

Briefing on Financial Results for FY2018



February 8, 2019
Future Corporation

1. Earnings Results for FY2018

2. Topics Related to FY2018

3. Plan for FY2019

1. Earnings Results for FY2018

1. Earnings Results for FY2018-(i) Earnings Highlights

Consolidated earnings results for FY2018

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

Net sales:	40,218 million yen (10.9% increase)
Operating income:	5,824 million yen (30.6% increase)
Ordinary income:	6,052 million yen (27.2% increase)
Profit attributable to owners of parent:	4,094 million yen (9.7% increase)

IT Consulting & Service

Owing to orders received from existing and new customers, the net sales and income of Future Architect and other companies increased

Net sales:	32,953 million yen (10.8% increase)
Operating income:	5,651 million yen (18.3% increase)

*Refer to Appendix (i)

Business Innovation

Operating loss decreased significantly

Net sales:	7,357 million yen (8.6% increase)
Operating income:	-146 million yen (-363 million yen for FY2017)

*Refer to Appendix (i)

Inter-segment adjustment

Net sales:	-91 million yen
Operating income:	319 million yen

1. Earnings Results for FY2018-

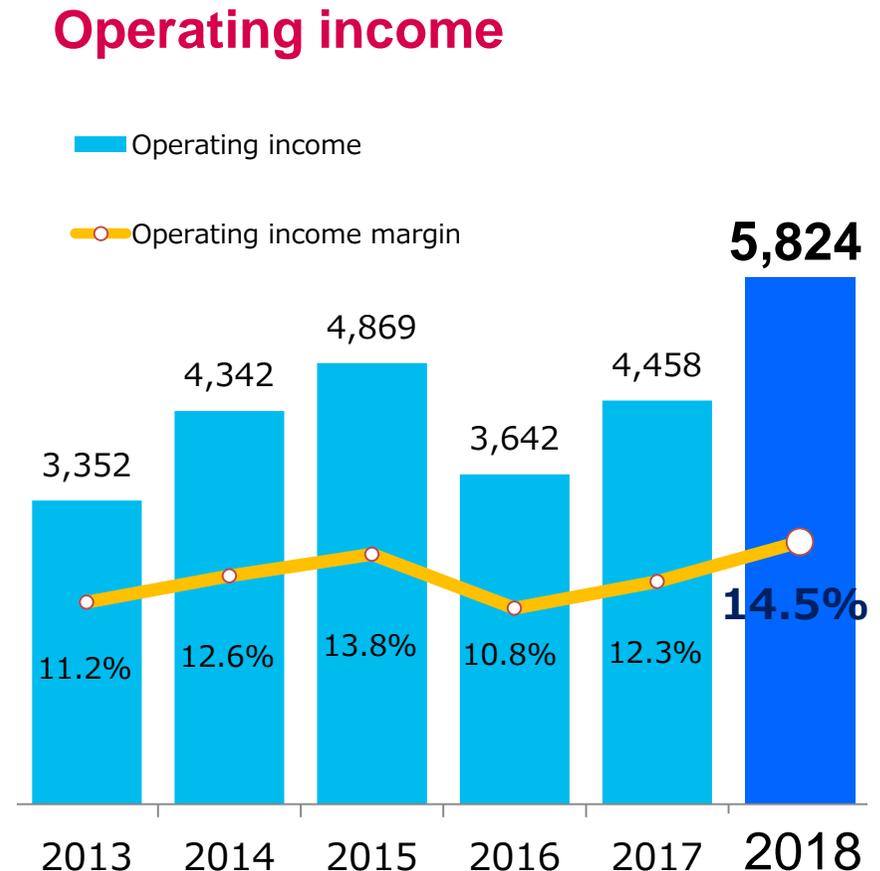
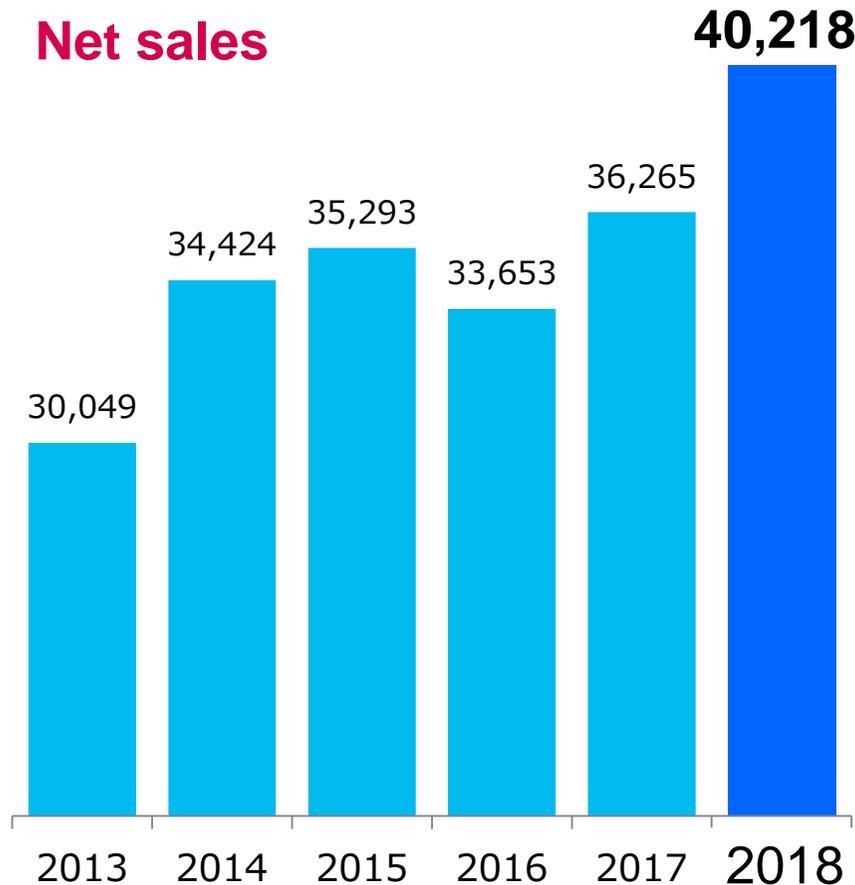
(ii) Analysis of Earnings Results (Net Sales and Operating Income)

*Refer to Appendix (ii)

The operating income margins of companies in IT Consulting & Service and Business Innovation Businesses have improved

Operating income margin increased from 12.3% (FY2017) to 14.5%

(Million yen)



1. Earnings Results for FY2018-

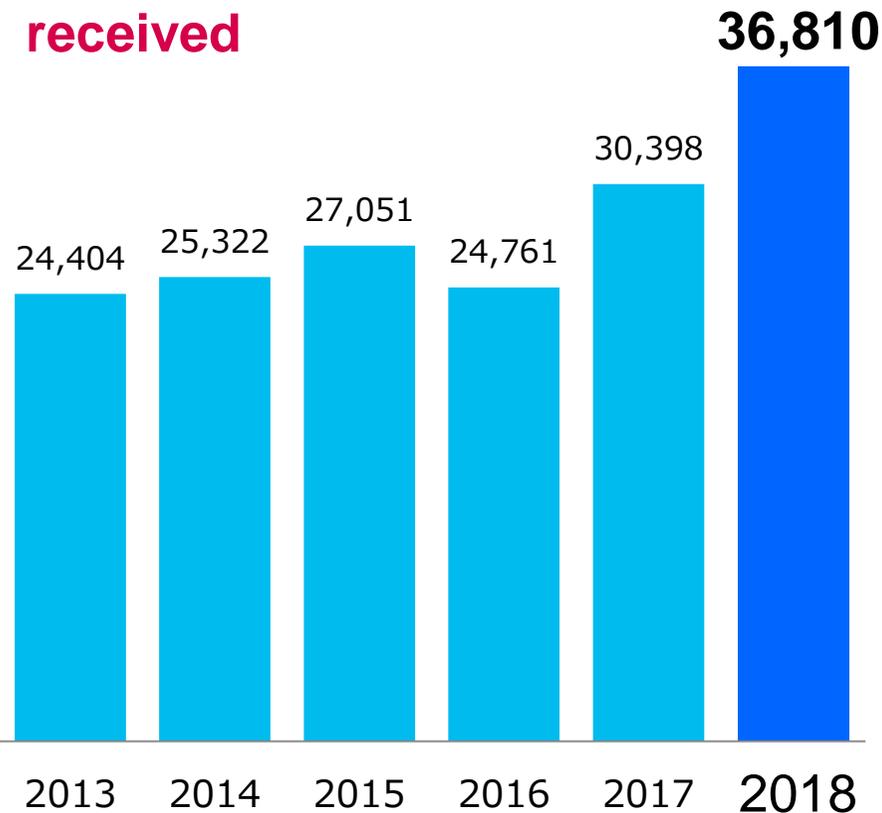
(ii) Analysis of Earnings Results (Orders Received and Order Backlog)

