



## Consolidated Summary Report of Operating Results for Second Quarter of Fiscal 2019 (Year Ending December 2019) [Japan GAAP]

July 30, 2019

Company name: Future Corporation Shares listed on: First Section of Tokyo Stock Exchange  
 Security code number: 4722 URL: <https://www.future.co.jp/hd>  
 Representative: Yasufumi Kanemaru, Chairman and President  
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 Scheduled date for filing the quarterly report: August 13, 2019  
 Scheduled date for distribution of dividend payments: September 20, 2019  
 Creation of supplemental material on quarterly financial results: No  
 Holding of quarterly results briefing: Yes (For institutional investors and analysts)

(Amount rounded off to million yen)

### 1. Consolidated Results for Second Quarter of Fiscal 2019 (January 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative) (Percentage figures indicate year-on-year changes)

	Net sales		Operating income		Quarterly profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
Second quarter, fiscal 2019	22,215	16.7	3,336	27.7	2,130	4.2
Second quarter, fiscal 2018	19,034	10.2	2,612	41.2	2,045	37.5

(Note) Comprehensive income Second quarter, fiscal 2019: 2,659 million yen (12.4%)  
Second quarter, fiscal 2018: 2,366 million yen (72.3%)

	Quarterly profit per share
	Yen
Second quarter, fiscal 2019	47.67
Second quarter, fiscal 2018	45.76

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Second quarter, fiscal 2019	38,956	30,012	76.7	668.70
Fiscal 2018	37,240	28,108	75.2	626.53

(Reference) Shareholders' equity Second quarter, fiscal 2019: 29,895 million yen Fiscal 2018: 28,008 million yen

### 2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	15.00	—	17.00	32.00
Fiscal 2019	—	18.00	—	—	—
Fiscal 2019 (Forecast)	—	—	—	21.00	39.00

(Note) Changes from the previous release of dividends-per-share forecasts: None

(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 30th anniversary of the Company's foundation.

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

(Percentage figures indicate year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	43,500	8.2	6,400	9.9	4,355	6.4	97.42

(Note) Changes from the previous release of earnings forecasts: None

\* Notes

(1) Changes in significant subsidiaries during the consolidated period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): None

(2) Application of accounting treatment peculiar to quarterly consolidated financial statement preparation: None

(3) Change in accounting policies or estimates and retrospective restatements

- |   |      |
|---|------|
| 1) Change in accounting policies in accordance with revision of accounting standards: | None |
| 2) Change in accounting policies other than item 1) above :                           | None |
| 3) Change in accounting estimates:  | None |
| 4) Retrospective restatements:  | None |

(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 shares during the period under review

Second quarter, fiscal 2019	47,664,000 shares	Fiscal 2018	47,664,000 shares
Second quarter, fiscal 2019	2,956,415 shares	Fiscal 2018	2,959,049 shares
Second quarter, fiscal 2019	44,705,497 shares	Second quarter, fiscal 2018	44,705,087 shares

\* Quarterly financial results reports are outside the scope of auditing by Certified Public Accountants or Audit firms.

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

Any forward-looking statement, including earnings forecasts, contained in this document is based on information currently held by the Company and assumptions the Company considers as reasonable, and the Company does not promise to achieve any of them. Actual results may differ significantly from forecasts due to various uncertain factors.

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## 1. Qualitative Information Regarding Quarterly Financial Results

### (1) Explanation on business performance

The group's consolidated net sales for the first six months came to 22,215 million yen, up 16.7% from a year ago, while operating income grew 27.7% to 3,336 million yen and quarterly profit attributable to owners of parent increased 4.2% to 2,130 million yen over the same period of the previous fiscal year.

During the first six-month period, net sales and operating income of the IT Consulting & Service Business increased significantly year-on-year due to the strong performance of Future Architect, Inc., the technology division of Future Corporation and other subsidiaries, while the Business Innovation Business's operating loss declined. As a result of the above, the group's consolidated net sales and operating income grew 16.7% and 27.7% from a year ago, respectively, and its operating margin expanded to 15.0% from 13.7% a year ago.

Details of the performance of each segment are as follows.

#### 1) IT Consulting & Service Business

Sales of Future Architect, Inc. and the technology division of Future Corporation increased from a year ago as a result of continuously receiving orders for next generation system development projects from growth companies that view IT as a strategic investment necessary for transforming management and operations utilizing big data and AI, rather than a mere means of cost reduction. More specifically, these projects mainly aimed to build an omni-channel framework that can uniformly manage customers, products and inventory information in the apparel and distribution industries, set up next generation content management systems for newspaper publishers, and support transportation service companies in acquiring adequate information and improving operational efficiency utilizing AI and other technologies. In addition, employee utilization rates improved owing to enhanced quality control, flexible staff assignment, etc., leading to year-on-year growth in operating income.

