

Press Release

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Notice on Consolidated Earnings Results for Fiscal 2017

1. Consolidated earnings results for fiscal 2017

The Group's consolidated earnings results for fiscal 2017 (from January 1, 2017 to December 31, 2017) are as follows.

Net sales	¥36,265 million	(up 7.8% year-on-year)
Operating income	¥4,458 million	(up 22.4% year-on-year)
Profit attributable to owners of parent	¥3,743 million	(up 69.5% year-on-year)

Details of the performance of each segment are as follows.

(1) IT Consulting & Service Business

Future Architect, Inc. started a large number of new projects with apparel companies, supermarkets, news media, and automobile companies, including cutting-edge technology-based projects using AI and IoT, such as image analysis. It also started to develop systems for supporting the sales and lending activities of multiple banks, mainly in the Tokyo metropolitan area, and increased sales generated by projects with Forex brokers and online securities companies. Although the company experienced a year-on-year decline in net sales due to the completion of development of some projects, operating income increased year-on-year attributed to improved margins of projects in the fiscal year under review.

YDC Corporation showed a strong performance primarily in system development under entrusted contracts and sales of YDC SONAR, its in-house manufactured software for integrating and analyzing quality information, centered on the manufacturing business and achieved higher-than-expected increases in net sales and operating income.

FutureOne, Inc. marked significant growth in both net sales and operating income year-on-year, which is attributable to the renewal of in-house manufactured sales management packages and an increase in the number of project orders it received by focusing on medium-sized companies with sales of ¥5 billion to ¥10 billion as target customers, with smooth progress in the related development process.

Micro CAD Co., Ltd. achieved a year-on-year increase in both net sales and operating income through sales of in-house manufactured intellectual property management software to new customers and increase in software development for customers in the manufacturing business.

As a result, the IT Consulting and Service Business showed a year-on-year increase in both net sales and operating income, posting net sales of ¥29,739 million (up 19.9% year-on-year), and operating income of ¥4,777 million (up 22.7% year-on-year).

(2) Business Innovation Business

Tokyo Calendar Inc. saw a stable increase in page views and number of users and also increased the sales of magazines during and after the second quarter as a result of focusing the content on lifestyles of people aged 30 to 49 and strengthening a framework to quickly create and publish video content internally. Consequently, the company posted increased sales from both web-based and magazine advertisements, with a 20.2% increase year-on-year in net sales, thereby achieving an operating profit for the full year for the first time. Matchalarm Inc., an online marriage-hunting information provider acquired at the end of March 2017, also increased the number of users through collaboration with Tokyo Calendar Inc. and achieved an operating profit for the nine months since April.

CodeCamp Inc. logged a 43.4% increase year-on-year in net sales, attributed to continued growth in participants of online programming education services, and strong sales performance in engineer education and related company referral programs for job seekers. Although operating loss increased in the first half due primarily to upfront investments in service development and advertisement expenses, the company posted an operating profit for the first time in the fourth quarter as a result of reinforcing the framework in the second half.

eSPORTS Co., Ltd. posted a 13.7% increase year-on-year in net sales driven by sales of private brand products centered on outdoor goods and fitness training products, whereas operating income declined due to factors including a lower gross profit margin resulting from fierce price competition affected by bad weather in the summer which continued until year-end as well as disposal and devaluation of inventory.

As a result, the Business Innovation Business showed a year-on-year increase in net sales and a reduction in operating loss, posting net sales of ¥6,774 million (up 19.7% year-on-year) and an operating loss of ¥363 million (against a loss of ¥391 million a year earlier).

