

July 30, 2019

To whom it may concern:

Company name: Future Corporation

Representative: Yasufumi Kanemaru, Chairman and President

(Security code number: 4722

First Section of Tokyo Stock Exchange)

Contact: Yoshihiko Nakajima, Executive Officer

Notice on Consolidated Earnings Results for the First Six Months of Fiscal 2019

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. Future outlook

(1) IT Consulting & Service Business

Under a management policy aiming to design both management and IT, the Future Group has conducted business operations to improve customers' abilities to handle changes and enhance their future value by implementing an ideal business vision on a real-time architecture. More recently, we have updated its management policy to "designing management, IT and AI," focusing on AI's impact on businesses and societies, used cutting-edge technologies such as AI and IoT for specific projects, and carried out projects that can accelerate customers' management reforms and operational transformation, rather than mere digitization.

Under this policy, Future Architect, Inc. has received an increasing number of orders from companies that are trying to realize full-scale digital strategies to compete against global platformers such as Amazon, Google and etc., and achieve zero-based transformation using global cutting-edge technologies in a variety of industries. The company will strive to continuously acquire orders from new customers, and certainly complete ongoing projects by using its original project monitoring and management techniques (Future Navi/Futurefraqta).

YDC Corporation will focus more on positioning itself to be a company with a competitive advantage in IT consulting services for manufacturers, and expand its operational reform consulting business in the development and design field, AI-related business (e.g., image analysis support) in the manufacturing industry, and production management business.

FutureOne, Inc. has increased orders for its original software packages from not only medium-sized companies but larger companies by strengthening its sales system and using the Future Group's network, and will strive to certainly complete ongoing projects and increase new orders.

(2) Business Innovation Business

Tokyo Calendar Inc. has strongly attracted users in their 30s and 40s with a strong interest in career advancement, and aims to provide such users with various services in line with their lifestyles and preferences by using the Future Group's IT technologies. "Tokyo Calendar Store," which sells gourmet food and sweets from selected shops as well as Tokyo Calendar's contents, and "Tokyo Calendar Wedding," which provides wedding arrangement and consulting services, have already been launched. New services will be continuously added.

CodeCamp, Inc. will strive to increase lecture attendees and the recognition of its programming education services for individuals by strengthening collaboration with partner companies such as correspondence course providers and high schools. In doing so, the company will also increase lecture courses and improve curriculums to help such attendees advance their careers and attain self-realization. Regarding services tailored for corporate customers, the company will aim to increase its sales by adding new curriculums (e.g., AI and data scientist curriculums) and meeting various technology education needs.

eSPORTS Co., Ltd. aims to increase its sales and operating income by improving gross profit ratios and obtaining popular products through strengthening its ability to develop private brand products and relationships with suppliers. The company also aim to scientifically analyze sales growth, prices and hot selling items by renewing our e-commerce site and core system, with the utilization of the technologies of LaiBlitz, Inc. and other Future Group companies.

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

Investor Relations, Future Corporation

E-mail: ir@future.co.jp