

# Briefing on Financial Results for the Second Quarter of FY2019



August 1, 2019  
Future Corporation

1. Earnings Results for the First Half of FY2019

2. Topics Related to the First Half of FY2019

3. Plan for FY2019

# 1. Earnings Results for the First Half of FY2019

## 1. Earnings Results for the First Half of FY2019

### (i) Earnings Highlights

#### Consolidated earnings results for the first half of FY2019

**Net sales, operating income, ordinary income and quarterly profit increased.**

Net sales:	22,215 million yen (16.7% increase)
Operating income:	3,336 million yen (27.7% increase)
Ordinary income:	3,440 million yen (24.6% increase)
Quarterly profit attributable to owners of parent:	2,130 million yen (4.2% increase)

#### IT Consulting & Service

**Segment sales and operating income increased significantly as the net sales and income of Future Architect and some other companies increased.**

Net sales:	18,544 million yen (19.0% increase)
Operating income:	3,308 million yen (25.1% increase)

\*Refer to Appendix (i)

#### Business Innovation

**Operating results improved owing to the strong performance of eSPORTS, CodeCamp, and Laiblitiz.**

Net sales:	3,714 million yen (5.7% increase)
Operating income:	-89 million yen (-122 million yen for 1H FY2018)

\*Refer to Appendix (i)

#### Inter-segment adjustment

Net sales:	-43 million yen
Operating income:	116 million yen

# 1. Earnings Results for the First Half of FY2019

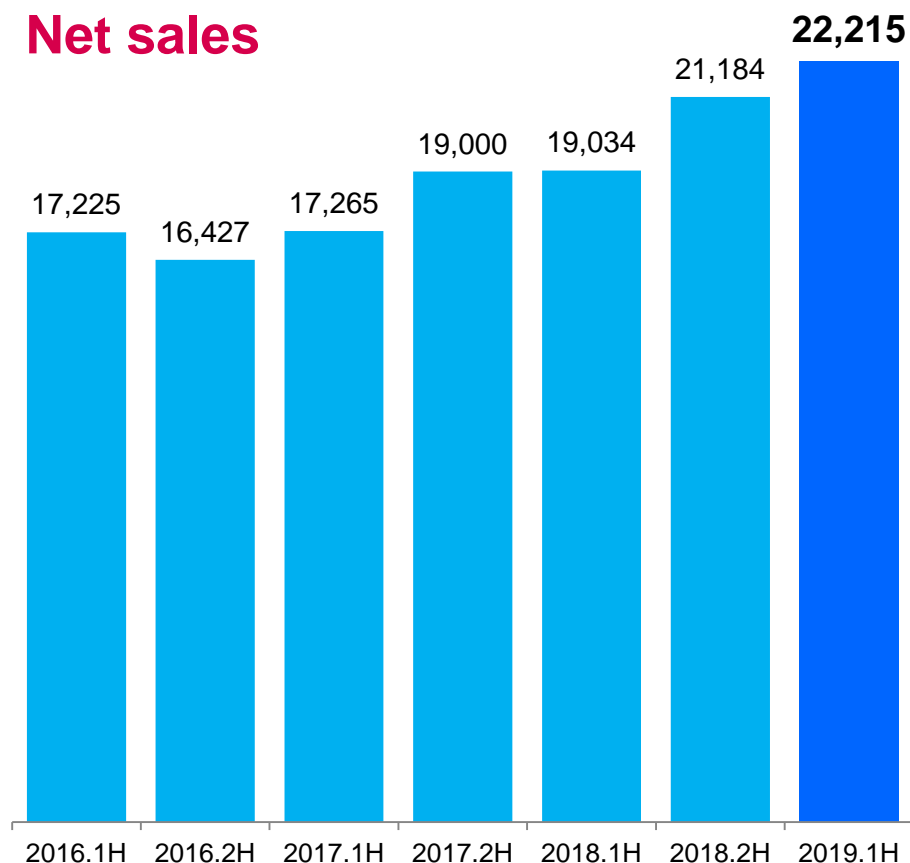
## (ii) Analysis of Earnings Results (Net Sales and Operating Income)

\*Refer to Appendix (ii)

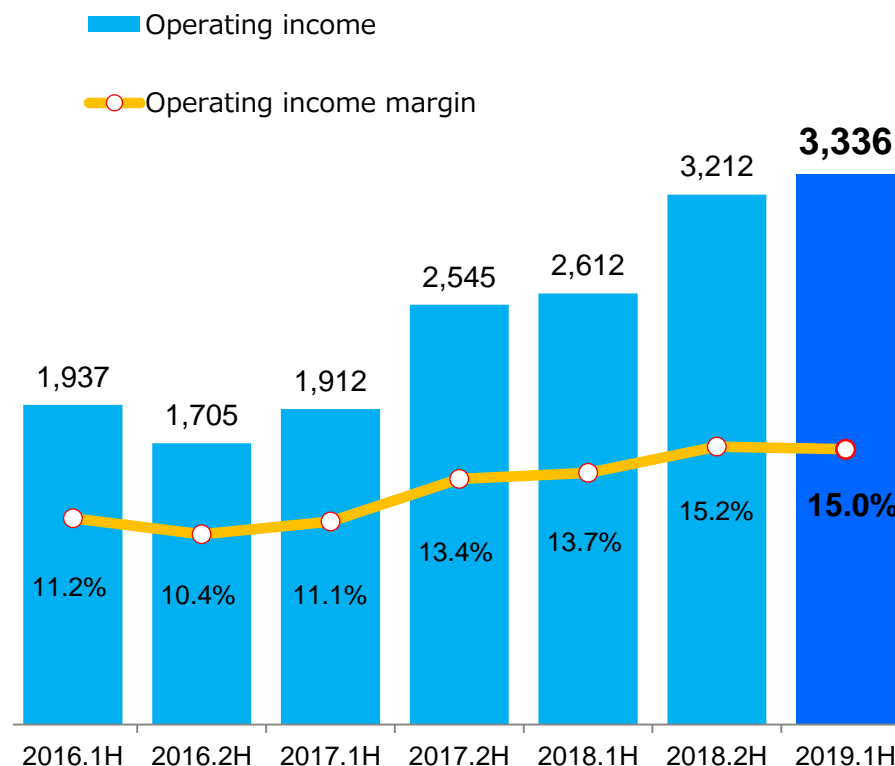
Net sales and operating income were higher than 1H/2H FY2018.  
Operating income margin increased from 13.7% (1H 2018) to 15.0%.

(Million yen)

### Net sales



### Operating income



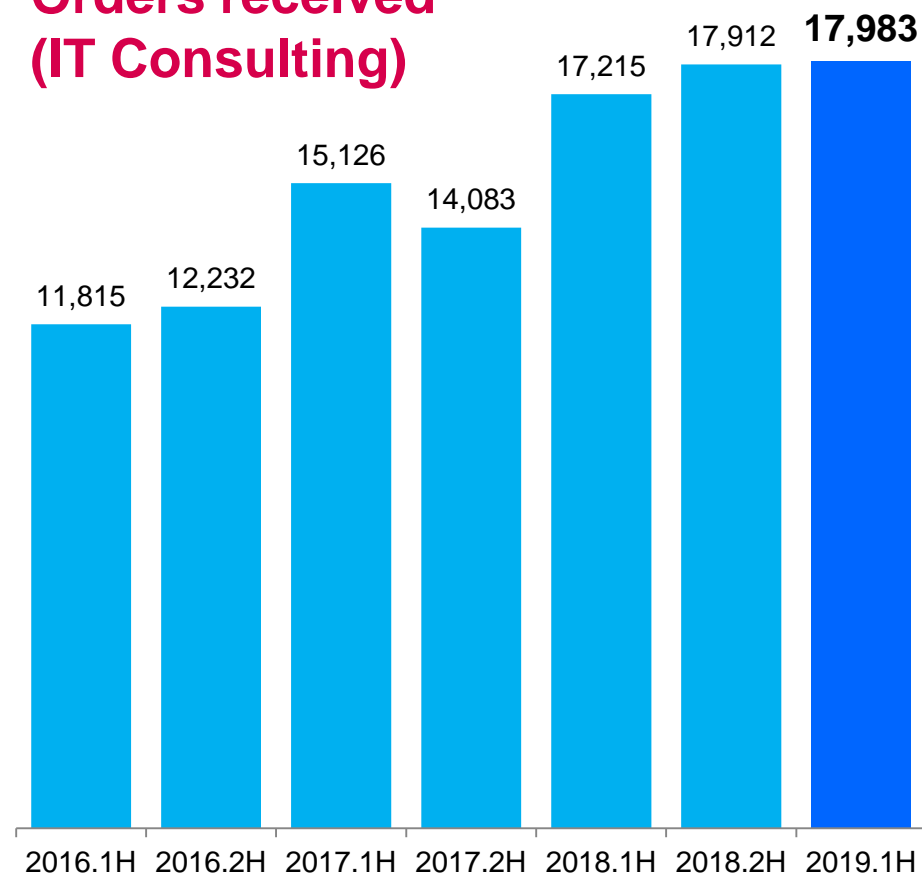
## 1. Earnings Results for the First Half of FY2019

### (ii) Analysis of Earnings Results (Orders Received and Order Backlog-IT Consulting & Service)

\*Refer to Appendix (iii)

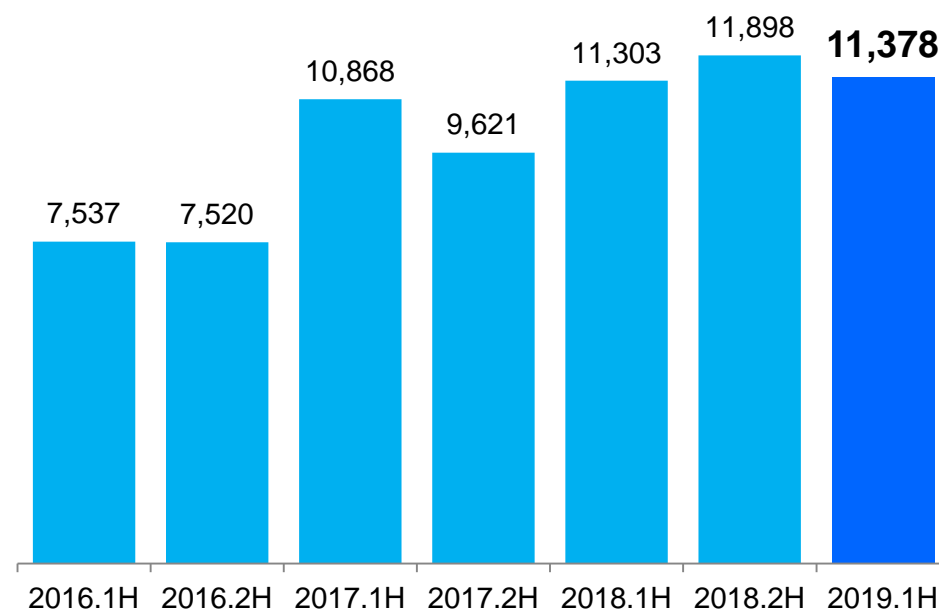
The volume of orders remained above the 1H/2H FY2018 level.  
The order backlog exceeded the level at the end of 1H FY2018.