Future Inspace, Inc. increased both its sales and operating income year-on-year as maintenance and operation service deals for projects completed by Future Architect, Inc. and new development orders expanded.

Net sales of FutureOne, Inc. increased as orders from relatively larger medium-sized companies for InfiniOne, its original sales management software package, and other products increased. With increased net sales and improved employee utilization rates, operating income more than doubled year-on-year.

YDC Corporation's net sales and operating income decreased from a year ago in the first six months as it had a large deal involving YDC Sonar, a software program for analyzing product quality information, in the same period a year ago.

As a result, net sales of the segment increased 19.0% from a year ago to 18,544 million yen, while operating income came to 3,308 million yen, up 25.1% from a year ago. Its operating margin also expanded to 17.8% from 17.0% a year ago.

#### 2) Business Innovation Business

Net sales of eSPORTS Co., Ltd. increased year-on-year owing to strong sales of private brand outdoor supplies (e.g., wagons) and fitness-related national brand products. It also improved its operating income from the same period a year ago, achieving a turnaround during the first six months of 2019, as its gross margin ratio increased due to strategic product purchasing activities.

CodeCamp, Inc. increased its net sales and operating income from the same period a year ago due to steadily increased monthly orders for its online programming course targeting individuals.

LaiBlitz, Inc.'s net sales and operating income increased compared to the level a year ago as it gained a new customer, a professional baseball team, and developed e-commerce sites for another professional baseball team and eSPORTS Co., Ltd.

Tokyo Calendar Inc., which continued to enjoy popularity among users in their 30s and 40s with a strong interest in urban lifestyles, had high levels of website and smartphone application page views as well as video views and increased the number of magazines sold. However, while its services, including "Tokyo Calendar Date," generated larger net sales, its magazine and online advertising revenues underperformed the target figures. The company's net sales rose from the level a year ago but its operating loss increased.

As a result, Business Innovation Business's operating results improved year-on-year, with net sales rising 5.7% to 3,714 million yen and operating loss shrinking to 89 million yen from the year-ago level of 122 million yen.

(Note) Segment result figures mentioned above are before adjustment for intersegmental sales and transfers.

(2) Explanation on qualitative information about consolidated earnings forecast

Forecasts for consolidated earnings results for the full fiscal year remain unchanged from those announced in the Consolidated Summary Report of Operating Results for First Quarter as of April 26, 2019.

## 2. Consolidated Quarterly Financial Statements and Key Remarks

## (1) Consolidated quarterly balance sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Consolidated second quarter under review (June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	13,984,071	14,269,530
Notes and accounts receivable - trade	6,234,600	6,647,639
Merchandise and finished goods	847,865	919,018
Work in process	168,574	94,266
Accounts receivable - other	182,123	73,468
Other	1,218,228	1,375,837
Allowance for doubtful accounts	(3,007)	(3,006)
Total current assets	22,632,457	23,376,755
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,375,460	1,706,992
Accumulated depreciation	(882,265)	(922,627)
Buildings and structures, net	493,194	784,365
Land	855	855
Other	2,505,394	2,803,575
Accumulated depreciation	(2,024,762)	(2,132,006)
Other, net	480,631	671,568
Total property, plant and equipment	974,681	1,456,788
Intangible assets		
Goodwill	40,516	35,456
Software	1,707,624	1,778,227
Customer-related assets	832,000	728,000
Other	3,316	2,970
Total intangible assets	2,583,458	2,544,654
Investments and other assets		
Investment securities	9,257,039	9,864,071
Lease and guarantee deposits	1,439,195	1,423,498
Deferred tax assets	84,777	44,016
Other	290,373	266,580
Allowance for doubtful accounts	(21,441)	(19,965)
Total investments and other assets	11,049,944	11,578,202
Total non-current assets	14,608,084	15,579,646
Total assets	37,240,542	38,956,401