*Refer to Appendix (iii)

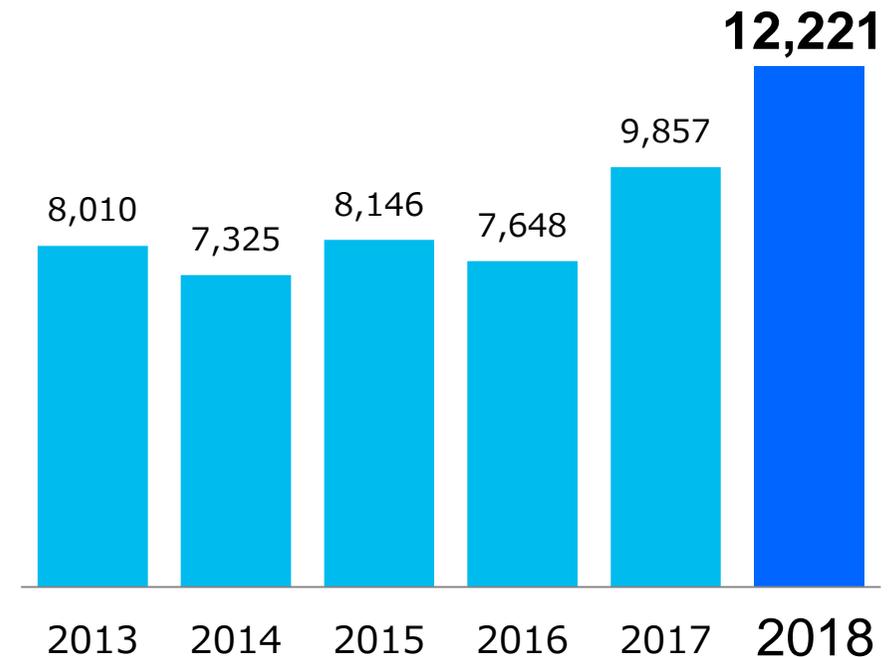
The orders received and order backlogs of companies in IT Consulting & Service Business increased, hitting record highs

(Million yen)

Orders received



Order backlog



1. Earnings Results for FY2018-

(ii) Analysis of Earnings Results (Balance Sheets)

*Refer to Appendix (iv)

Owing to increased profit and the collection of accounts receivable due to winning a lawsuit, cash and deposits increased by 4,505 million yen

Net assets increased 3,619 million yen to 28,108 million yen

Balance sheets

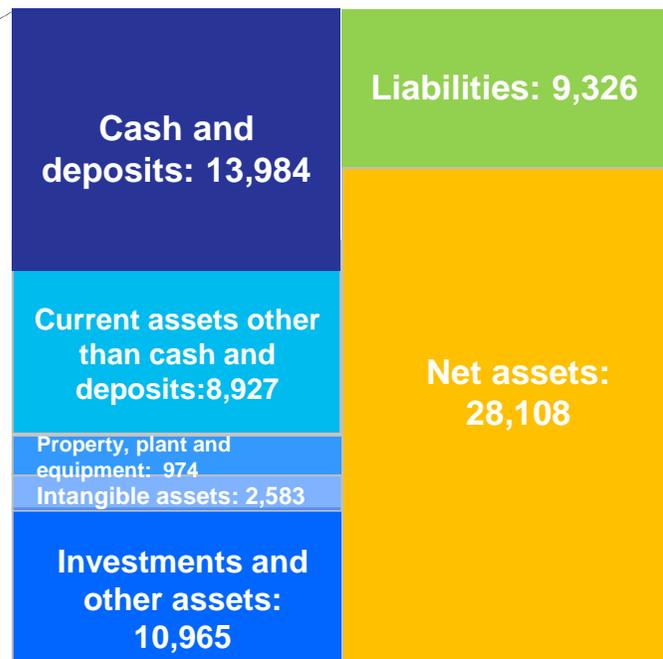
(Million yen)

Total assets: 32,522



End of Dec. 2017

Total assets: 37,435



End of Dec. 2018

○ Major increase/decrease in assets

Cash and deposits	: +4,505
Notes and accounts receivable - trade	: +347
Merchandise and work in process	: +81
Accounts receivable - other	: -1,339
Deferred tax assets	: -40
Property, plant and equipment	: -17
Intangible assets	: +336
Goodwill	: -904
Investment securities	: +1,536
Other	: +482

Major increase/decrease in assets : +4,912

○ Major increase/decrease in liabilities

Accounts payable - trade	: +326
Accounts payable - other	: +39
Income taxes payable	: +605
Loans/bonds payable	: -471
Deferred tax liabilities	: +380
Other	: +414

Major increase/decrease in liabilities : +1,293

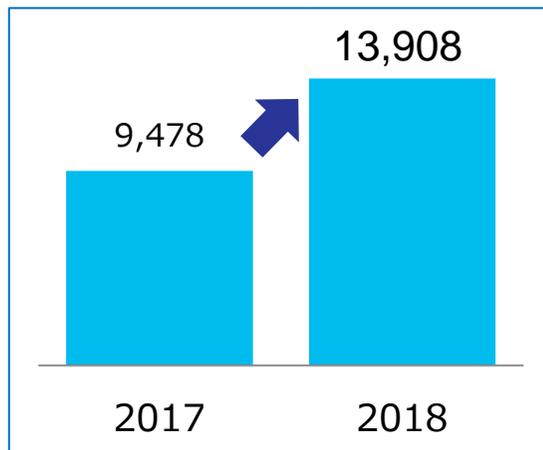
1. Earnings Results for FY2018-

(ii) Analysis of Earnings Results (Cash Flows)

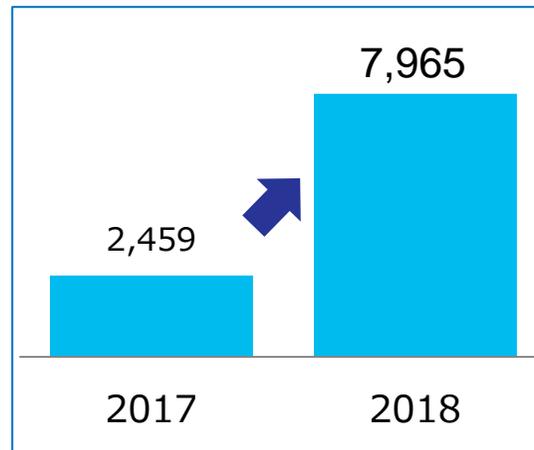
*Refer to Appendix (v)

(Million yen)

Year-end balance
of cash, etc.