#### Orders received (IT Consulting)



#### Backlog (IT Consulting)

(Million yen)



# 1. Earnings Results for the First Half of FY2019

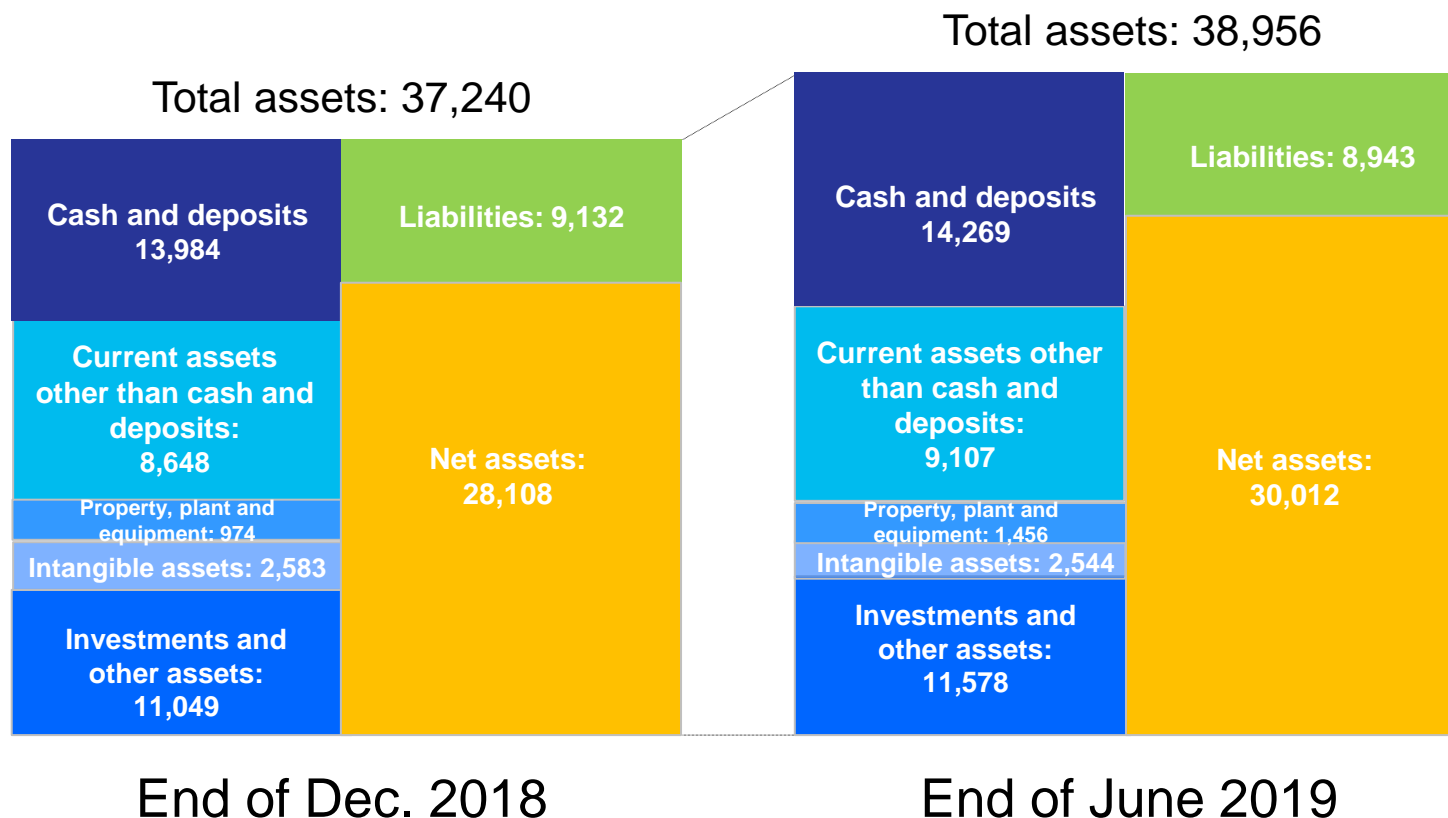
## (ii) Analysis of Earnings Results (Balance Sheets)

\*Refer to Appendix (iv)

Net assets increased to 30,012 million yen from 28,108 million yen at the end of December 2018.

### Balance Sheets

(Million yen)



#### ○ Major increase/decrease in assets

Cash and deposits	:+ 285
Notes and accounts receivable - trade	:+ 413
Merchandise and work in process	:+ 71
Property, plant and equipment	:+ 482
Software	:+ 70
Customer-related assets	:-104
Goodwill	:-5
Investment securities	:+ 607
Lease and guarantee deposits	:-15
Other	:-88

Major increase/decrease in assets: + 1,715

#### ○ Major increase/decrease in liabilities

Current portion of long-term loans payable	:-151
Current portion of bonds	:-36
Accounts payable - other	:+ 81
Income taxes payable	:-553
Bonds payable	:-92
Long-term loans payable	:-216
Deferred tax liabilities (non-current)	:+238
Other	:+541

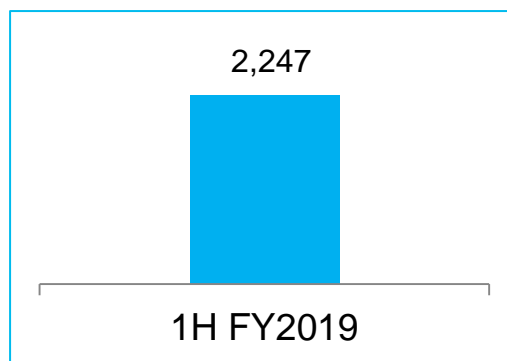
Major increase/decrease in liabilities :-188

# 1. Earnings Results for the First Half of FY2019

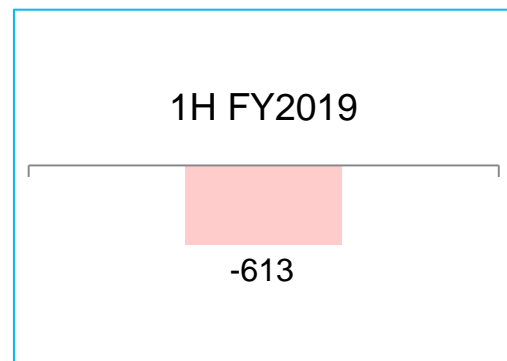
## (ii) Analysis of Earnings Results (Cash Flows)

\*Refer to Appendix (v)

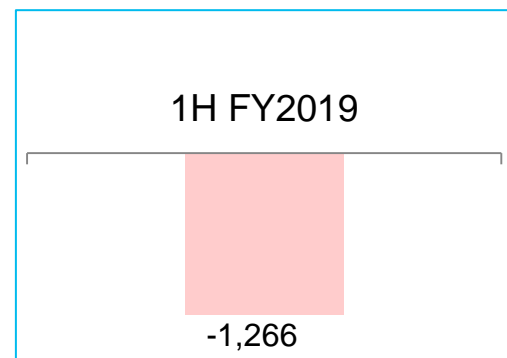
### Operating CF



### Investing CF



### Financing CF



### ○ Breakdown of cash flows from operating activities

Quarterly profit before income taxes	3,265
Depreciation	455
Loss on realized foreign currency translation adjustment	175
Change in notes and accounts receivable - trade	-413
Other	221
Subtotal	3,704
Income taxes paid	-1,527
Interest/Dividend	70
CF - Operating activities	2,247

### ○ Breakdown of cash flows from investing activities

Withdrawal of time deposits	75
Purchase of property, plant and equipment	-425
Purchase of intangible assets	-272
Collection of lease and guarantee deposits	20
Other	-10
CF - Investing activities	-613

### ○ Breakdown of cash flows from financing activities

Repayments of long-term loans	-368
Repayments of finance lease obligations	-13
Redemption of bonds	-128
Dividends paid	-756
Other	-0
CF - Financing activities	-1,266

(Million yen)

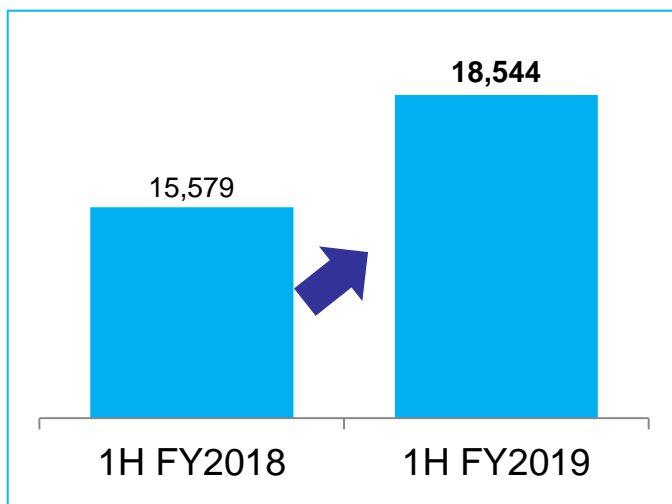


# 1. Earnings Results for the First Half of FY2019

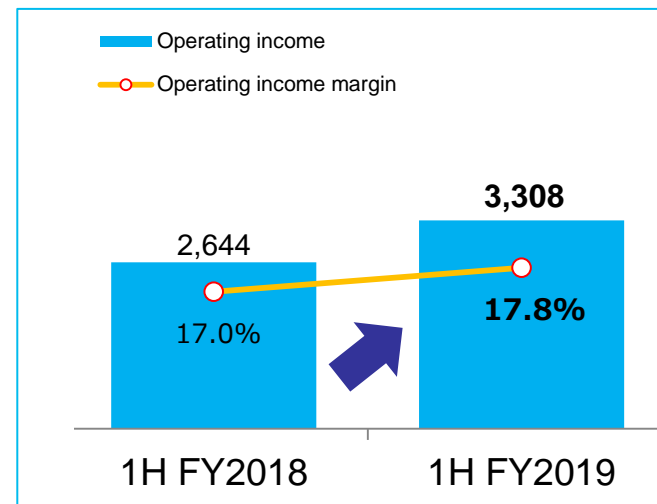
## (iii) Results by Segment (IT Consulting & Service)

\*Refer to Appendix (vi)

**Net sales**



**Operating income**



(Million yen)

### Future Architect, Inc.

(including Future Corporation's Technology Division)

Net sales



Operating income



- Continuously received orders for next generation system development projects from growth companies that view IT as a strategic investment necessary for reforming management and operations.
- Carried out projects mainly to build an omni-channel framework 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.

