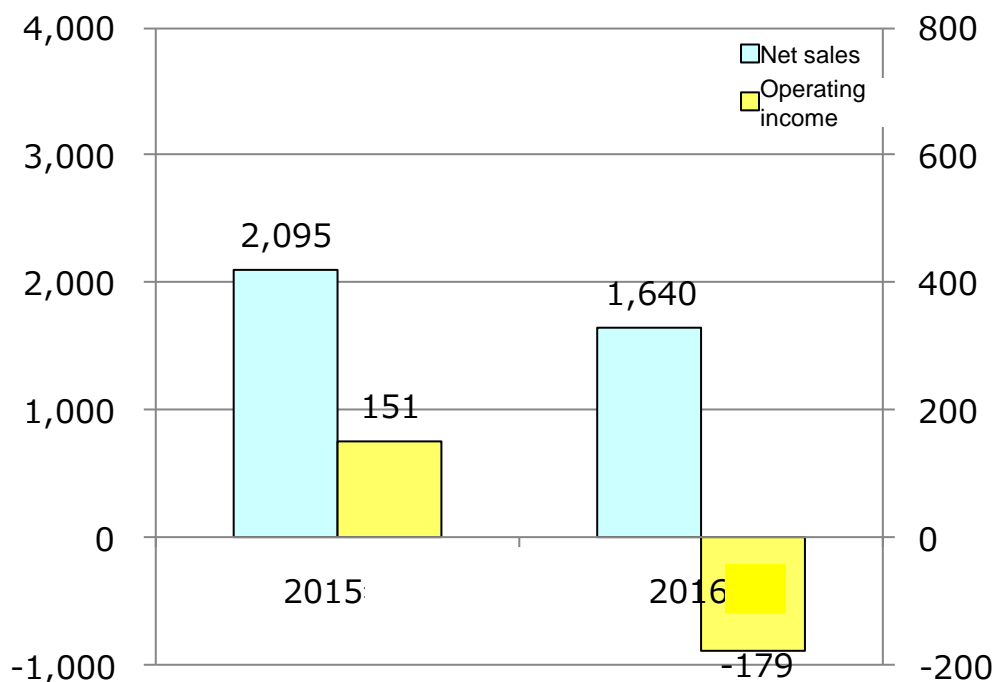
- Future Architect, Inc. posted higher net sales year-on-year due to strong performance of projects for major customers in the distribution, services and manufacturing sectors as well as for projects such as SKYBANK for financial services companies including regional banks.
- Operating income also grew year-on-year as the segment achieved improved project quality while streamlining its operation, based on the efforts to push forward scientific project operation methods.



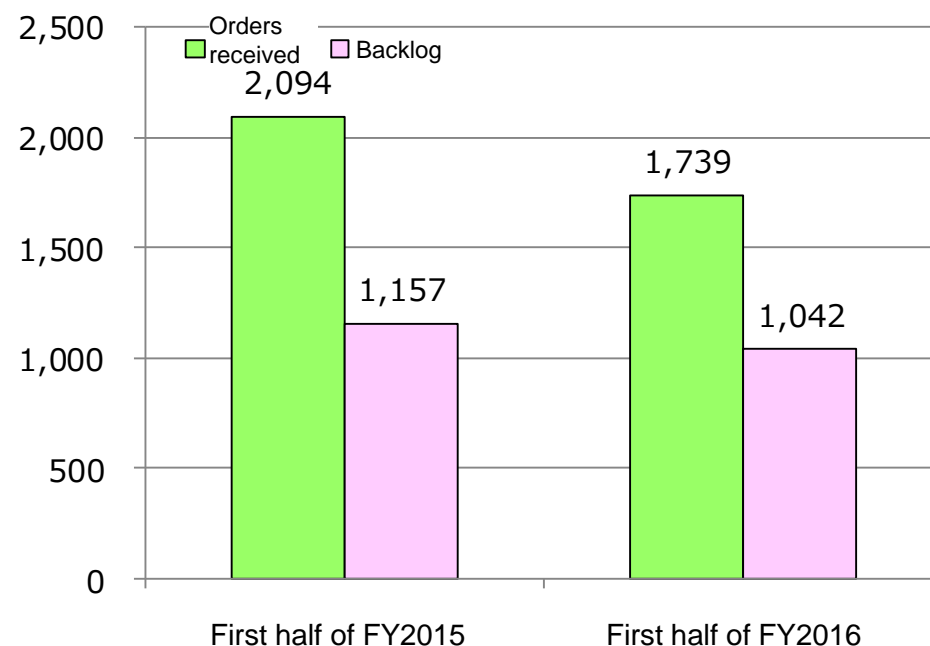
Results by Segment (Package & Service Business)

- FutureOne Inc. posted a year-on-year decrease in both net sales and operating income as new order intake was delayed due to quality issues for some projects and the company continued its unprofitable business unit reorganization initiative.
- Micro CAD Co., Ltd. posted a year-on-year decrease in both net sales and operating income due to the lagging pace for project starts in spite of many customer inquiries received on its proprietary comprehensive intellectual property management system.

Trends of net sales and operating income

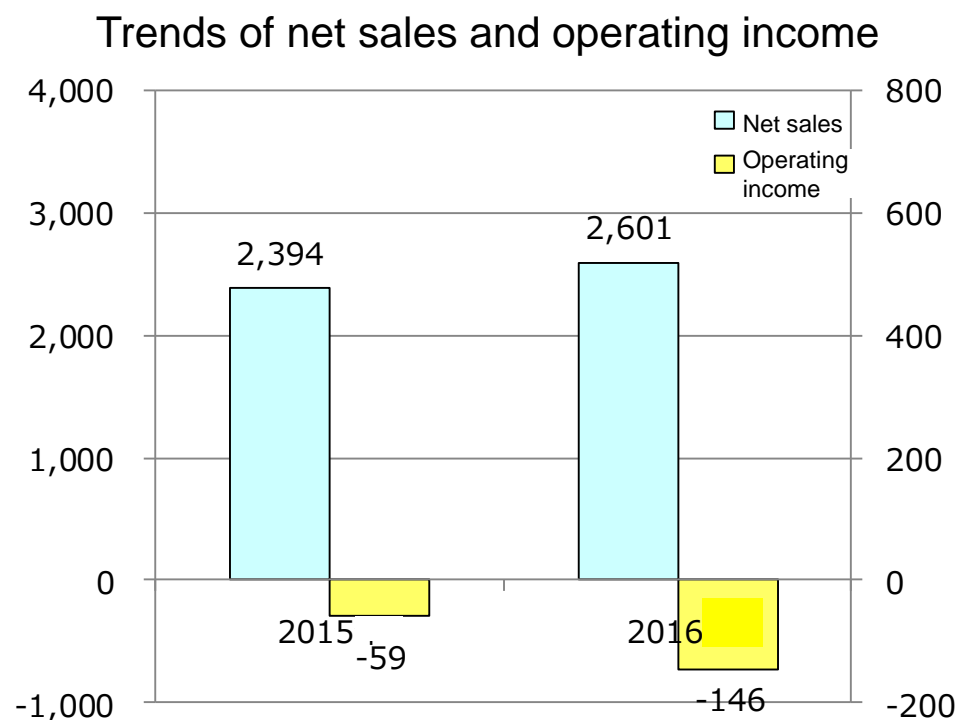


Trends of orders received and backlog



Results by Segment (New Media & Web Service Business)

