

Briefing on Financial Results for FY2019



February 7, 2020
Future Corporation

1. Earnings Results for FY2019

2. Topics Related to FY2019

3. Plan for FY2020

1. Earnings Results for FY2019

(i) Earnings Highlights

Consolidated earnings results for FY2019

Record high net sales, operating income, ordinary income, and profit

Net sales: 45,389 million yen (12.9% increase)
Operating income: 6,523 million yen (12.0% increase)
Ordinary income: 6,710 million yen (10.9% increase)
Profit attributable to owners of parent:
4,557 million yen (11.3% increase)

IT Consulting & Service

Increased sales from new customers that are trying to transform their management through digital strategy, as well as from existing customers that are engaging in strategic IT investments

Net sales: 37,393 million yen (13.5% increase)
Operating income: 6,261 million yen (10.8% increase)

*Refer to Appendix (i)

Business Innovation

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

Net sales: 8,088 million yen (9.9% increase)
Operating income: 26 million yen (-146 million yen for FY2018)

*Refer to Appendix (i)

Inter-segment adjustment

Net sales: -91 million yen
Operating income: 239 million yen

1. Earnings Results for FY2019

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

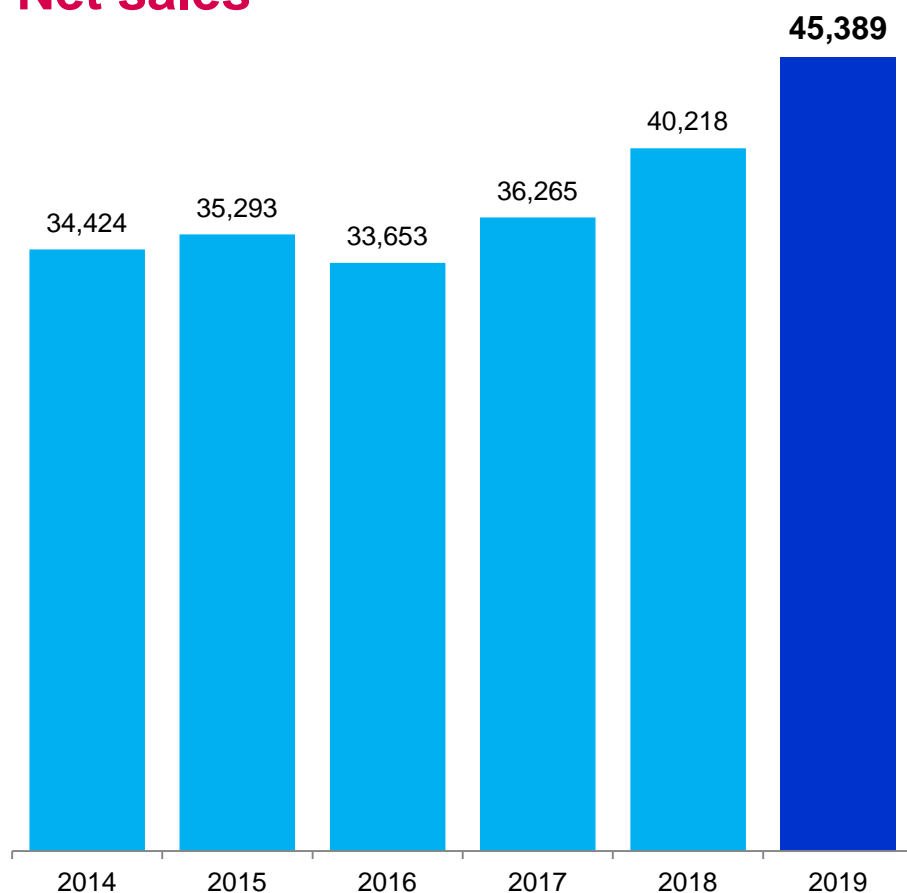
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*Refer to Appendix (ii)

The growth of net sales and operating income was driven by the performance of companies in the IT Consulting & Service Business.

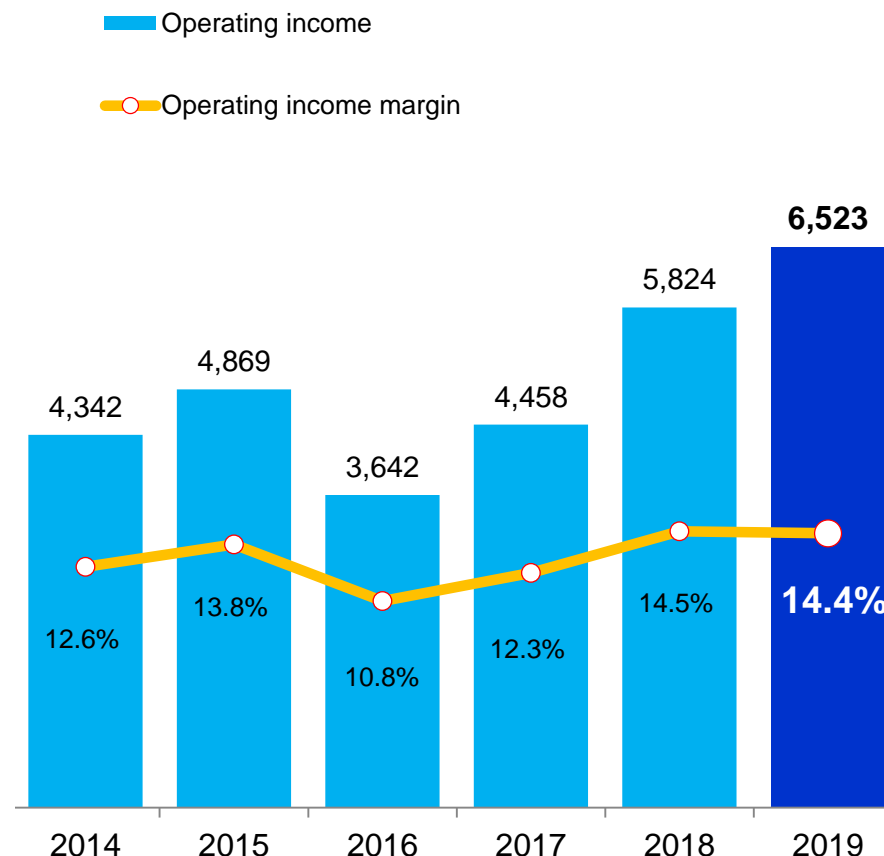
The Business Innovation Business turned around its operations for the first time, contributing to the growth of operating income.

Net sales



Operating income

(Million yen)



1. Earnings Results for FY2019

(ii) Analysis of Earnings Results (Balance Sheets)

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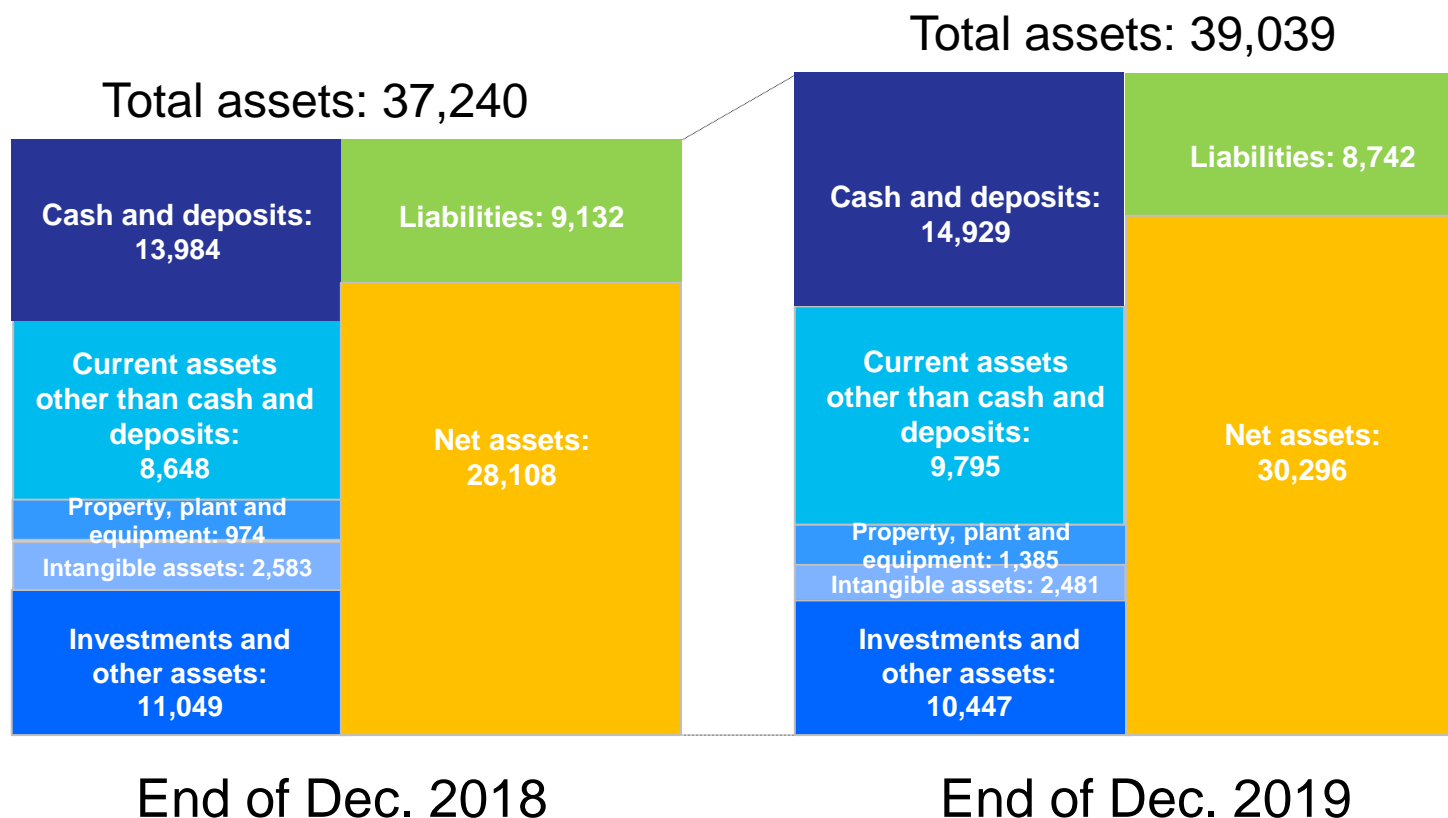
*Refer to Appendix (iii)

Cash and deposits increased 945 million yen thanks to profit growth.

Net assets increased 2,187 million yen to 30,296 million yen (shareholders' equity ratio of 77.6%).