### Future Inspace, Inc.

Net sales



Operating income



- Maintenance and operation service deals for projects completed by Future Architect and new development orders increased.

### YDC Corporation

Net sales



Operating income



- Net sales and operating income decreased from a year ago as a large deal involving YDC Sonar, a software program for analyzing product quality information, was made in the same period a year ago.

### FutureOne

Net sales



Operating income



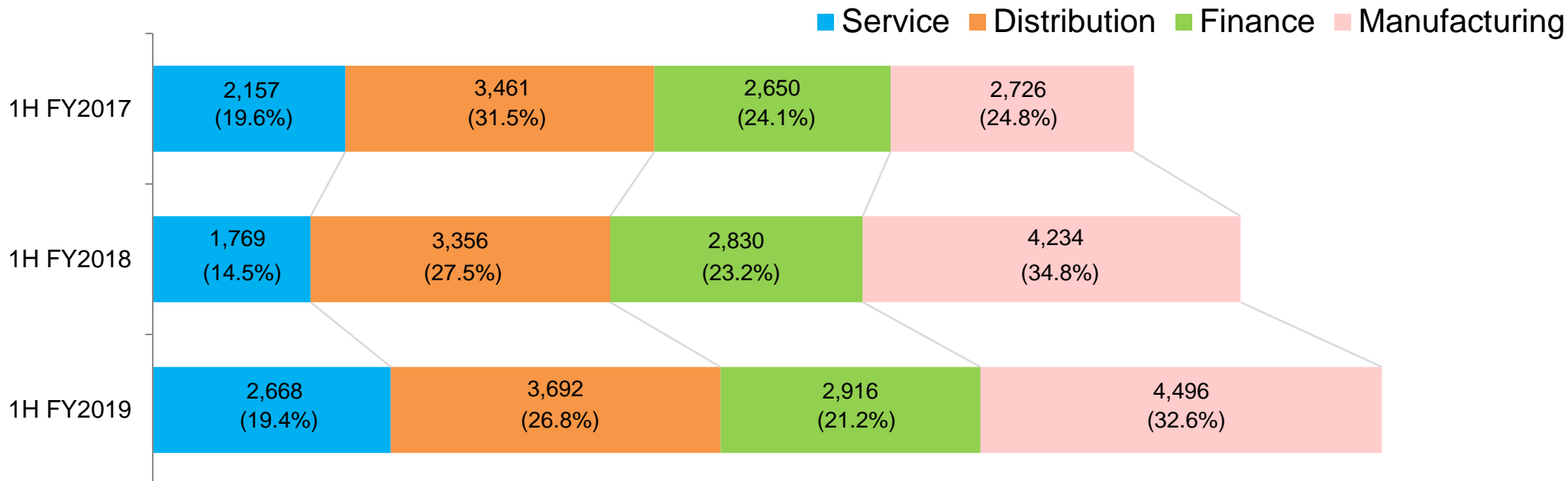
- Operating income rose significantly due to increased sales of InfiniOne, an original sales management software package, and other products to relatively larger medium-sized companies.

## 1. Earnings Results for the First Half of FY2019

### (iii) Results by Segment (IT Consulting & Service) - Sales Analysis

#### Trends of sales by industry

(Million yen)



Note 1) Figures for FY2017 reflect aggregate numbers combining the sales of Future Architect, Future Inspace and YDC.

Note 2) Figures for FY2018 and FY2019 reflect aggregate numbers combining the sales of Future, Future Architect, Future Inspace and YDC.

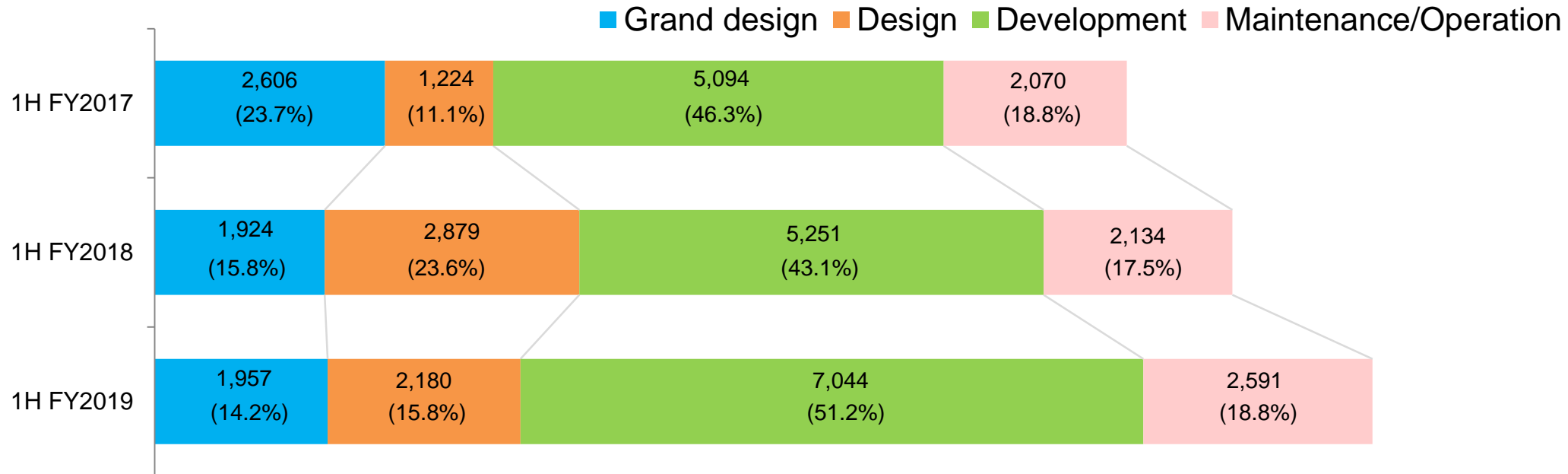
Note 3) Figures for procured goods and the maintenance thereof are not included.

## 1. Earnings Results for the First Half of FY2019

### (iii) Results by Segment (IT Consulting & Service) - Sales Analysis

#### Trends of sales by phase

(Million yen)



Note 1) Figures for FY2017 reflect aggregate numbers combining the sales of Future Architect, Future Inspace and YDC.

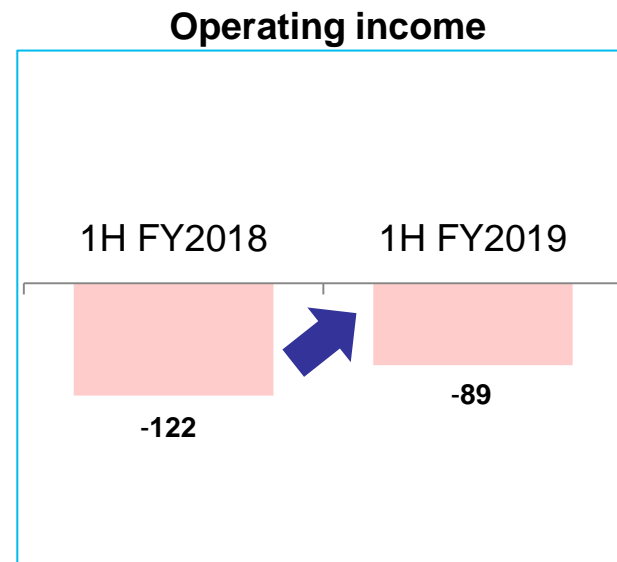
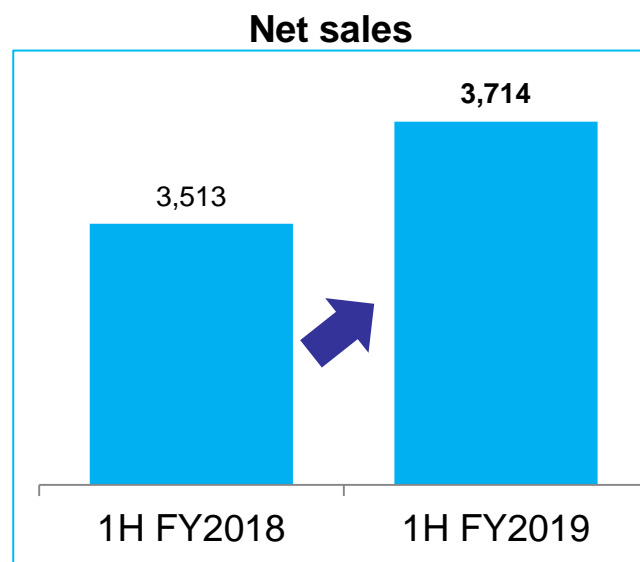
Note 2) Figures for FY2018 and FY2019 reflect aggregate numbers combining the sales of Future, Future Architect, Future Inspace and YDC.

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# 1. Earnings Results for the First Half of FY2019

## (iv) Results by Segment (Business Innovation)

\*Refer to Appendix (vi)



(Million yen)

### eSPORTS

Net sales → Operating income

- Sales of private brand outdoor supplies (e.g., wagons) and fitness-related national brand products were strong.
- Operating income improved as strategic product purchasing activities led to an increase of the gross margin ratio.

### Tokyo Calendar Inc.

Net sales → Operating income

- The numbers of page views, video views and magazines sold increased, and services such as “Tokyo Calendar Date” generated larger net sales and income.
- Advertising revenues underperformed the target figures.

### CodeCamp Inc.

Net sales → Operating income

- Net sales and operating income increased due to steadily increased monthly orders for the online programming course targeting individuals.
- Strengthened collaboration with partner companies such as correspondence course providers.

