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Press Release

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## Notice on Consolidated Earnings Results for the First Nine Months of Fiscal 2018

### 1. Consolidated earnings results for the first nine months of fiscal 2018

The Group's consolidated earnings results for the first nine months of fiscal 2018 (from January 1, 2018 to September 30, 2018) are as follows.

<b>Net sales</b>	<b>¥28,794 million</b>	<b>(up 8.7 % year-on-year)</b>
<b>Operating income</b>	<b>¥4,080 million</b>	<b>(up 27.9 % year-on-year)</b>
<b>Profit attributable to owners of parent</b>	<b>¥3,164 million</b>	<b>(up 31.4 % year-on-year)</b>

For the third quarter, in IT Consulting & Service Business we received many orders from customers, particularly new customers, resulting in a year-on-year increase in revenue and income of Future Architect, Inc. and other companies. For Business Innovation Business, operating loss shrank owing to the improved operating income of CodeCamp, Inc. and LaiBlitz, Inc. As a result, we achieved a steady growth in consolidated earnings, with an 8.7% increase in net sales and a 27.9% increase in operating income.

Details of the performance of each segment are as follows.

#### (1) IT Consulting & Service Business

Future Architect, Inc. and Future Inspace, Inc. expanded their customer base in a wide range of industries including apparel, retail sales, food manufacturing, and news media, and involvement in projects for the development of next-generation mission-critical systems, while more and more regional banks are considering an introduction of the Group's business-support and lending-support systems, resulting in a substantial year-on-year increase in net sales and operating income. In this quarter in particular, the number of projects including those of new clients increased, along with cutting-edge projects for demand projection and loan application examination, etc., that utilize AI technologies such as image analysis, natural language processing, and machine learning.

YDC Corporation marked growth in both net sales and operating income, which is attributable to projects for customers in the manufacturing industry, including license sales of YDC SONAR, a software to integrate and analyze quality information, and system development centered on the manufacturing business under entrusted contracts, as well as a growth in sales from logistics-related systems including projects of collaborating technologies of YDC and the Future Group.

The business of FutureOne, Inc. is on a steady trend showing a year-on-year increase in both net sales and operating income, which is attributable to an order for its original sales management packaged software InfiniOne that the company received from a customer larger than its existing customers.

Micro CAD Co., Ltd. showed significant improvement in operating income, which was attributable to an increase in sales from its own intellectual property management software and system development for the manufacturing industry, as well as an improved profitability owing to the strengthened project management.

As a result, the IT Consulting & Service Business showed an increase in both sales and operating income, posting net sales of ¥23,513 million (up 8.0% year-on-year), and operating income of ¥4,050 million yen (up 22.2% year-on-year).

## (2) Business Innovation Business

Tokyo Calendar Inc. saw a surge in monthly page views (including video views) from 47 million as of December 31, 2017 to 55 million as of September 30, 2018, with 400 million monthly active users, resulting from implementation of content strategies focusing on men and women aged 30 to 49 in urban areas. Magazine sales also continued steadily. In April 2018, it acquired the entire shares of Matchalarm, Inc. and enhanced services provided to users. As a result, it posted an increase in sales for the first nine months of 2018 (including that of Matchalarm, Inc.) on a year-on-year basis, while experiencing a year-on-year decline in operating income which is attributable to a year-on-year decrease in its advertising activities for the July-September period.

eSPORTS Co., Ltd., although making restructuring efforts with the aim of increasing sales of private brand products and reduce inventory, showed a decline in operating income. This is attributable to a worsened profitability of sales of national brand products and an increased burden of sales promotion expenses and logistics expenses offsetting a year-on-year increase in net sales.

CodeCamp, Inc. marked significant growth of operating income on a year-on-year basis, which is attributable to an increase in sales of programming education services tailored for

corporate purposes including orientation for new employees, as well as steadily expanding personal online programming education services.

LaiBlitz, Inc. showed a year-on-year increase in operating income, which is attributable to sales from system development for the purpose of strengthening several professional baseball teams and for fan club operation.

As a result, the Business Innovation Business showed a year-on-year increase in operating income, posting net sales of ¥5,353 million (up 9.0% year-on-year) and an operating loss of ¥176 million (against a loss of ¥224 million a year earlier).

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

## **2. Future outlook:**

### **(1) IT Consulting & Service Business**

Future Group strives to take advantage of the impact AI would have on business and society, and conduct the Group's corporate strategies represented by "Design business, IT and AI," with a primary policy of enhancing the future value of customer companies and eventually society.

In pursuit of this goal, the Group established the Strategic AI Group, a dedicated in-house division that specializes in cutting-edge AI technologies while enhancing the development of human resources that are capable of using and taking advantage of AI technologies such as machine learning and deep learning for practical business purposes.

Until now, we have received a wide range of inquiries from customers, whether existing or new, in various industries on the use of AI. However, the aim of the Group is not just to conduct laboratory experiments and research but to achieve what would cause a revolutionary change in customer services and operations, including loan application examination of regional banks, demand projection and image analysis of the retail industry, as well as route optimization of logistics companies.

Since last year, Future Architect, Inc. has been involved in projects to renew the next-generation mission-critical systems of newly-acquired customers and the development of business-support and lending-support systems for regional banks. Moving forward, the company expects an increase in sales as these projects move to the development phase following the process of requirement definition and design. To this end, the company will advance the recruitment, education, and training of human resources.

YDC Corporation received orders for systems that take advantage of AI such as image analysis from several customers during the third quarter. Moving forward, the company strives

to propose a solution driven by a cutting-edge technology that would meet the latest market needs such as enhanced traceability. Moreover, as a wholly-owned subsidiary of Future Corporation since October, the company aims to increase sales and profit by taking advantage of the Group's synergy, for example, raising the efficiency of product development with technology provided by Future Group and providing customers of Future Architect with YDC's unique solutions.

FutureOne Inc. will strive to expand the customer base through the network of Future Group and strengthen the collaboration with external sales partners to receive more orders for the company's original packaged software.

## (2) Business Innovation Business

Tokyo Calendar continues efforts to gain more page views and users by creating video content at an overwhelming speed and delivering it exclusively to high-income men and women aged 30 to 49. It aims to expand the provision of services tailored to customers' life events by boosting revenue from advertising activities using several kinds of media including monthly magazines, websites and special events.

CodeCamp aims to achieve further increase in acceptance of orders for corporate online and offline programming education services by offering additional educational menu and updating existing content. The company also strives to expand its franchise business with its child-friendly content and school management know-how.

eSPORTS strives to expand revenue by improving a system that allows scientific analysis of prices and top-selling products, advancing its private brand's power and other innovative efforts with the technologies of Future Group, to cope with the intensifying low-price competition, point entitlement, and rising logistics cost in the e-commerce industry.

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

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