Balance Sheets

(Million yen)



○ Major increase/decrease in assets

Cash and deposits	:+ 945
Notes and accounts receivable - trade	:+ 852
Merchandise and finished goods	:+ 147
Work in process	:+ 183
Property, plant and equipment	:+ 410
Customer-related assets	:-208
Goodwill	:+ 137
Investment securities	:-477
Other	:-193

Major increase/decrease in assets :+ 1,798

○ Major increase/decrease in liabilities

Current portion of long-term loans payable	:-149
Current portion of bonds	:-44
Accounts payable - other	:+197
Income taxes payable	:-238
Bonds payable	:-92
Long-term loans payable	:-219
Deferred tax liabilities (non-current)	:-597
Other	:+755

Major increase/decrease in liabilities: -389

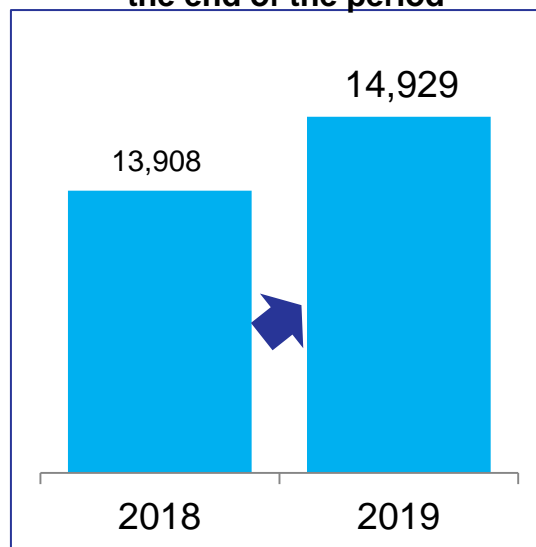
1. Earnings Results for FY2019

(ii) Analysis of Earnings Results (Cash Flows)

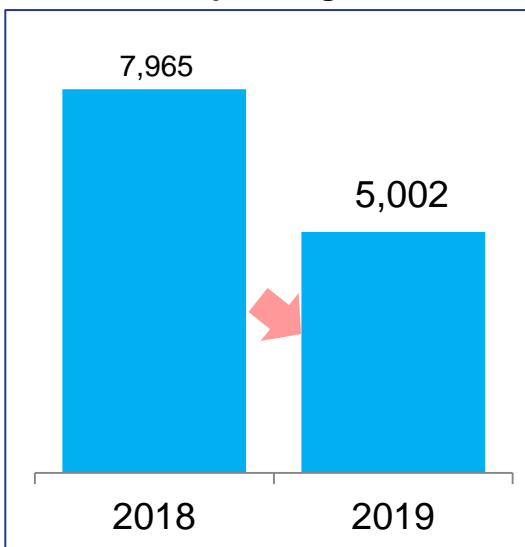
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*Refer to Appendix (iv)
(Million yen)

Cash and cash equivalents at
the end of the period



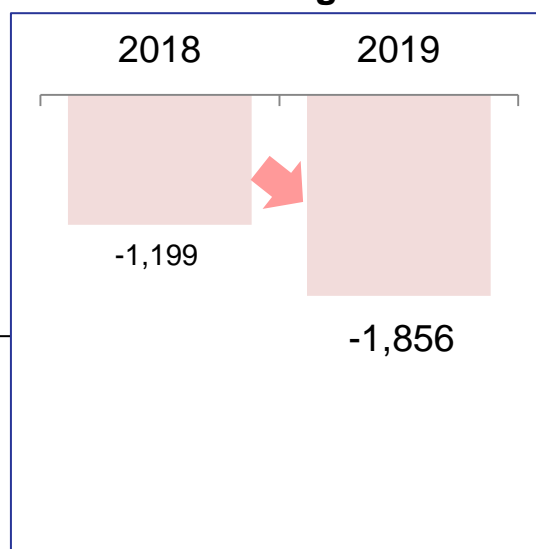
Operating CF



○ Operating activities

Change in profit before income taxes	:+ 295
Change in depreciation	:+ 218
Change in amortization of goodwill	: -564
Change in increased/decreased amount of notes and accounts receivable - trade	: -807
Other changes	: -523
Subtotal	: -1,381
Change in income taxes paid	: -887
Other changes	: -694
Change in CF - Operating activities	: -2,963

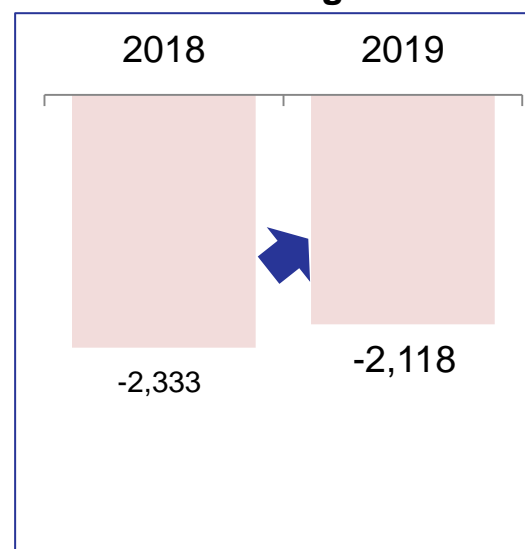
Investing CF



○ Investing activities

Change in purchase of property, plant and equipment	: -390
Change in purchase of intangible assets	:+ 433
Change in purchase of shares of subsidiaries and associates	: -102
Change in purchase of investment securities	: -600
Other changes	:+ 2
Change in CF - Investing activities	: -657

Financing CF



○ Financing activities

Change in repayments of long-term loans payable	:+ 676
Change in redemption of bonds	: -131
Change in cash dividends paid	: -316
Other changes	: -14
Change in CF - Financing activities	:+ 214

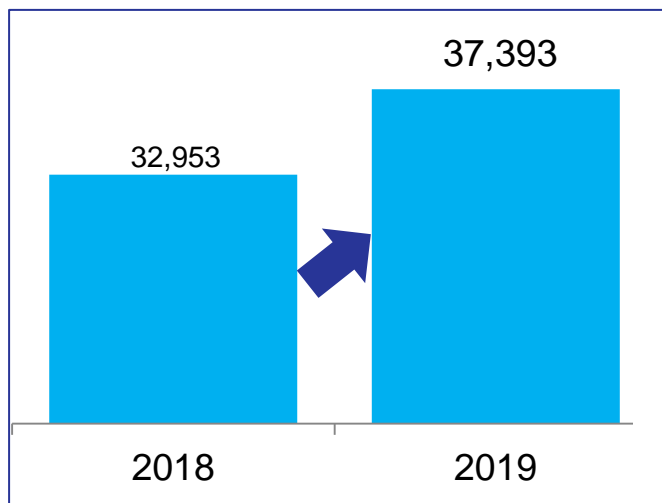
1. Earnings Results for FY2019

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

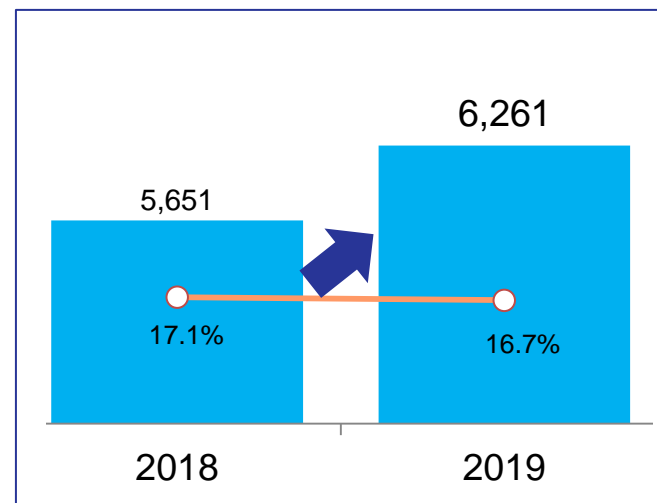
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*Refer to Appendix (v)

Net sales



Operating income



(Million yen)

Future Architect, Inc.
(including Future Corporation's
Technology Division)

Net sale Operating income

- Increased sales from companies in the apparel, distribution and service industries that are engaging in strategic IT investments using big data and AI.
- Increased sales from new types of customers with whom we have not done business before (e.g., real estate and railway companies).
- Operating income decreased as some projects turned out to be unprofitable.

Future Inspace, Inc.

Net sale Operating income

- Maintenance and operation service deals for projects completed by Future Architect increased.
- Both net sales and operating income rose due to increased orders for our new development projects.

YDC Corporation

Net sale Operating income

- Net sales and operating income decreased from a year ago due to the inclusion of a large deal involving YDC Sonar, a software program for analyzing product quality information, in the prior-year results.

FutureOne

Net sale Operating income

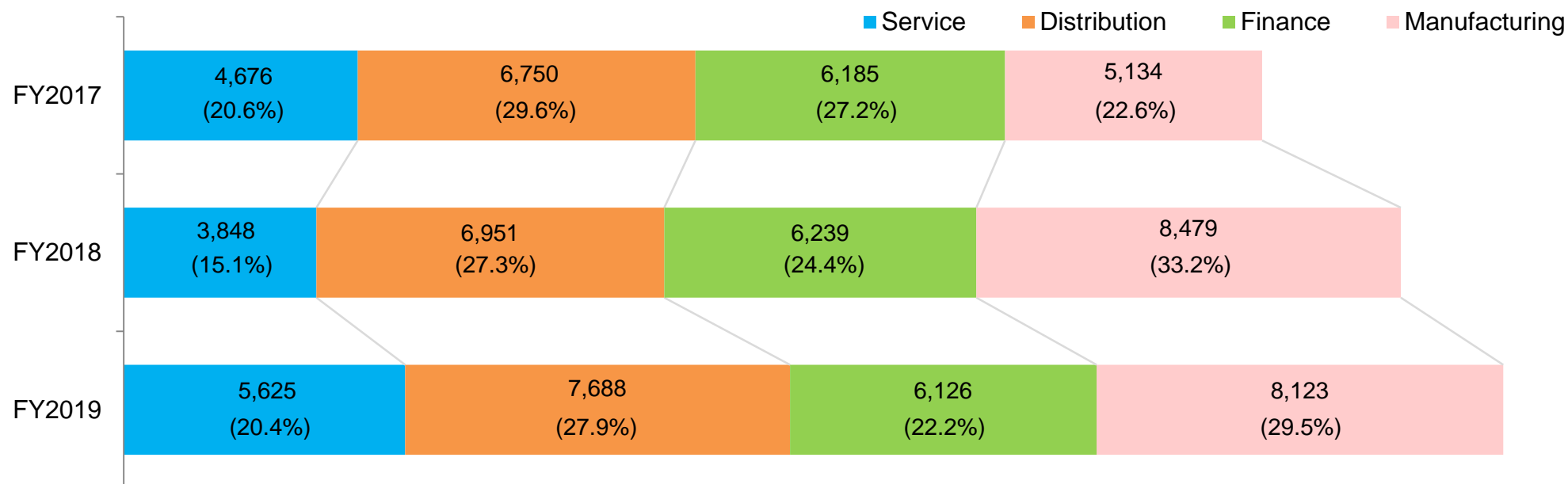
- Net sales increased thanks to orders received for development deals related to the reduced consumption tax rate system.
- Operating income rose significantly due to increased sales of InfiniOne, an original sales management software package, and other products to relatively larger medium-sized companies (e.g., subsidiaries of listed companies).

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

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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.

