

Consolidated Summary Report of Operating Results for the First Quarter of Fiscal 2017 (Year ending December 2017) [Japan GAAP]

Company name: Future Corporation
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
 Website: <http://www.future.co.jp/hd/>
 Representative: Yasufumi Kanemaru, Chairman and President
 Contact: Yoshihiko Nakajima, Executive Officer
 Tel.: +81-3-5740-5724
 Scheduled submit date of quarterly report: May 12, 2017
 Scheduled date for distribution of dividend payments: –
 Creation of supplemental material on quarterly financial results: No
 Holding of quarterly results briefing: No

(Amount rounded off to million yen)

1. Consolidated Results for the first Quarter of Fiscal 2017 (January 1, 2017 to March 31, 2017)

(1) Consolidated operating results (accumulated total)

(Percentages are year-on-year changes)

	Net sales		Operating income		Quarterly profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
1Q, Fiscal 2017	8,715	1.4	992	(13.8)	612	(15.7)
1Q, Fiscal 2016	8,597	2.0	1,151	1.7	726	11.8

(Note) Comprehensive income 1Q, Fiscal 2017: 630 million yen (-14.4%) 1Q, Fiscal 2016: 736 million yen (2.9%)

	Quarterly profit per share		Quarterly profit per share (fully diluted)	
	Yen	Yen	Yen	Yen
1Q, Fiscal 2017	13.70	—	—	—
1Q, Fiscal 2016	16.25	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q, Fiscal 2017	23,731	17,698	73.2	388.36
Fiscal 2016	23,063	17,331	75.0	387.04

(Reference) Shareholders' equity 1Q, Fiscal 2017: 17,361 million yen Fiscal 2016: 17,302 million yen

2. Dividends

	Dividends per share (yen)				
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	12.50	—	12.50	25.00
Fiscal 2017	—				
Fiscal 2017 (Forecast)		13.00	—	13.00	26.00

(Note) Modification of the projected dividends announced most recently: No

3. Projected Consolidated Results for Fiscal 2017 (January 1, 2017 to December 31, 2017)

(% represents change from the previous fiscal year for a "Full year" and changes from the corresponding quarter of the previous fiscal year for "Quarter")

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (accumulated)	17,710	2.8	1,835	(5.3)	1,171	3.7	26.19
Full year	36,830	9.4	4,500	23.5	2,735	23.8	61.18

(Note) Modification of the projected consolidated results announced most recently: No

* Notes

(1) Changes in significant subsidiaries in the consolidated first quarter under review (Changes in specified subsidiaries that involved changes in the scope of consolidation): Yes

New: 1 company (company name) YDC Corporation Excluding: _____ companies (company names)

(2) Application of special accounting for the preparation of quarterly consolidated financial statements: No

(3) Change in accounting policies or estimates and restatements

1) Change in accounting policies in accordance with revision of accounting standards : No

2) Change in accounting policies other than item 1) above : Yes

3) Change in accounting estimates : No

4) Restatements : No

(4) Number of outstanding shares (common shares)

1) Total outstanding shares as of the end of the period (including treasury shares)

1Q, Fiscal 2017:	47,664,000 shares	Fiscal 2016:	47,664,000 shares
------------------	-------------------	--------------	-------------------

2) Total treasury shares as of the end of the period

1Q, Fiscal 2017:	2,958,872 shares	Fiscal 2016:	2,958,872 shares
------------------	------------------	--------------	------------------

3) Average number of outstanding shares during the quarter under review (accumulated period for quarter)

1Q, Fiscal 2017:	44,705,128 shares	1Q, Fiscal 2016:	44,705,200 shares
------------------	-------------------	------------------	-------------------

* This quarterly financial results report is not subject to quarterly review procedures.

* Points to note about the proper use of projections, and other noteworthy events

The earnings forecasts and other information concerning the future contained in these materials are based on information currently obtained by the Company and on certain premises the Company judges to be rational. The Company does not intend to guarantee their achievement. Actual results may differ significantly from forecasts due to various uncertain factors.