### LaiBlitz, Inc.

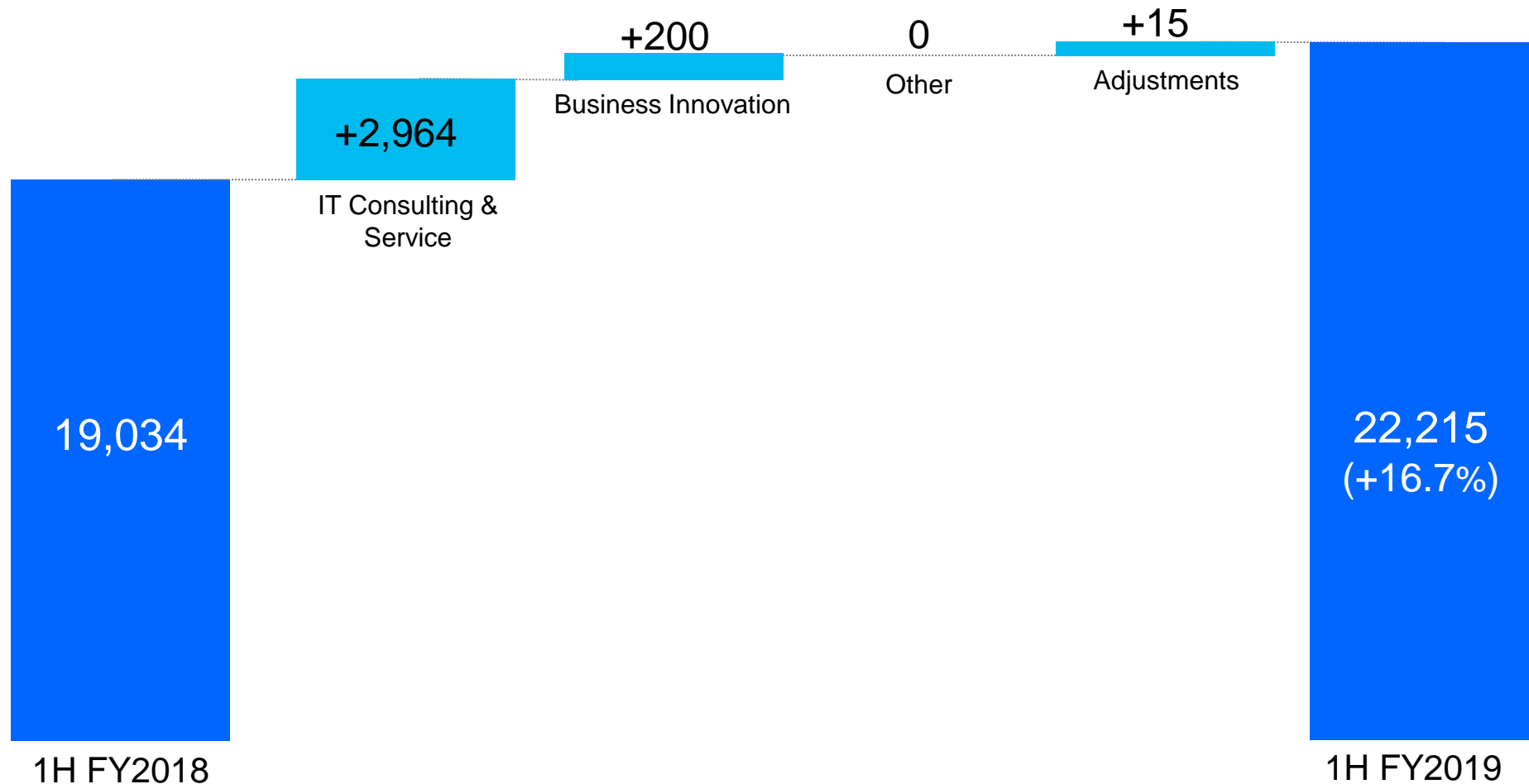
Net sales → Operating income

- Net sales and operating income increased year-on-year due to the acquisition of a new customer, a professional baseball team.

# 1. Earnings Results for the First Half of FY2019

## (v) Analysis of Changes in Net Sales

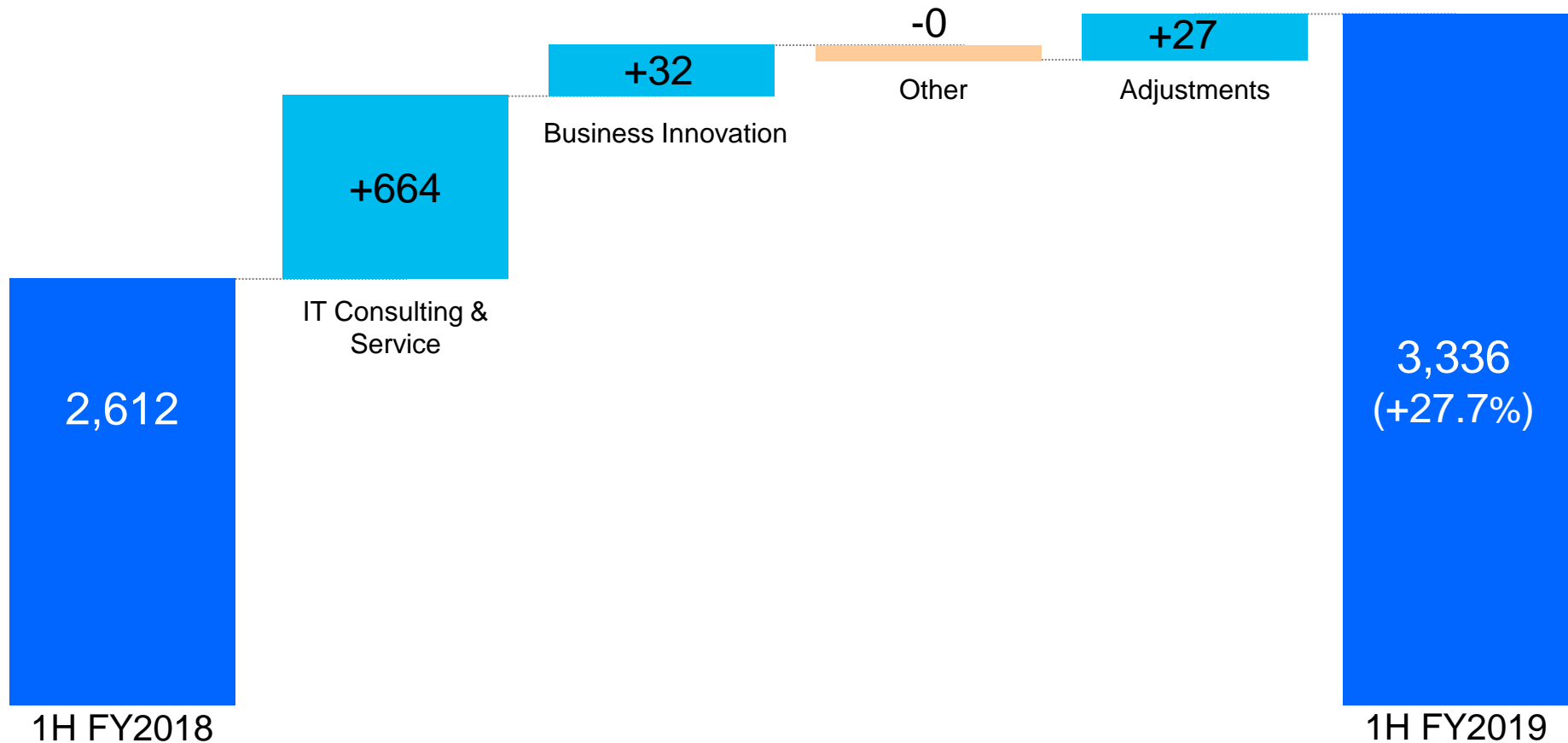
(Million yen)



## 1. Earnings Results for the First Half of FY2019

### (vi) Analysis of Changes in Operating Income

(Million yen)

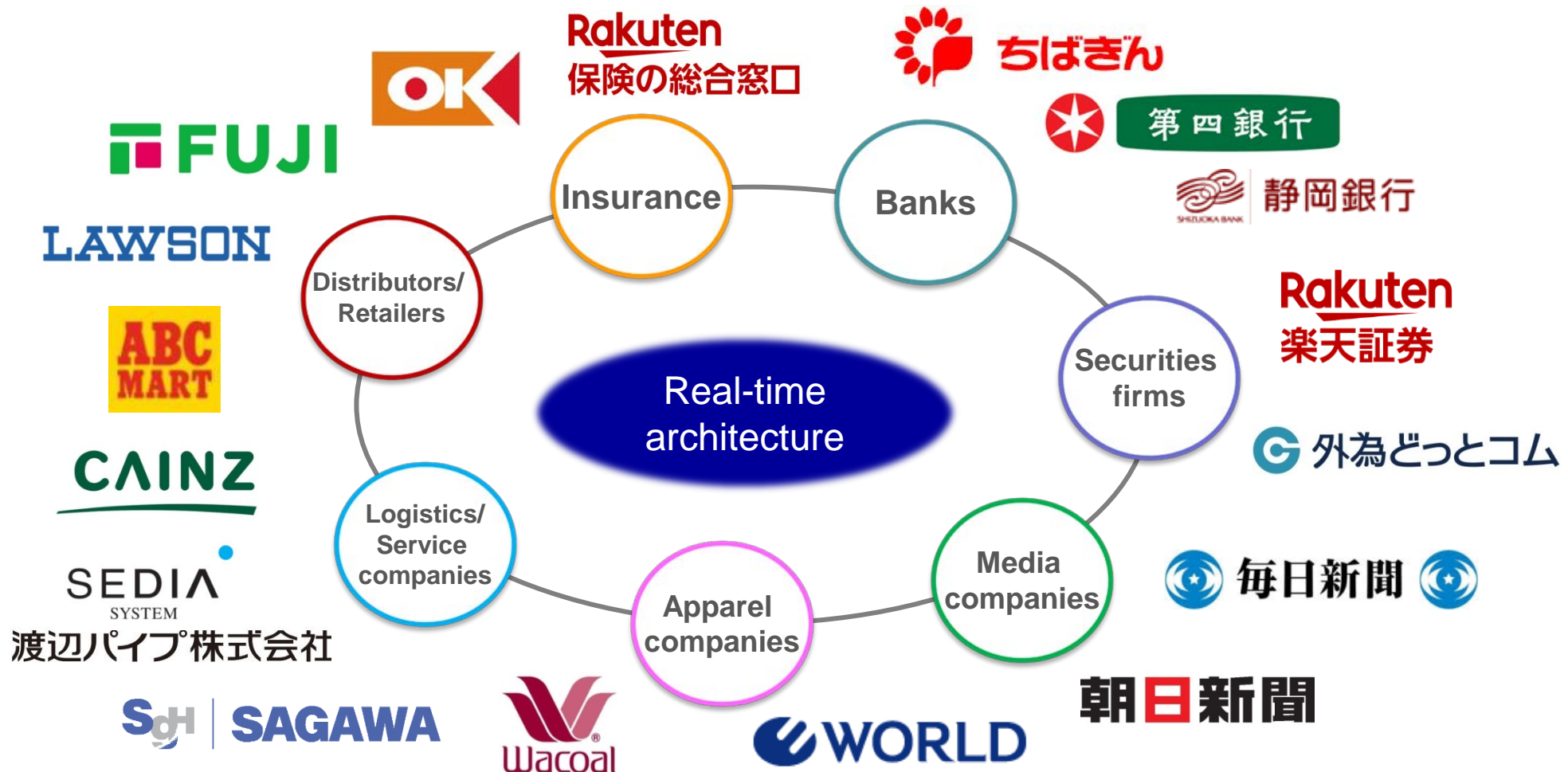


## 2. Topics Related to the First Half of FY2019

1. Customers in Diversified Industries
2. SG Holdings Co., Ltd.
3. Wacoal Corp.
4. Regional Banks
5. ORBIS Inc.
6. Recruitment Strategies
7. Growth of Operating Income Margin of IT Consulting & Service Business
8. eSPORTS
9. LaiBlitz, Inc.
10. CodeCamp Inc.