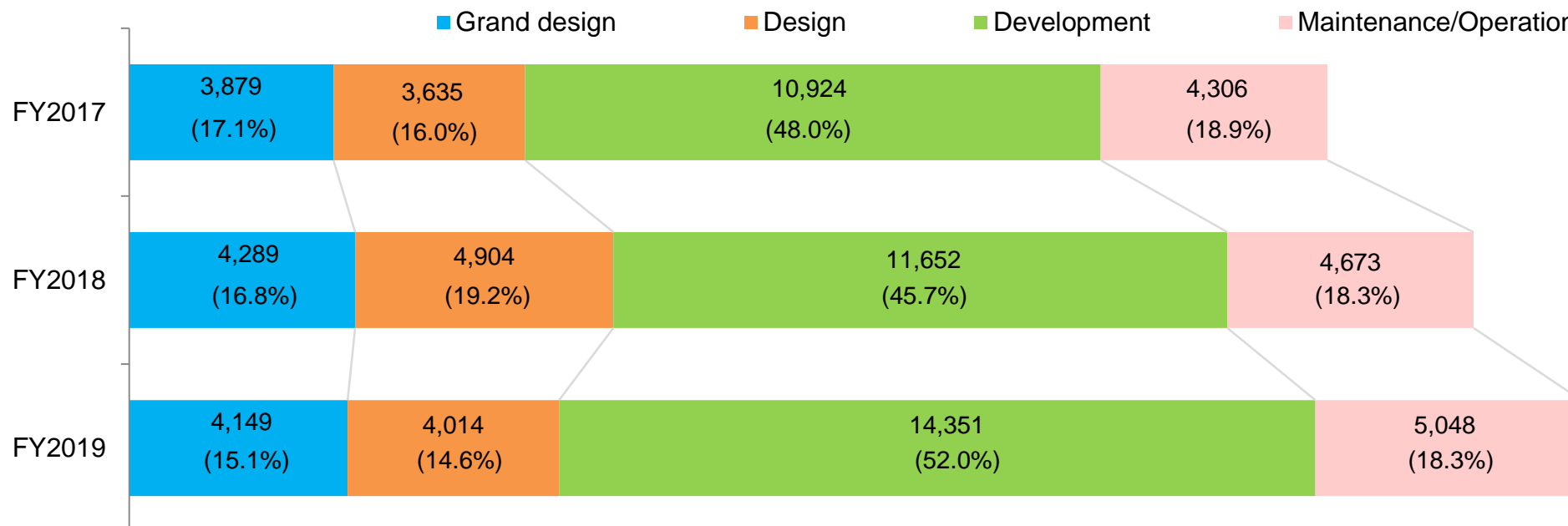
1. Earnings Results for FY2019

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

FUTURE

Trends of sales by phase

(Million yen)



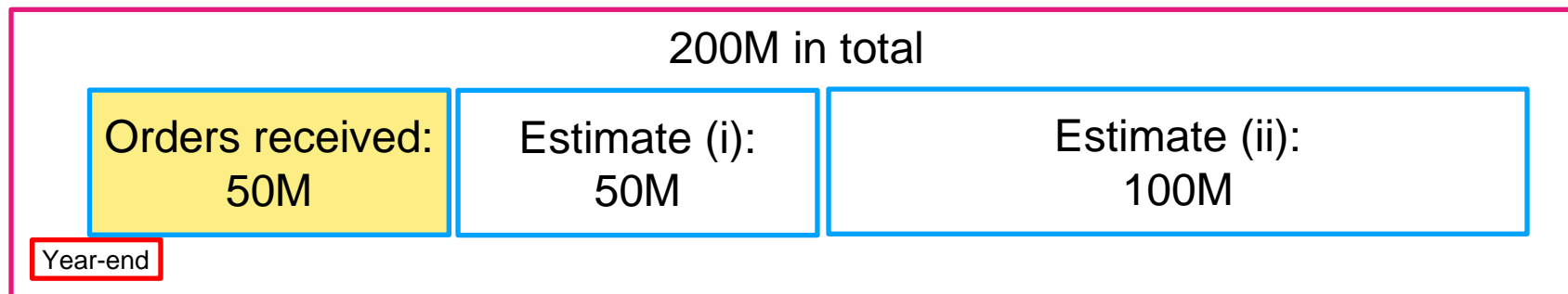
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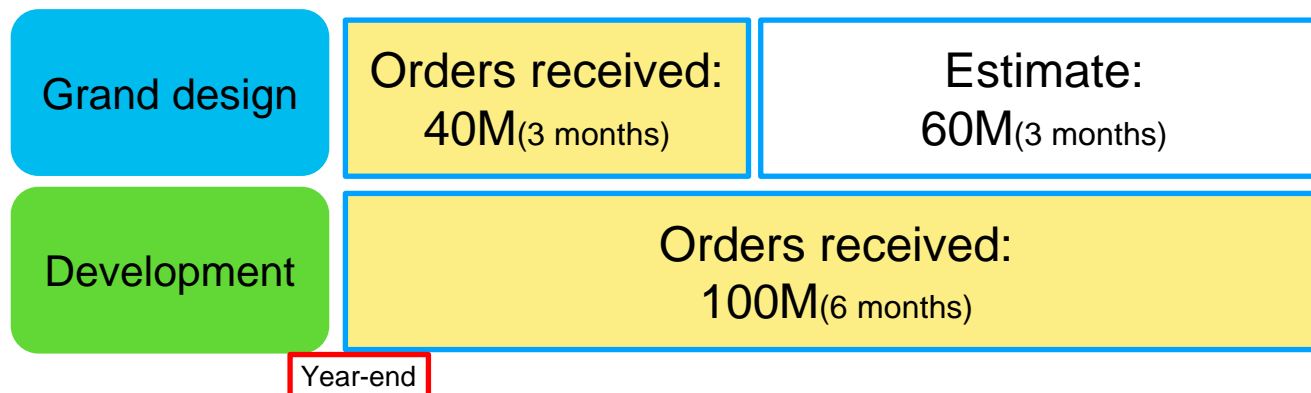
Note 3) Figures for procured goods and the maintenance thereof are not included.

Backlog management (IT Consulting & Service)

- (1) When making a large, long-term contract, we divide it into two or more parts to manage risk, and treat only the finalized portion as an order received.



- (2) Each contract's period and amount differ depending on the portfolio for each phase.



- (3) Orders received are recognized based on evidence (contract documents) and are not considered as such without evidence even if sales are expected to be made.
- (4) Unless we can obtain evidence of orders by the respective closing dates, we do not recognize them.

Relationship between backlogs and sales

IT Consulting & Service - Changes in backlogs and sales
(Quarterly basis)



- Sales have been increasing basically since 2017, and therefore, quarterly backlogs and sales have not been closely related since then.

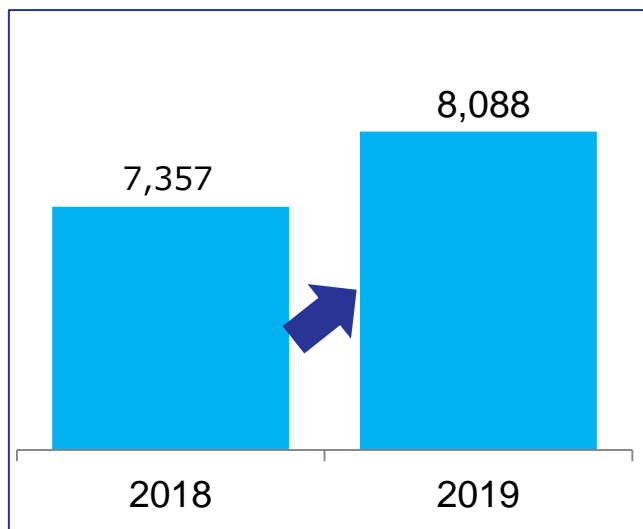
1. Earnings Results for FY2019

(iv) Results by Segment (Business Innovation)

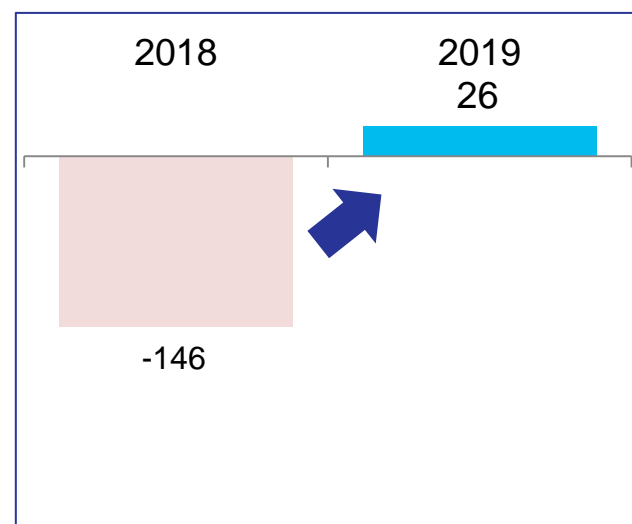
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*Refer to Appendix (v)
(Million yen)

Net sales



Operating income



eSPORTS

Net sale → Operating income

- Sales of private brand outdoor supplies (e.g., wagons) and fitness-related national brand products were strong.
- Operating income increased as a result of reducing distribution costs by introducing automatic packing machines capable of handling various types of product packing and reviewing sizes.

Tokyo Calendar Inc.

Net sale → Operating income

- Services such as “Tokyo Calendar Date” generated larger net sales and income, but advertising revenues underperformed the target figures.
- Focused on cost reduction in 2H, and reduced the yearly loss.

CodeCamp Inc.

Net sale → Operating income

- Net sales and operating income increased due to steadily increased monthly orders for the online programming courses targeting individuals.
- Strengthened our services targeting people making career changes to become engineers, and expanded collaboration with correspondence course providers, etc.

LaiBlitz, Inc.