○ Contents

1. Qualitative information about financial results for the first quarter of the fiscal year under review	2
Explanation on operating results.....	2
2. Quarterly Period Consolidated Financial Statements and Related Notes	3
(1) Quarterly Period Consolidated Balance Sheets	3
(2) Quarterly Period Consolidated Statements of Income and Comprehensive Income.....	5
(First quarter of consolidated fiscal year under review).....	5
(3) Notes to quarterly consolidated financial statements.....	7
(Notes regarding the premise of surviving company).....	7
(Notes regarding significant change in shareholders' equity)	7
(Changes in accounting policies).....	7
(Additional information).....	7
(Segment information).....	8
3. Supplemental information.....	10
Orders received.....	10

1. Qualitative information about financial results for the first quarter of the fiscal year under review

Explanation on operating results

Consolidated net sales of the Group for the first quarter were ¥8,715 million, up 1.4% from the corresponding period of the previous fiscal year and operating income was ¥992 million, down 13.8%. Quarterly profit attributable to owners of parent decreased 15.7% year-on-year to ¥612 million.

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

(i) 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.

(ii) 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. Quarterly Period Consolidated Financial Statements and Related Notes

(1) Quarterly Period Consolidated Balance Sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2016)	Consolidated first quarter under review (March 31, 2017)
Assets		
Current assets		
Cash and deposits	11,761,815	8,292,721
Notes and accounts receivable - trade	4,242,997	5,354,866
Securities	1,800	1,800
Merchandise and finished goods	796,354	833,535
Work in process	59,435	140,712
Deferred tax assets	197,714	328,521
Accounts receivable - other	1,549,740	1,577,636
Other	554,818	1,153,320
Allowance for doubtful accounts	(5,022)	(5,007)
Total current assets	19,159,655	17,678,106
Non-current assets		
Property, plant and equipment		
Buildings and structures	855,840	1,060,001
Accumulated depreciation	(674,904)	(828,618)
Buildings and structures, net	180,935	231,383
Land	5,430	5,430
Other	1,840,179	1,991,656
Accumulated depreciation	(1,618,314)	(1,732,136)
Other, net	221,864	259,519
Total property, plant and equipment	408,230	496,333
Intangible assets		
Goodwill	350,312	1,706,792
Software	333,201	559,026
Other	18,855	18,449
Total intangible assets	702,369	2,284,267
Investments and other assets		
Investment securities	1,409,923	1,749,412
Lease and guarantee deposits	1,168,231	1,310,788
Deferred tax assets	191,330	165,066
Other	89,011	110,145
Allowance for doubtful accounts	(64,950)	(62,322)
Total investments and other assets	2,793,545	3,273,090
Total non-current assets	3,904,145	6,053,691
Total assets	23,063,800	23,731,798

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2016)	Consolidated first quarter under review (March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	866,932	902,128
Current portion of long-term loans payable	-	6,000
Accounts payable - other	795,562	787,693
Income taxes payable	883,527	398,625
Provision for bonuses	197,318	715,309
Provision for quality assurance	90,593	70,934
Provision for loss on projects	1,863	8,800
Asset retirement obligations	35,763	1,949
Other	1,586,389	1,821,803
Total current liabilities	4,457,951	4,713,244
Non-current liabilities		
Long-term loans payable	1,000,000	1,014,500
Asset retirement obligations	259,509	290,631
Other	15,097	14,594
Total non-current liabilities	1,274,607	1,319,725
Total liabilities	5,732,558	6,032,969
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,507,763
Retained earnings	14,802,799	14,856,551
Treasury shares	(1,499,494)	(1,499,494)
Total shareholders' equity	17,232,883	17,286,635
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	63,691	65,482
Deferred gains or losses on hedges	402	(1,020)
Foreign currency translation adjustment	5,798	10,498
Total accumulated other comprehensive income	69,892	74,959
Non-controlling interests	28,466	337,233
Total net assets	17,331,242	17,698,828
Total liabilities and net assets	23,063,800	23,731,798