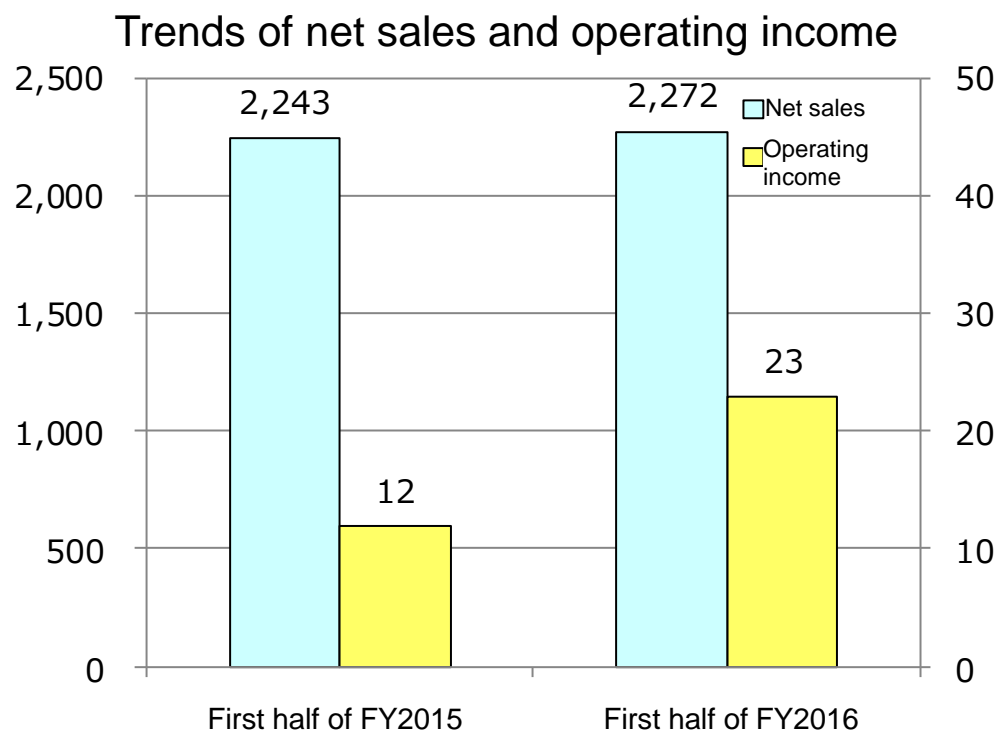
- eSPORTS Co., Ltd. posted a year-on-year increase in net sales as online sales of outdoor and private brand products were strong although the company ceased to distribute fitness-related goods which recorded significant sales for the previous fiscal year.
- Tokyo Calendar Inc. recorded higher revenues from web-based advertisement with monthly page views exceeding approximately 20 million for May 2016.



- Although CodeCamp Inc. achieved increasing sales, its upfront investment costs remained high.

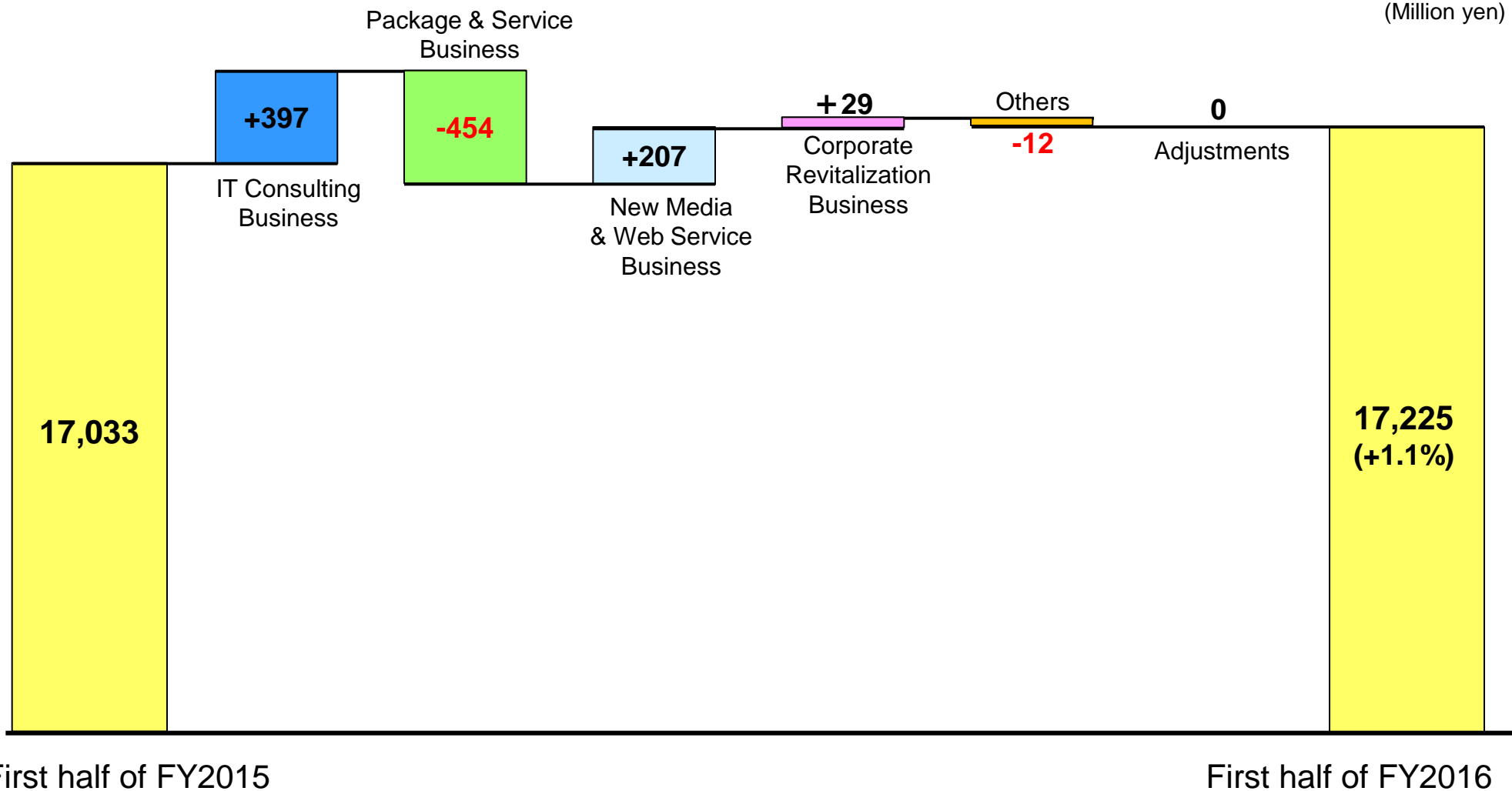
Results by Segment (Corporate Revitalization Business)

- Uoei Corporation posted higher sales thanks to efforts to stimulate customer traffic to its stores such as sales of freshly-baked pizzas.
- The company recorded a significant year-on-year increase in operating income, which was attributable to improved gross profit margin achieved by using IT systems to analyze sales, purchasing value and inventory data of all merchandise.