Operating CF

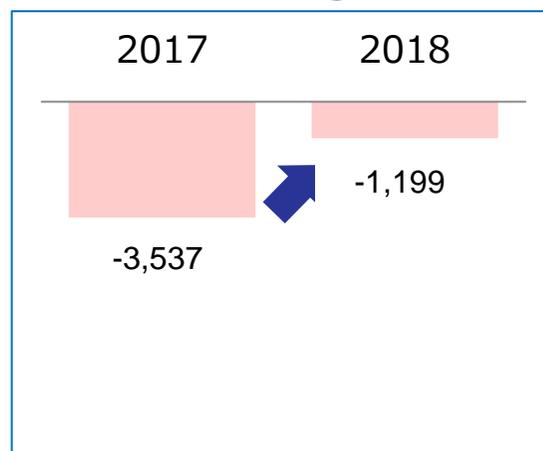


○ Operating activities

Change in profit before income taxes	: +1,344
Change in depreciation	: -38
Change in amortization of goodwill	: +201
Foreign exchange gains	: +148
Change in notes and accounts receivable - trade	: +906
Change in inventories	: -176
Other	: +3,121

Change - operating activities : +5,506

Investing CF

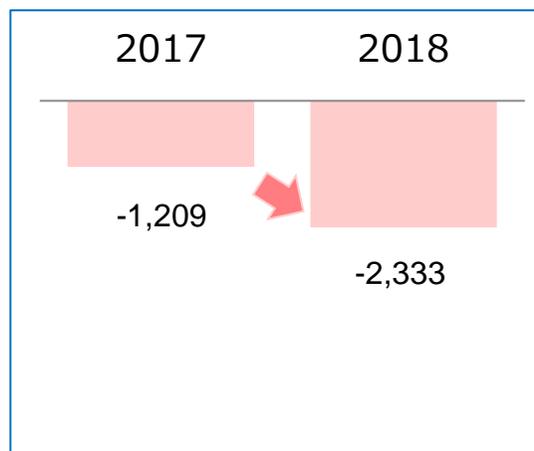


○ Investing activities

Purchase of property, plant and equipment	: +565
Purchase of intangible assets	: +192
Purchase of shares of subsidiaries	: +1,640
Other	: -59

Change - investing activities : +2,338

Financing CF



○ Financing activities

Repayments of long-term loans	: -1,029
Dividends paid	: -111
Other	: +17

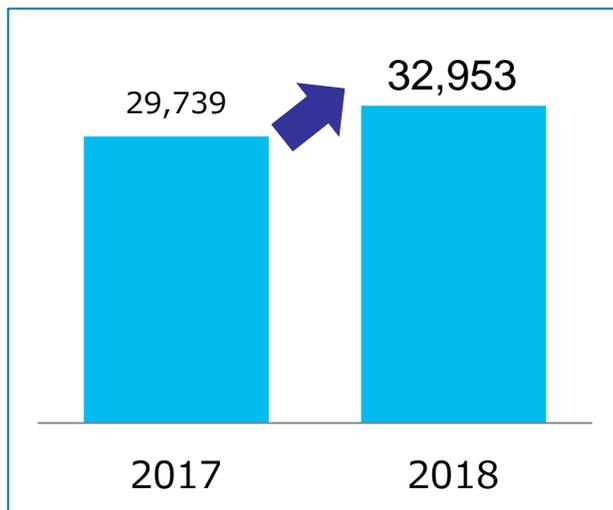
Change - financing activities : -1,123

1. Earnings Results for FY2018-

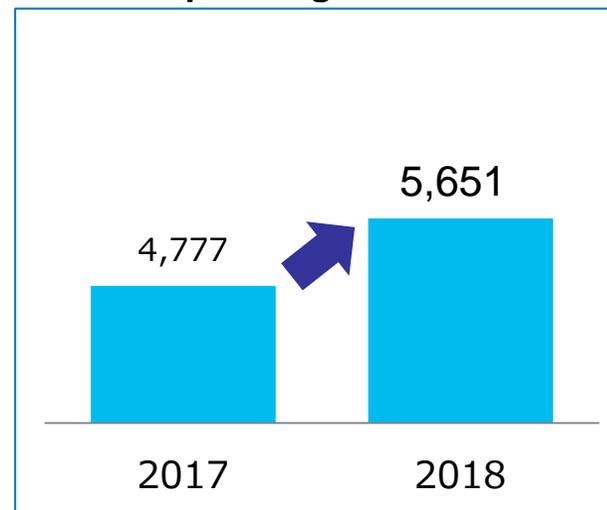
(iii) Results by Segment (IT Consulting & Service)

*Refer to Appendix (vi)

Net sales



Operating income



(Million yen)

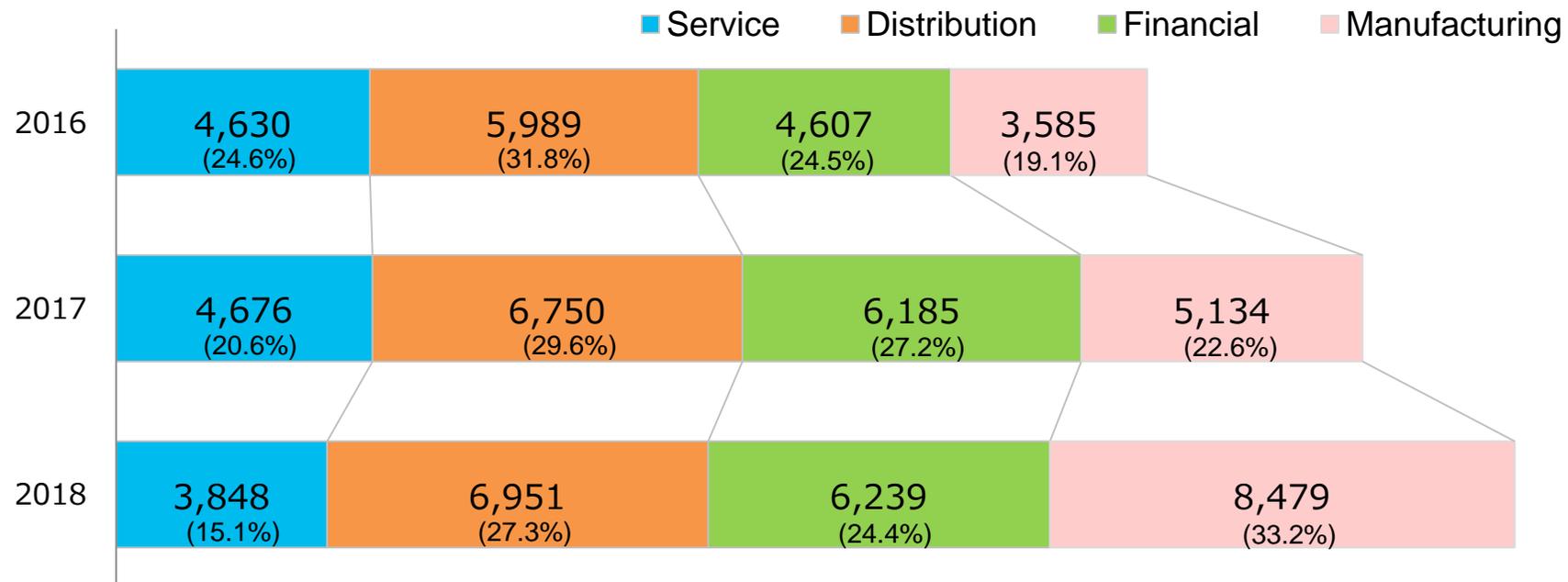
<p>Future Architect, Inc. (including Future Corporation's Technology Division)</p> <p>Net sales → Operating income</p>	<ul style="list-style-type: none"> • Increase in sales to customers engaging in distribution or apparel businesses owing to increased orders mainly from new customers for the construction of next-generation core systems • Growth in new transactions with leading regional banks for a business-support and lending-support system "FutureBANK" • Increase in projects using AI technologies related to demand forecasting, borrower screening, handwritten character recognition, etc.
<p>Future Inspace, Inc.</p> <p>Net sales → Operating income</p>	<ul style="list-style-type: none"> • New orders received for development transactions owing to growth in the demand for the maintenance and operation of projects built by Future Architect
<p>YDC Corporation</p> <p>Net sales → Operating income</p>	<ul style="list-style-type: none"> • Increase in net sales related to a quality information analysis software "YDC SONAR" and development for manufacturers • Increase in logistics-related projects in collaboration with Future Architect
<p>FutureOne, Inc.</p> <p>Net sales → Operating income</p>	<ul style="list-style-type: none"> • Increase in net sales and operating income owing to product improvement (e.g., for an original sales management software package "InfiniOne") and the effects of building a system for promoting sales to medium-to-large sized firms.

1. Earnings Results for FY2018-

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

Trends of sales by industry

(Million yen)



Note 1) Figures for FY2016 reflect total numbers combining sales in Future Architect and Future Inspace.

Note 2) Figures for FY2017 reflect total numbers combining sales in Future Architect, Future Inspace and YDC.

Note 3) Figures for FY2018 reflect total numbers combining sales in Future, Future Architect, Future Inspace and YDC.

Note 4) The above figures do not include sales in FutureOne and Micro CAD.

