



## Consolidated Summary Report of Operating Results for Fiscal 2018 (Year ended December 2018) [Japan GAAP]

February 6, 2019

Company name: Future Corporation  
 Shares listed on: First Section of Tokyo Stock Exchange  
 Security code number: 4722  
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Scheduled date of annual general shareholders' meeting: March 26, 2019      Scheduled date for distribution of dividend payments: March 27, 2019

Scheduled date for filing the securities report: March 27, 2019

Creation of supplemental material on financial results: Yes •  No

Holding of financial results briefing:  Yes • No (For institutional investors and analysts)

(Amount rounded off to million yen)

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

(1) Consolidated operating results (Percentages are year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2018	40,218	10.9	5,824	30.6	4,094	9.7
Fiscal 2017	36,265	7.8	4,458	22.4	3,733	69.1

(Note) Comprehensive income      Fiscal 2018: 5,284 million yen (-32.8%)      Fiscal 2017: 7,865 million yen (242.1%)

	Profit per share		Return on equity		Operating income ratio	
	Yen		%		%	
Fiscal 2018	91.60		15.7		14.5	
Fiscal 2017	83.52		18.1		12.3	

(Reference) Equity in (earnings) losses of affiliates      Fiscal 2018: 67 million yen      Fiscal 2017: 84 million yen

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
Fiscal 2018	37,435		28,108		74.8		626.53	
Fiscal 2017	32,522		24,488		73.8		536.87	

(Reference) Shareholders' equity      Fiscal 2018: 28,008 million yen      Fiscal 2017: 24,000 million yen

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities		Net cash provided by (used in) investing activities		Net cash provided by (used in) financing activities		Cash and cash equivalents at the end of the period	
	Million yen		Million yen		Million yen		Million yen	
Fiscal 2018	7,965		(1,199)		(2,333)		13,908	
Fiscal 2017	2,459		(3,537)		(1,209)		9,478	

### 2. Dividends

	Dividends per share (yen)					Annual dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total			
Fiscal 2017	Yen —	Yen 13.00	Yen —	Yen 13.00	Yen 26.00	Million yen 1,162	% 31.1	% 5.6
Fiscal 2018	—	15.00	—	17.00	32.00	1,430	34.9	5.5
Fiscal 2019 (Forecast)	—	18.00	—	21.00	39.00		40.0	

(Note) The year-end dividend of 21 yen for Fiscal 2019 comprises an ordinary dividend of 18 yen and a dividend of 3 yen to commemorate the 30<sup>th</sup> anniversary of the Company's foundation.

### 3. Projected Consolidated Results for Fiscal 2019 (January 1, 2019 to December 31, 2019)

(Percentages are year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	20,880	9.7	2,920	11.8	2,037	(0.4)	45.47
Full year	43,500	8.2	6,400	9.9	4,355	6.4	97.42

\* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation):  Yes • No

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

Exclusion: - companies (company names)

(2) 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

(3) 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 period under review

Fiscal 2018	47,664,000 shares	Fiscal 2017	47,664,000 shares
Fiscal 2018	2,959,049 shares	Fiscal 2017	2,958,907 shares
Fiscal 2018	44,705,037 shares	Fiscal 2017	44,705,125 shares

#### (Reference) Overview of non-consolidated results

##### Non-consolidated Results for Fiscal 2018 (January 1, 2018 to December 31, 2018)

(1) Non-consolidated operating results

(Percentages are year-on-year changes)

	Net sales		Operating revenue		Operating income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2018	2,074	4,700.9	4,106	39.5	4,170	107.5	3,070	41.0
Fiscal 2017	43	(99.1)	2,943	286.8	2,010	47.9	2,177	1,106.1

  

Profit per share	
	Yen
Fiscal 2018	68.69
Fiscal 2017	48.71

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2018	27,075	22,880	84.5	511.82
Fiscal 2017	23,932	19,867	83.0	444.41

(Reference) Shareholders' equity Fiscal 2018: 22,880 million yen Fiscal 2017: 19,867 million yen

\* This financial results 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 realization. Actual results may differ significantly from forecasts due to various uncertain factors.