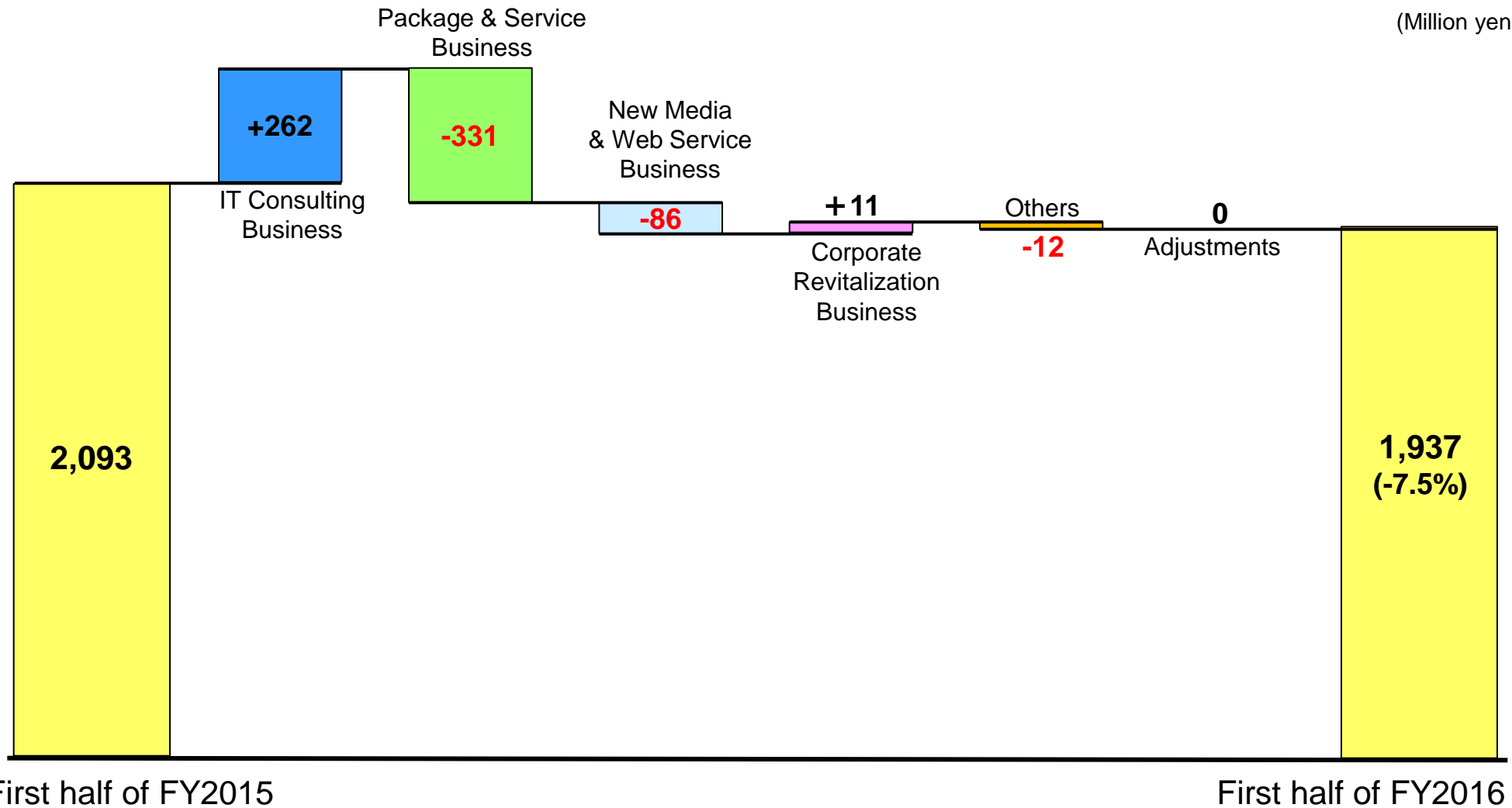
Consolidated Analysis of Changes in Net Sales

(Million yen)



Consolidated Analysis of Changes in Operating Income

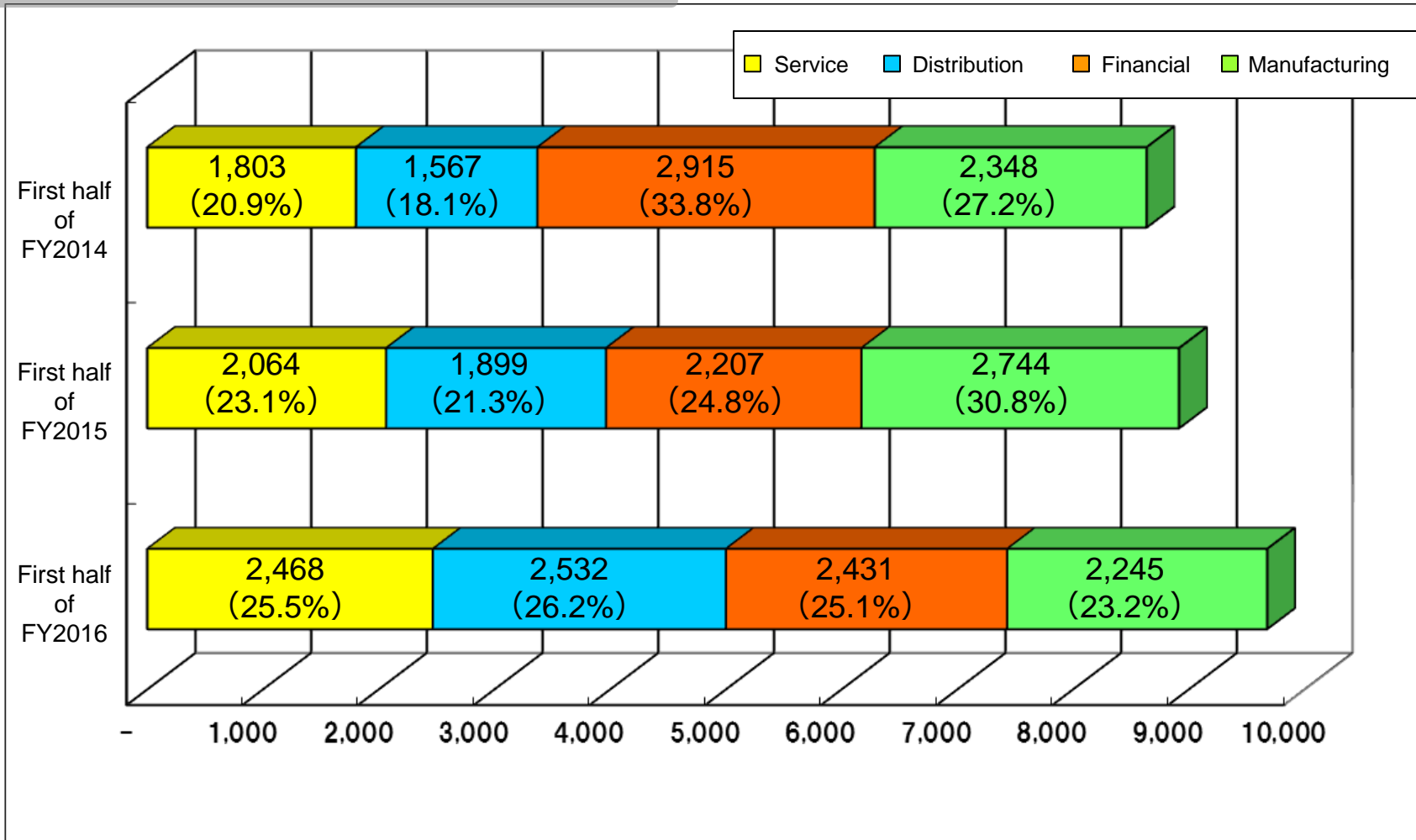
(Million yen)



Sales Analysis [IT Consulting Business (Future Architect, Inc.)]