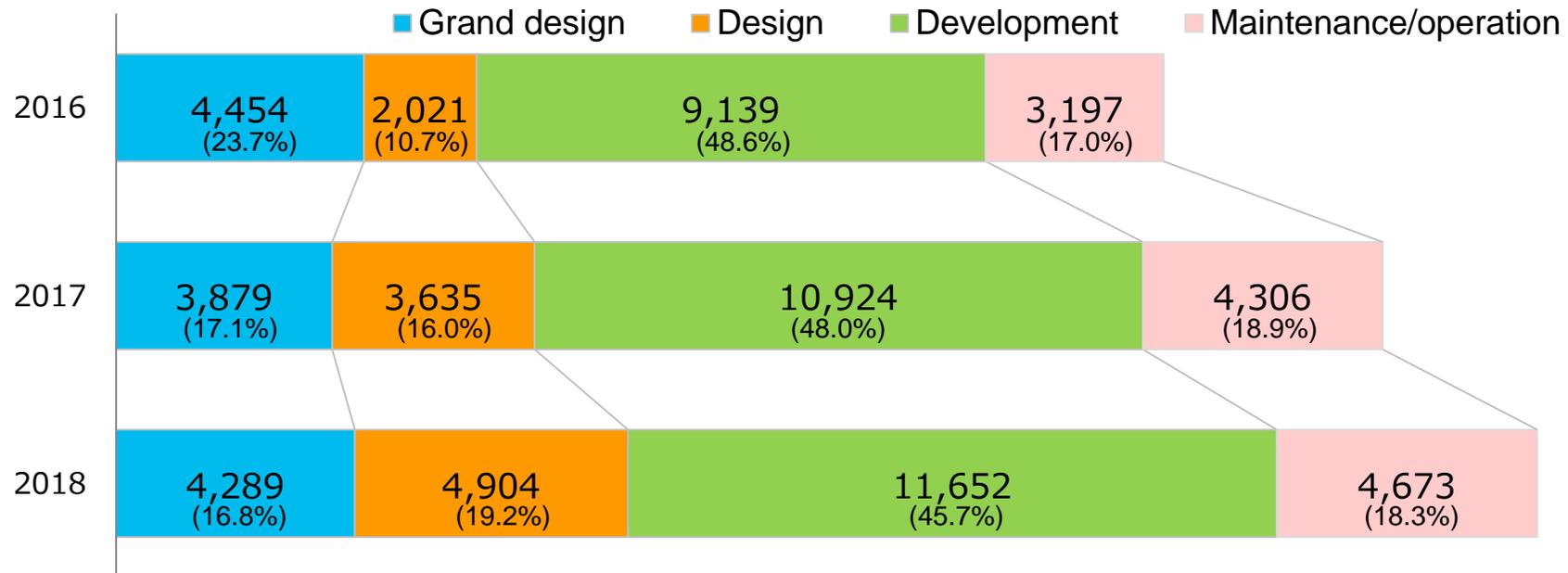
Note 5) Figures of procured goods and their maintenance are not included.

1. Earnings Results for FY2018-

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

Trends of sales by phase

(Million yen)



Note 1) Figures for FY2016 reflect total numbers combining sales in Future Architect and Future Inspace.

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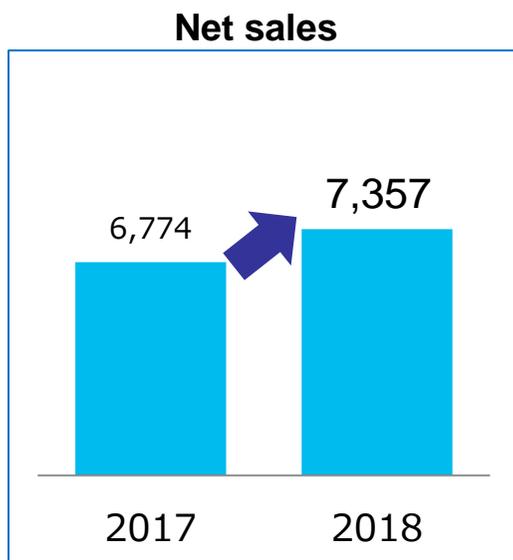
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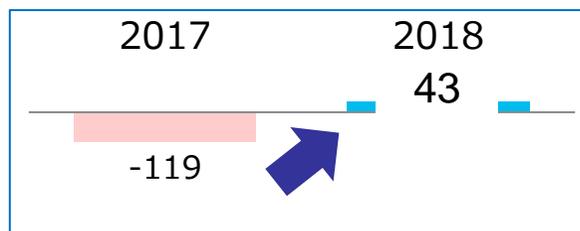
1. Earnings Results for FY2018-

(iv) Results by Segment (Business Innovation)

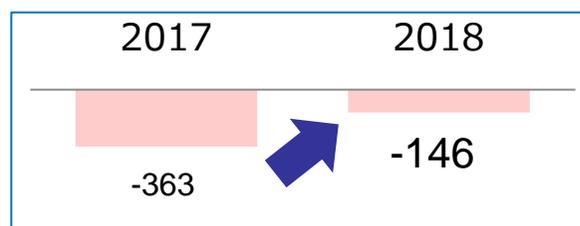
*Refer to Appendix (vi)



Operating income (before goodwill amortization) (Million yen)



Operating income (after goodwill amortization)



Tokyo Calendar Inc.
Net sales → Operating income

- Increase in page views (including the number of video views) from 47 million in December 2017 to 62 million in December 2018
- Increase in net sales of “Tokyo Calendar Date,” a service provided to users of Matchalarm (a company absorbed and merged in April)
- Operating income/loss worsened due to lower-than-expected advertising revenue

eSPORTS Co., Ltd.
Net sales → Operating income

- Increase in net sales after reformation including revision of product lineups and inventory reduction
- Operating income/loss improved mainly due to absence of inventory write-down that was posted at the end of FY2017 despite the increased sales promotion and distribution expenses

CodeCamp Inc.
Net sales → Operating income

- Significantly improved operating income/loss due to increased corporate sales relating to programming lectures, such as new employee training, and the offering of more online programming lectures to individuals

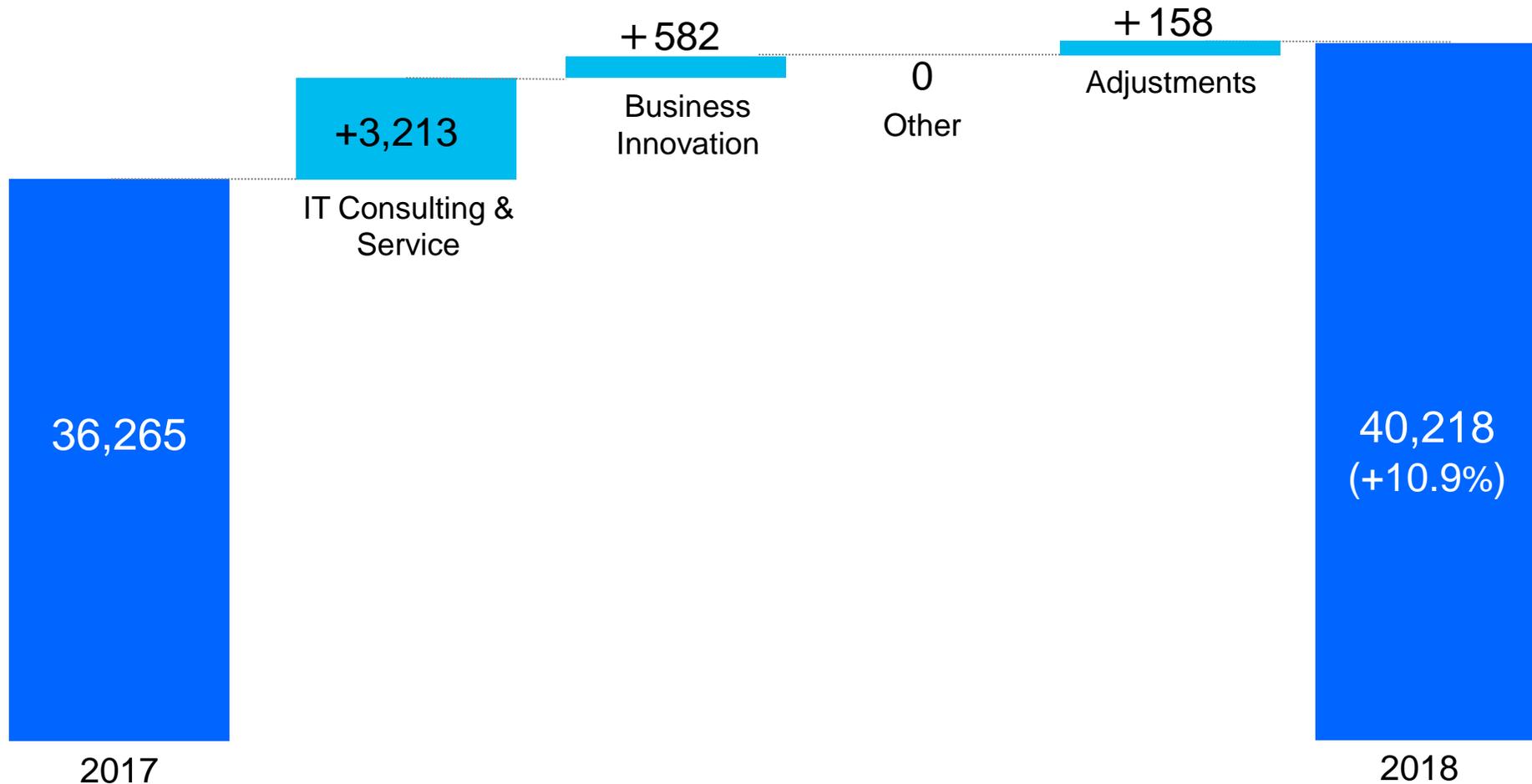
LaiBlitz, Inc.
Net sales → Operating income