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## 1. Overview of Operating Results and Other

### (1) Overview of operating results for fiscal 2018

(Overview of fiscal year under review)

The Group's consolidated earnings results for fiscal 2018 (from January 1, 2018 to December 31, 2018) are as follows.

Net sales	¥40,218 million	(up 10.9% year-on-year)
Operating income	¥5,824 million	(up 30.6% year-on-year)
Profit attributable to owners of parent	¥4,094 million	(up 9.7% year-on-year)

Under the management policy aiming to design both management and IT, the Future Group has created an ideal business vision using real-time architecture, and conducted business operations featuring an improvement of customers' abilities to handle changes and the enhancement of future value. More recently, the Future Group has focused on using AI technologies in business fields that can rapidly enjoy the relevant effects.

As this policy was well received by not only existing customers but new customers, the Future Group was able to acquire many projects and its affiliates in the IT Consulting & Service Business increased their sales and profits significantly during the fiscal year under review. The Business Innovation Business has also increased sales and substantially reduced their operating losses. As a result, the Future Group recorded its highest-ever net sales, operating income and profit attributable to owners of parent on a consolidated basis.

Details of the performance of each segment are as follows.

#### 1. IT Consulting & Service Business

As a partner of its new large corporate customers that are facing increasingly fierce competition from Internet companies, Future Architect, Inc. (including Future Corporation's Technology Division) increased the number of its next-generation system development projects to realize full-scale digital strategies. As a result, its sales increased in a wide range of industries, including retail sales, apparel manufacturing and news media. In addition, as more and more regional banks (new customers) considered implementing the Future Group's business-support and lending-support system "FutureBANK," project sales to leading Internet-based securities firms increased. The number of projects using cutting-edge technologies for customers' operations, such as use of AI technologies for demand projection, loan application examination, and reading of characters handwritten on slips, also increased.

Future Inspace, Inc. increased both its sales and operating income year-on-year by providing more maintenance and operation services for projects created by Future Architect, Inc. and acquiring new development deals, etc.

YDC Corporation marked growth in both net sales and operating income, which was mainly attributable to strong project sales to customers in the manufacturing industry, such as solid business performance related to quality information analysis software "YDC SONAR," and system development centered on the manufacturing business under entrusted contracts, and growth in sales from projects carried out through the Future Group's technological collaboration.

The business of FutureOne, Inc. showed a year-on-year increase in both net sales and operating income, which was attributable to product improvement related to original software including InfiniOne, a sales management software package, and the effects of improving the system for making sales to medium-to-large sized firms.

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 ¥32,953 million (up 10.8% year-on-year), and operating income of ¥5,651 million yen (up 18.3% year-on-year).

#### 2. Business Innovation Business

Tokyo Calendar Inc. focused its efforts on in-house video production by strengthening content strategies focusing on the lifestyles of men and women aged 30 to 49 in urban areas, and saw a surge in monthly page views (including video views) from 47 million as of December 31, 2017 to 62 million as of December 31, 2018, with 4 million monthly active users. Sales of Tokyo Calendar Date, a service provided to users (a service taken over from Matchalarm, Inc., which was absorbed and merged in April

2018), increased owing to increased page views and active users, but Internet advertising sales were lower than anticipated. As a result, while Tokyo Calendar posted a year-on-year increase in sales (including those of Matchalarm, Inc.), its operating income declined year-on-year due to continuously made upfront investments.

eSPORTS Co., Ltd. showed a year-on-year increase in net sales, with improved operating income mainly due to absence of inventory write-down posted at the end of FY2017. This was attributable to operational reforms such as the revision of product lineups and inventory reduction despite worsened profitability from sales of national brand products and an increased burden from sales promotion expenses and logistics expenses.

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 training for new employees, as well as steadily expanding personal online programming education services.

LaiBlitz, Inc. showed a year-on-year increase in operating income and achieved a turnaround on a full-year basis. This was attributable to sales from system development projects for the strengthening of professional baseball teams and fan club operations.

As a result, the Business Innovation Business showed a significant year-on-year increase in operating income, posting net sales of ¥7,357 million (up 8.6% year-on-year) and an operating loss of ¥146 million (against a loss of ¥363 million a year earlier).

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

(2) Overview of financial position for fiscal 2018

Assets, liabilities and net assets

The following are the status of assets, liabilities and net assets as of the end of fiscal year under review.