(Excluding Procured Articles) (1/3)

Trends of sales by industry

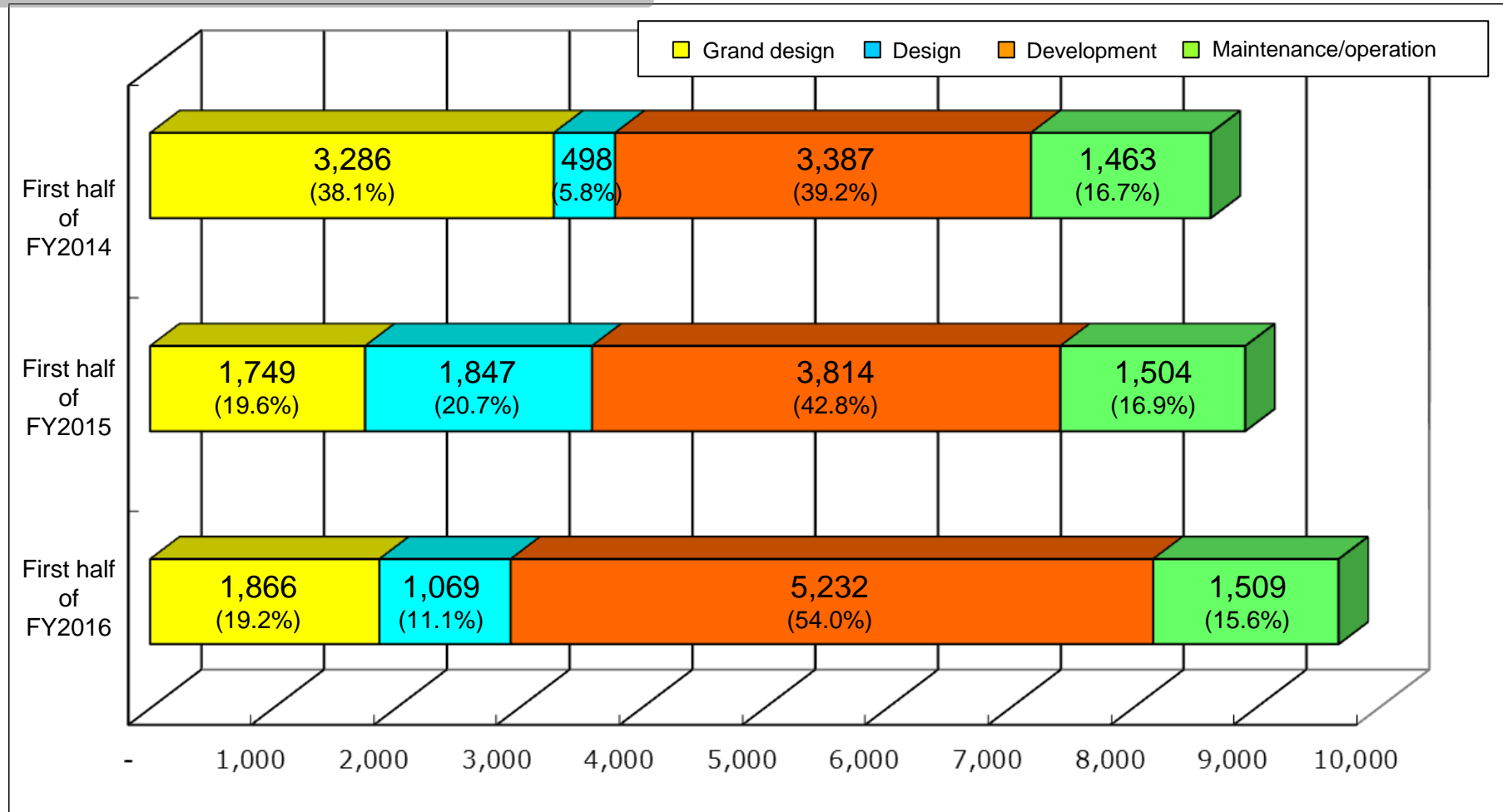


Note: Figures for the first half of FY2015 and FY2016 include projects transferred to Future Inspace.

Sales Analysis [IT Consulting Business (Future Architect, Inc.)]

(Excluding Procured Articles) (2/3)

Trends of sales by phase

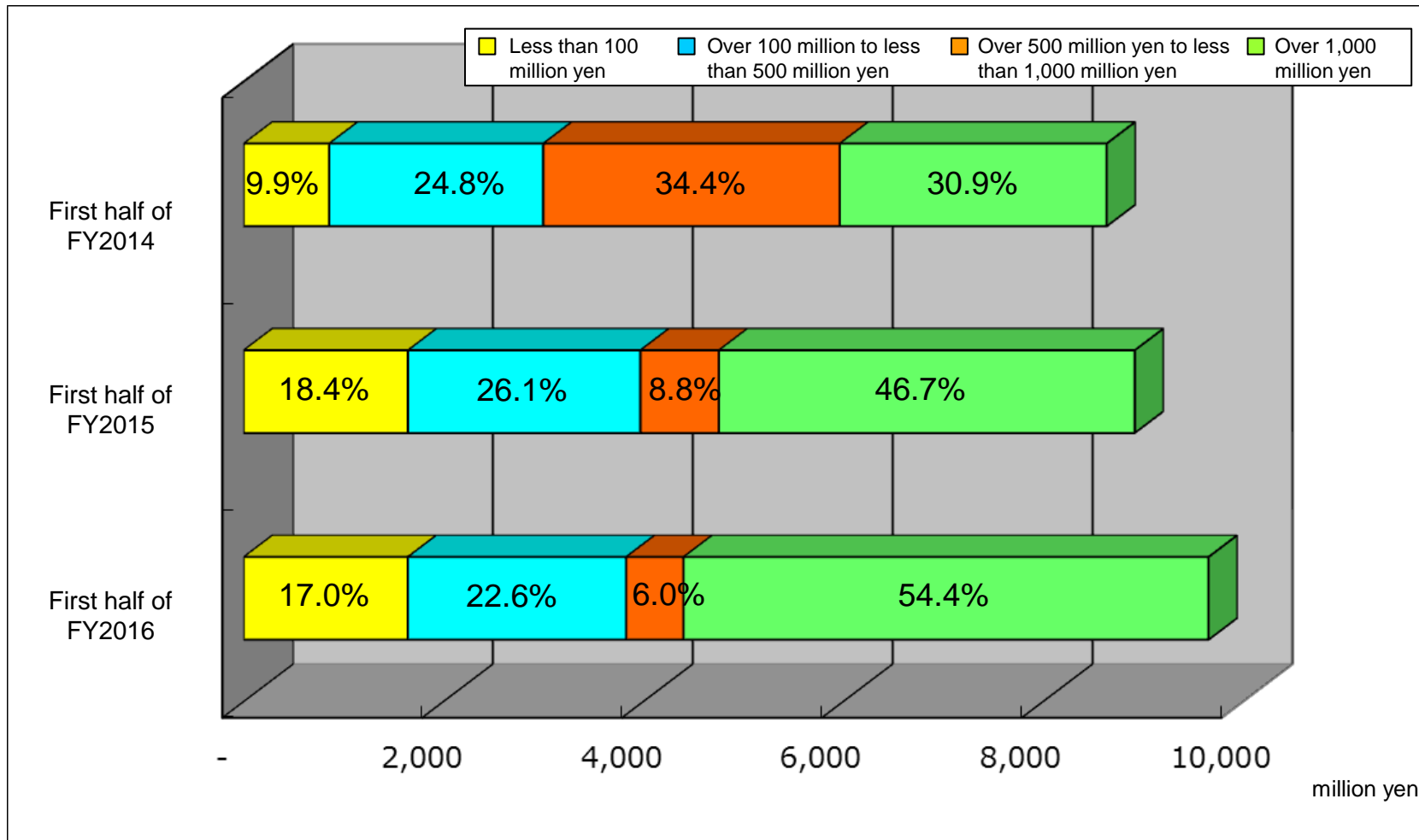


Note: Figures for the first half of FY2015 and FY2016 include projects transferred to Future Inspace.

Sales Analysis [IT Consulting Business (Future Architect, Inc.)]

(Excluding Procured Articles) (3/3)

Trends of sales composition ratios by scale of project (account)



Note: Figures for the first half of FY2015 and FY2016 include projects transferred to Future Inspace.

2. Topics Related to the Second Quarter of FY2016

- Holding company structure
- Major Press Releases in the First Half of the Year


Holding company structure

- Effective April 1, 2016, the Group migrated to a holding company structure.

