



July 28 2017

Consolidated Summary Report of Operating Results for the Second 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

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Scheduled submit date of quarterly report: August 10, 2017

Scheduled date for distribution of dividend payments: September 21, 2017

Creation of supplemental material on quarterly financial results: No

Holding of quarterly results briefing: Yes (for institutional investors and securities analysts)

(Amount rounded off to million yen)

1. Consolidated Results for the Second Quarter of Fiscal 2017 (January 1, 2017 to June 30, 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	%
2Q, Fiscal 2017	17,265	0.2	1,912	(1.3)	1,487	31.7
2Q, Fiscal 2016	17,225	1.1	1,937	(7.5)	1,129	(5.7)

(Note) Comprehensive income 2Q, Fiscal 2017: 1,405 million yen (15.1%)

2Q, Fiscal 2016: 1,220 million yen (-4.3%)

	Quarterly profit per share
	Yen
2Q, Fiscal 2017	33.26
2Q, Fiscal 2016	25.26

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q, Fiscal 2017	24,289	18,411	74.6	405.37
Fiscal 2016	23,063	17,331	75.0	387.04

(Reference) Shareholders' equity 2Q, Fiscal 2017: 18,122 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	-	13.00			
Fiscal 2017 (Forecast)			-	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)

(Percentages are changes from the previous fiscal year for a "Full year")

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
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 second 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 retrospective 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) Retrospective restatements : No

(4) Number of outstanding shares (common stock)

- 1) Total outstanding shares as of the end of the period (including treasury shares)
- 2) Total treasury shares as of the end of the period
- 3) Average number of outstanding stocks during the quarter under review (accumulated period for quarter)

2Q, Fiscal 2017:	47,664,000 shares	Fiscal 2016:	47,664,000 shares
2Q, Fiscal 2017:	2,958,872 shares	Fiscal 2016:	2,958,872 shares
2Q, Fiscal 2017:	44,705,128 shares	2Q, Fiscal 2016:	44,705,166 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.

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1. Qualitative information about consolidated operating results for the second quarter cumulative period of the fiscal year under review

(1) Explanation on operating results

Consolidated net sales of the Group for the first six months were ¥17,265 million, up 0.2% from the corresponding period of the previous fiscal year and operating income was ¥1,912 million, down 1.3%. Quarterly profit attributable to owners of parent increased 31.7% year-on-year to ¥1,487 million.

(i) 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.

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).

(ii) 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) Explanation on qualitative information about consolidated earnings forecast

Forecasts for consolidated earnings results for the full fiscal year ending December 2017 remain unchanged from those announced in the Consolidated Summary Report of Operating Results for the First Quarter as of

April 28, 2017.

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 second quarter under review (June 30, 2017)
Assets		
Current assets		
Cash and deposits	11,761,815	8,989,879
Notes and accounts receivable - trade	4,242,997	4,746,837
Securities	1,800	1,800
Merchandise and finished goods	796,354	855,017
Work in process	59,435	311,007
Deferred tax assets	197,714	241,657
Accounts receivable - other	1,549,740	1,461,624
Other	554,818	1,211,499
Allowance for doubtful accounts	(5,022)	(5,018)
Total current assets	19,159,655	17,814,304
Non-current assets		
Property, plant and equipment		
Buildings and structures	855,840	1,034,928
Accumulated depreciation	(674,904)	(804,182)
Buildings and structures, net	180,935	230,745
Land	5,430	5,430
Other	1,840,179	2,460,481
Accumulated depreciation	(1,618,314)	(1,744,582)
Other, net	221,864	715,898
Total property, plant and equipment	408,230	952,074
Intangible assets		
Goodwill	350,312	1,565,961
Software	333,201	838,265
Other	18,855	17,858
Total intangible assets	702,369	2,422,085
Investments and other assets		
Investment securities	1,409,923	1,706,996
Lease and guarantee deposits	1,168,231	1,204,322
Deferred tax assets	191,330	141,721
Other	89,011	109,239
Allowance for doubtful accounts	(64,950)	(61,422)
Total investments and other assets	2,793,545	3,100,856
Total non-current assets	3,904,145	6,475,016
Total assets	23,063,800	24,289,321