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Consolidated second quarter under review (June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,285,569	1,287,765
Current portion of long-term loans payable	161,449	9,678
Current portion of bonds	52,000	16,000
Accounts payable - other	1,129,613	1,211,402
Income taxes payable	1,093,327	539,556
Provision for bonuses	210,913	218,521
Provision for quality assurance	11,182	43,913
Provision for loss on projects	26,058	14,000
Other	2,178,516	2,578,797
Total current liabilities	6,148,629	5,919,634
Non-current liabilities		
Bonds payable	92,000	-
Long-term loans payable	222,674	6,110
Asset retirement obligations	354,965	405,327
Deferred tax liabilities	2,233,019	2,471,613
Other	80,831	141,068
Total non-current liabilities	2,983,490	3,024,119
Total liabilities	9,132,120	8,943,753
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,511,385
Retained earnings	20,239,578	21,610,491
Treasury shares	(1,499,778)	(1,498,560)
Total shareholders' equity	22,669,379	24,045,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438,242	5,840,212
Deferred gains or losses on hedges	(1,220)	(1,691)
Foreign currency translation adjustment	(97,582)	12,259
Total accumulated other comprehensive income	5,339,439	5,850,781
Non-controlling interests	99,602	116,735
Total net assets	28,108,422	30,012,648
Total liabilities and net assets	37,240,542	38,956,401

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

(First six-month period)

(in thousands of yen)

	First six months of the previous consolidated fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the consolidated fiscal year under review (from January 1, 2019 to June 30, 2019)
Net sales	19,034,398	22,215,342
Cost of sales	11,333,391	13,148,235
Gross profit	7,701,007	9,067,106
Selling, general and administrative expenses		
Directors' compensations	206,609	238,179
Salaries and bonuses	1,903,914	2,135,016
Training expenses	220,945	184,477
Research and development expenses	131,920	223,477
Depreciation	176,768	180,907
Recruiting expenses	182,125	221,695
Other	2,266,372	2,546,910
Total selling, general and administrative expenses	5,088,657	5,730,664
Operating income	2,612,349	3,336,442
Non-operating income		
Interest income	268	357
Dividend income	104,662	74,703
Share of profit of entities accounted for using equity method	48,227	27,350
Foreign exchange gains	–	4,270
Other	2,377	2,500
Total non-operating income	155,536	109,182
Non-operating expenses		
Interest expenses	4,401	4,761
Foreign exchange losses	1,155	–
Total non-operating expenses	5,557	4,761
Ordinary income	2,762,329	3,440,863
Extraordinary income		
Gain on litigation	809,510	–
Total extraordinary income	809,510	–
Extraordinary losses		
Loss on realized foreign currency translation adjustment	–	175,312
Loss on retirement of intangible assets	315,274	–
Litigation expenses	130,000	–
Total extraordinary losses	445,274	175,312
Quarterly profit before income taxes	3,126,564	3,265,551
Income taxes	1,039,403	1,117,557
Quarterly profit	2,087,160	2,147,993
(Profit attributable to)		
Quarterly profit attributable to owners of parent	2,045,718	2,130,896
Quarterly profit attributable to non-controlling interests	41,442	17,097



(in thousands of yen)

	First six months of the previous consolidated fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the consolidated fiscal year under review (from January 1, 2019 to June 30, 2019)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	281,118	401,970
Deferred gains or losses on hedges	(167)	(236)
Foreign currency translation adjustment	(1,555)	109,966
Share of other comprehensive income of entities accounted for using equity method	(431)	(124)
<b>Total other comprehensive income</b>	<b>278,963</b>	<b>511,575</b>
<b>Quarterly comprehensive income</b>	<b>2,366,124</b>	<b>2,659,569</b>
(Comprehensive income attributable to)		
<b>Quarterly comprehensive income attributable to owners of parent</b>	<b>2,324,677</b>	<b>2,642,494</b>
<b>Quarterly comprehensive income attributable to non-controlling interests</b>	<b>41,446</b>	<b>17,075</b>

## (3) Consolidated quarterly statements of cash flows

(in thousands of yen)