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

Effective April 1, 2016, the Company shifted to a holding company structure to realign its organizational platform. Accordingly, starting from the second quarter of the previous fiscal year, we migrated to a method of: 1) recording as costs under segment income adjustment, Group operation costs which were previously included in the costs of the IT Consulting Business; and 2) recording

business outsourcing service fees and group growth subsidies received from individual Future Group companies as income under segment income adjustments. In addition, from the first quarter of the fiscal year under review, the Group integrated the IT Consulting Business and the Package & Service Business into the IT Consulting & Service Business. Year-on-year changes were calculated for comparison upon adjusting the values for previous fiscal year for the revised reporting segment categorization and measurement methods. The name of the New Media & Web Service Business was changed to Business Innovation Business, reflecting an increase in the number of companies subject to incubation.

2. Earnings outlook for the next fiscal year

The Group's earnings forecast for the fiscal year ending December 2018 is as follows.

Net sales	¥37,900 million	(up 4.5% year-on-year)
Operating income	¥5,170 million	(up 16.0% year-on-year)
Profit attributable to owners of parent	¥3,530 million	(down 5.7% year-on-year)

Profit attributable to owners of parent for the fiscal year ending December 2018 is expected to decline by 5.7% from the previous fiscal year. This is because one-off factors such as generation of gain on sales of securities and reduction of tax burden rate due to write-off of receivables for tax purposes which boosted the profit in the fiscal year under review are not included in the forecast.

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

(1) IT Consulting & Service Business

Future Architect, Inc. and Future Inspace, Inc. aim to contribute to clients' businesses and renovating IT frameworks by offering the Future Group's unique high value-added services under the following strategy:

- 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)
- Strengthening relationships with customers by providing human resources, including an advisor to the Chief Information Officer (CIO), and establishing joint ventures as a long-term strategic partner in business and IT in realizing their growth strategy

The Group has started projects designed to realize image analysis, demand forecasting, cost reduction, and other processes using cutting-edge technologies such as AI and IoT. It aims to meet

customer needs by consistently focusing on research and development of these cutting-edge technologies and applying the results of such research to actual projects.

The Group started projects centered on new customers in 2017 and aims to make sure that these new projects are completed by using aforementioned scientific project management and monitoring systems such as FutureNavi and Futurefraqta during the next fiscal year.

YDC Corporation will provide IT consulting using AI, IoT, and other technologies for the manufacturing business while focusing on operational reform consulting in the development and design area. It will also fully facilitate collaboration with Future Group companies in order to integrate technologies and services within the Group.

FutureOne aims to increase orders for a renewed version of in-house manufactured packaged software from medium-sized companies by promoting operational reform consulting services for medium-sized companies by using these packages while expanding collaboration with external sales partners.

Furthermore, to meet extensive customer needs, Future Corporation will strengthen the provision of strategic consulting services including corporate reorganization/business creation, global market development, and total risk management through the newly established Strategy Innovation Group.

(2) Business Innovation Business

Tokyo Calendar aims to boost revenue from advertising activities using its strengths to attract customers and promote content, as can be seen from gaining 47 million monthly page views and high-quality in-house video advertisements, coupled with its presence in multiple media such as monthly magazines, websites, and events. The company will also strive to strengthen provision of services in collaboration with Matchalarm Inc., an online marriage-hunting information provider. Furthermore, the company aims to build a marketing platform by leveraging the Future Group's IT technologies based on customers' behavioral data which will be accumulated in the future.

CodeCamp aims to become profitable on a yearly basis by focusing on further expanding online and offline programming education services tailored for corporations, extending outplacement services which are linked to programming education services designed to improve skills, and enhancing programming education services for children.

eSPORTS will work on enhancing product lines for casual sports products that are not easily affected by season or weather, and unique private brand products. The company will enhance research and analyses of prices and top-selling items, as well as responses to customers using the Future Group's technologies. At the same time, it aims to increase sales on its e-commerce website by striving to improve customer loyalty through such measures as collaborative work with Tokyo Calendar.

Future Corporation plans to pay an ordinary dividend of ¥28 per share (interim dividend: ¥14; year-end dividend: ¥14) for the fiscal year ending December 2018.

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

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