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2016)	Consolidated second quarter under review (June 30, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	866,932	679,207
Current portion of long-term loans payable	-	6,000
Accounts payable - other	795,562	1,417,545
Income taxes payable	883,527	288,208
Provision for bonuses	197,318	185,431
Provision for quality assurance	90,593	39,960
Provision for loss on projects	1,863	7,600
Asset retirement obligations	35,763	-
Other	1,586,389	1,926,719
Total current liabilities	4,457,951	4,550,673
Non-current liabilities		
Long-term loans payable	1,000,000	1,013,000
Asset retirement obligations	259,509	298,226
Other	15,097	16,420
Total non-current liabilities	1,274,607	1,327,647
Total liabilities	5,732,558	5,878,320
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	15,731,100
Treasury shares	(1,499,494)	(1,499,494)
Total shareholders' equity	17,232,883	18,161,184
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	63,691	50,159
Deferred gains or losses on hedges	402	87
Foreign currency translation adjustment	5,798	(89,205)
Total accumulated other comprehensive income	69,892	(38,958)
Non-controlling interests	28,466	288,775
Total net assets	17,331,242	18,411,001
Total liabilities and net assets	23,063,800	24,289,321

(2) Quarterly Period Consolidated Statements of Income and Comprehensive Income
(First half period)

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)	First half of the consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)
Net sales	17,225,656	17,265,055
Cost of sales	10,501,832	10,239,028
Gross profit	6,723,824	7,026,026
Selling, general and administrative expenses		
Directors' compensations	192,385	221,696
Salaries and bonuses	2,043,355	1,906,975
Training expenses	162,462	193,735
Research and development expenses	120,675	170,837
Depreciation	37,112	33,288
Recruiting expenses	145,723	188,922
Other	2,084,688	2,398,091
Total selling, general and administrative expenses	4,786,402	5,113,547
Operating income	1,937,421	1,912,478
Non-operating income		
Interest income	1,355	605
Dividend income	31,873	57,754
Foreign exchange gains		133,099
Share of profit of entities accounted for using equity method	57,224	52,318
Other	11,984	7,110
Total non-operating income	102,438	250,888
Non-operating expenses		
Interest expenses	3,709	3,312
Foreign exchange losses	136,020	-
Total non-operating expenses	139,729	3,312
Ordinary income	1,900,130	2,160,055

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)	First half of the consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)
Extraordinary income		
Gain on sales of investment securities	-	76,710
Total extraordinary income	-	76,710
Extraordinary loss		
Loss on change in equity	1,270	-
Loss on valuation of investment securities	18,885	-
Loss on sales of shares of subsidiaries and associates	808	-
Total extraordinary losses	20,963	-
Quarterly profit before income taxes	1,879,166	2,236,765
Income taxes	754,852	736,113
Quarterly profit	1,124,314	1,500,652
(Profit attributable to)		
Quarterly profit attributable to owners of parent	1,129,243	1,487,115
Quarterly profit (loss) attributable to non-controlling interests	(4,928)	13,536
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,456)	(18,166)
Deferred gains or losses on hedges	(1,753)	(11)
Foreign currency translation adjustment	114,116	(94,927)
Share of other comprehensive income of entities accounted for using equity method	(395)	4,282
Total other comprehensive income	96,510	(108,822)
Quarterly comprehensive income	1,220,825	1,391,829
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	1,229,157	1,378,263
Quarterly comprehensive income (loss) attributable to non-controlling interests	(8,332)	13,566

