



October 31 2018

## Consolidated Summary Report of Operating Results for the Third Quarter of Fiscal 2018 (Year ending December 2018) [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: November 13, 2018  
 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 Third Quarter of Fiscal 2018 (January 1, 2018 to September 30, 2018)

#### (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	%
3Q, Fiscal 2018	28,794	8.7	4,080	27.9	3,164	31.4
3Q, Fiscal 2017	26,500	3.3	3,190	21.5	2,408	54.8

(Note) Comprehensive income 3Q, Fiscal 2018: 4,635 million yen (103.6 %)

3Q, Fiscal 2017: 2,276 million yen (35.4 %)

	Quarterly profit per share
	Yen
3Q, Fiscal 2018	70.78
3Q, Fiscal 2017	53.87

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q, Fiscal 2018	37,566	28,068	72.8	611.44
Fiscal 2017	32,522	24,488	73.8	536.87

(Reference) Shareholders' equity 3Q, Fiscal 2018: 27,334 million yen Fiscal 2017: 24,000 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 2017	-	13.00	-	13.00	26.00
Fiscal 2018	-	15.00	-	13.00	26.00
Fiscal 2018 (Forecast)	-	15.00	-	15.00	30.00

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

## 3. Projected Consolidated Results for Fiscal 2018 (January 1, 2018 to December 31, 2018)

(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	37,900	4.5	5,170	16.0	3,530	(5.7)	78.96	

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

\* Notes

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

New: 1 company (company name) dit Co., Ltd.

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 : No

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)

3Q, Fiscal 2018:	47,664,000 shares	Fiscal 2017:	47,664,000 shares
3Q, Fiscal 2018:	2,959,049 shares	Fiscal 2017:	2,958,907 shares
3Q, Fiscal 2018:	44,705,065 shares	3Q, Fiscal 2017:	44,705,128 shares

\* This quarterly financial report is outside of the scope of an audit procedure by the Certified Public Accountant or Audit firm.

\* 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 third quarter cumulative period of the fiscal year under review

### (1) Explanation on operating results

Consolidated net sales of the Group for the first nine months were ¥28,794 million, up 8.7% from the corresponding period of the previous fiscal year and operating income was ¥4,080 million, up 27.9%. Quarterly profit attributable to owners of parent increased 31.4% year-on-year to ¥3,164 million.

#### (i) IT Consulting & Service Business

Future Architect, Inc. and Future Inspace, Inc. expanded their customer base in a wide range of industries including apparel, retail sales, food manufacturing, and news media, and involvement in projects for the development of next-generation mission-critical systems, while more and more regional banks are considering an introduction of the Group's business-support and lending-support systems, resulting in a substantial year-on-year increase in net sales and operating income. In this quarter in particular, the number of projects including those of new clients increased, along with cutting-edge projects for demand projection and loan application examination, etc., that utilize AI technologies such as image analysis, natural language processing, and machine learning.

YDC Corporation marked growth in both net sales and operating income, which is attributable to projects for customers in the manufacturing industry, including license sales of YDC SONAR, a software to integrate and analyze quality information, and system development centered on the manufacturing business under entrusted contracts, as well as a growth in sales from logistics-related systems including projects of collaborating technologies of YDC and the Future Group.

The business of FutureOne, Inc. is on a steady trend showing a year-on-year increase in both net sales and operating income, which is attributable to an order for its original sales management packaged software InfiniOne that the company received from a customer larger than its existing customers.

Micro CAD Co., Ltd. showed significant improvement in operating income, which was attributable to an increase in sales from its own intellectual property management software and system development for the manufacturing industry, as well as an improved profitability owing to the strengthened project management.

As a result, the IT Consulting & Service Business showed an increase in both sales and operating income, posting net sales of ¥23,513 million (up 8.0% year-on-year), and operating income of ¥4,050 million yen (up 22.2% year-on-year).

#### (ii) Business Innovation Business

Tokyo Calendar Inc. saw a surge in monthly page views (including video views) from 47 million as of December 31, 2017 to 55 million as of September 30, 2018, with 400 million monthly active users, resulting from implementation of content strategies focusing on men and women aged 30 to 49 in urban areas. Magazine sales also continued steadily. In April 2018, It acquired the entire shares of Matchalarm, Inc. and enhanced services provided to users. As a result, IT posted an increase in sales for the first nine months of 2018 (including that of Matchalarm, Inc.) on a year-on-year basis, while experiencing a year-on-year decline in operating income which is attributable to a year-on-year decrease in its advertising activities for the July-September period.

eSPORTS Co., Ltd., although making restructuring efforts with the aim of increasing sales of private brand products and reduce inventory, showed a decline in operating income. This is attributable to a worsened profitability of sales of national brand products and an increased burden of sales promotion expenses and logistics expenses offsetting a year-on-year increase in net sales.