Assets	¥37,435 million	(up 15.1% year-on-year)
Liabilities	¥9,326 million	(up 16.1% year-on-year)
Net assets	¥28,108 million	(up 14.8% year-on-year)

The following is the analysis of financial position for the fiscal year under review.

1) Assets

Current assets were ¥22,911 million on a consolidated basis at the end of the fiscal year under review, up ¥3,693 million from the preceding year, and non-current assets amounted to ¥14,523 million, up ¥1,219 million, with total assets standing at ¥37,435 million, up ¥4,912 million. The main underlying factors were increases of ¥4,505 million in cash and deposits due primarily to increased profit, ¥1,536 million in investment securities due to higher share prices, and ¥350 million in software, with a decrease of ¥904 million in customer-related assets and goodwill.

2) Liabilities

Current liabilities were ¥6,148 million at the end of the fiscal year under review, up ¥590 million from the preceding year, and noncurrent liabilities were ¥3,178 million, up ¥702 million, which brought total liabilities to ¥9,326 million, up ¥1,293 million. The main factors included increases of ¥326 million in accounts payable, ¥605 million in income taxes payable, and ¥380 million in deferred tax liabilities, despite a decrease of ¥615 million in long-term loans payable (including the current portion).

3) Net assets

Net assets were ¥28,108 million at the end of the fiscal year under review, up ¥3,619 million from the preceding year. The main factors included an increase of ¥2,843 million in retained earnings and ¥1,169 million in valuation difference on available-for-sale securities.

(3) Overview of cash flows for fiscal 2018

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

1) Net cash provided by (used in) operating activities

Net cash from operating activities was an inflow of ¥7,965 million (compared to an inflow of ¥2,459 million in the previous fiscal year), chiefly due to the posting of profit before income taxes of ¥6,181 million, an inflow of ¥1,321 million due to a decrease in other assets and an inflow of ¥679 million due to litigation-related proceeds/payments despite payment of income taxes paid of ¥1,507 million.

2) Net cash provided by (used in) investing activities

Net cash from investing activities was an outflow of ¥1,199 million (compared to an outflow of ¥3,537 million in the previous fiscal year), chiefly due to the posting of an outflow caused by purchase of property, plant and equipment of ¥130 million, purchase of intangible assets of ¥901 million, and payments for lease and guarantee deposits of ¥217 million.

3) Net cash provided by (used in) financing activities

Net cash from financing activities saw an outflow of ¥2,333 million (compared to an outflow of ¥1,209 million in the previous fiscal year), mainly reflecting the outflow of ¥1,050 million for the repayment of long-term loans payable and ¥1,250 million for the payment of cash dividends.

4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥13,908 million, with an increase of ¥4,430 million in cash and cash equivalents resulting from operating, investing and financing activities.

#### (4) Future outlook

The Group's earnings forecast for the fiscal year ending December 2019 is as follows.

Net sales	¥43,500 million	(up 8.2% year-on-year)
Operating income	¥6,400 million	(up 9.9% year-on-year)
Profit attributable to owners of parent	¥4,355 million	(up 6.4% year-on-year)

Noteworthy events in each business segment for the following fiscal year are as follows.

##### 1. IT Consulting & Service Business

The Future Group has paid attention to AI's impact on businesses and societies and updated its management policy by changing it from "Designing Management and IT" to "Designing Management, IT and AI," aiming to enhance the future value of customers and societies.

To this end, the Group continues to offer its original high value-added services based on the following technological strategies:

- Providing consistent services from overall design to detailed design, development, maintenance, and operation by using cutting-edge IT and in-house manufactured components (Future Component), which enable data processing in real time, while considering business innovation, operational reforms, and system improvements as a three-part initiative
- 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 reconstruction method into the latest open systems (Future Formula)
- Designing and developing high-quality systems within a short time by using unique project monitoring and management methods (FutureNavi and Futurefraqta)
- Aiming to achieve results that are capable of bringing substantial changes to customer services and operations, by focusing on the research and development of cutting-edge technologies such as AI and IoT, as well as on the relevant education, and applying the same to actual projects rather than simply conducting experiments and research activities

Future Architect, Inc. has participated in newly acquired customers' innovation projects for next-generation core systems and the construction of regional banks' business-support and lending-support systems. Going forward, it will strive to ensure completion of these projects and conduct activities together with customers as a long-term strategic partner in terms of both management and IT. In addition, it will actively hire personnel and provide them with education and training. Regarding education in particular, it will use the Future Group's original AI training program to educate all employees, including not only consultants but staff personnel, with the aim of enabling them to actually use AI technologies, such as machine learning and deep learning, for customers and corporate activities.