# Customers in Diversified Industries

- Receiving orders from new customers, became an IT business partner in diversified industries.
- Contributed to corporate value enhancement through the utilization of data on a real-time architecture.





## Reasons Why Future Is Chosen by Customers in Diversified Industries

### Issues recognized by customers

Desire to create new value

Competition with platformers

Desire to achieve zero-based reforms in line with the AI/IoT era



### Future's value

Technologist group oriented toward management reform rather than mere digitization

Distributed real-time architecture adopting the world's most advanced technologies

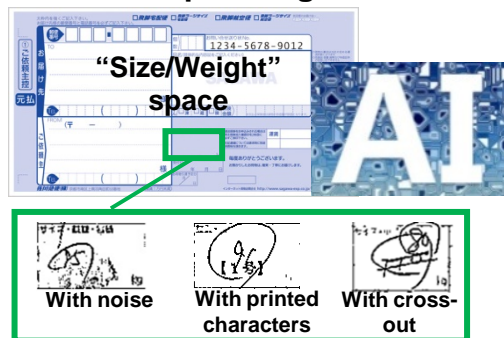
Abundant knowhow regarding different industries

# SG Holdings Co., Ltd. - Further Strengthened Strategic Partnerships

- Strengthened existing strategic partnerships and utilized technology to solve an urgent issue in the logistics industry (i.e., elimination of labor shortages).



### (i) Automatically enter data on delivery slips using AI



- Save labor for entering data on slips by realizing more precise data entry than manual entry (99.8% or more)

### (ii) Improve the efficiency of driver operations



- Promote paperless operations and measures to improve the efficiency of collection and delivery operations by allowing drivers to utilize mobile information devices

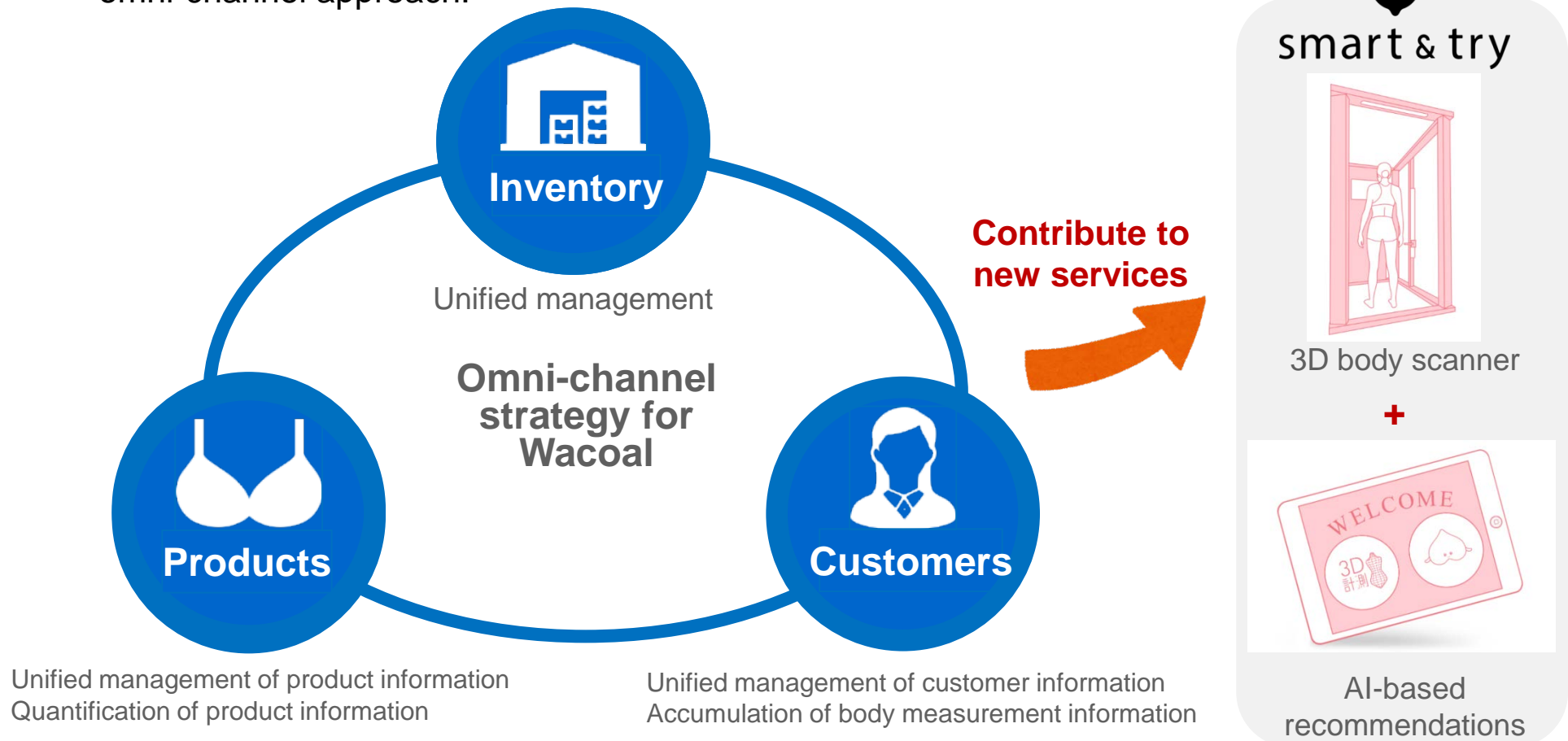
### (iii) Improve efficiency and promote labor-saving measures through R&D



- Improve the operational efficiency and accelerate labor-saving measures of group companies through R&D

## Wacoal Corp. - Provide New Services Using an Omni-channel Approach

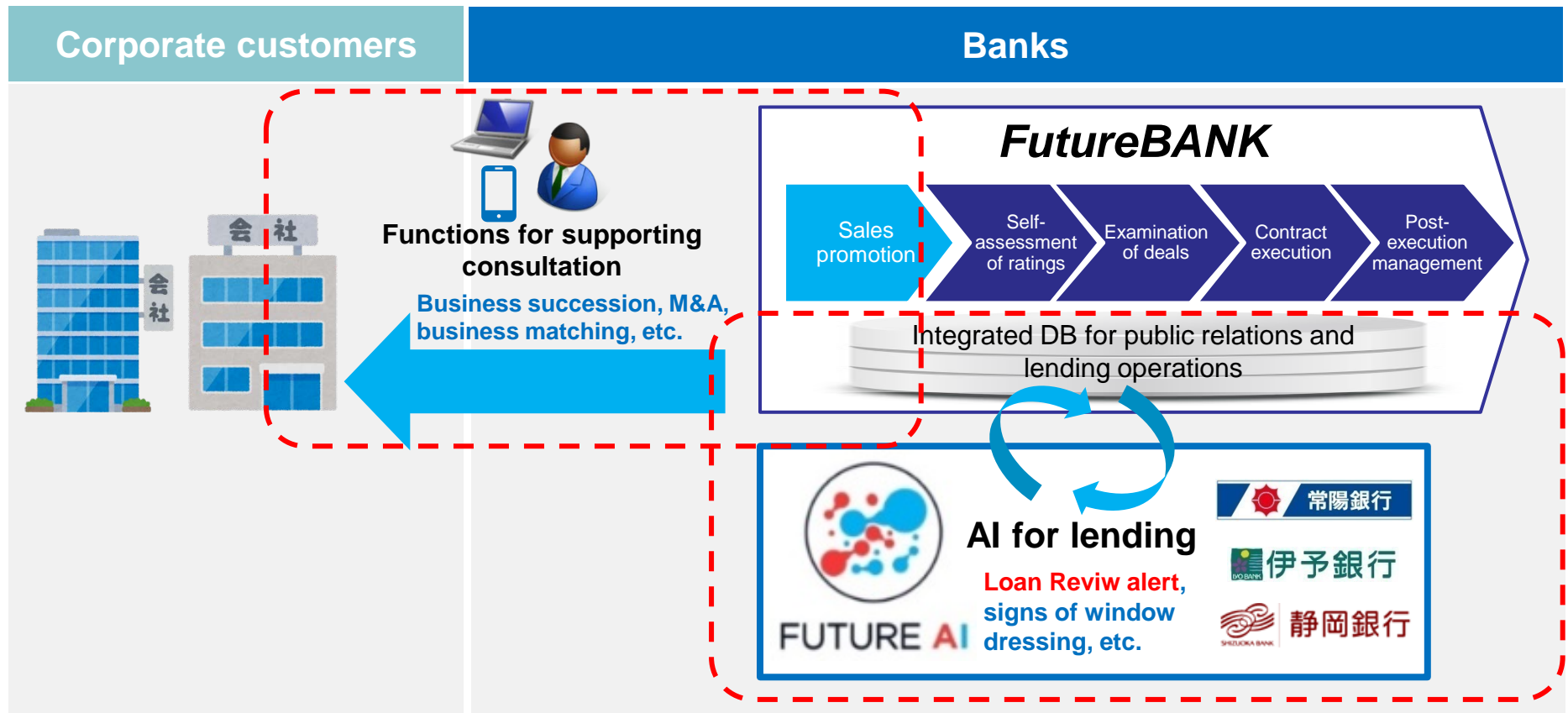
- Build an omni-channel framework enabling the unified management of product and customer information, aiming to maintain deeper, wider and longer relationships with customers.
- Contribute to the provision of new services by utilizing data managed through an omni-channel approach.