Net sale → Operating income

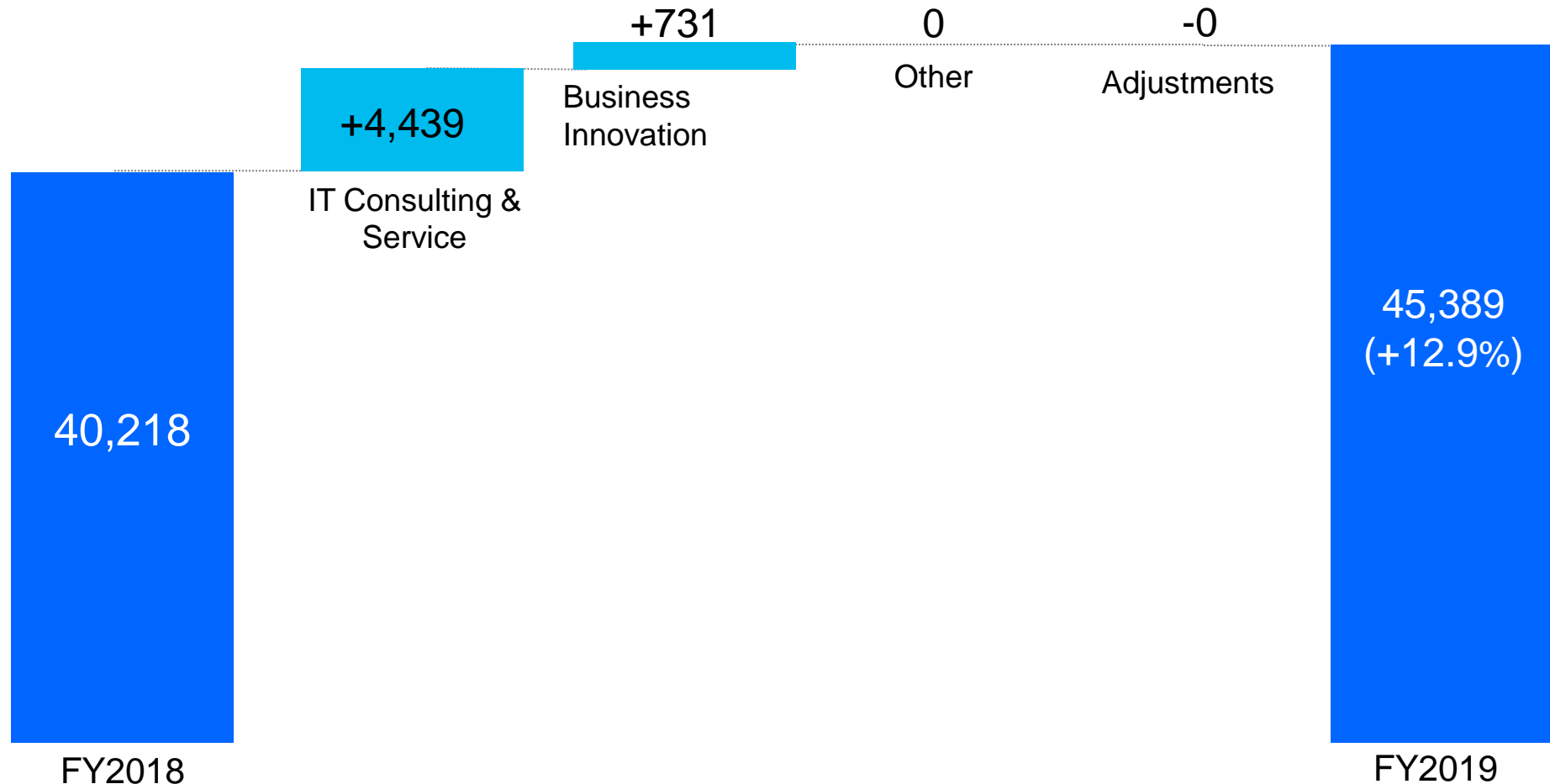
- Net sales and operating income increased year on year due to the acquisition of a new customer, a professional baseball team.
- Started selling our system for strategically strengthening professional baseball teams to amateur baseball teams (teams in the industrial baseball league).

1. Earnings Results for FY2019

(v) Analysis of Changes in Net Sales

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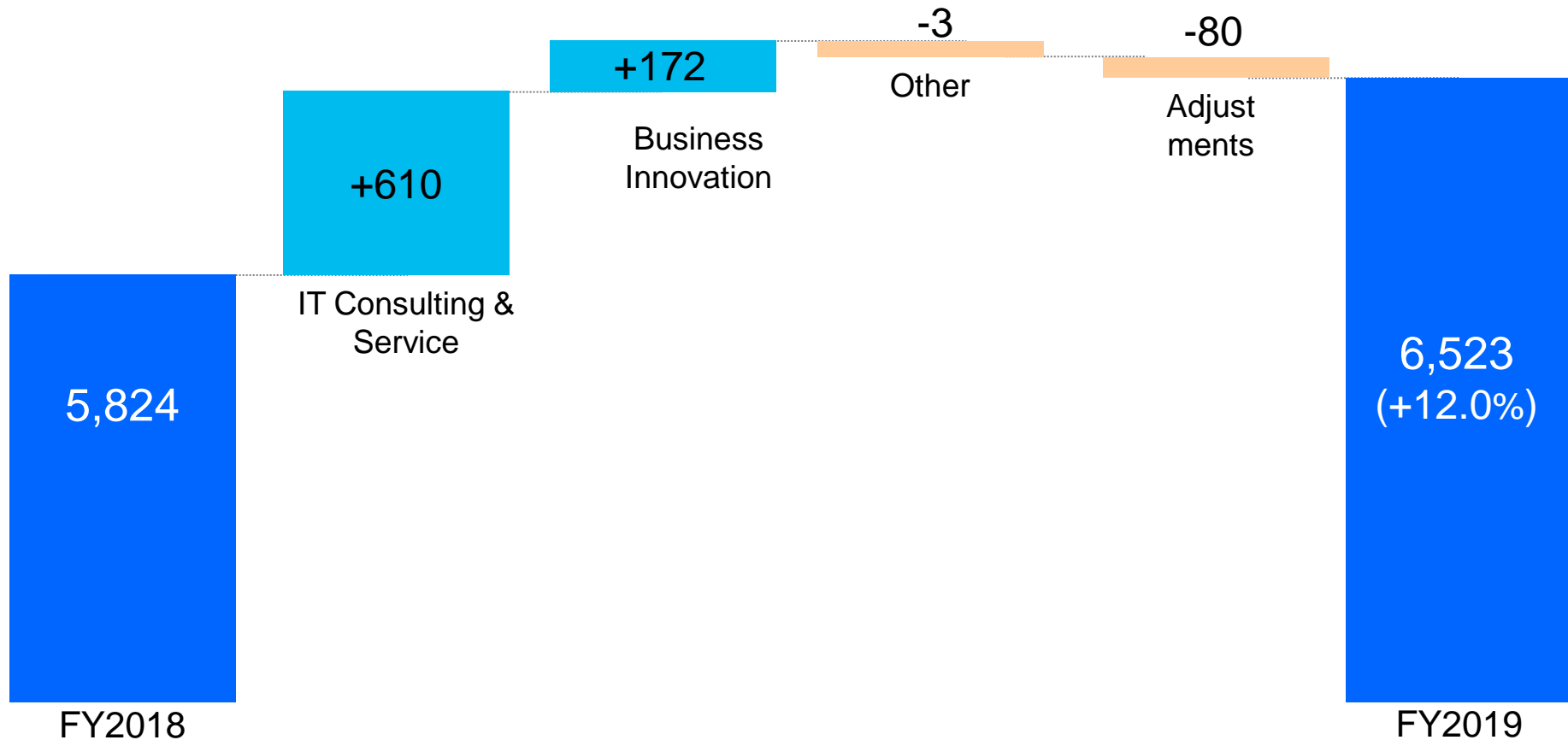
(Million yen)



(vi) Analysis of Changes in Operating Income

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(Million yen)

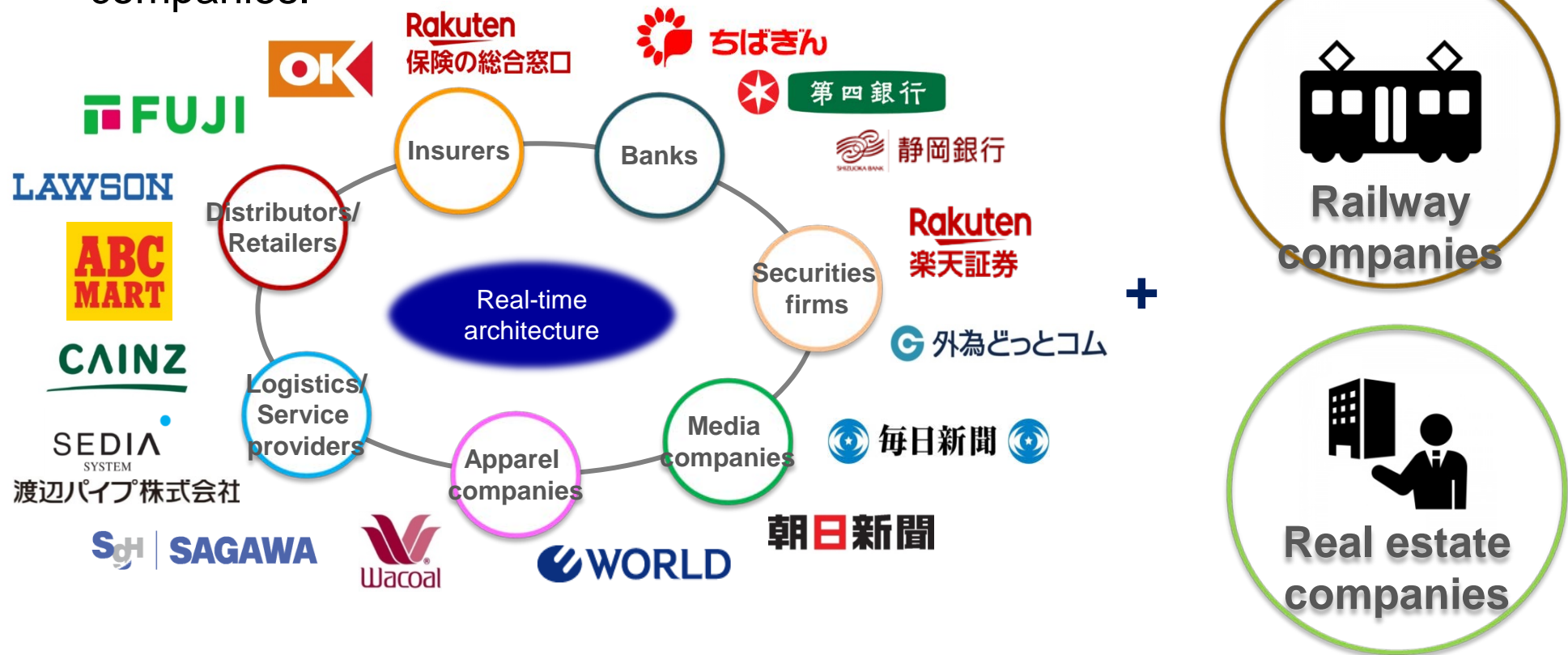


2. Topics Related to FY2019

1. Customers in Diversified Industries
2. Acquisition of Repeat Orders
3. SG Holdings Co., Ltd.
4. OK Store
5. Provision of Strategic Cloud Services
6. Companies in IT Consulting & Service Business
7. eSPORTS
8. Tokyo Calendar Inc.
9. CodeCamp
10. LaiBlitz