YDC Corporation will position itself more firmly as a company with strength in IT consulting for manufacturers, and more actively provide services including solutions that can meet manufacturers' needs, such as inspection systems using AI or other technologies and strengthened traceability, and operational reform consulting in the development and design fields. As YDC Corporation has become a wholly owned subsidiary of Future Corporation, it will also aim to increase intra-group synergy by such means as improving development efficiency using the Future Group's technologies and providing YDC Corporation's original solution services to customers of Future Architect, Inc.

FutureOne will use the Future Group's network and expand its collaboration with external sales partners, aiming to receive more orders for original software packages from larger companies as well as medium-sized companies and strengthen its structure to enable it to conduct development more efficiently with respect to orders already received.

##### 2. Business Innovation Business

Tokyo Calendar will limit its target customers to highly ambitious men and women aged 30 to 49 and create a unique world view, aiming to continuously increase Website page views and magazine sales and actively provide, in addition to restaurant reservation and "Tokyo Calendar date" services, new fee-based services in line with users' lifestyles. Furthermore, the company aims to build a marketing platform by leveraging the Future Group's IT technologies based on customers' behavioral data that will be accumulated in the future.

CodeCamp will add new courses, for example, for data scientists and update courses that may directly affect career changes, such as job changes and side jobs, aiming to actively enhance courses for individuals, as well as increase sales related to corporate IT training by strengthening sales activities and developing new training courses. The company will also strive to expand its revenue base by implementing franchise operations relating to content for kids and classroom management know-how.

eSPORTS will aim to improve profit by further promoting operational reforms, such as increasing the speed of private brand development, making its e-commerce website more attractive, and holding an appropriate level of inventory, so that it can deal with price competition in the e-commerce industry, fierce competition in granting reward points, and rising logistics expenses. Using the Future Group's technologies, eSPORTS will also establish a system to improve the efficiency of back office operations and strengthen the scientific analysis of prices and well-selling products.

(5) Dividend policy and dividends for the current and next year

The Company determines its dividend by comprehensively taking into account the state of its accounting period profit and loss, cash flows and treasury stock purchasing while placing shareholder return as its priority management issue and securing a proper level of internal reserves for the organization to continue growing in a sustainable manner.

The Company plans to apply a dividend payout ratio standard of at least 35% of consolidated earnings.

Under the above-mentioned policy, we plan to pay a year-end dividend of surplus for the fiscal year ended December 31, 2018 of ¥17.00 per share. The full fiscal year dividend comprising the year-end dividend and the previously-paid interim dividend is expected to be ¥32.00 per share (consolidated dividend payout ratio of 34.9%).

Moreover, under the above-mentioned policy, we plan to pay an ordinary dividend of ¥36.00 per share as a dividend from surplus for the next fiscal year. We also plan to pay a commemorative dividend of ¥3.00 per share as we celebrate the 30<sup>th</sup> anniversary of our foundation in November 2019. The annual dividend for the next fiscal year, including ordinary dividends, is expected to be ¥39.00 (interim dividend of ¥18.00 and year-end dividend of ¥21.00).



2. The Future Group

The Group (the Company and its related companies) has introduced a holding company structure, and consists of 20 consolidated subsidiaries and six equity-method affiliates as of December 31, 2018.

The Company, as a holding company, establishes the Group's growth strategy, monitors management of the Group companies, and provides specialty service to these companies. Details of the business segments of the Group and how major related companies in charge are positioned in the relevant segment are as follows.