CodeCamp, Inc. marked significant growth of operating income on a year-on-year basis, which is attributable to an increase in sales of programming education services tailored for corporate purposes including orientation for new employees, as well as steadily expanding personal online programming education services.

LaiBlitz, Inc. showed a year-on-year increase in operating income, which is attributable to sales from system development for the purpose of strengthening several professional baseball teams and for fan club operation.

As a result, the Business Innovation Business showed a year-on-year increase in operating income, posting net sales of ¥5,353 million (up 9.0% year-on-year) and an operating loss of ¥176 million (against a loss of ¥224 million a year earlier).

(Note) Segment business results stated above are before adjusting for internal sales and transfers among segments.

### (2) Explanation on qualitative information about consolidated earnings forecast

Forecasts for consolidated earnings results for the full fiscal year ending December 2018 remain unchanged from those announced in the Consolidated Summary Report of Operating Results for the Second Quarter as of July 27, 2018.

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, 2017)	Consolidated third quarter under review (September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	9,478,336	13,247,495
Notes and accounts receivable - trade	5,887,600	5,892,812
Merchandise and finished goods	696,273	971,754
Work in process	238,904	208,793
Deferred tax assets	320,085	424,671
Accounts receivable - other	1,521,867	80,612
Other	1,078,867	1,581,553
Allowance for doubtful accounts	(3,263)	(3,344)
Total current assets	19,218,671	22,404,348
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,279,666	1,371,325
Accumulated depreciation	(801,002)	(867,119)
Buildings and structures, net	478,663	504,205
Land	5,430	5,430
Other	2,298,708	2,483,355
Accumulated depreciation	(1,797,260)	(1,976,989)
Other, net	501,448	506,365
Total property, plant and equipment	985,542	1,016,001
Intangible assets		
Goodwill	656,654	477,031
Software	1,356,891	1,598,520
Customer-related assets	1,120,000	904,000
Other	17,754	20,899
Total intangible assets	3,151,300	3,000,450
Investments and other assets		
Investment securities	7,720,274	9,617,717
Lease and guarantee deposits	1,208,396	1,247,739
Other	262,602	302,875
Allowance for doubtful accounts	(24,547)	(22,192)
Total investments and other assets	9,166,727	11,146,140
Total non-current assets	13,303,570	15,162,592
Total assets	32,522,241	37,566,940

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2017)	Consolidated third quarter under review (September 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	959,274	1,393,890
Current portion of long-term loans payable	1,000,000	182,846
Accounts payable - other	1,090,085	862,417
Income taxes payable	487,599	832,168
Provision for bonuses	195,484	805,192
Provision for quality assurance	19,994	17,527
Provision for loss on projects	7,234	5,023
Other	1,798,795	2,062,510
<b>Total current liabilities</b>	<b>5,558,468</b>	<b>6,161,576</b>
Non-current liabilities		
Long-term loans payable	-	251,737
Asset retirement obligations	353,495	359,935
Deferred tax liabilities	2,047,555	2,552,411
Other	74,136	172,761
<b>Total non-current liabilities</b>	<b>2,475,187</b>	<b>3,336,845</b>
<b>Total liabilities</b>	<b>8,033,655</b>	<b>9,498,422</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,507,763
Retained earnings	17,396,436	19,309,109
Treasury shares	(1,499,538)	(1,499,778)
<b>Total shareholders' equity</b>	<b>19,826,476</b>	<b>21,738,909</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,269,144	5,692,440
Deferred gains or losses on hedges	738	786
Foreign currency translation adjustment	(95,460)	(97,535)
<b>Total accumulated other comprehensive income</b>	<b>4,174,421</b>	<b>5,595,691</b>
Non-controlling interests	487,687	733,916
<b>Total net assets</b>	<b>24,488,586</b>	<b>28,068,518</b>
<b>Total liabilities and net assets</b>	<b>32,522,241</b>	<b>37,566,940</b>



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

(in thousands of yen)