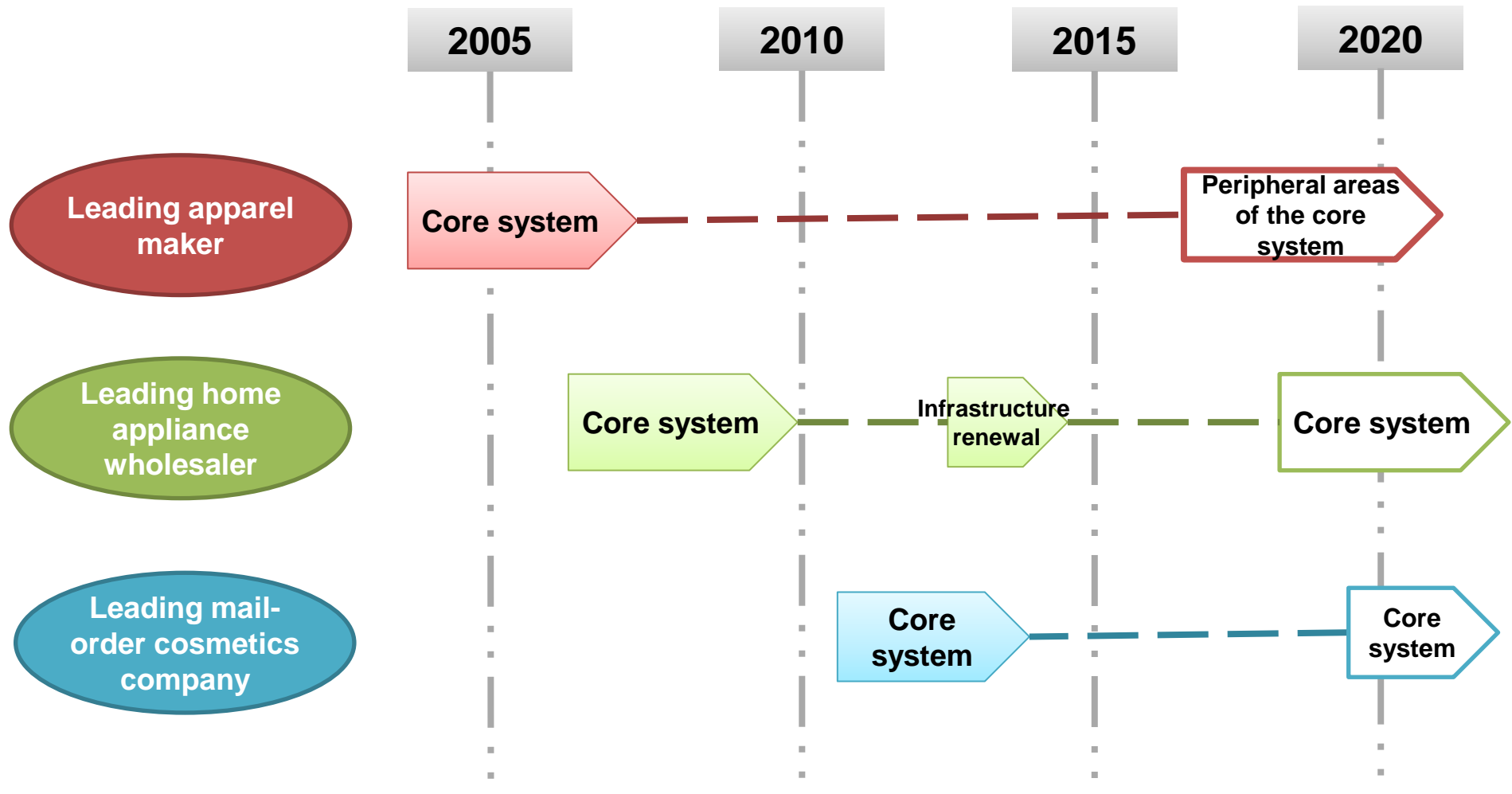
Customers in Diversified Industries

- Contributed to corporate value enhancement through the use of data on real-time architecture.
- Newly acquired infrastructure clients such as railway and real estate companies.



Acquisition of Repeat Orders

- Received orders for system reviews from previous customers for whom Future built core systems in the past. These orders amounted to 1 to 4 billion yen.



- Strove to eliminate a labor shortage, an urgent issue for the distribution industry, with the use of technology and cultivate professionals, aiming to further strengthen existing strategic partnerships.

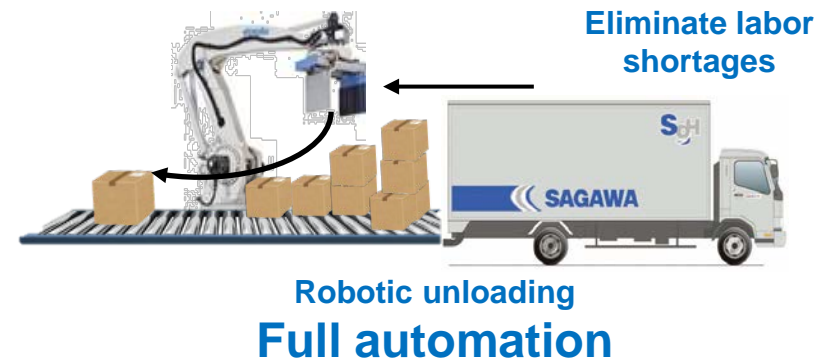


2. Topics Related to FY2019

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

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- ◆ Selected to be part of the R&D project under the Cabinet Office's "Smart Logistics Service of the Strategic Innovation Creation Program."



- ◆ Provided our original AI education program to all employees of SG Systems.
- ◆ Personnel exchange to cultivate professionals with technological knowhow (e.g., AI) and maintenance skills

OK Store - Supported the Realization of a Logistics Strategy

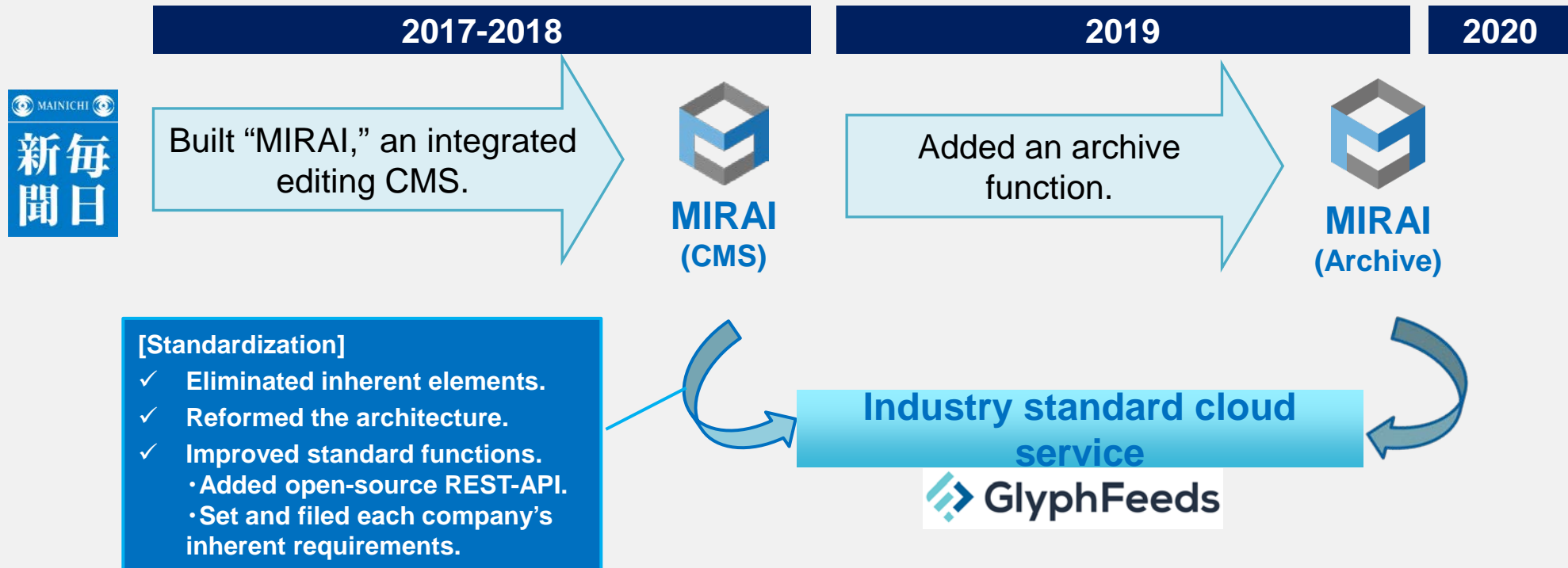
- Built a platform system for the implementation of OK Store's logistics strategy.
 - Self-directed logistics
 - No excessive inventory
 - Optimized the costs of supply chain logistics



*As of the end of January 2

Provision of Strategic Cloud Services

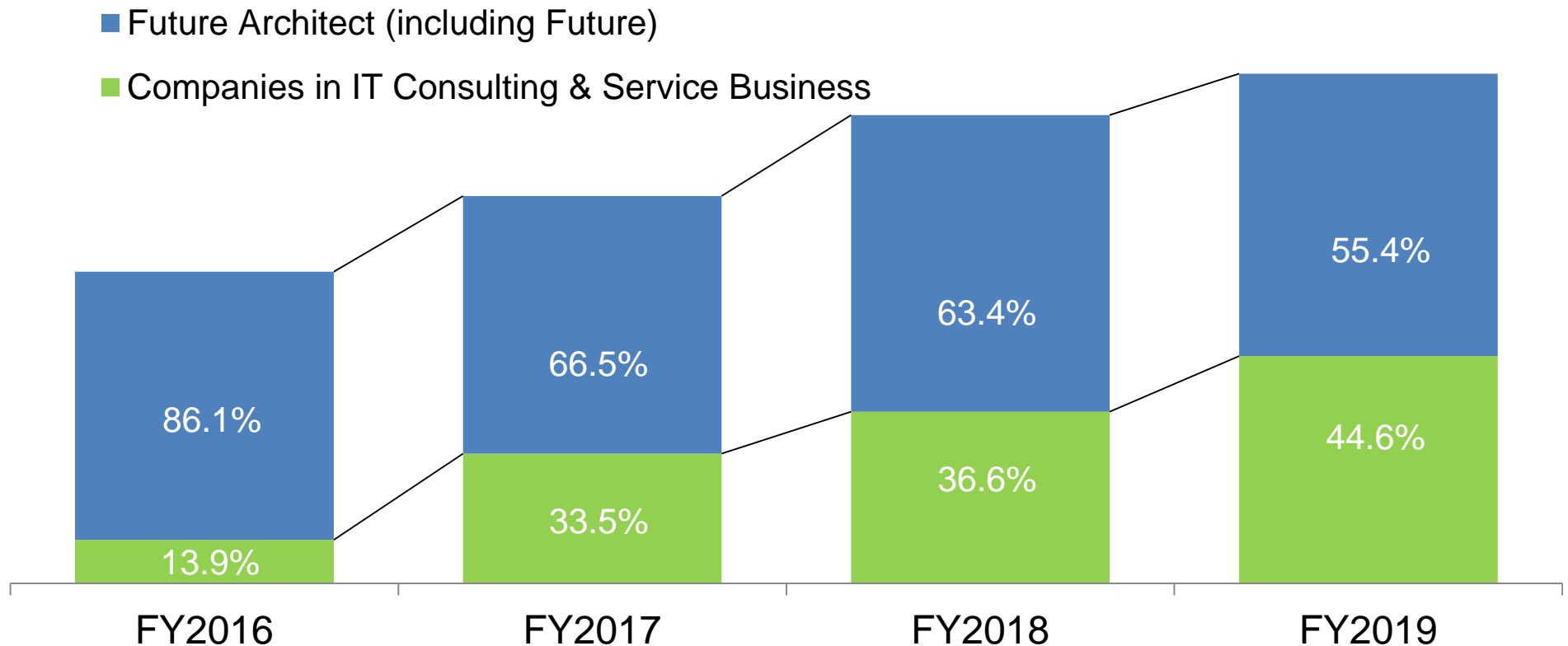
- Provided cloud services incorporating business knowledge, know-how, etc. relating to technologies and specialized areas including the use of open sources.