(IT Consulting & Service Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

Company name	Business activities
Future Architect, Inc. (subsidiary)	Provision of IT consulting services from an objective and independent standpoint by using leading-edge information technology
Future Inspace, Inc. (subsidiary)	Additional development as well as maintenance and operation services for projects primarily developed by Future Architect, Inc.
YDC Corporation (subsidiary)	Provision of IT consulting services, including a solution for integrating and analyzing quality information, mainly to customers in the manufacturing business
FutureOne, Inc. (subsidiary)	Development, sales and maintenance of mission-critical packaged software for sales management, production management, accounting and other processes as well as provision of cloud-based services
Micro CAD Co., Ltd. (subsidiary)	Development, sales and maintenance of and support for intellectual property management software packages, and consigned development of design control systems for manufacturers
dit Co., Ltd. (subsidiary)	Security consulting and sales of products for forensic services network operations and security
Logizard Co., Ltd. (affiliate)	Development and sales of and support for cloud-based logistics and inventories management software (WMS)

(Business Innovation Business)

In this business, the Group provides original services using IT and creates business innovations.

Company name	Business activities
eSPORTS Co., Ltd. (subsidiary)	Sales of sports, outdoor and fitness gear on the Internet
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," provision of information using websites and smartphone applications, and services including reservations for tables at restaurants
CodeCamp Inc. (subsidiary)	Online and offline educational service including operation of the online programming school "CodeCamp"
LaiBlitz, Inc. (subsidiary)	Development of sports and entertainment related software and operation of online services
TrexEdge, Inc. (subsidiary)	Provision of platform services using leading-edge IT such as AI and IoT

Among affiliated companies engaged in businesses that are not included in the two businesses mentioned above, such as investing in, as well as holding and managing securities, the main companies are as follows:

Major affiliated company

Future Investment Corp. (subsidiary)

3. Basic Approach to Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements among enterprises, the Group prepares consolidated financial statements under Japanese GAAP.

The Company intends to apply International Financial Reporting Standards (IFRS) appropriately in consideration of circumstances inside and outside of Japan.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2017)	Consolidated fiscal year under review (December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	9,478,336	13,984,071
Notes and accounts receivable - trade	5,887,600	6,234,600
Merchandise and finished goods	696,273	847,865
Work in process	238,904	168,574
Deferred tax assets	320,085	279,326
Accounts receivable - other	1,521,867	182,123
Other	1,078,867	1,218,228
Allowance for doubtful accounts	(3,263)	(3,007)
<b>Total current assets</b>	<b>19,218,671</b>	<b>22,911,784</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,279,666	1,375,460
Accumulated depreciation	(801,002)	(882,265)
Buildings and structures, net	478,663	493,194
Land	5,430	855
Other	2,298,708	2,505,394
Accumulated depreciation	(1,797,260)	(2,024,762)
Other, net	501,448	480,631
<b>Total property, plant and equipment</b>	<b>985,542</b>	<b>974,681</b>
Intangible assets		
Goodwill	656,654	40,516
Software	1,356,891	1,707,624
Customer-related assets	1,120,000	832,000
Other	17,754	3,316
<b>Total intangible assets</b>	<b>3,151,300</b>	<b>2,583,458</b>
Investments and other assets		
Investment securities	7,720,274	9,257,039
Lease and guarantee deposits	1,208,396	1,439,195
Other	262,602	290,373
Allowance for doubtful accounts	(24,547)	(21,441)
<b>Total investments and other assets</b>	<b>9,166,727</b>	<b>10,965,167</b>
<b>Total non-current assets</b>	<b>13,303,570</b>	<b>14,523,307</b>
<b>Total assets</b>	<b>32,522,241</b>	<b>37,435,091</b>

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2017)	Consolidated fiscal year under review (December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	959,274	1,285,569
Current portion of long-term loans payable	1,000,000	161,449
Current portion of bonds	–	52,000
Accounts payable – other	1,090,085	1,129,613
Income taxes payable	487,599	1,093,327
Provision for bonuses	195,484	210,913
Provision for quality assurance	19,994	11,182
Provision for loss on projects	7,234	26,058
Other	1,798,795	2,178,516
Total current liabilities	5,558,468	6,148,629
Non-current liabilities		
Bonds payable	–	92,000
Long-term loans payable	–	222,674
Asset retirement obligations	353,495	354,965
Deferred tax liabilities	2,047,555	2,427,568
Other	74,136	80,831
Total non-current liabilities	2,475,187	3,178,039
Total liabilities	8,033,655	9,326,669
<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	20,239,578
Treasury shares	(1,499,538)	(1,499,778)
Total shareholders' equity	19,826,476	22,669,379
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,269,144	5,438,242
Deferred gains or losses on hedges	738	(1,220)
Foreign currency translation adjustment	(95,460)	(97,582)
Total accumulated other comprehensive income	4,174,421	5,339,439
Non-controlling interests	487,687	99,602
Total net assets	24,488,586	28,108,422
Total liabilities and net assets	32,522,241	37,435,091