	First six months of the previous consolidated fiscal year (from January 1, 2018 to June 30, 2018)	First six months of the consolidated fiscal year under review (from January 1, 2019 to June 30, 2019)
<b>Net cash provided by (used in) operating activities</b>		
Quarterly profit before income taxes	3,126,564	3,265,551
Depreciation	386,476	455,897
Increase (decrease) in allowance for doubtful accounts	(1,860)	(1,477)
Increase (decrease) in provision for bonuses	(5,238)	7,607
Increase (decrease) in provision for quality assurance	(13,739)	32,731
Increase (decrease) in provision for loss on projects	(7,234)	(12,058)
Interest and dividend income	(104,931)	(75,061)
Interest expenses	4,401	4,761
Share of (profit) loss of entities accounted for using equity method	(48,227)	(27,350)
Loss on retirement of intangible assets	315,274	–
Gain on litigation	(809,510)	–
Litigation expenses	130,000	–
Loss on realized foreign currency translation adjustment	–	175,312
Decrease (increase) in notes and accounts receivable - trade	61,887	(413,038)
Decrease (increase) in inventories	(10,450)	3,155
Increase (decrease) in notes and accounts payable - trade	82,634	2,196
Other	1,355,688	286,515
<b>Subtotal</b>	<b>4,461,737</b>	<b>3,704,740</b>
Interest and dividend income received	104,931	75,077
Interest expenses paid	(4,411)	(4,761)
Income taxed paid	(810,274)	(1,527,639)
Litigation-related proceeds/payments	679,510	–
<b>Net cash provided by (used in) operating activities</b>	<b>4,431,492</b>	<b>2,247,417</b>
<b>Net cash provided by (used in) investing activities</b>		
Proceeds from withdrawal of time deposits	–	75,231
Purchase of property, plant and equipment	(103,187)	(425,988)
Purchase of intangible assets	(471,956)	(272,238)
Payments for asset retirement obligations	(11,406)	(6,050)
Proceeds from liquidation of subsidiaries and associates	48,922	–
Payments for lease and guarantee deposits	(40,079)	(6,464)
Proceeds from collection of lease and guarantee deposits	49,771	20,908
Other	1,500	1,559
<b>Net cash provided by (used in) investing activities</b>	<b>(526,435)</b>	<b>(613,043)</b>
<b>Net cash provided by (used in) financing activities</b>		
Repayments of long-term loans payable	–	(368,335)
Repayments of finance lease obligations	–	(13,936)
Redemption of bonds	–	(128,000)
Purchase of treasury shares	(58)	(157)
Cash dividends paid	(579,964)	(756,216)
Dividends paid to non-controlling interests	(19,000)	–
<b>Net cash provided by (used in) financing activities</b>	<b>(599,022)</b>	<b>(1,266,646)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(6,325)</b>	<b>(7,036)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,299,709</b>	<b>360,690</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>9,478,336</b>	<b>13,908,840</b>
<b>Cash and cash equivalents at end of the quarterly period</b>	<b>12,778,046</b>	<b>14,269,530</b>

(4) Notes to consolidated quarterly financial statements

(Note on premise of a going concern)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Additional information)

(Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. starting in the first three months ended March 31, 2019. Deferred tax assets and deferred tax liabilities are shown under investments and other assets and non-current liabilities, respectively.

(Segment information)

I. First six months of the previous consolidated fiscal year (from January 1, 2018 to June 30, 2018)

1. Information on amounts of net sales and income or loss by reportable segment

(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							
(1) Net sales to outside clients	15,533,869	3,500,528	19,034,398	–	19,034,398	–	19,034,398
(2) Inter-segment sales or transfer	45,915	13,403	59,318	–	59,318	(59,318)	–
Total	15,579,785	3,513,932	19,093,717	–	19,093,717	(59,318)	19,034,398
Segment income/loss	2,644,328	(122,263)	2,522,064	2,123	2,524,188	88,161	2,612,349

(Note 1) "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.

(Note 2) Adjustments to segment income/loss represents the amount of inter-segment transactions eliminated and income and expenses of the holding company excluding the technology segment.

(Note 3) Segment income/loss is adjusted with operating income in the consolidated quarterly financial statements.

II. First six months of the consolidated fiscal year under review (from January 1, 2019 to June 30, 2019)

1. Information on amounts of net sales and income or loss by reportable segment

(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							
(1) Net sales to outside clients	18,516,077	3,699,264	22,215,342	–	22,215,342	–	22,215,342
(2) Inter-segment sales or transfer	28,178	15,144	43,322	–	43,322	(43,322)	–
Total	18,544,255	3,714,409	22,258,664	–	22,258,664	(43,322)	22,215,342
Segment income/loss	3,308,511	(89,293)	3,219,218	1,180	3,220,398	116,043	3,336,442

(Note 1) "Other," a segment not included in the reportable segments, includes securities investment, holding, and management activities.

(Note 2) Adjustments to segment income/loss represents the amount of inter-segment transactions eliminated and income and expenses of the holding company excluding the technology segment.

(Note 3) Segment income/loss is adjusted with operating income in the consolidated quarterly financial statements.

## 3. Additional Information

## Status of orders received

(in thousands of yen)

Segment	First six months of the previous consolidated fiscal year (from January 1, 2018 to June 30, 2018)		First six months of the consolidated fiscal year under review (from January 1, 2019 to June 30, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	17,215,877	11,303,758	17,983,704	11,378,484
Business Innovation Business	1,029,942	518,919	815,919	317,498
Total	18,245,819	11,822,678	18,799,623	11,695,983