- Holding company: Future Corporation
- Future Architect, Inc. became one of its subsidiaries



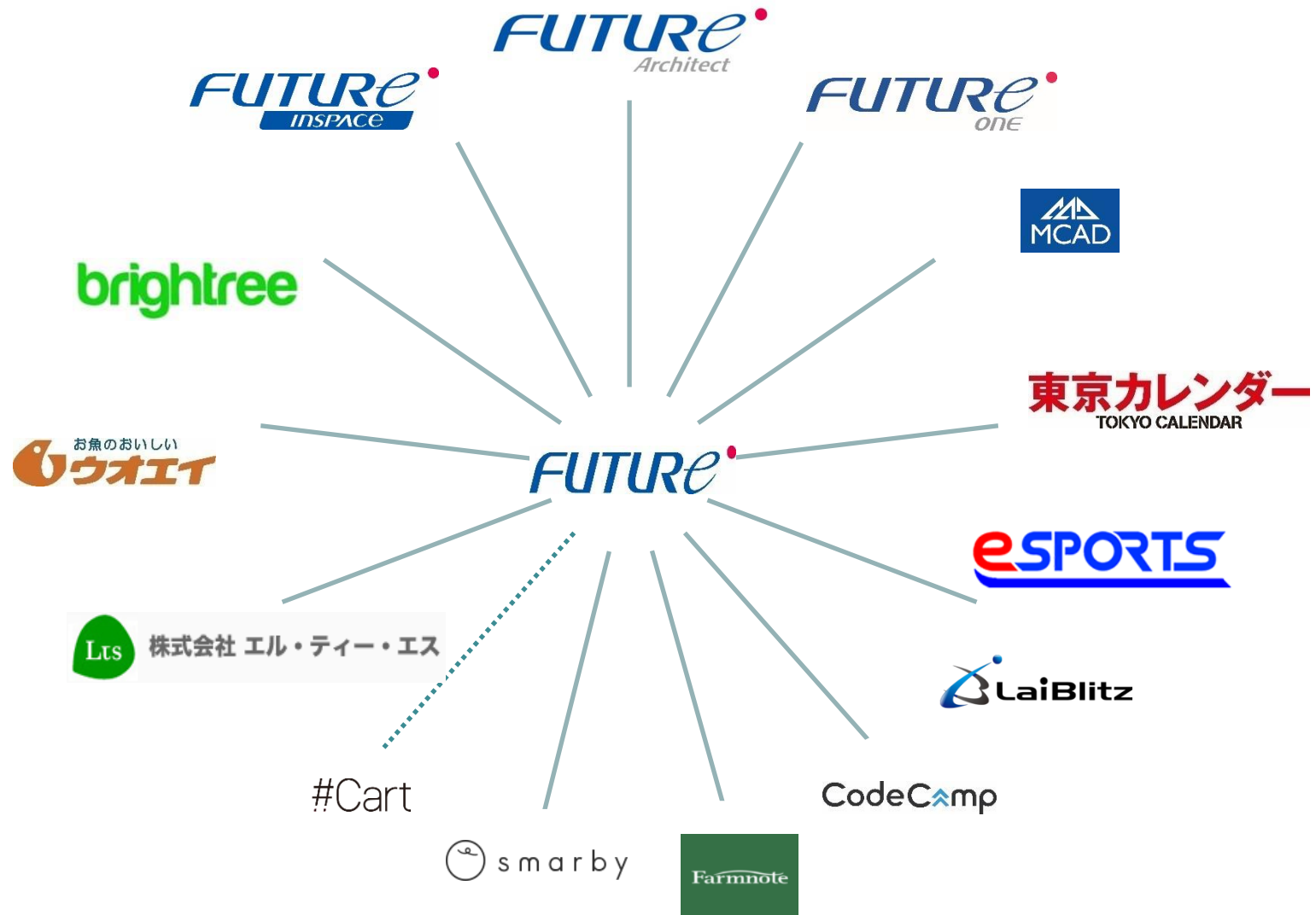
■ Future strategy

- From a platform of large parent company Future Architect, Inc. with a group of subsidiaries
 - ⇒  To a platform of the smart, nimble and compact parent company with group entities
- Future Architect, Inc. to remain the major pillar for the Group's business endeavors
- Create the second and third major pillars and transform the Group into a team of venture capital companies
- Transform the Group into a team of professionals in real-time, cloud computing, big data, AI and IoT services

Holding company structure

- Future Corporation's role (smart, nimble and compact)
 - Plan and pursue group business strategies and healthcare strategy-based business management
 - Allocate staff, assets, financing, information and technologies in an optimal manner
 - Pursue merger and acquisition strategies
 - Serve as an incubation (development) center for venture capital companies
 - Ensure the succession and evolution of our corporate culture
 - Lead the efforts to promote diverse ways of working

Holding company structure



Press Releases

- Major press releases: 14 cases during the first half of fiscal year ending December 31, 2016



FUTURE
Architect

9 cases



brightree

1 case



eSPORTS

3 cases



東京カレンダー
TOKYO CALENDAR

1 case

Press Releases



Solutions for bank customers

Customer information comprehensive security

(including for so-called the “My Number” national personal identification number scheme)

Anti-cyberattack open tool



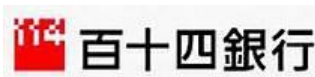
Online fitness service



Web-based service

SKYBANK

- Assist banking operation/sales and loan provision activities and provide information data warehousing service
- Launched in December 2012. Won orders from six banks over a period of three and a half years
- Continued to expand functions
 - Functions for personal customers (housing and non-collateral loans) in addition to functions for corporate customers
 - Information data models
 - Electronic signature-based face-to-face procedure simplification and document dematerialization