## (2) Consolidated statements of income and comprehensive income

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (from January 1, 2018 to December 31, 2018)
Net sales	36,265,778	40,218,646
Cost of sales	21,525,524	23,643,696
Gross profit	14,740,253	16,574,949
Selling, general and administrative expenses		
Directors' compensations	430,081	426,201
Salaries and bonuses	3,711,390	4,006,593
Other salaries	241,990	239,763
Rents	1,028,701	988,057
Training expenses	382,429	384,842
Research and development expenses	339,508	355,519
Depreciation	358,113	378,269
Recruiting expenses	364,367	369,773
Amortization of goodwill	373,535	219,819
Other	3,051,929	3,381,699
Total selling, general and administrative expenses	10,282,048	10,750,539
Operating income	4,458,205	5,824,410
Non-operating income		
Interest income	1,071	536
Dividend income	62,184	160,641
Foreign exchange gains	147,396	-
Share of profit of entities accounted for using equity method	84,527	67,824
Other	10,234	7,207
Total non-operating income	305,414	236,209
Non-operating expenses		
Interest expenses	7,099	7,218
Foreign exchange losses	-	1,063
Total non-operating expenses	7,099	8,282
Ordinary income	4,756,519	6,052,337
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	173,905	-
Total extraordinary income	173,905	929,427
Extraordinary losses		
Loss on retirement of intangible assets	-	315,274
Litigation expenses	-	130,000
Amortization of goodwill	-	354,740
Loss on valuation of investment securities	93,278	-
Total extraordinary losses	93,278	800,015
Income before income taxes and minority interests	4,837,146	6,181,749

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (from January 1, 2018 to December 31, 2018)
Income taxes - current	1,203,247	2,141,042
Income taxes - deferred	(126,827)	(78,862)
<b>Total income taxes</b>	<b>1,076,419</b>	<b>2,062,179</b>
Profit	3,760,727	4,119,569
(Profit attributable to)		
Profit attributable to owners of parent	3,733,618	4,094,884
Profit attributable to non-controlling interests	27,109	24,685
Other comprehensive income		
Valuation difference on available-for-sale securities	4,225,112	1,169,343
Deferred gains or losses on hedges	603	(2,331)
Foreign currency translation adjustment	(101,146)	(1,749)
Share of other comprehensive income of entities accounted for using equity method	(19,946)	(420)
<b>Total other comprehensive income</b>	<b>4,104,622</b>	<b>1,164,840</b>
Comprehensive income	7,865,350	5,284,410
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	7,838,147	5,259,814
Comprehensive income attributable to non-controlling interests	27,203	24,596

## (3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,507,763	14,802,799	(1,499,494)	17,232,883
Changes of items during the period					
Dividends from surplus			(1,139,980)		(1,139,980)
Profit attributable to owners of parent			3,733,618		3,733,618
Purchase of treasury shares				(43)	(43)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	2,593,637	(43)	2,593,593
Balance at the end of the period	1,421,815	2,507,763	17,396,436	(1,499,538)	19,826,476

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	63,691	402	5,798	69,892	28,466	17,331,242
Changes of items during the period						
Dividends from surplus						(1,139,980)
Profit attributable to owners of parent						3,733,618
Purchase of treasury shares						(43)
Net changes of items other than shareholders' equity	4,205,452	335	(101,258)	4,104,528	459,221	4,563,750
Total changes of items during the period	4,205,452	335	(101,258)	4,104,528	459,221	7,157,344
Balance at the end of the period	4,269,144	738	(95,460)	4,174,421	487,687	24,488,586