- Improved operating income/loss and the turnaround achieved on a full-year basis due to expanded system applications for strengthening professional baseball teams and orders received for the construction of the first fan club system

1. Earnings Results for FY2018-

(v) Analysis of Changes in Net Sales

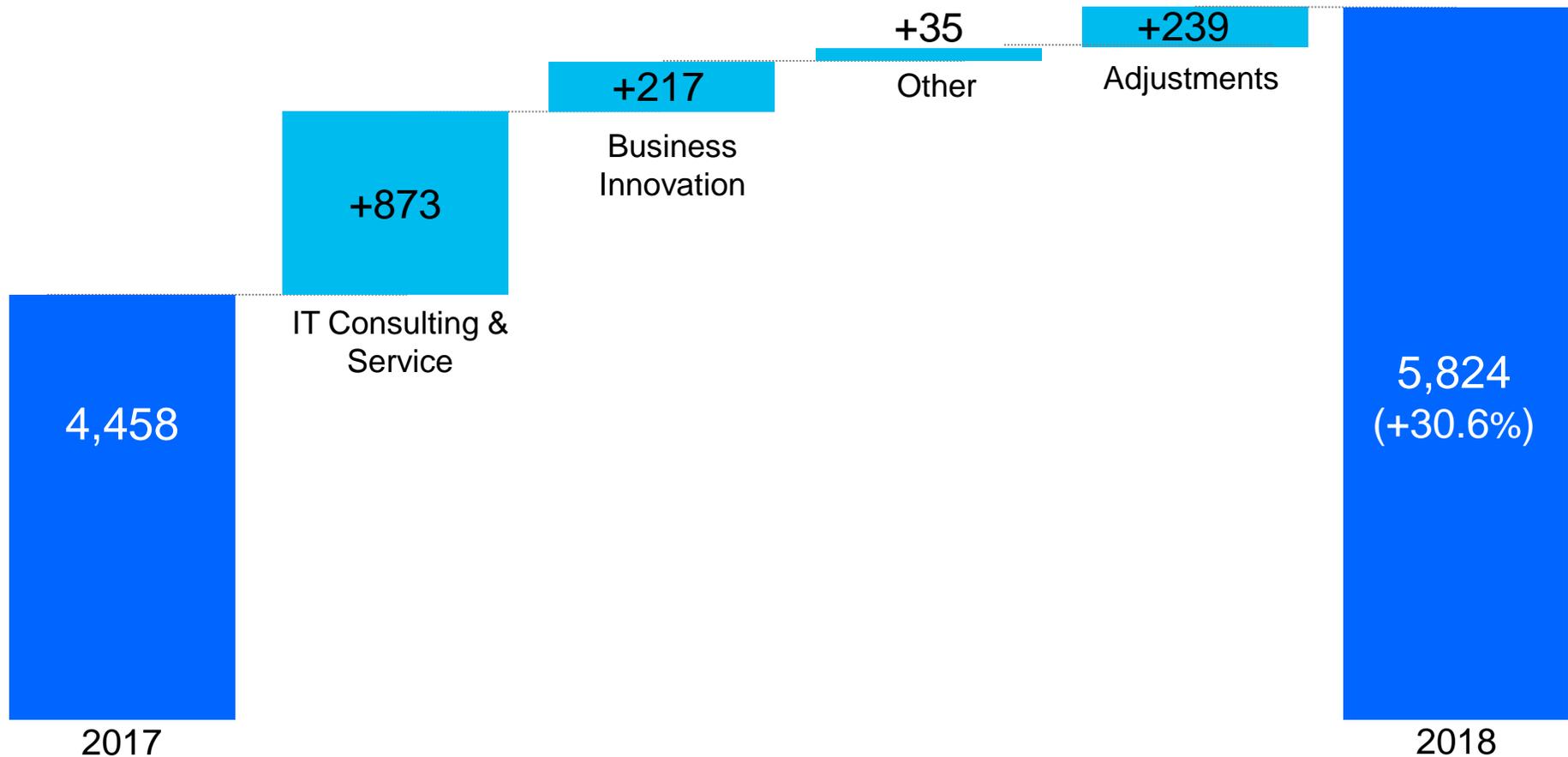
(Million yen)



1. Earnings Results for FY2018-

(vi) Analysis of Changes in Operating Income

(Million yen)



