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Press Release

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Code: 4722, Tokyo Stock Exchange, Section I
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Notice on Consolidated Earnings Results for First Six Months of Fiscal 2017

1. Consolidated earnings results for the first six months of fiscal 2017

The Group's consolidated earnings results for the first six months of fiscal 2017 (from January 1, 2017 to June 30, 2017) are as follows.

Net sales	¥17,265 million	(up 0.2% year-on-year)
Operating income	¥1,912 million	(down 1.3% year-on-year)
Profit attributable to owners of parent	¥1,487 million	(up 31.7% year-on-year)

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

(1) IT Consulting & Service Business

Future Architect Inc. saw sales growth in new large-scale projects ordered by retailers, newspaper companies, and logistics companies, while it worked on the development of financial cloud computing systems to support customer relations and lending activities in multiple banks in the Tokyo metropolitan area, as well as the project for renewing transaction systems in a foreign currency trading company. However, the company underwent a year-on-year decline both in net sales and operating income overall because of the completion of a project which had accounted for a significant portion of net sales in the same period of fiscal 2016.

YDC Corporation showed strong performance in system development centered on the manufacturing business under entrusted contracts, and license sales in in-house manufactured goods, contributing to a boost in the consolidated net sales and operating income.

FutureOne Inc. marked significant growth in both net sales and operating income year-on-year, attributable to a boost in license sales of in-house package software to external partners, as well as the launch of projects ordered from a larger number of medium-sized companies, compared with the same period of the previous fiscal year.

As a result, the IT Consulting and Service Business posted net sales of ¥14,288 million (up 14.7% year-on-year), and operating income of ¥2,050 million (up 2.4% year-on-year).

(2) New Media & Web Service Business

eSPORTS Co., Ltd. posted a 13.8% increase year-on-year in net sales, due mainly to sales of private brand products centered on outdoor goods and fitness training products, whereas operating income declined due to factors including lower gross profit margin and increased transport costs.

Tokyo Calendar Inc. saw a boost in net sales from web-based advertisement with a surge in monthly page views from 30 million as of December 31, 2016 to 40 million as of June 30, 2017, resulting from the effectiveness of in-house video content. In addition, sales in magazines gained momentum in the second quarter under review. As a consequence, the company posted a 35.6% increase year-on-year in net sales, contributing to a reduction in net loss.

CodeCamp Inc. logged a 41.1% increase year-on-year in net sales, attributed to continued growth in sales of online programming education services, and strong sales performance in engineer cultivation and employment assistance programs for job seekers. However, upfront investments in recruitment of personnel, advertisement expenses, etc. kept the company at an operating loss.

As a result, the New Media & Web Service Business posted net sales of ¥3,088 million (up 18.7% year-on-year) and an operating loss of ¥175 million (against a loss of ¥152 million a year earlier).

(Note) 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 second quarter cumulative period for the revised reporting segment categorization and measurement methods.

2. Future outlook:

(1) IT Consulting & Service Business

The Group strives to offer IT consulting and services under the following strategy to contribute to clients' businesses and renovation of IT frameworks.

- (i) Providing consistent services from overall design to detailed design, development, maintenance and operation by using cutting-edge global IT and in-house manufactured components, which enable data processing in real time (Future Component), while considering business innovation, operational reform, and system improvement as a three part initiative.
- (ii) Scientifically analyzing legacy IT systems which have been made into black boxes and renovating customers' complex and multi-layered core systems by using a unique method of reconstruction into the latest open system (Future Formula).
- (iii) Designing and developing high quality systems in short time by utilizing unique project monitoring and management methods (Future Navi and Futurefraqta).

Furthermore, the Group will focus on engaging the following initiatives.

1. Offering of innovation by using the state-of-the-art technology

The Group developed Future IoT, the IoT platform service, which is capable of integrated management and real-time analysis in the cloud of processing massive data or operating information collected from equipment through manufacturing processes in plants. The service is already being offered to clients including USHIO INC. In addition, the Group launched the Future AI, the consulting service using artificial intelligence (AI), based on expertise and know-how of the formulation of systems with the application of AI, such as systems for automatic order placement or demand forecast, or services for image recognition. Moving forward, the Group will contribute to providing solutions to specific customer issues and innovation by enhancing research and development of more advanced and cutting-edge IT with the application of AI, IoT, and big data, and employing state-of-the-art technologies.

2. Offering unique application cloud services such as distribution cloud services

The Group has provided core systems to a number of retailers such as home improvement retailers, supermarkets, chain stores, and convenience stores. The Group is now developing the Distribution Cloud System by combining the next-generation systems architecture formulated by cutting-edge technology, with its expertise in retail business. With the development of the Distribution Cloud System, the Group will pursue the course of offering clients highly efficient systems which would enable the contribution to their management reforms or business transformation. The Group has already obtained its first order from a client, and plans to launch a part of the system by the end of 2017.

3. Bolstering collaboration among Group subsidiaries

Effective January 5, 2017, the Group acquired 81% of the issued shares of YDC Corporation, renowned for its experience in system consultation and development for the manufacturing sector, from Yokogawa Electric Corporation, and made it a consolidated subsidiary. Moving forward, the Group will enhance collaboration across the Group subsidiaries belonging to the IT Consulting & Service Business, which are Future Architect, Future Inspace, FutureOne, Micro CAD, and YDC, through mutual provision of their advanced knowledge, solutions, and technical/development capabilities, and enable the provision of higher added value to customers.

(2) New Media & Web Service Business

eSPORTS will strategically work on reinforcing product lineups on private brands with strong sales such as fitness training products and popular casual bags. The company will enhance research and analysis of prices and top-selling items, as well as responses to customers, by using the Future Group companies' technologies. At the same time, it will bolster the operation of the in-house e-commerce website and develop smartphone applications through collaborative work with Tokyo Calendar.

Tokyo Calendar will strive to boost revenue from advertisement activities centered on web-based forms by leveraging its strengths of attracting customers, as seen in the level of gaining 40 million monthly page views; and creating high-quality in-house video advertisement. The company will work on the launch of new services supporting life events by holding matchmaking events and offering the TOCALE DATE application, through collaboration with Matchalarm Inc. which was acquired in the end of the first quarter of fiscal 2017.

CodeCamp will work on boosting the enrollment of learners targeting high school students through a tie-up with an educational provider, Trygroup Inc. in addition to

expanding online and offline programming education services tailored for corporations. In addition, the company will endeavor to enlarge programming education services for improving IT engineers' skills highly demanded, and supporting outplacement, to establish and grow a profitability base.

The forecast for consolidated earnings results for fiscal 2017 remains unchanged from the previous release (as of April 28, 2017).

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