Consolidated fiscal year under review (from January 1, 2018 to December 31, 2018)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,507,763	17,396,436	(1,499,538)	19,826,476
Changes of items during the period					
Dividends from surplus			(1,251,741)		(1,251,741)
Profit attributable to owners of parent			4,094,884		4,094,884
Purchase of treasury shares				(239)	(239)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	2,843,142	(239)	2,842,902
Balance at the end of the period	1,421,815	2,507,763	20,239,578	(1,499,778)	22,669,379

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	4,269,144	738	(95,460)	4,174,421	487,687	24,488,586
Changes of items during the period						
Dividends from surplus						(1,251,741)
Profit attributable to owners of parent						4,094,884
Purchase of treasury shares						(239)
Net changes of items other than shareholders' equity	1,169,097	(1,958)	(2,121)	1,165,017	(388,084)	776,932
Total changes of items during the period	1,169,097	(1,958)	(2,121)	1,165,017	(388,084)	3,619,835
Balance at the end of the period	5,438,242	(1,220)	(97,582)	5,339,439	99,602	28,108,422



## (4) Consolidated statements of cash flows

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (from January 1, 2018 to December 31, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	4,837,146	6,181,749
Depreciation	811,282	773,250
Amortization of goodwill	373,535	574,560
Increase (decrease) in allowance for doubtful accounts	(51,284)	(3,697)
Increase (decrease) in provision for bonuses	(1,834)	14,007
Increase (decrease) in provision for quality assurance	(70,599)	(5,212)
Increase (decrease) in provision for loss on projects	5,371	15,224
Interest and dividend income	(63,255)	(161,177)
Interest expenses	7,099	7,218
Foreign exchange losses (gains)	(147,396)	1,063
Share of (profit) loss of entities accounted for using equity method	(84,527)	(67,824)
Loss (gain) on change in equity	–	(100,434)
Loss (gain) on step acquisitions	–	(19,482)
Loss (gain) on valuation of investment securities	93,278	–
Loss (gain) on sales of investment securities	(173,905)	–
Loss on retirement of intangible assets	–	315,274
Gain on litigation	–	(809,510)
Litigation expenses	–	130,000
Decrease (increase) in notes and accounts receivable – trade	(930,975)	(24,244)
Decrease (increase) in inventories	199,778	22,892
Increase (decrease) in notes and accounts payable – trade	(153,715)	238,196
Increase (decrease) in accounts payable – other	260,842	(23,463)
Decrease (increase) in other assets	(318,920)	1,321,152
Increase (decrease) in other liabilities	(474,966)	260,015
Subtotal	4,116,954	8,639,559
Interest and dividend income received	83,362	161,161
Interest expenses paid	(7,099)	(7,480)
Income taxes paid	(1,733,930)	(1,507,066)
Litigation-related proceeds/payments	–	679,510
Net cash provided by (used in) operating activities	2,459,286	7,965,683

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (from January 1, 2018 to December 31, 2018)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(695,590)	(130,572)
Purchase of intangible assets	(1,094,205)	(901,337)
Payments for asset retirement obligations	(37,540)	(11,536)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,681,201)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	519,249
Purchase of shares of subsidiaries	–	(560,413)
Proceeds from liquidation of subsidiaries and associates	–	48,922
Purchase of shares of subsidiaries and associates	(12,000)	–
Purchase of investment securities	(299,900)	–
Proceeds from sales of investment securities	193,756	–
Payments for lease and guarantee deposits	(23,318)	(217,255)
Proceeds from collection of lease and guarantee deposits	107,000	50,696
Other	5,501	3,029
Net cash provided by (used in) investing activities	(3,537,497)	(1,199,217)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(20,500)	(1,050,460)
Repayments of finance lease obligations	–	(7,715)
Redemption of bonds	–	(5,000)
Purchase of treasury shares	(43)	(239)
Cash dividends paid	(1,139,635)	(1,250,905)
Dividends paid to non-controlling interests	(49,210)	(19,000)
Net cash provided by (used in) financing activities	(1,209,389)	(2,333,321)
Effect of exchange rate change on cash and cash equivalents	4,121	(2,639)
Net increase (decrease) in cash and cash equivalents	(2,283,478)	4,430,504
Cash and cash equivalents at beginning of the period	11,761,815	9,478,336
Cash and cash equivalents at end of the period	9,478,336	13,908,840

- (5) Notes to consolidated financial statements  
(Notes regarding the premise of surviving company)  
Not applicable.