## 2. Topics Related to the First Half of FY2019

# Expanded Services for Regional Banks

- Continuously received new orders from regional banks - 30 banks in total nationwide.
- Reform the system to provide total support for the business targeting corporations.
  - Utilize AI for lending operations (3 banks), and improved the functions for supporting corporate consultation

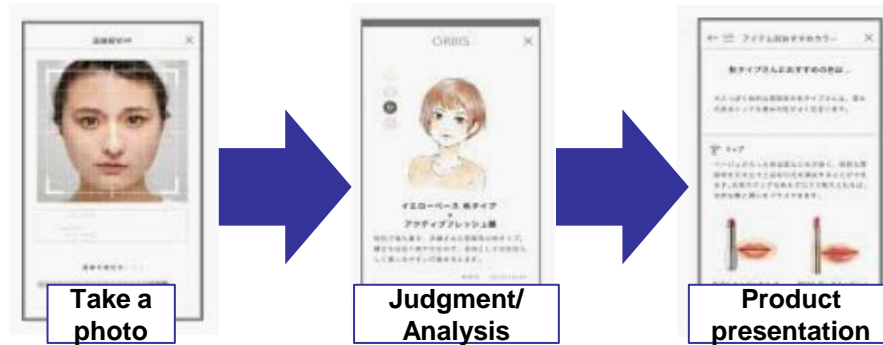


# ORBIS Inc. - AI Has Entered the Phase of Creating Effects

### ■ Application content “Personal AI Makeup Adviser”

- Highly precise online judgment of personal colors and facial proportions using AI

ORBIS



	Yellow	Blue
Soft	春	夏
Hard	秋	冬

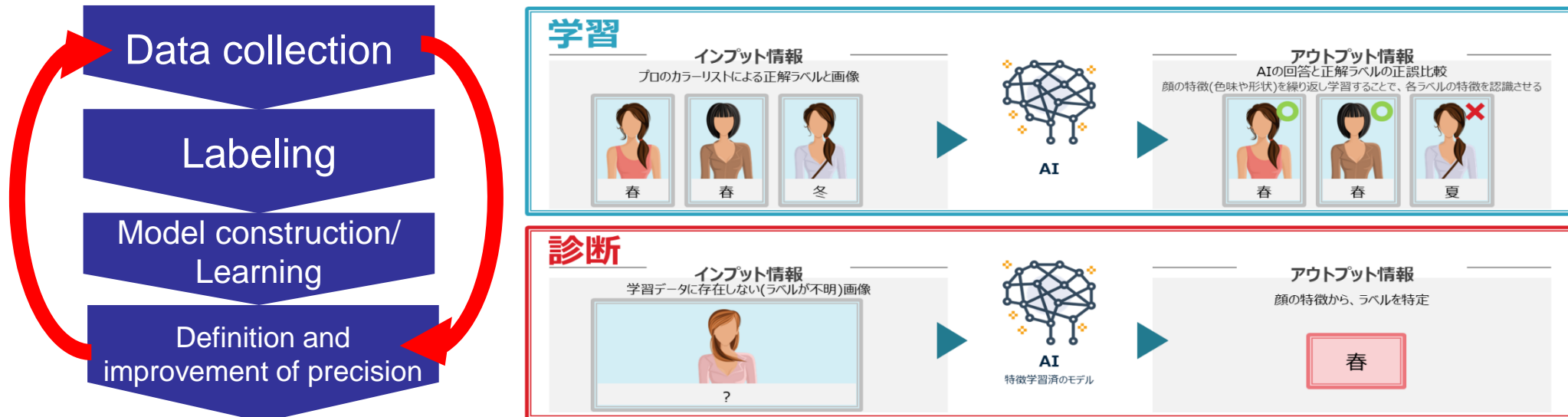
Personal color judgment using four quadrants representing the images of four seasons

Total number of downloads  
**1.98 million**

Cumulative number of diagnoses  
**0.76 million**  
(4/1-7/24 Actual)

### ■ Deep learning technology provided by Future

- About 90% of base color judgments made using AI are the same as those made by professional stylists specializing in color.



# Mid-career Recruitment Strategies

### ■ Organize our events more actively

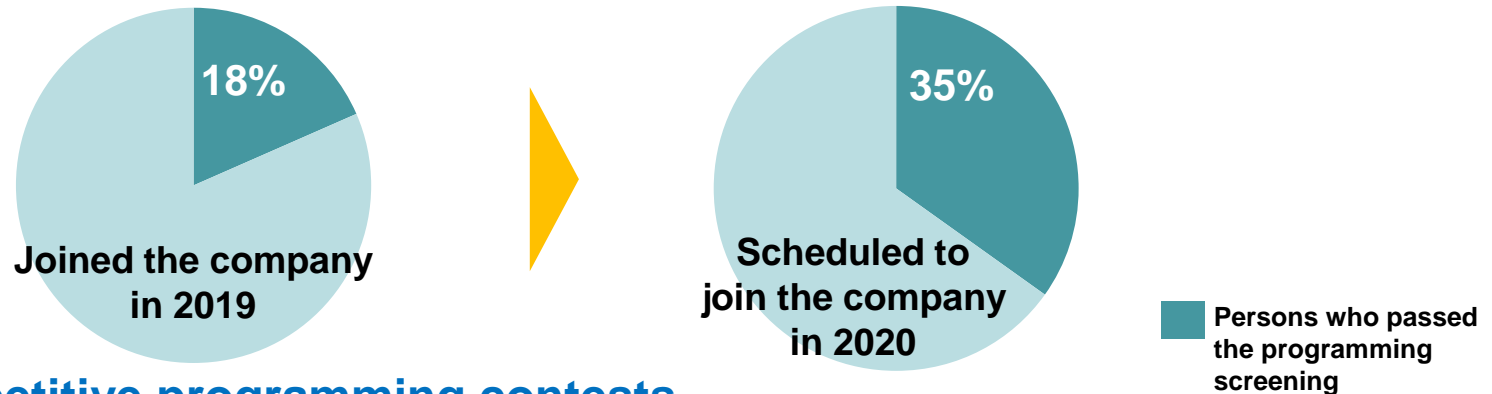
- **Gained more job applicants directly**, rather than through agents, by organizing our events more actively and reaching potential job applicants.
- In the case of events in which employees are introduced and which are held at places with a nice atmosphere, participants feel highly satisfied.

Events
Employee introduction event
Consultation/Technology study meeting
Holiday seminar
Holiday (1 day) screening meeting
Agent conference

# New Graduate Recruitment Strategies

### ■ The number of new graduate engineers increased

- **The ratio of engineers increased** while over 100 employees were hired every year.
- **Created points of contact with engineering personnel** by holding tech events and displaying exhibitions at AI-related academic conferences.



### ■ Held competitive programming contests

- Held programming contests twice in the past for students with advanced programming skills.
- Future has become more widely recognized by competitive programmers(\*).

(\*)Participants in programming competitions



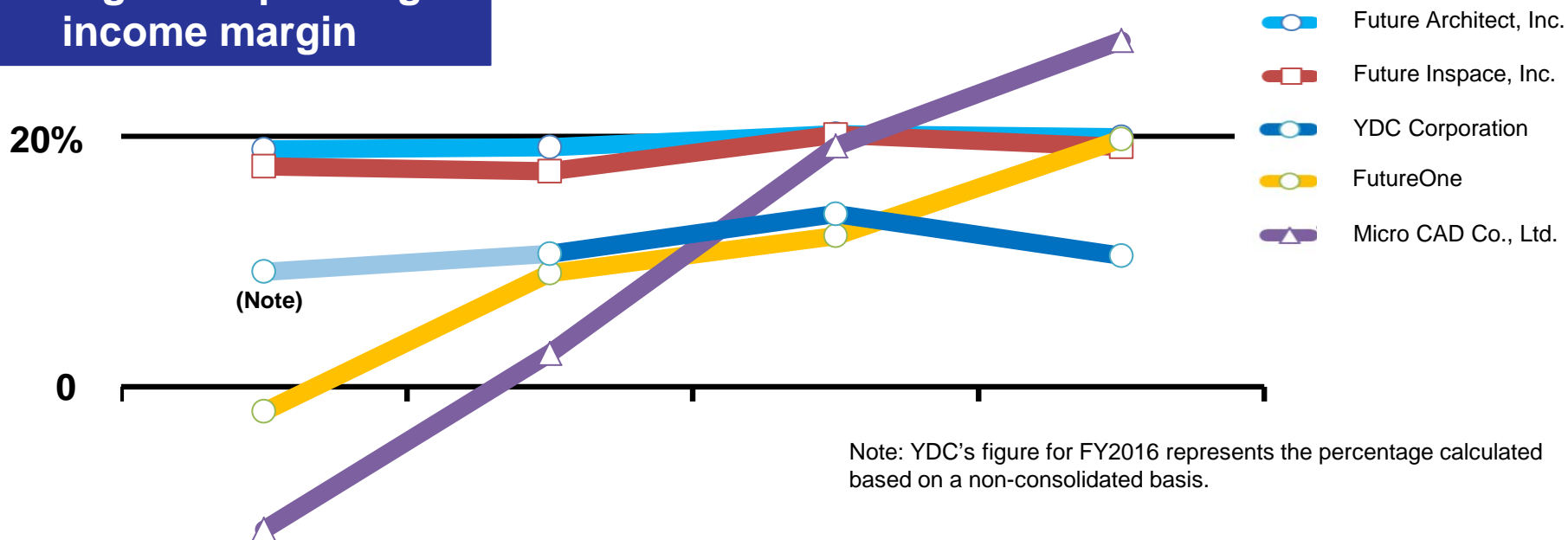


# IT Consulting & Service Business - Growth of Operating Income Margin

## ■ IT Consulting & Service Business

- Future Architect and Future Inspace maintained high operating income margins.
- FutureOne and Micro CAD improved their operating income margins.

### Changes in operating income margin



	2016.FY	2017.FY	2018.FY	2019.1H
Operating income margin of IT Consulting & Service	15.7%	16.1%	17.1%	17.9%



## ■ Self-developed products

**Sales  
increased 150% YoY**

- Increased exposure and recognition by strengthening PR.



**Participated in events  
on a larger scale**

**Appearance in magazines  
through press releases  
for the media**

- Launched well-designed new products, and made products more newsworthy through collaborative product development.



- Active customer communication utilizing social media proactively (followers increased tenfold in half a year).



## ■ Sales of products purchased

**Gross profit ratio  
increased 2%**

- Obtain superior products preferentially and continuously by strengthening relationships with suppliers.

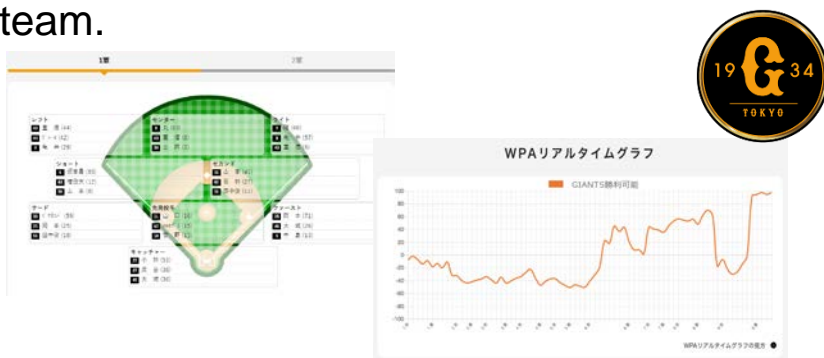


- Sales promotion linked to PR of national brands, and strategic inventory purchase in anticipation of exposure.
- Cost reduction by positioning hot selling products as regular products.

## ■ Sports

- Set up the Yomiuri Giants' fan club and e-commerce sites.

Expanded this business as a business domain, in addition to strengthening the team.