(2) Quarterly Period Consolidated Statements of Income and Comprehensive Income
(First quarter of consolidated fiscal year under review)

(in thousands of yen)

	First quarter of previous consolidated fiscal year (from January 1, 2016 to March 31, 2016)	First quarter of consolidated fiscal year under review (from January 1, 2017 to March 31, 2017)
Net sales	8,597,363	8,715,408
Cost of sales	5,195,064	5,253,667
Gross profit	3,402,299	3,461,741
Selling, general and administrative expenses		
Directors' compensations	96,564	109,292
Salaries and bonuses	1,006,294	949,795
Training expenses	19,437	25,243
Research and development expenses	53,163	91,764
Depreciation	18,364	21,720
Recruiting expenses	70,616	90,960
Other	986,245	1,180,424
Total selling, general and administrative expenses	2,250,686	2,469,201
Operating income	1,151,612	992,540
Non-operating income		
Interest income	1,137	350
Dividend income	698	575
Share of profit of entities accounted for using equity method	38,892	36,203
Other	4,984	2,730
Total non-operating income	45,713	39,859
Non-operating expenses		
Interest expenses	1,874	1,780
Foreign exchange losses	27,454	14,494
Total non-operating expenses	29,328	16,274
Ordinary income	1,167,996	1,016,124
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	808	—
Loss on change in equity	1,270	—
Total extraordinary losses	2,078	—

(in thousands of yen)

	First quarter of previous consolidated fiscal year (from January 1, 2016 to March 31, 2016)	First quarter of consolidated fiscal year under review (from January 1, 2017 to March 31, 2017)
Quarterly profit before income taxes	1,165,917	1,016,124
Income taxes	443,819	391,018
Quarterly profit (Profit attributable to)	722,098	625,106
Quarterly profit attributable to owners of parent	726,416	612,566
Quarterly profit (loss) attributable to non-controlling interests	(4,317)	12,540
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,072)	4,702
Deferred gains or losses on hedges	–	(1,097)
Foreign currency translation adjustment	27,187	4,785
Share of other comprehensive income of entities accounted for using equity method	73	(3,292)
Total other comprehensive income	14,188	5,097
Quarterly comprehensive income (Comprehensive income attributable to)	736,287	630,204
Quarterly comprehensive income attributable to owners of parent	737,806	617,632
Quarterly comprehensive income attributable to non-controlling interests	(1,519)	12,571

(3) Notes to quarterly consolidated financial statements

(Notes regarding the premise of surviving company)

Not applicable

(Notes regarding significant change in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Change in the method of calculating tax expenses)

Formerly, tax expenses were calculated by making a rational estimate of an effective tax rate after the application of tax-effect accounting profit before income taxes of the consolidated fiscal year and then multiplying the effective tax rate by the quarterly profit before income taxes. From the first quarter of the fiscal year under review, the Company began employing the same method as used at the end of the fiscal year. The change aims to more accurately reflect tax expenses corresponding to the quarter in response to the adoption of the consolidated taxation system, with the Company as the taxable parent company.

As the impact of this change is slight, the change has not applied retrospectively.

(Additional information)

(Application of "Implementation Guidance on Recoverability of Deferred Tax Assets")

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016) from the first quarter of the fiscal year under review.

(Adoption of consolidated taxation system)

From the first quarter of the fiscal year under review, the Company and some of its consolidated subsidiaries have adopted the consolidated taxation system with the Company as the taxable parent company.