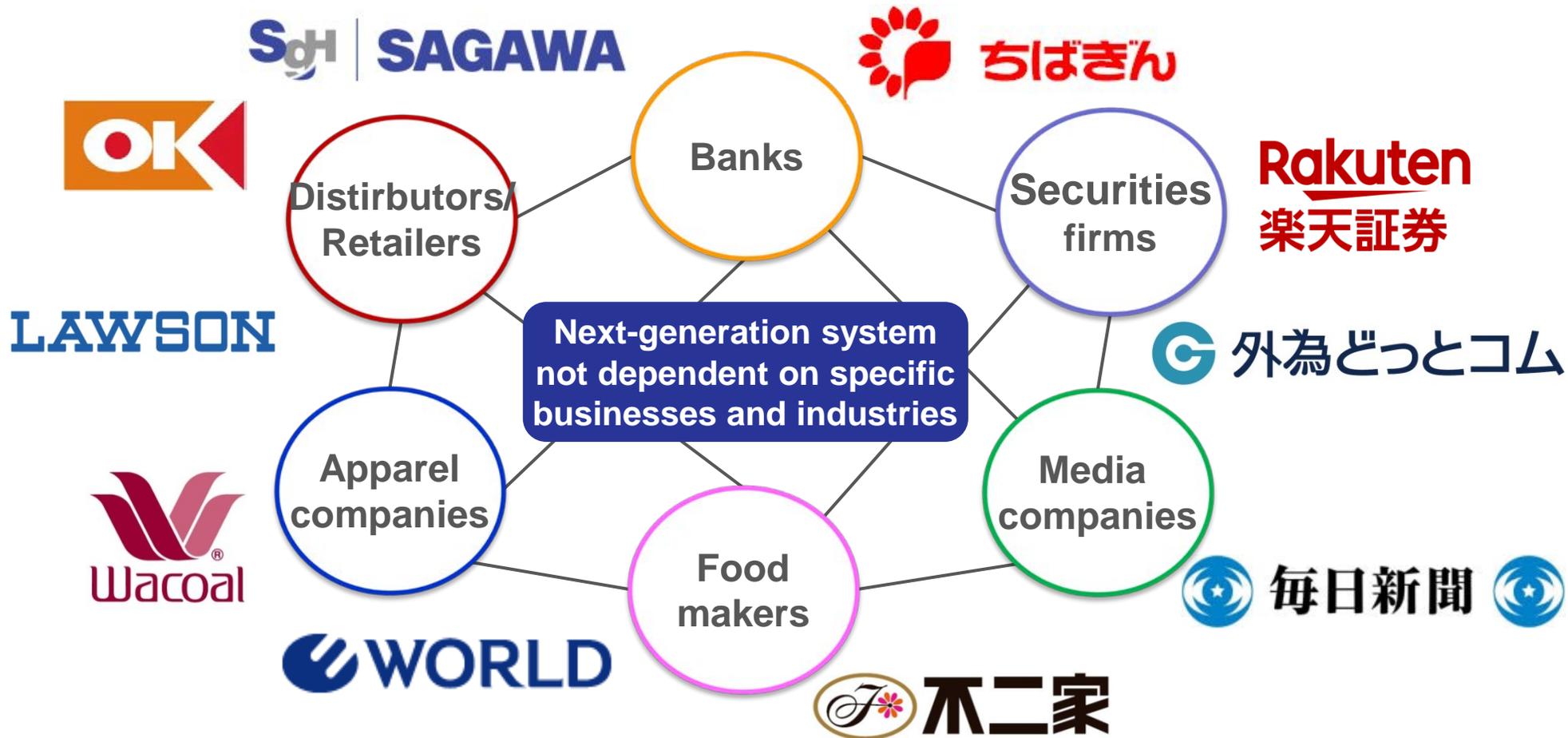
2. Topics Related to FY2018

1. Construction of Next-generation System
2. The Mainichi Newspapers Group
3. Future AI
4. New orders received from regional banks
5. Group Synergy
6. CodeCamp Inc.
7. LaiBlitz, Inc.
8. Tokyo Calendar Inc.

2. Topics Related to FY2018-

(i) Construction of Next-generation System

- Constructed large-scale next-generation systems for a variety of businesses and industries
- Provided support for corporate reforms using real-time architecture

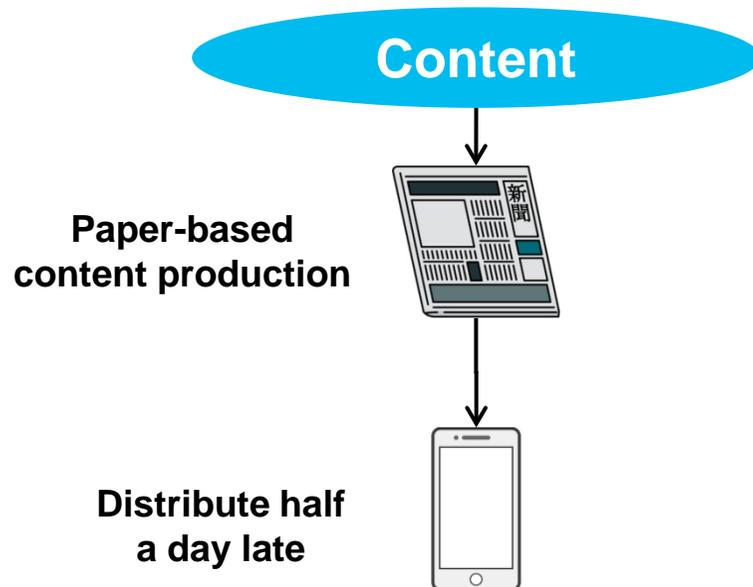


2. Topics Related to FY2018- (ii) The Mainichi Newspapers Group

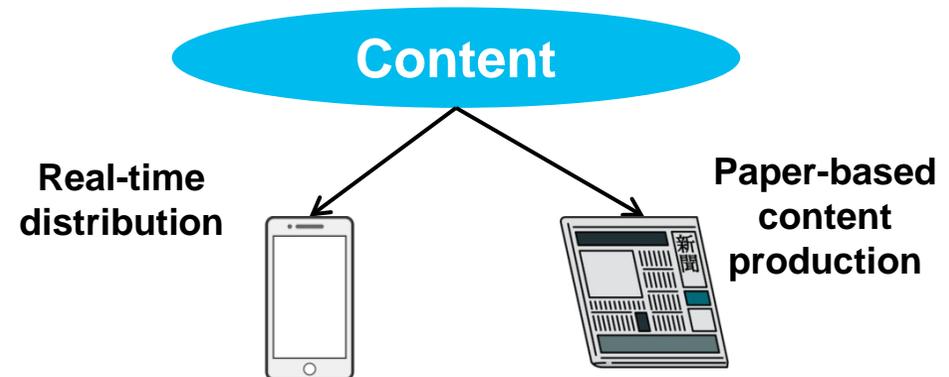
- As an IT strategy partner, Future provided support for a 145-year-old company's largest-ever reform
 - Maximized the value of content using real-time architecture
 - Content first
 - Strategically distributing or sending digital and paper-based information



AS-IS



TO-BE



2. Topics Related to FY2018- (iii) Future AI

- “Future AI” generating results in a short-period of time
 - Took the initiative in operational verification and practical realization, regardless of the type of business or industry
 - Designed next-generation models through collaboration between human and AI

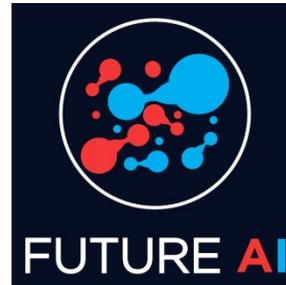
Currently conducting verification experiments regarding automated data entry on delivery slips using AI



[INPUT] Handwritten slip

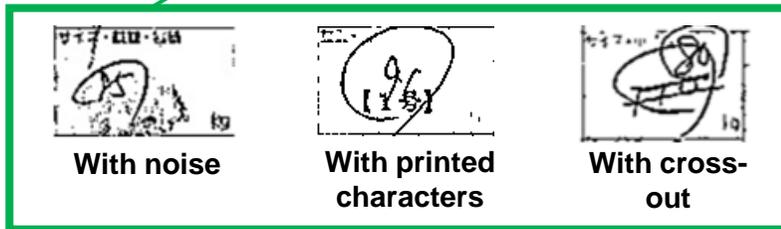


[Analysis] OCR-AI



[OUTPUT] Outcome

- Realize more precise data entry than manual entry (99.8% or higher)
- Read one million slips a day during busy seasons

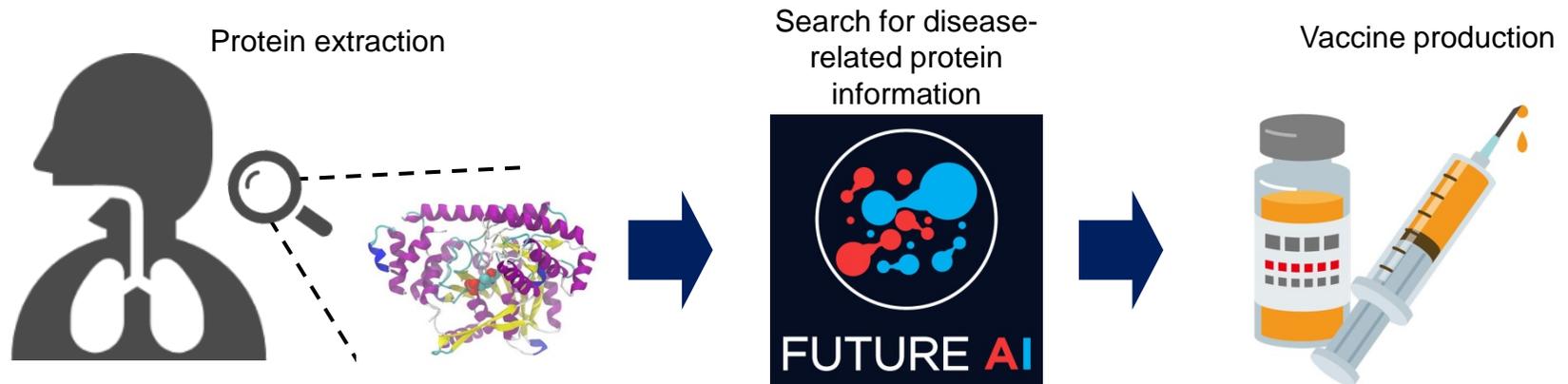


2. Topics Related to FY2018- (iii) Future AI

- Used “Future AI” also in the field of cutting-edge research
 - Joint research with Osaka University and FunPep Co., Ltd., a bio-venture company, aiming for commercialization
 - Social contribution also using AI, taking advantage of our experience in building leading-edge systems in a variety of industries