Services provided to fans utilizing a team strategy system, "Future Fastball"



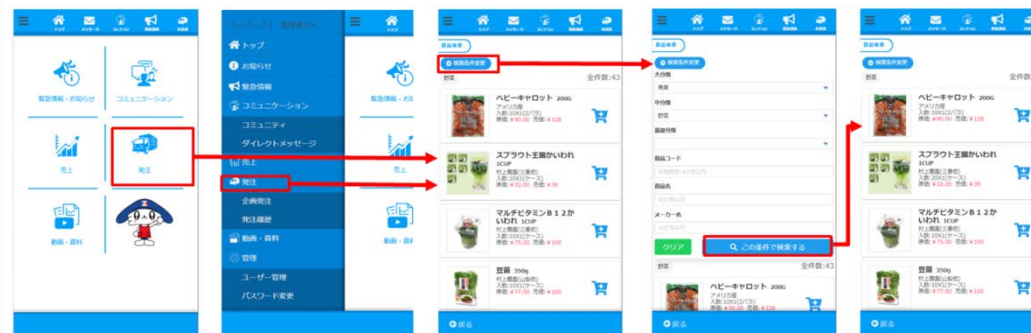
Developed "FastBiz" for members and e-commerce solutions

## ■ Collaboration with Future Architect, Inc.

- Developed an application for store operations of ZEN-NIPPON SHOKUHIN.

Adopted system technologies, which are used for professional baseball teams, in other industries.

Enabled management to browse data from outside, and allowed store personnel to share knowhow.

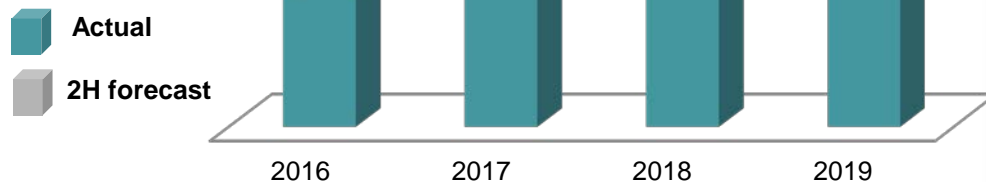


## ■ Set up e-commerce service platforms

- LaiBlitz rebuilt a core system supporting the sales management of the e-commerce site of eSPORTS, a group company that received awards for various online shopping malls.
- Conducted R&D to provide e-commerce platform services.

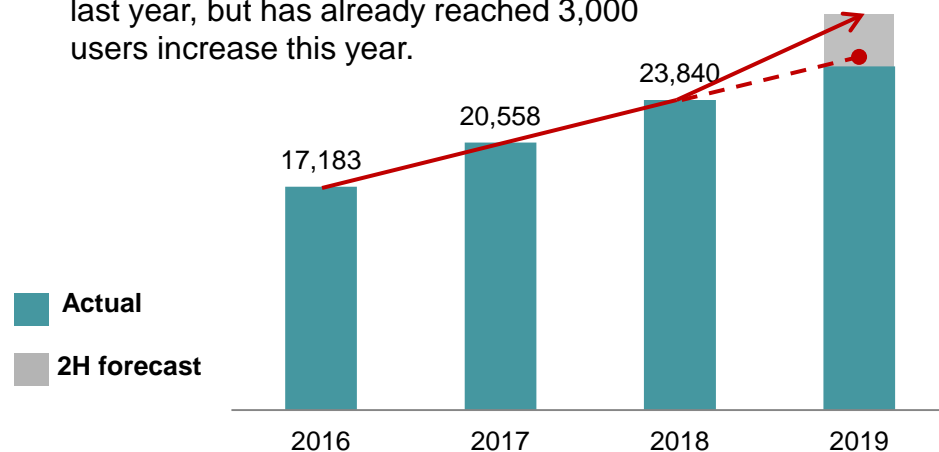
## ■ Rate of increase in the volume of orders from individuals

The volume of orders has increased by about 1.4 times in the last 2 years, but may increase even more this year.



## ■ Cumulative number of users

Increased by 3,000 users every year until last year, but has already reached 3,000 users increase this year.



## ■ New measures

### Started to give lectures in collaboration with U-CAN

- Provided more people with programming education as a lifetime learning experience in collaboration with U-CAN.



### Collaborated with CLARK Memorial International High School. Started providing programming education support for high school students

- Strengthened support for educational institutions' programming/technology education, considering that programming education will become mandatory for high schools in and after 2022

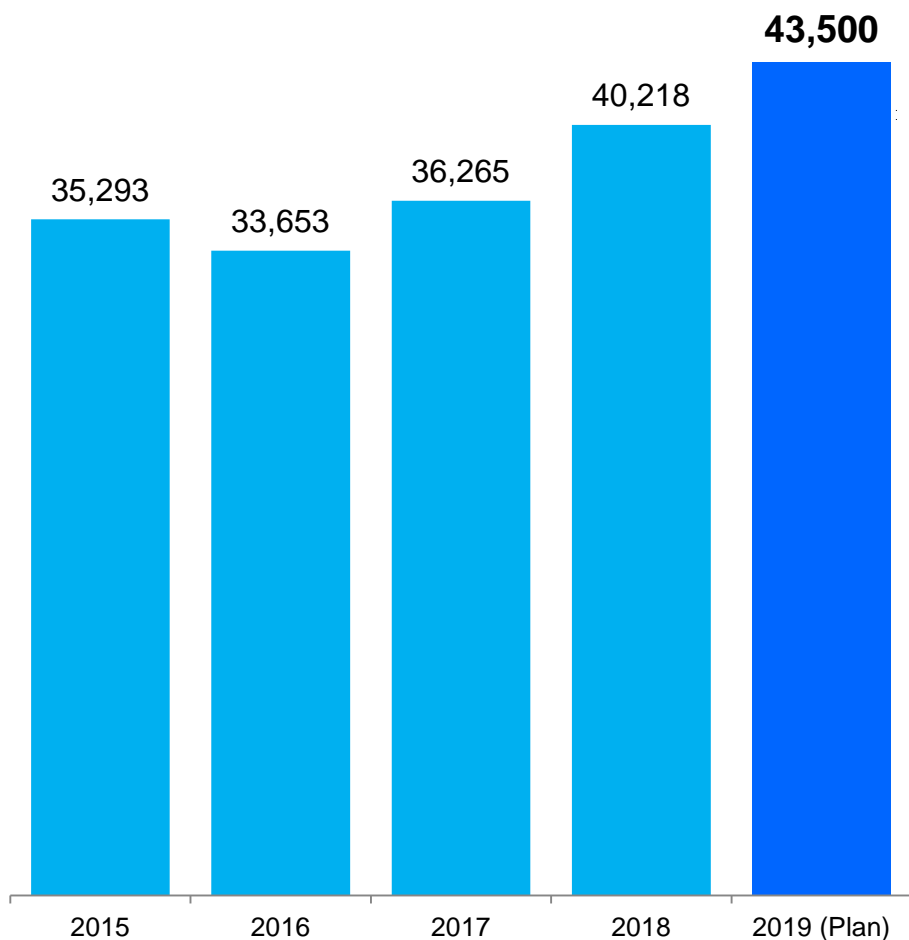


### 3. Plan for FY2019

### 3-1. Numerical Plan for FY2019

## (i) Changes in Sales and Operating Income, and Plan

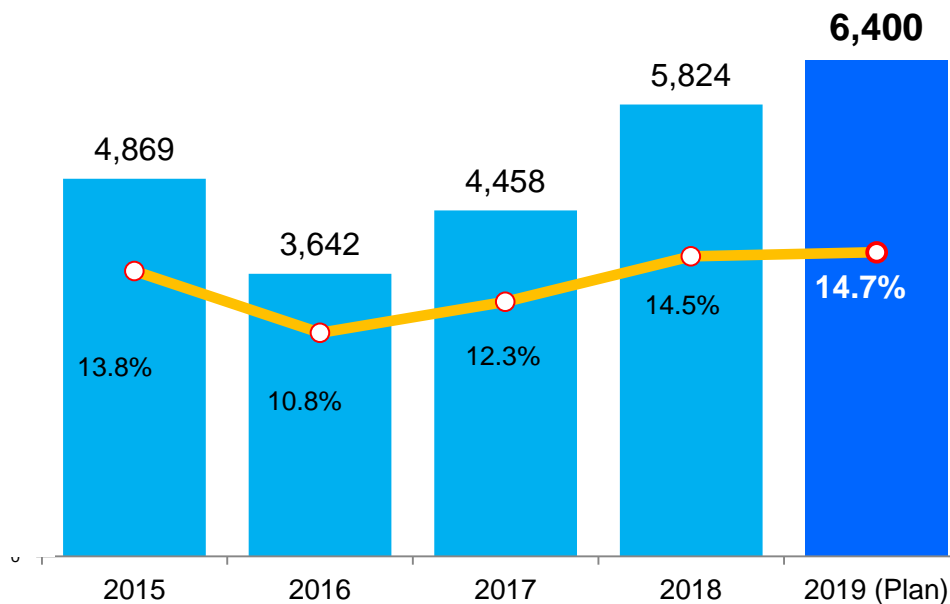
### Net sales



### Operating income

(Million yen)

Operating income  
Operating income margin



### 3-1. Numerical Plan for FY2019

#### (ii) Plan Progress Rate

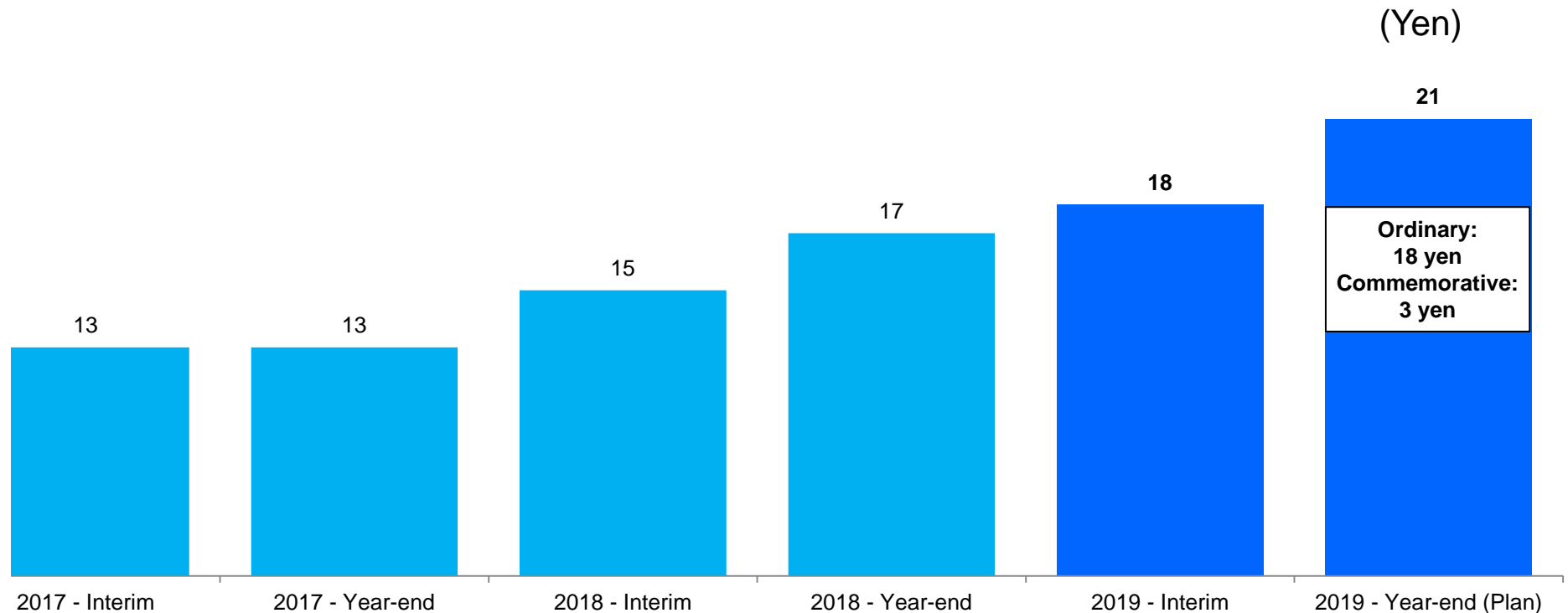
(Million yen)