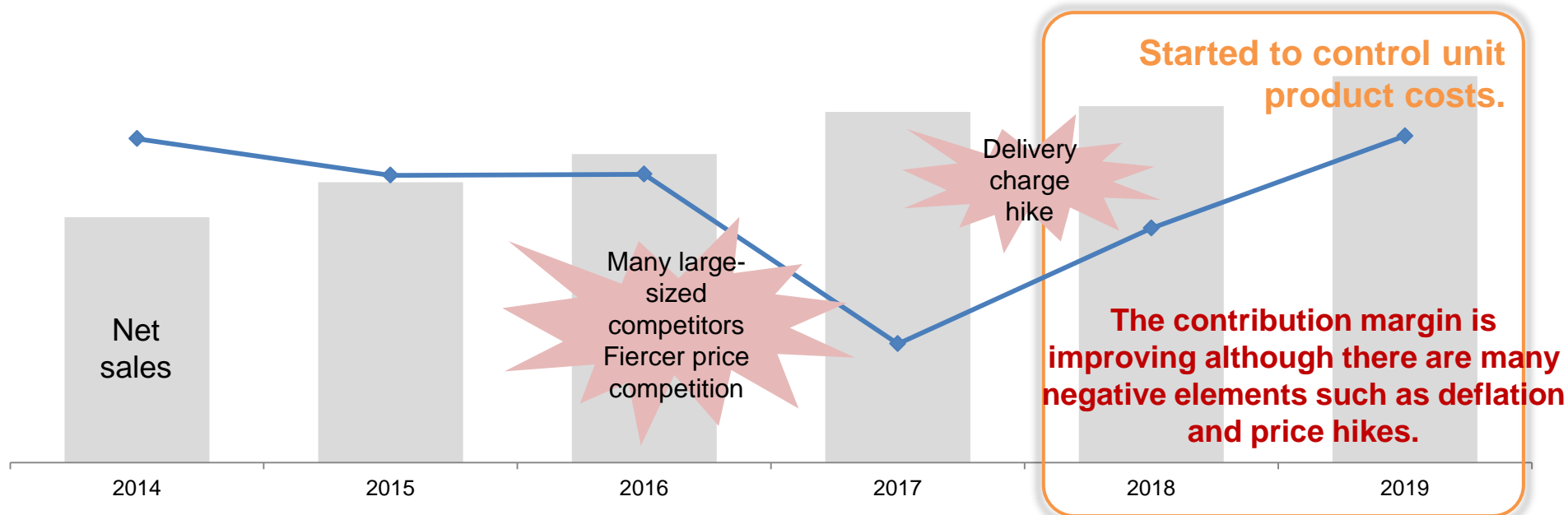


Companies in IT Consulting & Service Business

- Operating income of companies in the IT Consulting & Service Business increased steadily and is no longer dependent on one profitable company (i.e., Architect).

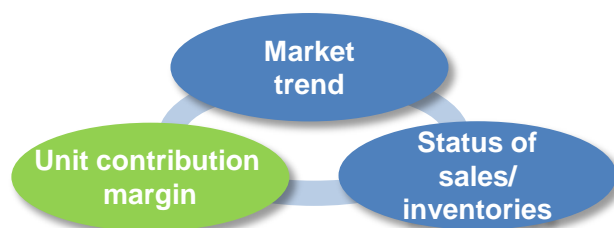
IT Consulting & Service - Composition ratio of operating income





Visualized unit costs and controlled sales prices and delivery charges.

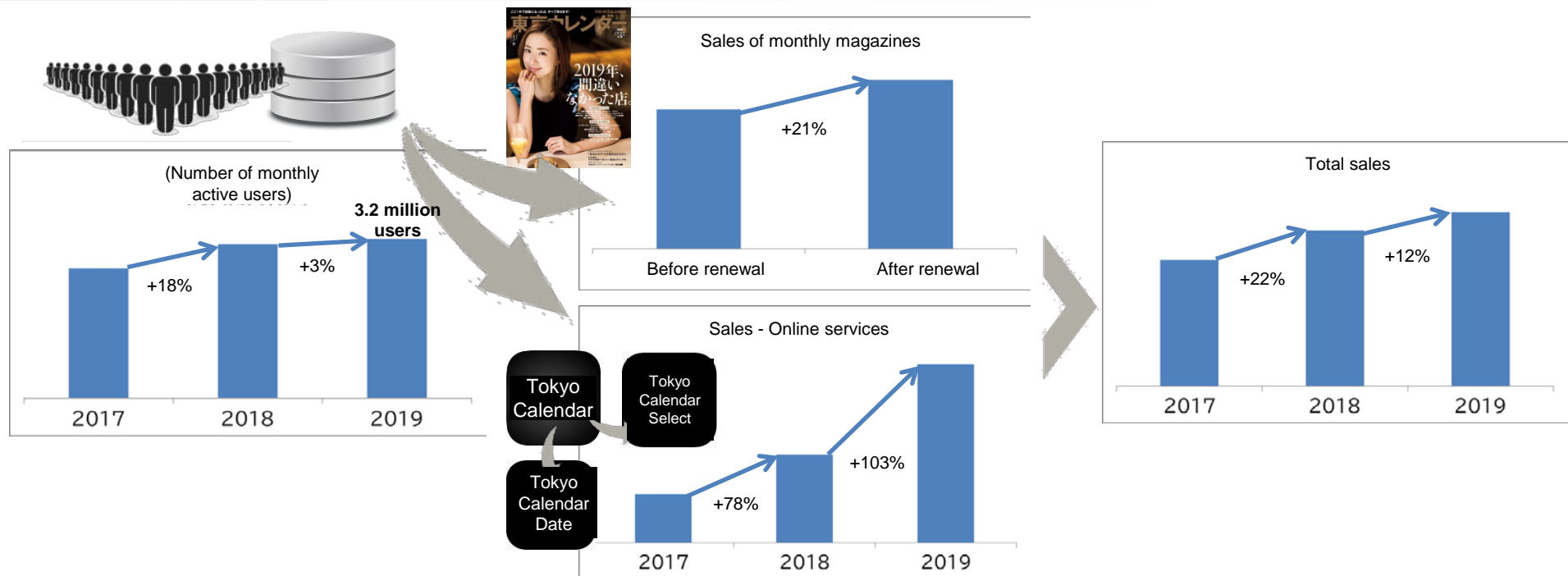
- Became able to set sales prices leading to the highest contribution margin by unit. The contribution margin ratio increased by 5 to 30% year on year.
- Reviewed logistics costs, which represent a large percentage of total costs, and succeeded in significantly reducing these costs by about 5% per month.



Introduced automatic packing material preparing machines capable of handling various types of product packing.



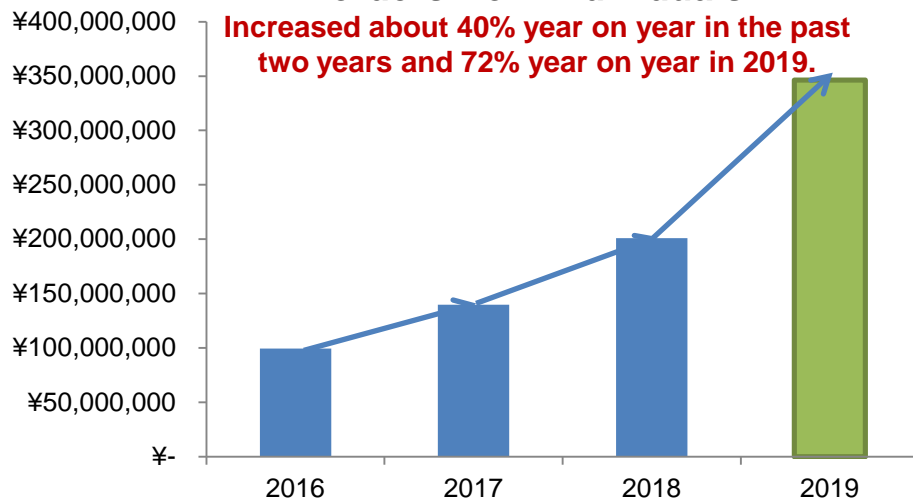
Reviewed all product sizes including private brand products.



The use of marketing platforms accelerated the integration of old media and new media.

- Analyzed user data showing strong possibilities of making engagements, and used the data for planning monthly magazines and the development of online services.
- Actual sales of monthly magazines remained solid, contributing to branding. Tokyo Calendar Date is growing significantly with the use of the “Tokyo Calendar” brand.

Rate of increase in the volume of orders from individuals



Developed learning materials for elementary school students jointly with NTT Docomo.

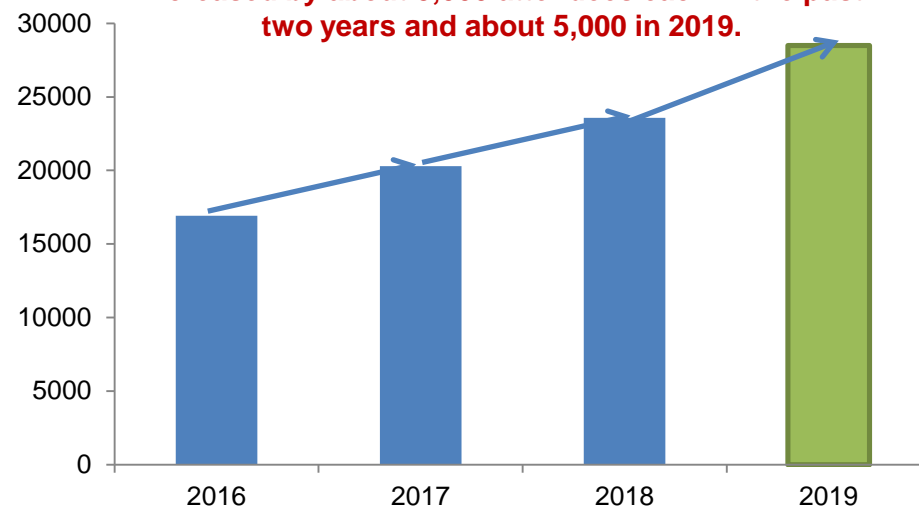
- Nationwide launch of “embot,” a robot programming tutorial jointly developed by CodeCampKIDS and NTT Docomo.

CodeCamp KIDS × NTT docomo



Number of lecture attendees

Increased by about 3,000 attendees each in the past two years and about 5,000 in 2019.