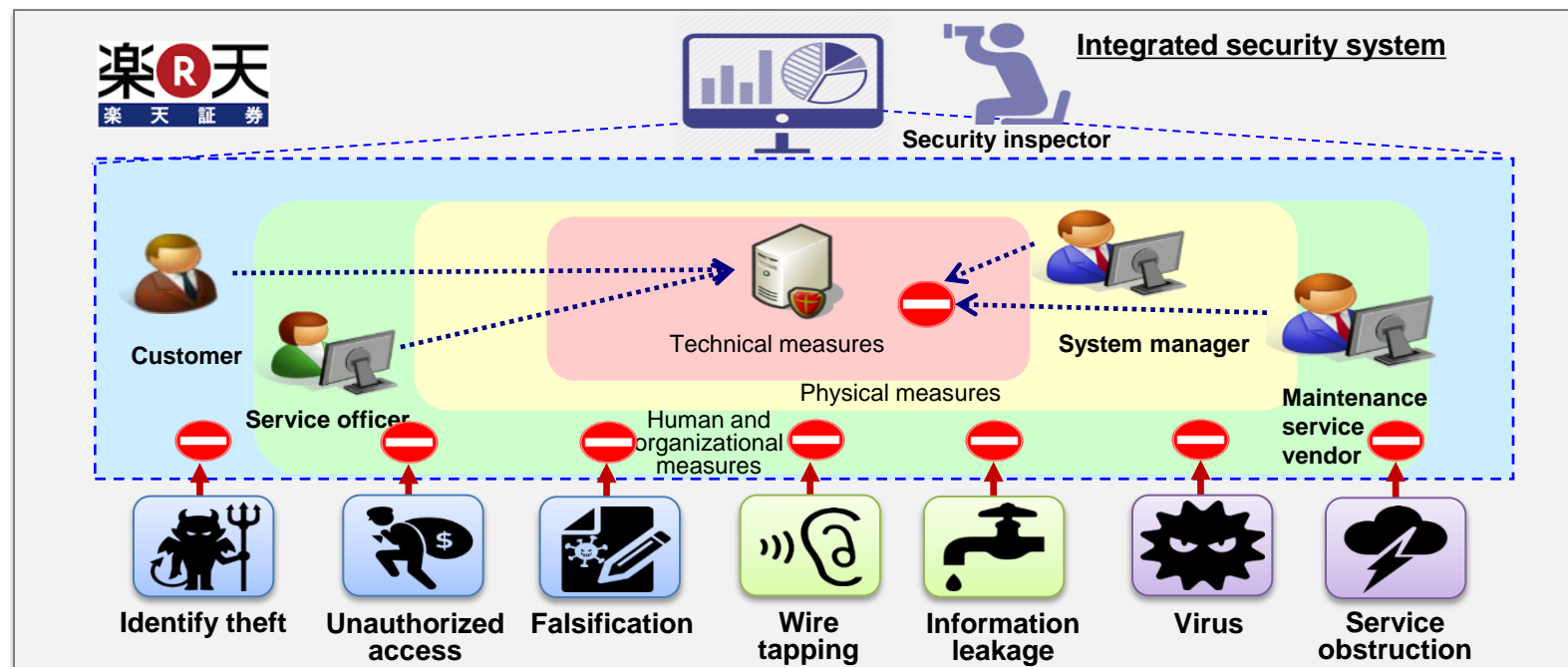


- ✦ SKY cloud computing service series
 - ⇒ Highly-specialized application cloud computing service
 - SKYBANK
 - SKYRETAIL
 - SKYLOGI
 - SKYCOMMERCE
 - SKYRUNNER

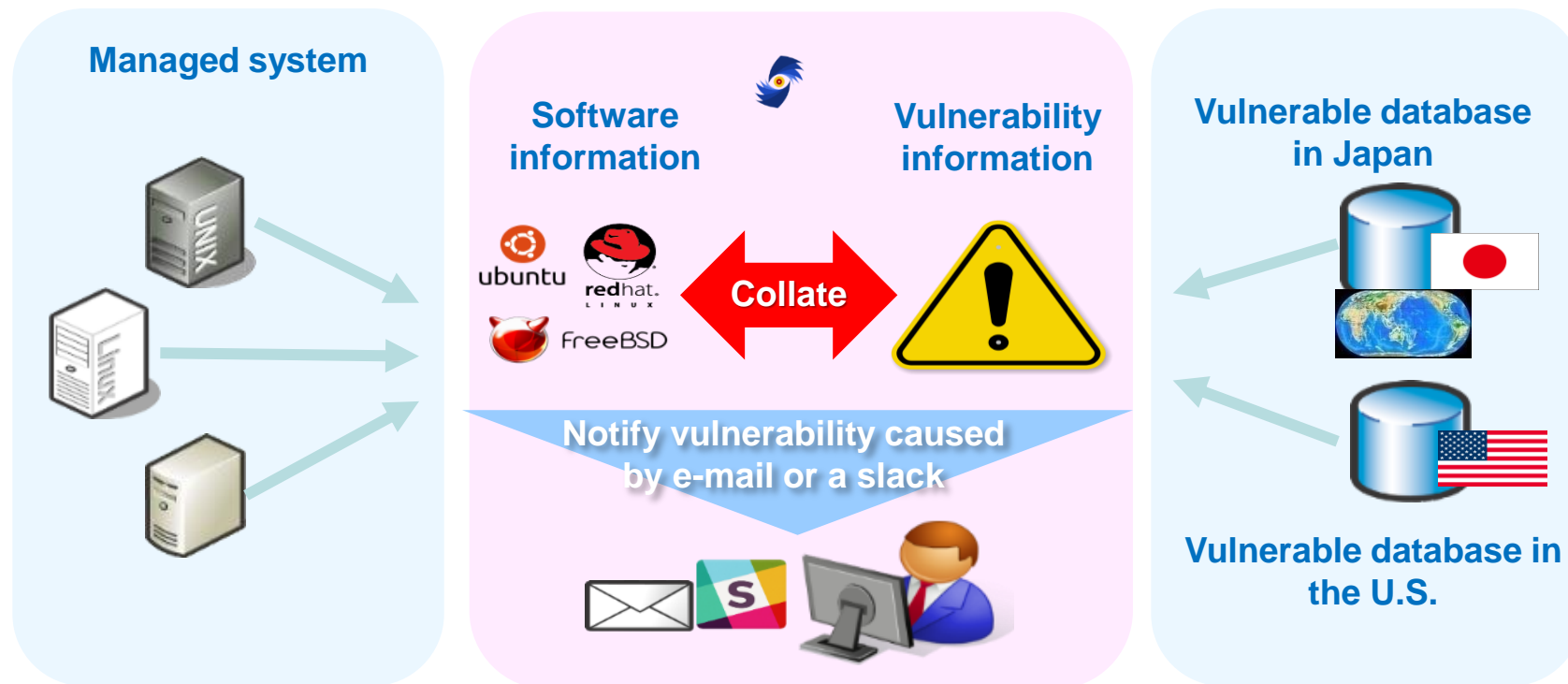
■ Integrated security system

(including for so-called the “My Number” national personal identification number scheme)

- Conforms to so-called the “Act on National Personal Identification Number Scheme” that came into force in January 2016
- Controls, monitors and inspects not only national personal identification number information but also other types of customer security handling information in a centralized manner
- Delivers high and reasonable levels of security through a combination of open source technologies



- Cyberattack countermeasure open tool “Vuls (Vulnerability Scanner)”
 - Vulnerability scanning tool Vuls was released on April 1, 2016 as a free-of-charge open-source tool for worldwide users
 - Gathers, inspects and reports failure information fully automatically in order to enable managed servers to be maintained and run properly
 - Curbs the risk of being exposed to targeted cyberattacks
 - Is ranked 4th globally by GitHub Trending

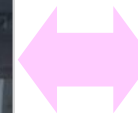


■ Online fitness service

- Launched online service Pocket Gym (“Pockegym”) on May 10, 2016
- Allows the user to achieve an ideal body through nimbly using spare time to receive a remote lesson anywhere
- Expands the Company’s service offerings to include user experience service, in addition to merchandise sales, and enables loyalty points to be used interchangeably
- Is provided to corporate customers as an employee welfare service program