Vaccine antigen exploration system

- Used in the treatment of cancer, refractory diseases, lifestyle diseases, etc.
- Contributed to significantly reducing medical expenses and enabling early treatment



2. Topics Related to FY2018-

(iv) New Orders Received from Regional Banks

- Integrated business-support and lending-support systems covering sales activities and lending operations in general
 - Provided support for financial institutions' reforms, taking advantage of real-time architecture
- New orders received from 3 banks



One other company

- Expansion of services to **29 banks** nationwide



2. Topics Related to FY2018- (v) Group Synergy

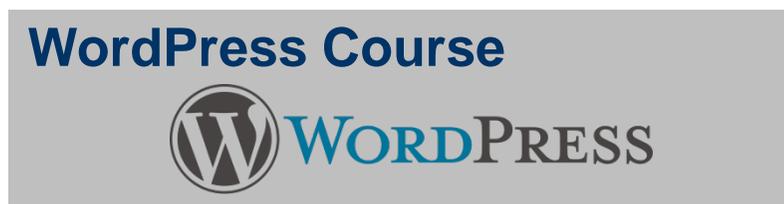
- Future Architect provided total design of next-generation logistics with the efficient use of YDC's logistics know-how
- Contributed to implementing real-time operations and improving operational efficiency and productivity

Alpen Group



2. Topics Related to FY2018- (vi) CodeCamp

- Amid the current situation where companies are focusing on digital strategies, CodeCamp developed and offered new courses (e.g., IT literacy enhancement and skill improvement courses) for the cultivation of personnel who can earn money
- Expanded the scope of target customers to include corporate users as well as IT companies
- Provided Future Architect's customers with total support including personnel cultivation



2. Topics Related to FY2018- (vii) LaiBlitz



- Expanded services for professional baseball teams
 - Provided the Fukuoka SoftBank Hawks with Fastmotion, an AI tracking system
 - Analyze fielding and base running through the digitization of high-resolution camera images
 - Contributed to the SoftBank Hawks winning four Japan Series titles in five years



- Started the EC/Marketing business
 - Set up the Yomiuri Giants' fan club membership management system and official online shopping site
 - Contributed to the Yomiuri Giants improving fan services by analyzing and using membership information and purchase data



- Created new services and provided relevant support
 - Built the NPB Baseball Data Innovation Platform together with NPB

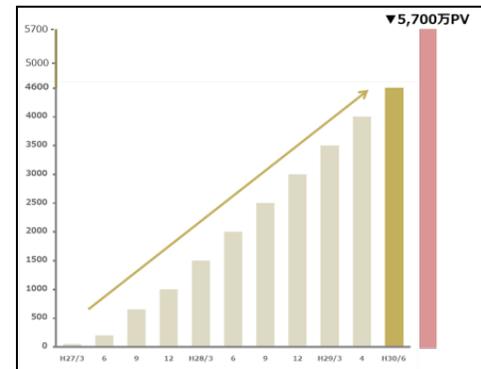
2. Topics Related to FY2018- (viii) Tokyo Calendar

- The net sales of a matching service “Tokyo Calendar Date” increased 62% year-on-year
 - Absorbed and merged Matchalarm Inc. in April 2018
 - Strengthened services using monthly magazines, websites and events
- Further increase in Web users and sales of monthly magazines

- Web users

- December 2016: 30 million PV
- December 2017: 40 million PV
- August 2018: 57 million PV

- The average sales volume of monthly magazines increased 18% year-on-year



- Carried out various collaborative projects

- “Minato-ku OJISAN” with Minato-ku

- “Minato-ku OJISAN THE MOVIE” was shown at TOHO Cinemas in Roppongi Hills
- Promoted “MINATO City Half Marathon 2018,” Minato-ku’s first marathon race

- “Otonano Ren-aijuku (adult romance cram school),” a popular novel of Tokyo Calendar, was aired as a short TV drama of Yomiuri Telecasting

3. Plan for FY2019

3-1.Major strategy

Improvement in abilities to handle changes, and entrepreneurship

IT Consulting & Service

- Focus more on providing all consultants with AI education, and accelerate short-term performance-oriented assessment
- Provide customers with leading-edge designs that use AI, regardless of business or industry

Business Innovation

- Appoint talented consultants as management members, create a career path encouraging management's use of IT, and accelerate personnel growth
- Accumulate more practical know-how within the Group by carrying out business based on the experience that Future has gained through the provision of its consulting services and by achieving corporate growth

3-2. Numerical Plan for FY2019

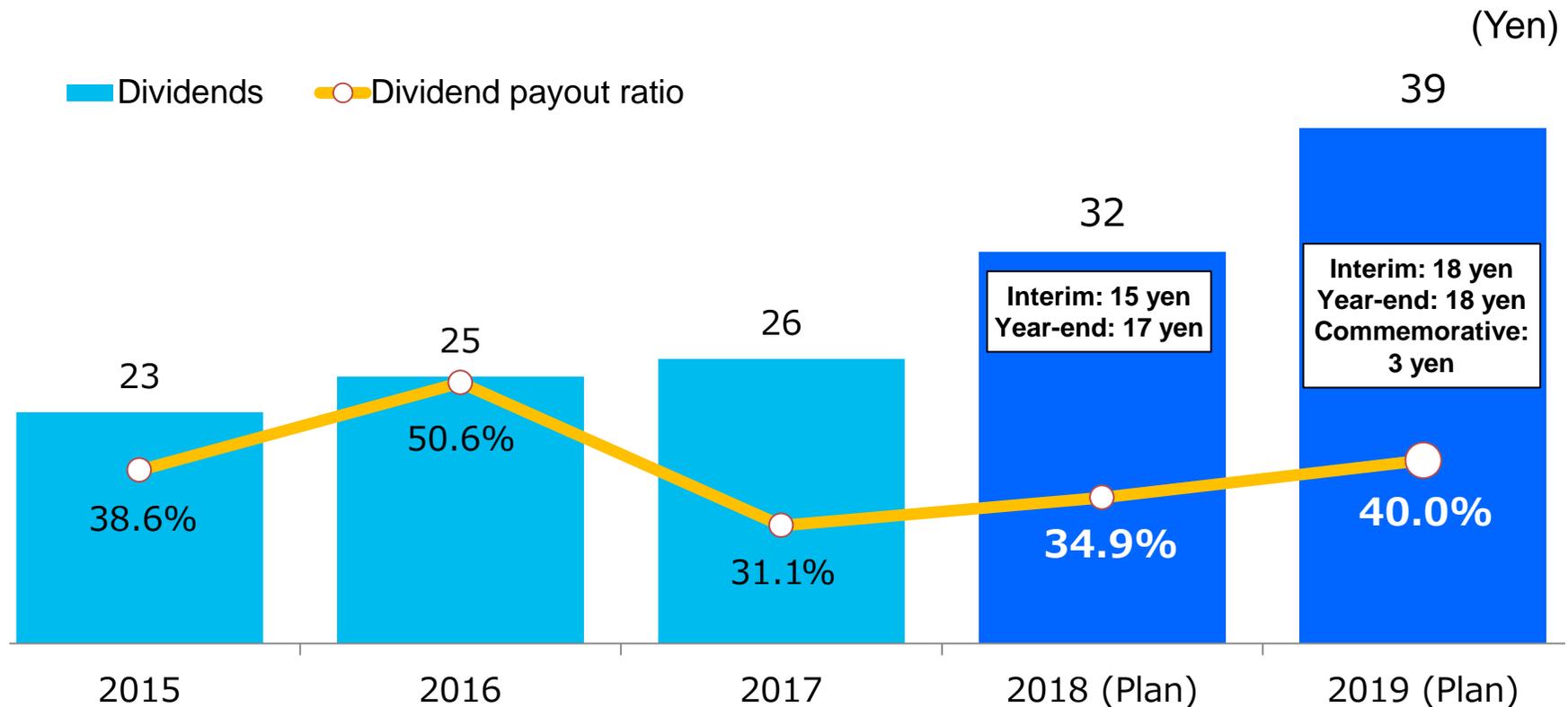
(Million yen)