Strengthened our services for people making career changes to become engineers. (Adequate support for portfolio creation and career change activities)

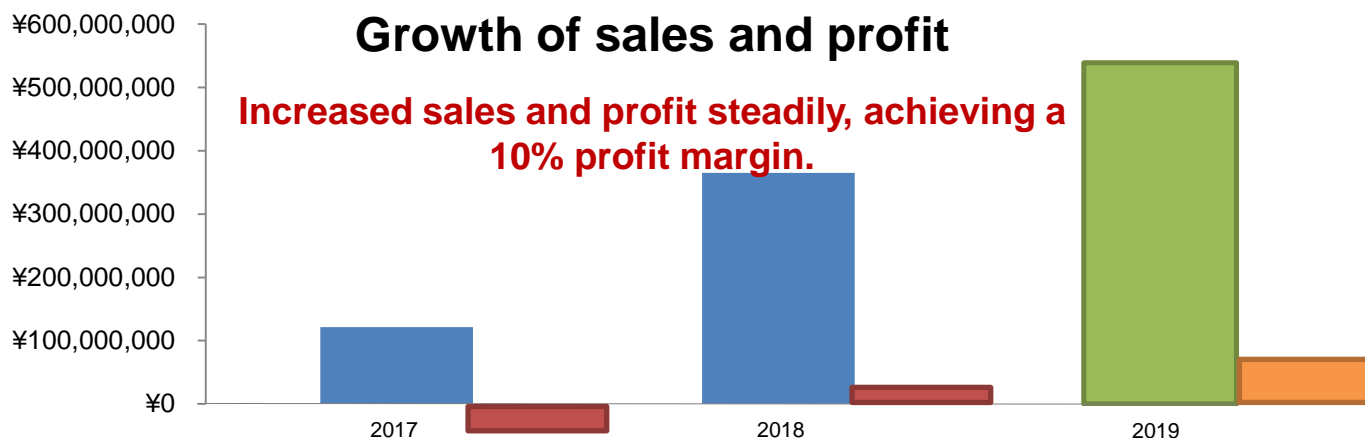
- Started to link to “LAPRAS,” a platform to visualize information about engineers’ skills.

CodeCamp × LAPRAS

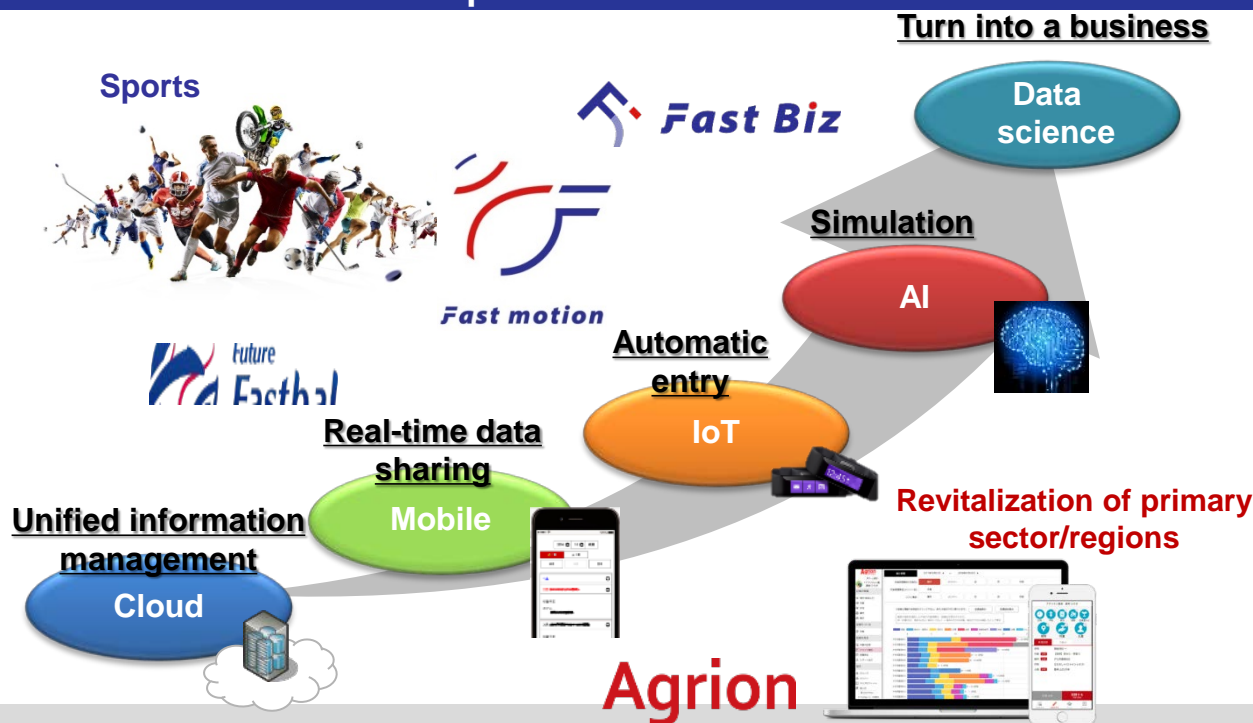
Learning histories and results at CodeCamp are visualized.

Able to learn tips for dispatching information as an engineer.

There are opportunities to be recruited by companies.



Going forward, will conduct IoT business in the primary sector and smart city IoT business, as well as sports business.

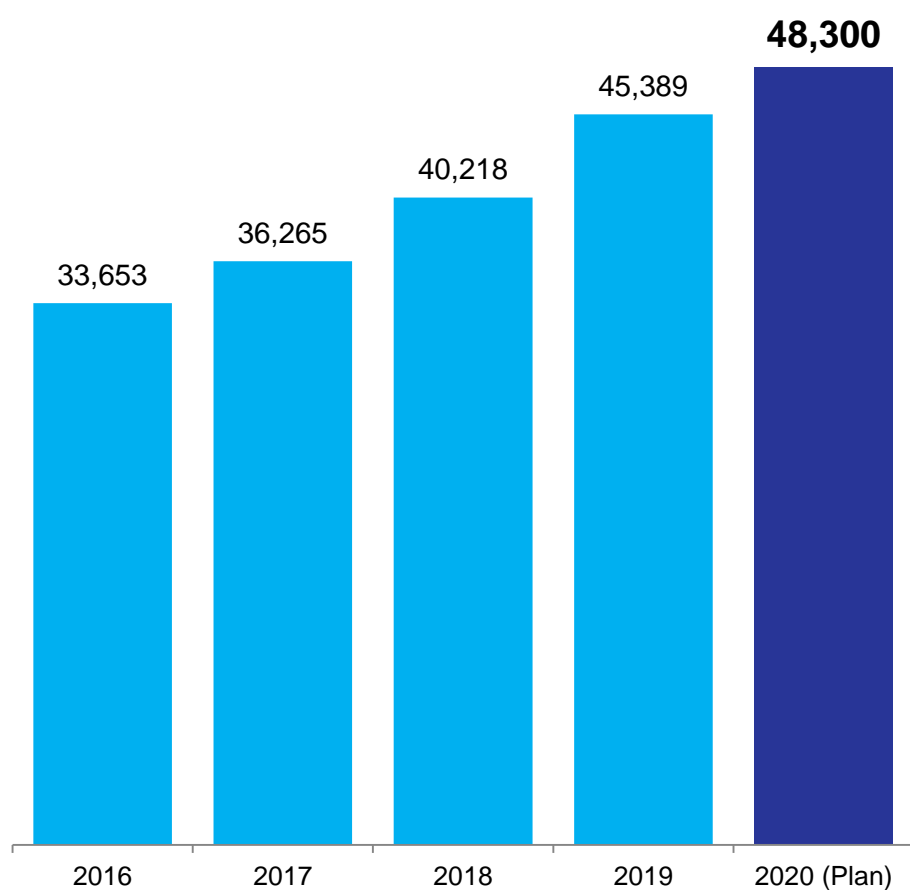


3. Plan for FY2020

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

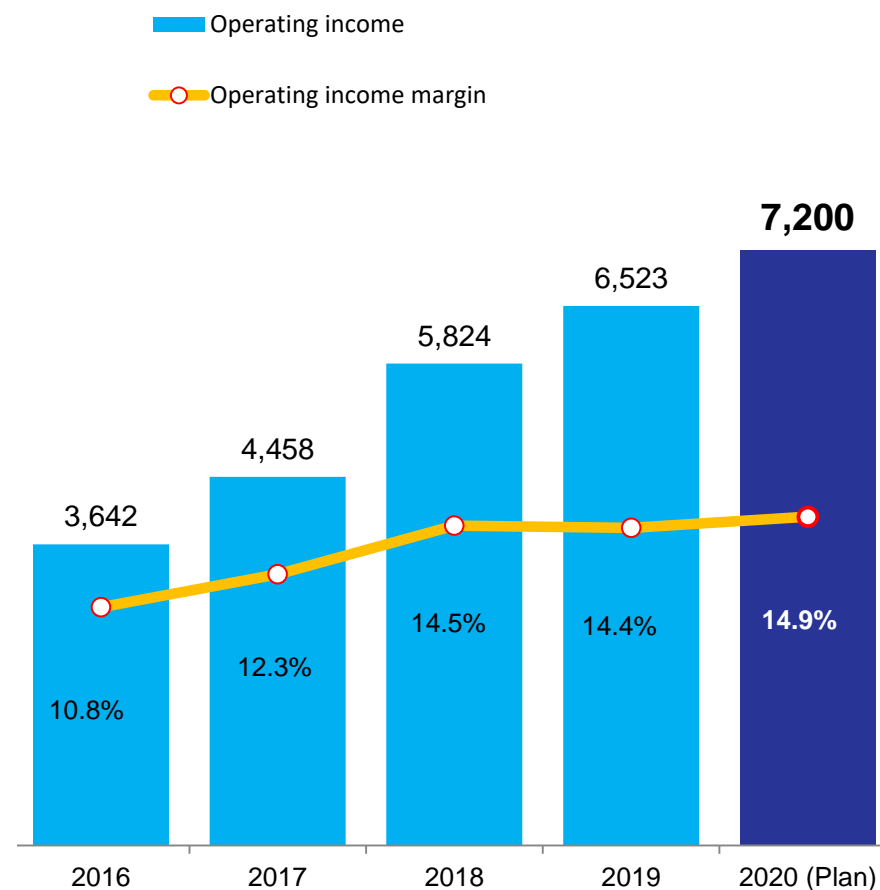
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Net sales



Operating income

(Million yen)



3-1. Numerical Plan for FY2020

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(Million yen)