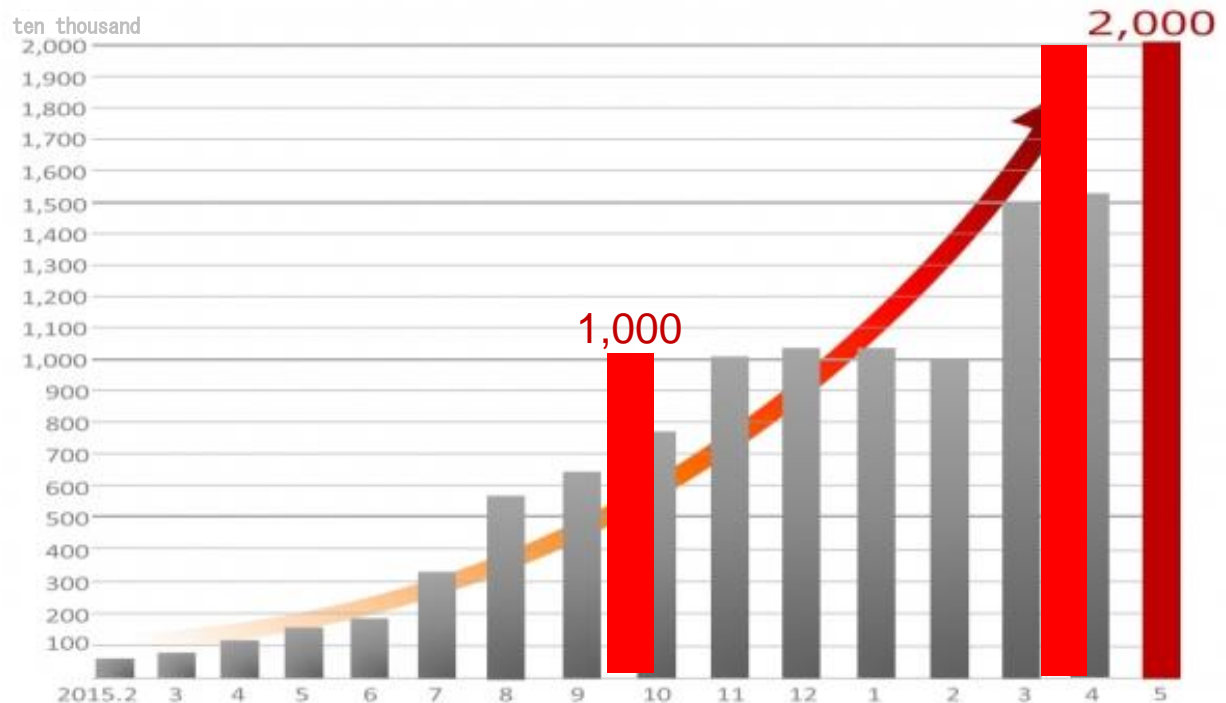


- **Is able to be used anytime and anywhere with a tablet**
- **One-on-one lesson of at least 10 minutes by a professional trainer**
- **Torso training, stretching, yoga and aerobics lessons**



Tokyo Calendar web service

- Achieved 10 million monthly page views for November 2015
- Recorded 20 million monthly page views for May 2016, marking a rapid growth of 200% within six months
- Orders for promotion service have been growing due to the expansion of the company's contents lineup and fans



3. Future Outlook for the Second Half of FY2016

Measures for the Second Half of FY2016

1. SKY cloud computing service series
Assurance and management of
quality



2. Innovation of product lineup



3. Next-generation architecture



- SKY cloud computing service series

⇒ Highly-specialized application cloud computing service

SKY▲BANK

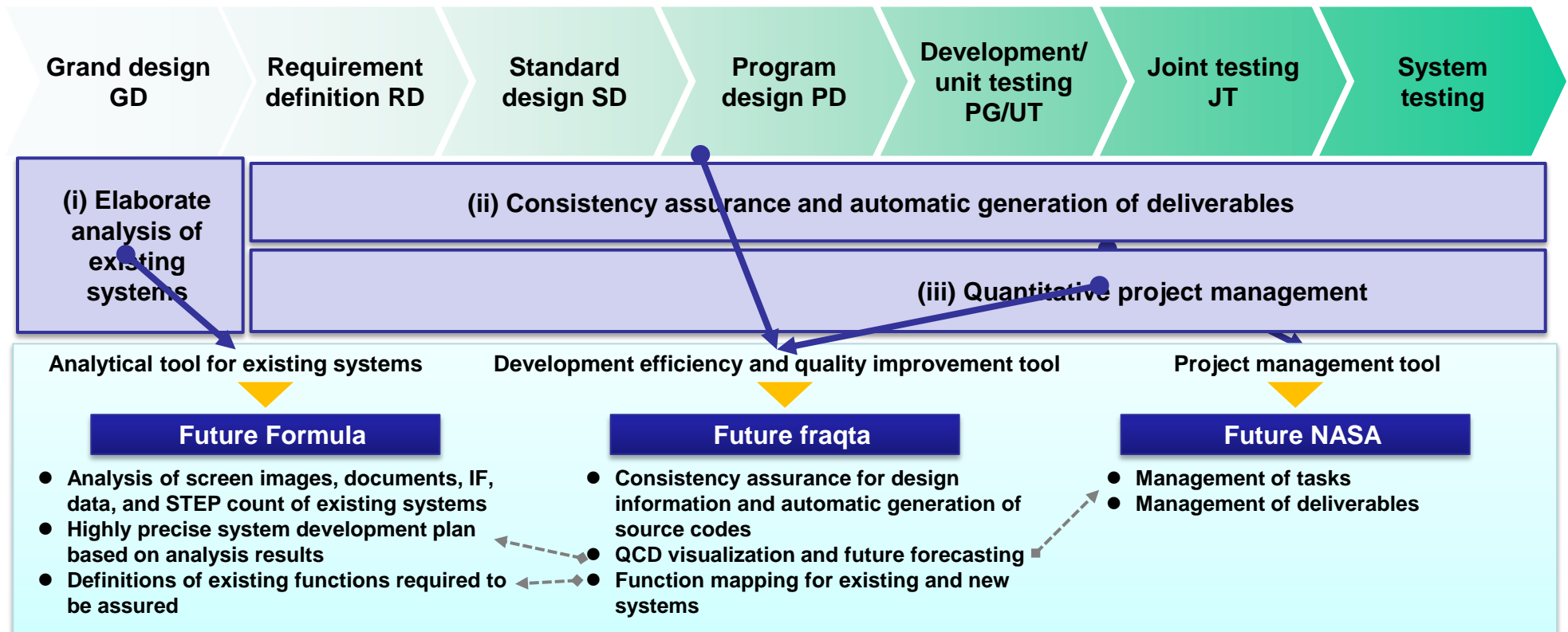
- Bank operation assistance, loan support and information DWH systems
- Won orders from six banks within three and a half years

- To be announced shortly

- **SKYRETAIL** *Retail and wholesale industry cloud computing system*
- **SKYLOGI** *Logistics industry cloud computing system*
- **SKYCOMMERCE** *EC cloud computing system*
- **SKYRUNNER** *High-capacity parallel distributed batch cloud computing system*