(Segment information)

Segment information

1. Overview of reportable segments

The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

The Group defines the classification of business segments by comprehensively taking into account main services, solutions, customers and markets, and has two reportable segments: the IT Consulting & Service Business and Business Innovation Business.

The business operations of the two reportable segments are as follows:

Reportable segments	Business operations
IT Consulting & Service Business	In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.
Business Innovation Business	In this business, the Group provides original services using IT and creates business innovations.

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

The accounting method applied to the above-mentioned business segments is a method in accordance with the accounting policy applied to the preparation of the consolidated financial statements.

Income of reportable segments is based on operating income.

Inter-segment sales and transfers are based on market prices.

3. Information on amounts of net sales, profit or loss, assets, and other items by reportable segment

Fiscal 2017 (from January 1, 2017 to December 31, 2017)

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	29,520,022	6,745,755	36,265,778	–	36,265,778	–	36,265,778
Inter-segment sales or transfer	219,526	29,066	248,593	–	248,593	(248,593)	–
Total	29,739,549	6,774,822	36,514,371	–	36,514,371	(248,593)	36,265,778
Segment profit (loss)	4,777,380	(363,491)	4,413,889	(35,965)	4,377,924	80,280	4,458,205
Segment assets	18,735,030	2,546,570	21,281,600	4,354,373	25,635,974	6,886,267	32,522,241
Other items							
Depreciation	782,380	10,660	793,040	–	793,040	18,241	811,282
Amortization of goodwill	129,682	243,852	373,535	–	373,535	–	373,535
Increase in property, plant and equipment and intangible assets	3,167,664	21,090	3,188,755	–	3,188,755	340,814	3,529,569

- (Notes) 1. “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.  
2. Adjustments to segment profit (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company.  
3. Segment profit (loss) is adjusted with operating income in consolidated financial statements.

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	32,883,395	7,335,250	4,0218,646	–	40,218,646	–	40,218,646
Inter-segment sales or transfer	69,974	21,976	91,951	–	91,951	(91,951)	–
Total	32,953,370	7,357,227	40,310,597	–	40,310,597	(91,951)	40,218,646
Segment profit (loss)	5,651,265	(146,242)	5,505,022	(597)	5,504,424	319,985	5,824,410
Segment assets	20,770,587	2,453,354	23,223,942	4,694,369	27,918,311	9,569,734	37,488,046
Other items							
Depreciation	731,824	14,858	746,682	–	746,682	26,567	773,250
Amortization of goodwill	29,674	190,145	219,819	–	219,819	–	219,819
Increase in property, plant and equipment and intangible assets	1,073,019	63,146	1,136,165	–	1,136,165	73,923	1,210,088

- (Notes) 1. “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.  
2. Adjustments to segment profit (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company.  
3. Segment profit (loss) is adjusted with operating income in consolidated financial statements.  
4. Amortization of goodwill includes an extraordinary loss of ¥354,740,000, in addition to the above amounts.

(Per share data)

	Fiscal 2017 (from January 1, 2017 to December 31, 2017)	Fiscal 2018 (from January 1, 2018 to December 31, 2018)
Net asset value per share	¥536.87	¥626.53
Profit per share	¥83.52	¥91.60

(Notes) 1. Diluted profit per share is not recorded because there are no potential shares.

2. Profit per share and diluted profit per share are calculated based on the following:

	Fiscal 2017 (from January 1, 2017 to December 31, 2017)	Fiscal 2018 (from January 1, 2018 to December 31, 2018)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	3,733,618	4,094,884
Amount not available for common shareholders to common shares (thousands of yen)	–	–
Profit attributable to owners of parent related to common stock (thousands of yen)	3,733,618	4,094,884
Average outstanding shares of common stock during the period (shares)	44,705,125	44,705,037

(Significant subsequent events)

Not applicable.

5. Other  
Orders received

(in thousands of yen)

	Fiscal 2017 (from January 1, 2017 to December 31, 2017)		Fiscal 2018 (from January 1, 2018 to December 31, 2018)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	29,209,807	9,621,750	35,128,290	11,898,801
Business Innovation Business	1,188,737	235,529	1,682,538	322,205
Total	30,398,544	9,857,280	36,810,829	12,221,007