	Annual plan for FY2019	Results for 1H FY2019	Progress Rate
Net sales:	<b>43,500</b>	22,215	51.1%
Operating income (Operating income margin)	<b>6,400</b> (14.7%)	3,336 (15.0%)	52.1%
Profit attributable to owners of parent (Profit margin)	<b>4,355</b> (10.0%)	2,130 (9.6%)	48.9%

## 3-2. Dividends

FY2019 interim dividend: An ordinary dividend of 18 yen per share, an increase of 1 yen

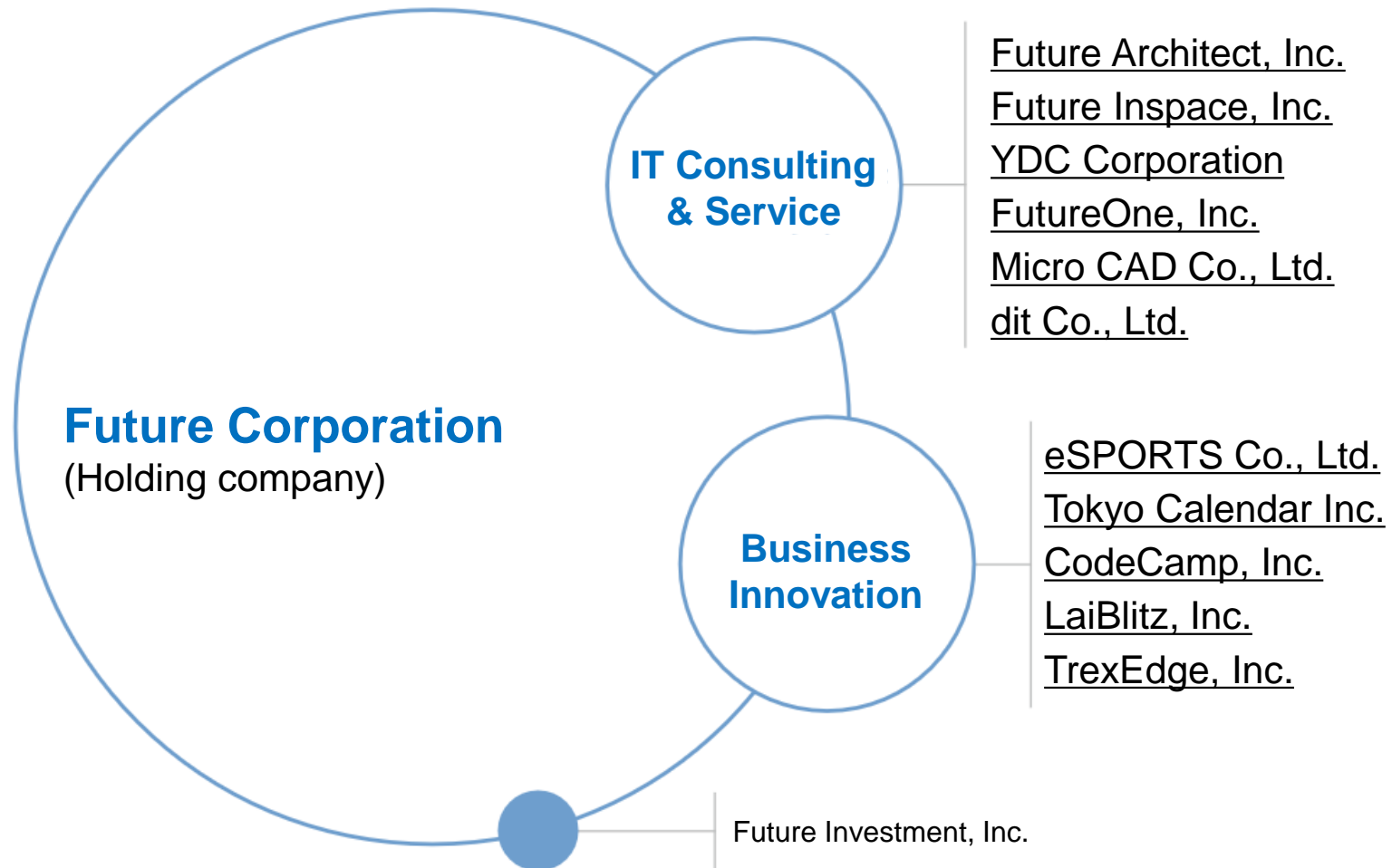
FY2019 year-end dividend: Scheduled to pay an ordinary dividend of 18 yen and a commemorative dividend of 3 yen to celebrate the company's 30th anniversary



# Appendix.



## Appendix. - (i) Future GROUP



## Appendix. - (ii) Analysis of Results (Comparison of Results)

(Million yen)

	Results for 1H FY2019	Compared with projected results		Year-on-year comparison	
		Plan for 1H FY2019	Change	Results for 1H FY2018	Change
Net sales	<b>22,215</b>	20,880	6.4%	19,034	16.7%
Operating income (Operating income margin)	<b>3,336</b> (15.0%)	2,920 (14.0%)	14.3%	2,612 (13.7%)	27.7%
Profit attributable to owners of parent (Profit margin)	<b>2,130</b> (9.6%)	2,037 (9.8%)	4.6%	2,045 (10.7%)	4.2%

## Appendix. - (iii) Orders Received and Backlog by Segment

(Million yen)

	Orders received			Backlog		
	1H FY2019	1H FY2018	YoY change	1H FY2019	1H FY2018	YoY change
IT Consulting & Service	17,983	17,215	+767	11,378	11,303	+74
Business Innovation	815	1,029	-214	317	518	-201
<b>Total</b>	<b>18,799</b>	<b>18,245</b>	<b>+553</b>	<b>11,695</b>	<b>11,822</b>	<b>-126</b>

Note 1: eSPORTS is not included in the above table because it does not engage in order-based production.

## Appendix. - (iv) Balance Sheets

(Million yen)	End of June 2019	End of Dec. 2018	Change
Current assets	23,376	22,632	+744
Non-current assets	15,579	14,608	+971
<b>Total assets</b>	<b>38,956</b>	<b>37,240</b>	<b>+1,715</b>
Current liabilities	5,919	6,148	-228
Non-current liabilities	3,024	2,983	+40
<b>Total liabilities</b>	<b>8,943</b>	<b>9,132</b>	<b>-188</b>
<b>Total net assets</b>	<b>30,012</b>	<b>28,108</b>	<b>+1,904</b>
Shareholders' equity ratio	76.8%	75.2%	

			End of June 2019	End of Dec. 2018	Change
Main changes (Million yen)	Current assets:	Cash and deposits	14,269	13,984	+285
		Notes and accounts receivable - trade	6,647	6,234	+413
	Non-current assets:	Property, plant and equipment	1,456	974	+482
		Intangible assets (including goodwill)	2,544	2,583	-38
		Investment securities	9,864	9,257	+607
	Current liabilities:	Current portion of long-term loans payable	9	161	-151
		Deferred tax liabilities	2,471	2,233	+238
	Net assets:	Retained earnings	21,610	20,239	+1,370
		Valuation difference on available-for-sale securities	5,840	5,438	+401

## Appendix. - (v) Cash Flows

(Million yen)	1H FY2019	1H FY2018	Change
Cash flows from operating activities	2,247	4,431	-2,184
Cash flows from investing activities	-613	-526	-86
Cash flows from financing activities	-1,266	-599	-667
Effect of exchange rate changes on cash and cash equivalents	-7	-6	-0
Increase (decrease) in cash and cash equivalents	360	3,299	-2,939
Cash and cash equivalents at the beginning of the period	13,908	9,478	<b>+4,430</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>14,269</b>	<b>12,778</b>	<b>+1,491</b>

		1H FY2019	1H FY2018	Change
Main changes (Million yen)	Operating CF: Profit before income taxes	3,265	3,126	+138
	Decrease (increase) in notes and accounts receivable - trade	-413	61	-474
	Change in inventories	3	-10	+13
	Investing CF: Purchase of property, plant and equipment	-425	-103	-322
	Financing CF: Repayment of long-term loans	-368	-	-368
	Dividends paid	-756	-579	-176

## Appendix. - (vi) Results by Segment

(Million yen)

(Million yen)	1H FY2019	1H FY2018	YoY
<b>Net sales</b>	<b>22,215</b>	<b>19,034</b>	<b>+16.7%</b>
IT Consulting & Service	18,544	15,579	+19.0%
Business Innovation	3,714	3,513	+5.7%
Adjustments	-43	-59	-
<b>Operating income</b>	<b>3,336</b>	<b>2,612</b>	<b>+27.7%</b>
IT Consulting & Service	3,308	2,644	+25.1%
Business Innovation	-89	-122	-
Other	1	2	-44.4%
Adjustments	116	88	+31.6%



The summary report of operating results, supplementary materials, briefing materials and other various IR materials are also available on the Company's website.

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This material contains future forecasts made based on currently available information. These forecasts may change depending on the future direction of the Japanese economy and the IT service industry. It should be noted that the Company does not guarantee or promise the accuracy of these forecasts.

In this material, the figures in the summary report of operating results, etc. that are indicated in units of thousand yen are stated in units of million yen. Hence, a disparity may be found in some of the totals and differences. For detailed figures, please refer to the summary report of operating results.