	Annual plan for FY2019	Annual results for FY2018	YoY	Plan for 1H FY2019	Results for 1H FY2018	YoY
Net sales	43,500	40,218	+8.2%	20,880	19,034	+9.7%
Operating income (Operating income margin)	6,400 (14.7%)	5,824 (14.5%)	+9.9%	2,920 (14.0%)	2,612 (13.7%)	+11.8%
Profit attributable to owners of parent (Profit margin)	4,355 (10.0%)	4,094 (10.2%)	+6.4%	2,037 (9.8%)	2,045 (10.7%)	-0.4%

3-3. Dividends

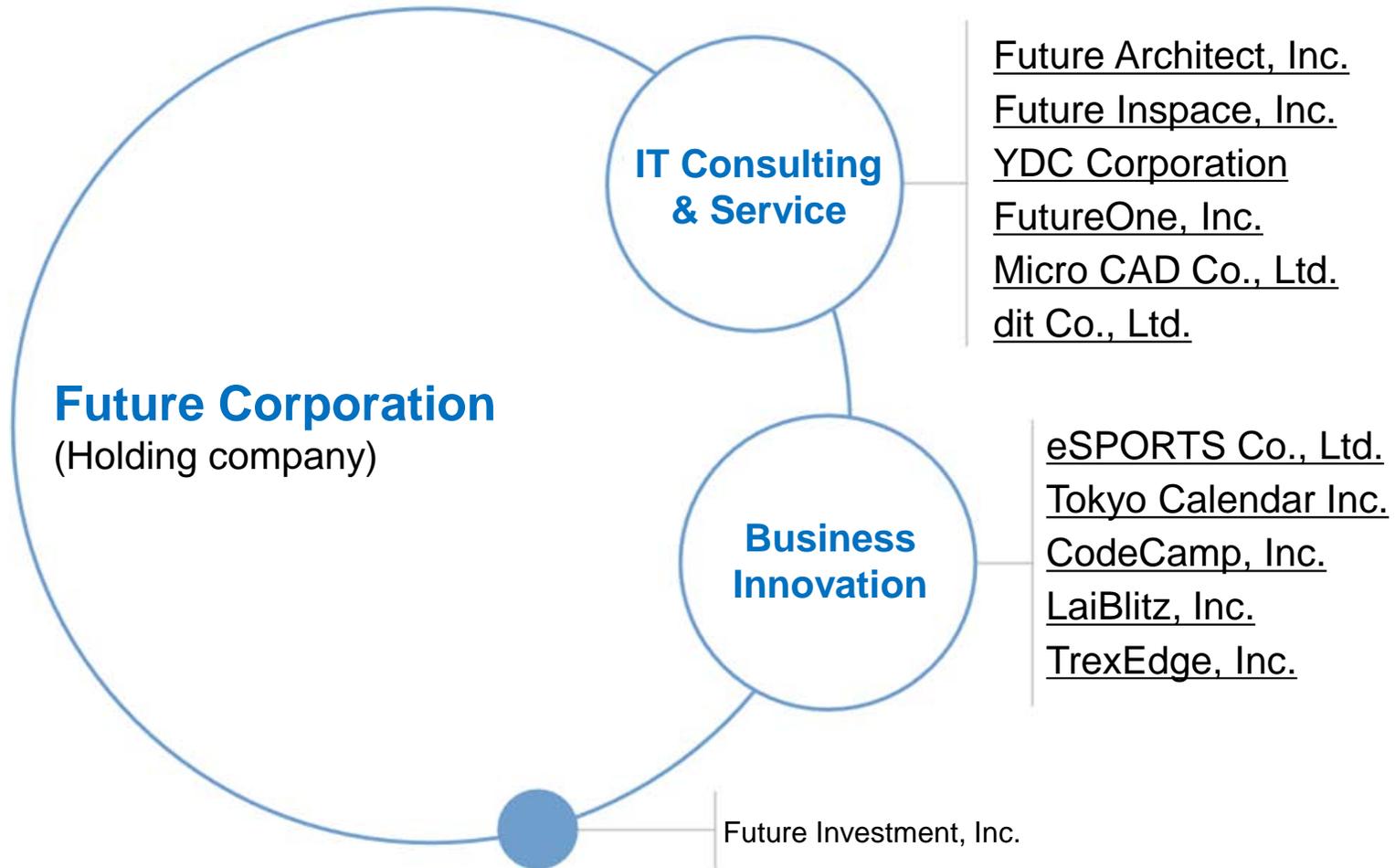
Scheduled to pay an ordinary year-end dividend of 17 yen per share, an increase of 2 yen, for FY2018

Scheduled to pay an ordinary dividend of 36 yen and a commemorative dividend of 3 yen for FY2019



Appendix.

Appendix - (i) Future GROUP



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

(Million yen)

	Annual results for FY2018	Compared with projected results		Year-on-year comparison	
		Annual plan for FY2018	Change	Annual results for FY2017	Change
Net sales	40,218	37,900	6.1%	36,265	10.9%
Operating income (Operating income margin)	5,824 (14.5%)	5,170 (13.6%)	12.7%	4,458 (12.3%)	30.6%
Profit attributable to owners of parent (Profit margin)	4,094 (10.2%)	3,530 (9.3%)	16.0%	3,733 (10.3%)	9.7%

Appendix - (iii) Orders Received and Backlog by Segment

(Million yen)

	Orders received			Backlog		
	2018	2017	YoY change	2018	2017	YoY change
IT Consulting & Service	35,128	29,209	+5,918	11,898	9,621	+2,277
Business Innovation	1,682	1,188	+493	322	235	+86
Total	36,810	30,398	+6,412	12,221	9,857	+2,363

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 Dec. 2018	End of Dec. 2017	Change
Current assets	22,911	19,218	+3,693
Non-current assets	14,523	13,303	+1,219
Total assets	37,435	32,522	+4,912
Current liabilities	6,148	5,558	+590
Non-current liabilities	3,178	2,475	+702
Total liabilities	9,326	8,033	+1,293
Total net assets	28,108	24,488	+3,619
Shareholders' equity ratio	74.8%	73.8%	

Main changes (Million yen)

		End of Dec. 2018	End of Dec. 2017	Change
Current assets:	Cash and deposits	13,984	9,478	+4,505
	Accounts receivable - other	182	1,521	-1,339
Non-current assets	Intangible assets (including goodwill)	2,583	3,151	-567
	Investment securities	9,257	7,720	+1,536
Non-current liabilities	Deferred tax liabilities	2,427	2,047	+380
Net assets:	Retained earnings	20,239	17,396	+2,843
	Valuation difference on available-for-sale securities	5,438	4,269	+1,169

Appendix - (v) Cash Flows

(Million yen)	2018	2017	Change
Cash flows from operating activities	7,695	2,459	+5,506
Cash flows from investing activities	-1,199	-3,537	+2,338
Cash flows from financing activities	-2,333	-1,209	-1,123
Effect of exchange rate changes on cash and cash equivalents	-2	4	-6
Increase (decrease) in cash and cash equivalents	4,430	-2,283	+6,713
Cash and cash equivalents at the beginning of the period	9,478	11,761	-2,283
Cash and cash equivalents at the end of the period	13,908	9,478	+4,430

Main changes (Million yen)		2018	2017	Change
		Operating CF	Profit before income taxes	6,181
	Decrease (increase) in notes and accounts receivable - trade	-24	-930	+906
	Change in inventories	22	199	-176
Investing CF:	Purchase of property, plant and equipment	-130	-695	+565
	Purchase of shares of subsidiaries resulting in a change in the scope of consolidation	-41	-1,681	+1,640
Financing CF:	Repayment of long-term loans	-1,050	-20	-1,029
	Dividends paid	-1,250	-1,139	-111

Appendix - (vi) Results by Segment

(Million yen)

(Million yen)	2018	2017	YoY
Net sales	40,218	36,265	+10.9%
IT Consulting & Service	32,953	29,739	+10.8%
Business Innovation	7,357	6,774	+8.6%
Adjustments	-91	-248	—
Operating income	5,824	4,458	+30.6%
IT Consulting & Service	5,651	4,777	+18.3%
Business Innovation	-146	-363	—
Other	—	-35	—
Adjustments	319	80	+298.8%



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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The forecasts in this material are based on currently available information; actual results may differ from such forecasts 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.