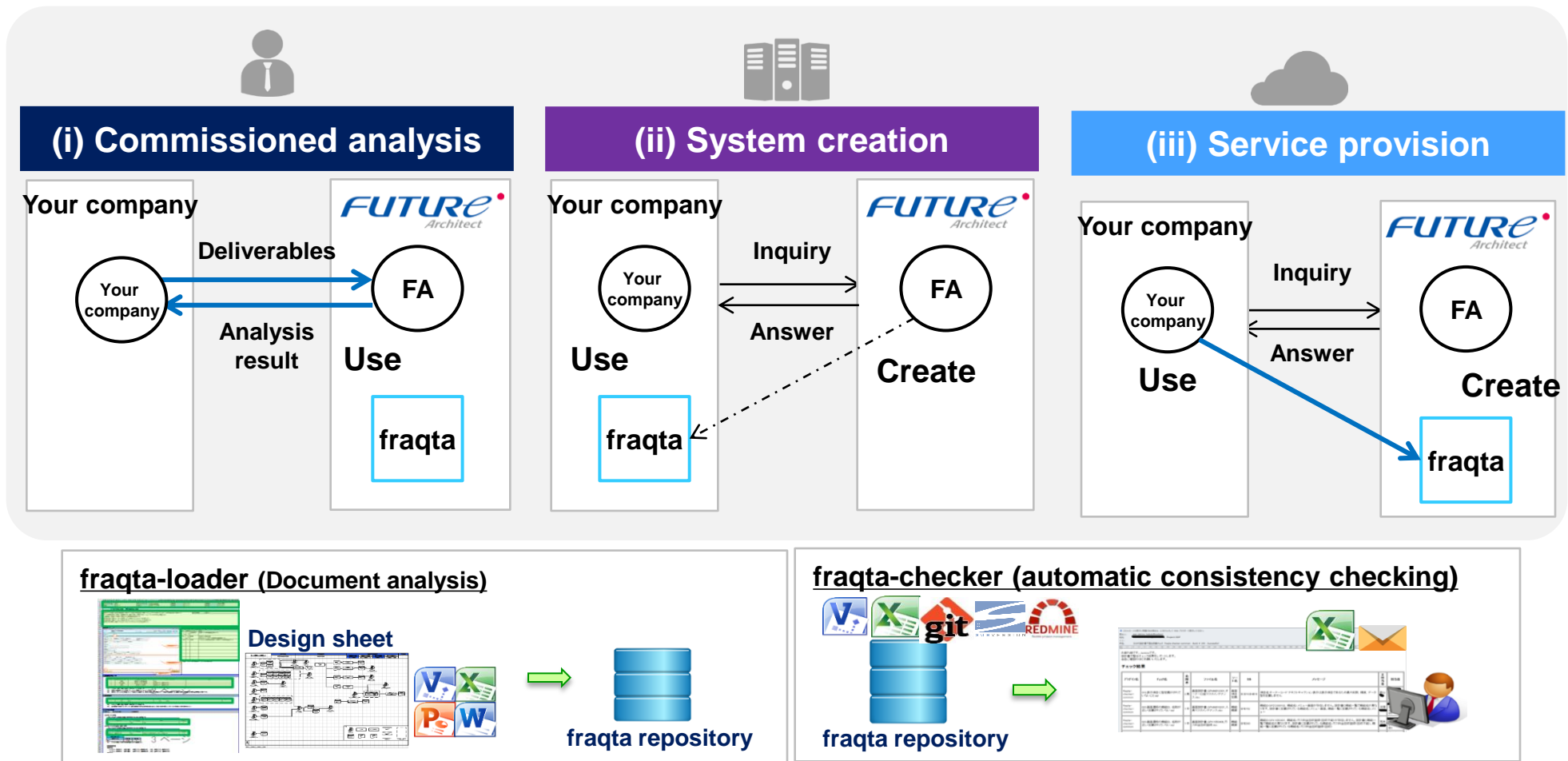
■ Quality management and assurance

- In-house developed tool for scientific project operation: a tool applied to the Company's entire internal projects
 - (i) Elaborate analysis of existing systems
 - (ii) Consistency assurance and automatic generation of deliverables
 - (iii) Quantitative project management



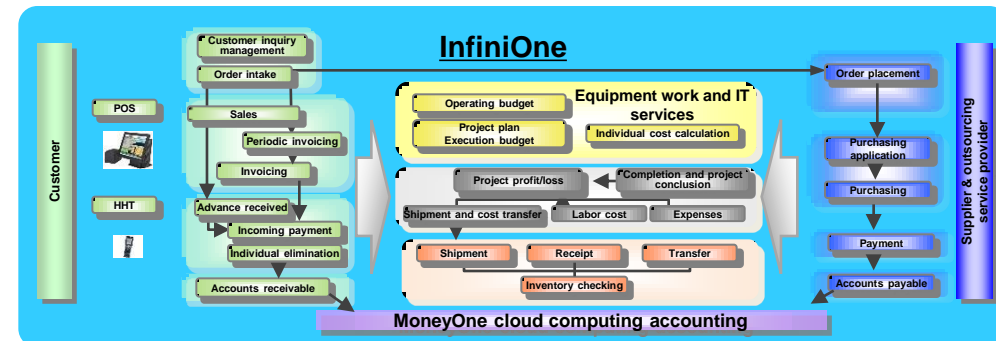
■ Quality management and assurance

- From 100% internal application to external sales



■ Innovation of product lineup

- InfiniOne, a new brand scheduled to be announced in October 2016
 - Multiple database and language handling service and enhanced external collaboration function
- Addition of MoneyOne, a cloud accounting function
 - Project and receivables management and automatic bankbook reading
- Expanded templates for different industries
 - Enhancement of industry-dedicated functions (equipment work and IT services)
- Inception of partnership system
 - Expand to 50 companies, up from eight companies currently



■ Next-generation architecture

Ordinary technologies

Batch processing

Individual optimization
(separation)

Administrative work processing
(four arithmetic operations)

Slip data



Future Corporation's technologies

Real-time processing

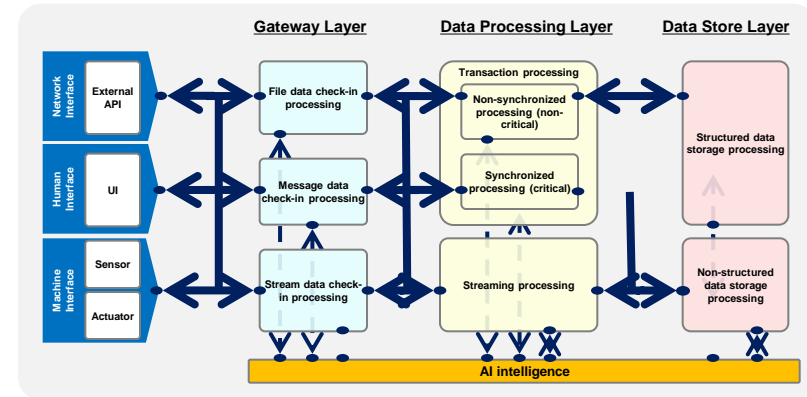
Total optimization (integration)

Analysis and optimization
processing (advanced
mathematics or AI)

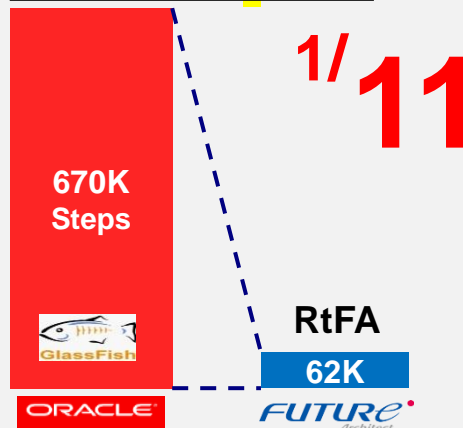
Cyber physical data (IoT)

■ Next-generation architecture

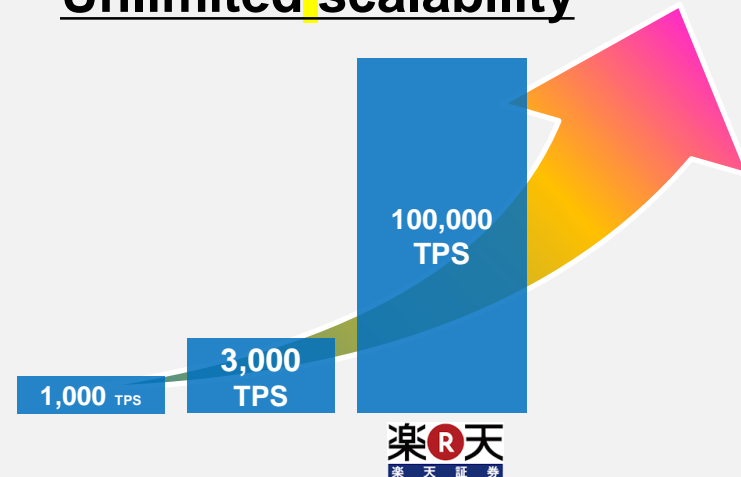
- RtFA evolution version of existing architecture
- Project release scheduled for the start of 2017



Minimum core



Unlimited scalability



Achievement of Plan for the Full Fiscal Year

(Million yen)	Full-year forecast for FY2016	Compared with the first half (progress)	
		FY2016 Results for the first half	Achievement rate
Net sales	37,000	17,225	46.6%
Operating income (Operating income Margin)	5,200 (14.0%)	1,937 (11.3%)	37.3%
Ordinary income (Ordinary income Margin)	5,220 (14.1%)	1,900 (11.0%)	36.4%
Profit attributable to owners of parent (Profit margin)	2,880 (7.7%)	1,129 (6.6%)	39.2%



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.