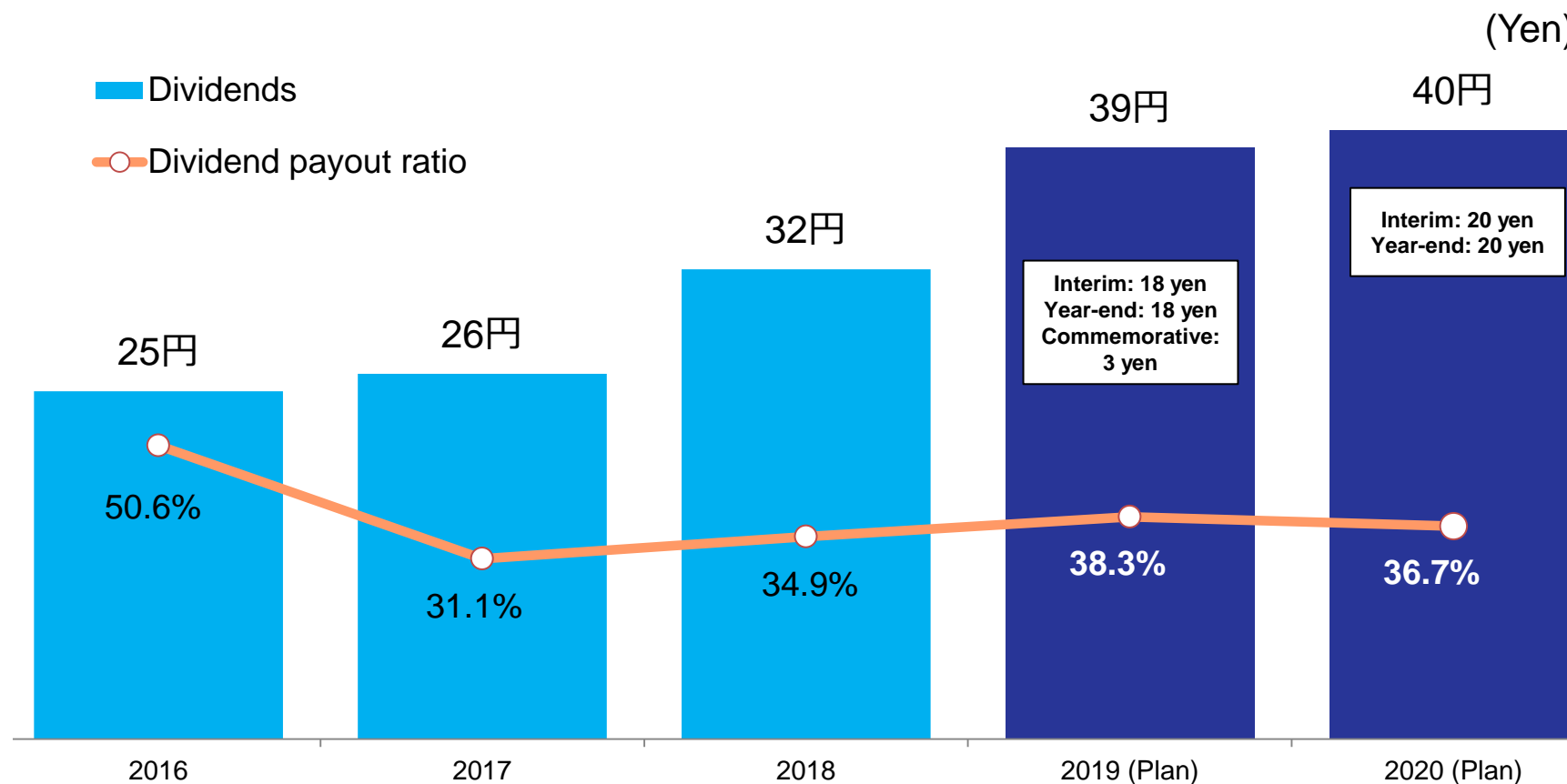
	Annual plan for FY2020	Results for FY2019	YoY comparison	Plan for 1H FY2020	Results for 1H FY2019	YoY comparison
Net sales	48,300	45,389	6.4%	23,020	22,215	3.6%
Operating income (Operating income margin)	7,200 (14.9%)	6,523 (14.4%)	10.4%	3,195 (13.9%)	3,336 (15.0%)	-4.2%
Profit attributable to owners of parent (Profit margin)	4,880 (10.1%)	4,557 (10.0%)	7.1%	2,190 (9.5%)	2,130 (9.6%)	2.8%

3-2. Dividends

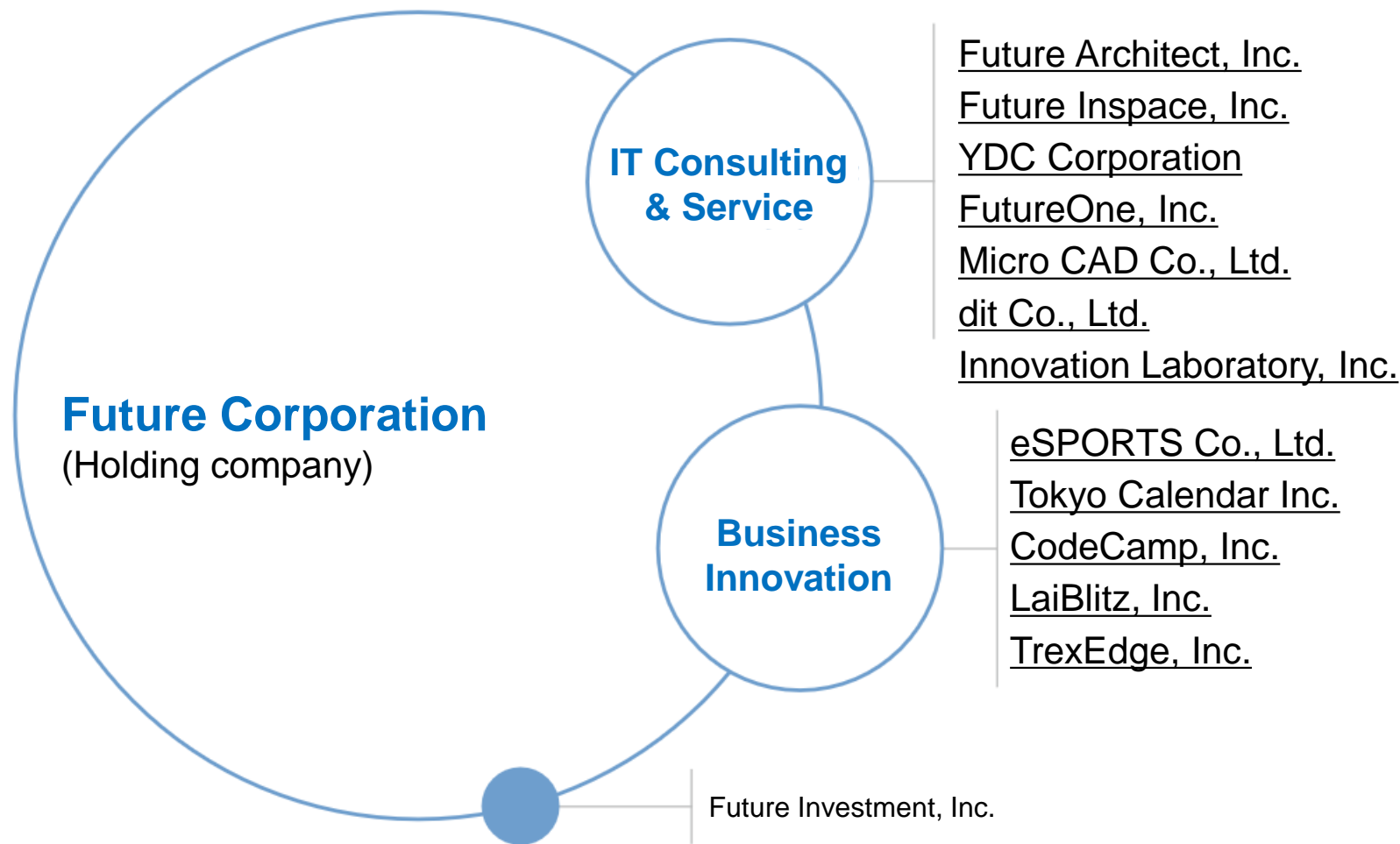
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FY2019 year-end dividend: Scheduled to pay an ordinary dividend of 18 yen per share and a commemorative dividend of 3 yen per share to celebrate the company's 30th anniversary.

FY2020 dividend: Scheduled to pay an ordinary dividend of 40 yen per share (interim dividend of 20 yen/year-end dividend of 20 yen).



Appendix.



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

FUTURE

(Million yen)

	Results for FY2019	Compared with projected results		Year-on-year comparison	
		Annual plan for FY2019	Change	Results for FY2018	Change
Net sales	45,389	43,500	+4.3%	40,218	+12.9%
Operating income (Operating income margin)	6,523 (14.4%)	6,400 (14.7%)	+1.9%	5,824 (14.5%)	+12.0%
Profit attributable to owners of parent (Profit margin)	4,557 (10.0%)	4,355 (10.0%)	+4.7%	4,094 (10.2%)	+11.3%

Appendix. - (iii) Balance Sheets

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(Million yen)	End of Dec. 2019	End of Dec. 2018	Change
Current assets	24,725	22,632	+2,092
Non-current assets	14,314	14,608	-294
Total assets	39,039	37,240	+1,798
Current liabilities	6,552	6,148	+ 404
Non-current liabilities	2,190	2,983	-793
Total liabilities	8,742	9,132	-389
Total net assets	30,296	28,108	+2,187
Shareholders' equity ratio	77.6%	75.2%	

Main changes (Million yen)

		End of Dec. 2019	End of Dec. 2018	Change
Current assets:	Cash and deposits	14,929	13,984	+ 945
	Notes and accounts receivable - trade	7,087	6,234	+ 852
Non-current assets:	Property, plant and equipment	1,385	974	+ 410
	Intangible assets (including goodwill)	2,481	2,583	-103
	Investment securities	8,779	9,257	-477
Current liabilities:	Current portion of long-term loans payable	11	161	-149
Non-current liabilities:	Deferred tax liabilities	1,635	2,233	-597
Net assets:	Retained earnings	23,232	20,239	+2,992
	Valuation difference on available-for-sale securities	4,598	5,438	-839

Appendix. - (iv) Cash Flows

FUTURE

(Million yen)	FY2019	FY2018	Change
Cash flows from operating activities	5,002	7,695	-2,963
Cash flows from investing activities	-1,856	-1,199	-657
Cash flows from financing activities	-2,118	-2,333	+ 214
Effect of exchange rate changes on cash and cash equivalents	-6	-2	-3
Increase (decrease) in cash and cash equivalents	1,021	4,430	-3,409
Cash and cash equivalents at the beginning of the period	13,908	9,478	+4,430
Cash and cash equivalents at the end of the period	14,929	13,908	+1,021

Main changes (Million yen)

	FY2019	FY2018	Change
Operating CF: Profit before income taxes	6,477	6,181	+295
Decrease (increase) in notes and accounts receivable - trade	-831	-24	-807
Change in inventories	-330	22	-353
Investing CF: Purchase of property, plant and equipment	-521	-130	-390
Financing CF: Repayments of long-term loans payable	-374	-1,050	+676
Cash dividends paid	-1,567	-1,250	-316

Appendix. - (v) Results by Segment

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(Million yen)

(Million yen)	FY2019	FY2018	YoY comparison
Net sales	45,389	40,218	+12.9%
IT Consulting & Service	37,393	32,953	+ 13.5%
Business Innovation	8,088	7,357	+ 9.9%
Adjustments	-91	-91	-
Operating income	6,523	5,824	+12.0%
IT Consulting & Service	6,261	5,651	+ 10.8%
Business Innovation	26	-146	-
Other	-4	-	-
Adjustments	239	319	-25.1%

FUTURE

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

https://www.future.co.jp/investor_relations/

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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.