(3) Quarterly Period Consolidated Statements of Cash Flows

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)	First half of the consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,879,166	2,236,765
Depreciation	201,301	254,605
Increase (decrease) in allowance for doubtful accounts	643	(10,271)
Increase (decrease) in provision for bonuses	(38,423)	(11,887)
Increase (decrease) in provision for quality assurance	7,105	(50,633)
Increase (decrease) in provision for loss on projects	-	5,737
Interest and dividend income	(33,228)	(58,359)
Interest expenses	3,709	3,312
Share of (profit) loss of entities accounted for using equity method	(57,224)	(52,318)
Loss (gain) on change in equity	1,270	-
Loss (gain) on sale of investment securities	-	(76,710)
Loss (gain) on valuation of investment securities	18,885	-
Loss (gain) on sales of shares of subsidiaries and associates	808	-
Decrease (increase) in notes and accounts receivable - trade	1,130,070	209,787
Decrease (increase) in inventories	(158,279)	(31,067)
Increase (decrease) in notes and accounts payable - trade	(103,602)	(433,782)
Other	132,654	(368,794)
Subtotal	2,984,857	1,616,382
Interest and dividend income received	33,230	78,134
Interest expenses paid	(3,709)	(3,321)
Income taxed paid	(1,238,116)	(1,283,388)
Net cash provided by (used in) operating activities	1,776,262	407,806

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)	First half of the consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(103,508)	(308,509)
Purchase of intangible assets	(19,657)	(423,274)
Payments for asset retirement obligations	(3,891)	(35,536)
Purchase of investment securities	-	(299,900)
Proceeds from sales of investment securities	100,000	91,160
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,681,201)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,770)	-
Payments for lease and guarantee deposits	(6,703)	(19,515)
Proceeds from collection of lease and guarantee deposits	376	106,825
Other	2,400	3,545
Net cash provided by (used in) investing activities	(34,755)	(2,566,404)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(18,000)	(1,500)
Purchase of treasury stock shares	(66)	-
Cash dividends paid	(603,050)	(558,771)
Dividends paid to non-controlling interests	(61,922)	(49,210)
Net cash provided by (used in) financing activities	(683,039)	(609,481)
Effect of exchange rate changes on cash and cash equivalents	(5,285)	(3,856)
Net increase (decrease) in cash and cash equivalents	1,053,182	(2,771,936)
Cash and cash equivalents at beginning of the period	9,757,026	11,761,815
Cash and cash equivalents at end of the quarterly period	10,810,208	8,989,879

(4) 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)

I. Second quarter of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)

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

(in thousands of yen)

	Reportable segments				Others (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 Revitalization Business	Total				
Net sales								
Net sales to outside clients	12,355,259	2,601,582	2,268,814	17,225,656	-	17,225,656	-	17,225,656
Inter-segment sales or transfer	98,426	157	3,634	102,218	-	102,218	(102,218)	-
Total	12,453,685	2,601,739	2,272,449	17,327,874	-	17,327,874	(102,218)	17,225,656
Segment income (loss)	2,001,213	(152,976)	23,722	1,871,959	(11,446)	1,860,512	76,908	1,937,421

(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. Second quarter of consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)

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

(in thousands of yen)

	Reportable segments			Others (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	14,189,580	3,075,474	17,265,055	-	17,265,055	-	17,265,055
Inter-segment sales or transfer	98,511	12,836	111,348	-	111,348	(111,348)	-
Total	14,288,092	3,088,311	17,376,403	-	17,376,403	(111,348)	17,265,055
Segment income (loss)	2,050,155	(175,349)	1,874,805	(29,664)	1,845,140	67,337	1,912,478

(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." The segment information for the second 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 831,841,000 yen at the end of the second 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 518,466,000 yen at the end of the second quarter under review.

3. Supplemental information

Orders received

(in thousands of yen)

Segment	First half of the previous consolidated fiscal year (from January 1, 2016 to June 30, 2016)		First half of the consolidated fiscal year under review (from January 1, 2017 to June 30, 2017)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	11,815,229	7,537,306	15,126,496	10,868,882
New Media & Web Service Business	321,216	133,652	560,020	279,298
Total	12,136,445	7,670,958	15,686,516	11,148,180

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