	First nine months of the previous consolidated fiscal year (from January 1, 2017 to September 30, 2017)	First nine months of the consolidated fiscal year under review (from January 1, 2018 to September 30, 2018)
Net sales	26,500,180	28,794,172
Cost of sales	15,633,455	17,073,043
Gross profit	10,866,725	11,721,128
Selling, general and administrative expenses		
Directors' compensations	327,065	311,949
Salaries and bonuses	2,824,706	2,876,074
Training expenses	294,201	310,292
Research and development expenses	250,224	256,954
Depreciation	268,765	269,305
Recruiting expenses	266,764	255,174
Other	3,444,523	3,361,166
Total selling, general and administrative expenses	7,676,251	7,640,917
Operating income	3,190,474	4,080,211
Non-operating income		
Interest income	886	438
Dividend income	60,405	104,662
Foreign exchange gains	130,035	870
Share of profit of entities accounted for using equity method	95,154	60,192
Other	7,832	4,461
Total non-operating income	294,313	170,625
Non-operating expenses		
Interest expenses	5,263	5,472
Total non-operating expenses	5,263	5,472
Ordinary income	3,479,524	4,245,364
Extraordinary income		
Gain on litigation	-	809,510
Gain on change in equity	-	100,434
Gain on step acquisitions	-	19,482
Gain on sales of investment securities	106,480	-
Total extraordinary income	106,480	929,427
Extraordinary loss		
Loss on retirement of intangible assets	-	315,274
Litigation expenses	-	130,000
Total extraordinary losses	-	445,274
Quarterly profit before income taxes	3,586,004	4,729,516
Income taxes	1,162,909	1,515,612
Quarterly profit	2,423,095	3,213,904
(Profit attributable to)		
Quarterly profit attributable to owners of parent	2,408,255	3,164,414
Quarterly profit attributable to non-controlling interests	14,840	49,489

(in thousands of yen)

	First nine months of the previous consolidated fiscal year (from January 1, 2017 to September 30, 2017)	First nine months of the consolidated fiscal year under review (from January 1, 2018 to September 30, 2018)
Other comprehensive income		
Valuation difference on available-for-sale securities	(36,547)	1,423,541
Deferred gains or losses on hedges	589	(143)
Foreign currency translation adjustment	(90,738)	(1,875)
Share of other comprehensive income of entities accounted for using equity method	(20,016)	(335)
Total other comprehensive income	(146,713)	1,421,186
Quarterly comprehensive income	2,276,382	4,635,091
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	2,261,451	4,585,596
Quarterly comprehensive income attributable to non-controlling interests	14,931	49,494

(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.

(Segment information)

I. Third quarter of the previous consolidated fiscal year (from January 1, 2017 to September 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	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	21,613,610	4,886,570	26,500,180	-	26,500,180	-	26,500,180
Inter-segment sales or transfer	158,676	26,701	185,377	-	185,377	(185,377)	-
Total	21,772,287	4,913,271	26,685,558	-	26,685,558	(185,377)	26,500,180
Segment income (loss)	3,313,663	(224,922)	3,088,740	(33,846)	3,054,894	135,580	3,190,474

(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. Information on impairment loss on non-current assets or goodwill, etc., for each reporting segment  
 (Significant changes in the amount of goodwill)

The amount of goodwill, which was tentatively calculated and presented for the merger with YDC Corporation which was executed during the previous consolidated first quarter, has been revised because allocation of acquisition price was completed and a tentative accounting procedure was finalized as of the end of the previous consolidated fiscal year. Please refer to "Business combination-related matters" for details.

II. Third quarter of consolidated fiscal year under review (from January 1, 2018 to September 30, 2018)

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	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	23,459,115	5,335,056	28,794,172	-	28,794,172	-	28,794,172
Inter-segment sales or transfer	54,017	18,088	72,106	-	72,106	(72,106)	-
Total	23,513,133	5,353,145	28,866,278	-	28,866,278	(72,106)	28,794,172
Segment income (loss)	4,050,665	(176,729)	3,873,936	726	3,874,662	205,548	4,080,211

(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.

(Business combination-related matters)

Significant revision made to the initial allocation of acquisition price presented in the comparative information

The tentative accounting, that had been applied for the previous first consolidated quarter on the business combination with YDC exercised on January 5, 2017, was finalized at the end of the previous consolidated fiscal year.

In accordance with the finalization, a significant revision was made to the initial allocation of acquisition price of the peer information contained in the quarterly consolidated financial statements for the third consolidated quarter under review. As a result, the quarterly consolidated profit and loss statement saw a decrease in operating income, ordinary income, and quarterly profit before income taxes of 94,125 thousand yen, and an increase in quarterly profit attributable to owners of parent of 907 thousand yen.