(Segment information)

Segment information

I. First quarter of the previous consolidated fiscal year (from January 1, 2016 to March 31, 2016)

1. Amounts of net sales and income or loss by business segment reported

(in thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting & Service Business	New Media & Web Service Business	Corporate Revitalizati on Business	Total				
Net sales								
Net sales to outside clients	6,345,855	1,068,279	1,183,229	8,597,363	-	8,597,363	-	8,597,363
Inter-segment sales or transfer	49,090	10	2,091	51,192	-	51,192	(51,192)	-
Total	6,394,946	1,068,289	1,185,321	8,648,556	-	8,648,556	(51,192)	8,597,363
Segment income (loss)	1,190,497	(88,479)	15,282	1,117,300	(7,428)	1,109,872	41,740	1,151,612

(Notes) 1. "Others," segments not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment of segment income (loss) represents the amount of inter-segment transactions eliminated and income and expenses of the holding company.

3. Segment income (loss) is adjusted with operating income in the Quarterly Period Consolidated Statements of Income.

II. First quarter of consolidated fiscal year under review (from January 1, 2017 to March 31, 2017)

1. Amounts of net sales and income or loss by business segment reported

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting & Service Business	New Media & Web Service Business	Total				
Net sales							
Net sales to outside clients	7,432,986	1,282,422	8,715,408	-	8,715,408	-	8,715,408
Inter-segment sales or transfer	49,255	3,482	52,738	-	52,738	(52,738)	-
Total	7,482,242	1,285,905	8,768,147	-	8,768,147	(52,738)	8,715,408
Segment income (loss)	1,088,312	(108,202)	980,110	(23,992)	956,118	36,422	992,540

(Notes) 1. "Others," segments not included in the reportable segments, include securities investment, holding, and management activities.

2. Adjustment of segment income (loss) represents the amount of inter-segment transactions eliminated and income and expenses of the holding company.

3. Segment income (loss) is adjusted with operating income in the Quarterly Period Consolidated Statements of Income.

2. Matters related to changes in reportable segments

(Changes in reportable segments)

(1) 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 previously included in the costs of the IT Consulting Business; 2) recording business outsourcing service fees and group growth subsidies received from individual Future Group companies as income under segment income adjustment.

Using the opportunity of making YDC Corporation a consolidated subsidiary, the Company reviewed the management structure to take advantage of the holding company structure introduced during the previous period and

strengthen collaboration among the IT-related business subsidiaries. Therefore, from the first quarter of the fiscal year under review, the former “IT Consulting Business” and “Package & Service Business” have been consolidated into a single segment renamed “IT Consulting & Service Business.”

This resulted in changes in segment income for the first quarter of the fiscal year under review compared with the calculation with the former method: a decrease of ¥22,481,000 in “IT Consulting & Service Business” and ¥8,762,000 in “New Media & Web Service Business,” and an increase of ¥31,243,000 in segment income adjustments.

The segment information for the first quarter of the previous fiscal year is prepared and disclosed based on the revised reportable segment categorization and calculation methods.

- (2) As of September 7, 2016, the Group sold all the shares of Uoei Corporation that were formerly categorized into the “Corporate Revitalization Business.” As a result, the segment was excluded from the reportable segments from the first quarter of the fiscal year under review.

3. Information about losses from impairment of non-current assets by reportable segment, goodwill, etc.

(Material changes in the amount of goodwill)

For the IT Consulting & Service Business segment, the Company has acquired shares of YDC Corporation and transformed this company into its subsidiary. As a result of this transaction, the amount of goodwill has increased to 878,054,000 yen in the first quarter under review.

For the New Media & Web Service Business segment, the Company has acquired shares of Matchalarm Inc. and transformed this company into its subsidiary. As a result of this transaction, the amount of goodwill has increased to 545,754,000 yen in the first quarter under review.

3. Supplemental information

Orders received

(in thousands of yen)

Segment	First quarter of previous consolidated fiscal year (from January 1, 2016 to March 31, 2016)		First quarter of consolidated fiscal year under review (from January 1, 2017 to March 31, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	5,302,313	7,033,794	8,265,770	10,764,747
New Media & Web Service Business	166,491	108,951	214,805	179,937
Total	5,468,805	7,142,746	8,480,575	10,944,684

(Notes) Orders received include adjustments for exchange rate fluctuations.