



\* Notes

- (1) Changes in significant subsidiaries during the quarter under review (changes in specified subsidiaries that involved changes in the scope of consolidation): None
- (2) Application of accounting treatment peculiar to quarterly consolidated financial statement preparation: None
- (3) Change in accounting policies or estimates and retrospective restatements
- 1) Change in accounting policies in accordance with revision of accounting standards: None
  - 2) Change in accounting policies other than item 1) above: None
  - 3) Change in accounting estimates: None
  - 4) Retrospective restatements: None

(4) Number of outstanding shares (common stock)

1) Total outstanding shares as of the end of the period (including treasury shares)	First quarter, fiscal 2019	47,664,000 shares	Fiscal 2018	47,664,000 shares
2) Total treasury shares as of the end of the period	First quarter, fiscal 2019	2,959,049 shares	Fiscal 2018	2,959,049 shares
3) Average number of outstanding shares during the quarter	First quarter, fiscal 2019	44,704,951 shares	First quarter, fiscal 2018	44,705,093 shares

\* Quarterly financial results reports are outside the scope of auditing by Certified Public Accountants or Audit firms.

\* Points to note about the proper use of projections, and other noteworthy events

Any forward-looking statement, including earnings forecasts, contained in this document is based on information currently held by the Company and assumptions the Company considers as reasonable, and the Company does not promise to achieve any of them. Actual outcomes may differ significantly from forecasts due to various uncertain factors.

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## 1. Qualitative Information Regarding Quarterly Financial Results

### Explanation on Business Performance

The group's consolidated net sales in the first quarter came to 10,850 million yen, up 17.7% from a year ago, while operating income grew 31.3% on year to 1,791 million yen and quarterly profit attributable to owners of parent fell 22.6% to 1,063 million yen over the same period.

During the three-month period, net sales and operating income of IT Consulting & Service Business increased significantly as revenue and profit grew significantly from a-year-ago levels for Future Architect, Inc. and the technology division of Future Corporation. Operating results for many subsidiaries in Business Innovation Business also improved, reducing the segment operating loss. As a result of the above, group consolidated net sales and operating income grew 17.7% and 31.3% from a year ago, respectively. Operating margin expanded to 16.5% from a-year-ago level of 14.8%, although quarterly profit attributable to owners of parent decreased due to litigation-related extraordinary profit booked in the same period a year ago.

Details of the performance of each segment are as follows.

#### 1) IT Consulting & Service Business

Sales from next generation system development projects, ordered by growth companies mainly in apparel, media and distribution industries, which view IT systems spending as strategic investment necessary for business operation rather than mere costs, increased from a year ago for Future Architect, Inc. and the technology division of Future Corporation. Project margins and employee utilization rates improved thanks to enhanced quality control, flexible staff assignment, etc., leading to a year-on-year growth in operating income. The segment also worked on projects with new customers, including development of a system for the retail industry that automatically issues orders based on expected demand and another that can offer optimum makeup suggestions using an image analysis technology.

Future Inspace, Inc. increased both its sales and operating income year-on-year as maintenance and operation service deals for projects completed by Future Architect, Inc. and new development orders expanded.

Net sales at FutureOne, Inc. increased significantly as orders from relatively larger medium-sized companies for InfiniOne, its original sales management software package, and other products increased. This and improved employee utilization rates pushed up operating income significantly over the year-ago period.

YDC Corporation's net sales and operating income dropped from a year ago in the first quarter as it had a large deal involving YDC Sonar, a software program for analyzing product quality information, in the same period a year ago, but business-reform consulting service in the development and design field, logistics-related development projects, etc. remained brisk.

As a result, net sales of the segment increased 19.8% from a year ago to 9,287 million yen, while operating income came to 1,763 million yen, up 22.7% from a year ago. Margin for the segment also expanded to 19.0% from 18.5% a year ago.

#### 2) Business Innovation Business

eSports Co., Ltd. struggled in winter products due to a warm winter, but net sales largely held steady from the year-ago level, supported by brisk sales of outdoor-related products. Operating result improved from the same period a year ago as goodwill amortization expired, despite IT system investment made during the period.

CodeCamp, Inc., which had operating loss in the year-ago period, turned operating profit thanks to a steady growth of the online programming course targeting individuals. LaiBlitz, Inc.'s net sales and operating income increased compared to the year-ago level as it gained a new customer, who is a professional baseball team.

A subsidiary, Tokyo Calendar Inc., which continued to enjoy popularity among users in their 30s and 40s who are highly interested in urban lifestyles, had high levels of page views and video access counts. However, while its services, including "Tokyo Calendar date," had larger net sales and income, but revenue from online advertisement underperformed the target. The company's net sales rose from the year-ago level but its operating loss increased slightly.

As a result, Business Innovation Business's operating results improved year-on-year, with net sales rising 4.8% to 1,581 million yen and operating loss shrinking to 66 million yen from the year-ago level of 85 million yen.

(Note) Segment result figures mentioned above are before adjusting for intersegmental sales and transfers.

## 2. Consolidated Quarterly Financial Statements and Key Remarks

## (1) Consolidated quarterly balance sheet

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	For three months ended March 31, 2019 (March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	13,984,071	14,162,846
Notes and accounts receivable - trade	6,234,600	6,413,895
Merchandise and finished goods	847,865	912,347
Work in process	168,574	106,031
Accounts receivable - other	182,123	241,156
Other	1,218,228	1,364,544
Allowance for doubtful accounts	(3,007)	(3,011)
Total current assets	22,632,457	23,197,811
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,375,460	1,543,050
Accumulated depreciation	(882,265)	(899,647)
Buildings and structures, net	493,194	643,403
Land	855	855
Other	2,505,394	2,582,299
Accumulated depreciation	(2,024,762)	(2,070,029)
Other, net	480,631	512,270
Total property, plant and equipment	974,681	1,156,528
Intangible assets		
Goodwill	40,516	37,986
Software	1,707,624	1,815,716
Customer-related assets	832,000	780,000
Other	3,316	3,143
Total intangible assets	2,583,458	2,636,847
Investments and other assets		
Investment securities	9,257,039	10,361,845
Lease and guarantee deposits	1,439,195	1,438,903
Deferred tax assets	84,777	—
Other	290,373	287,413
Allowance for doubtful accounts	(21,441)	(20,715)
Total investments and other assets	11,049,944	12,067,447
Total non-current assets	14,608,084	15,860,824
Total assets	37,240,542	39,058,636

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	For three months ended March 31, 2019 (March 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	1,285,569	1,516,111
Current portion of long-term loans payable	161,449	158,577
Current portion of bonds	52,000	52,000
Accounts payable – other	1,129,613	956,205
Income taxes payable	1,093,327	295,681
Provision for bonuses	210,913	811,339
Provision for quality assurance	11,182	59,123
Provision for loss on projects	26,058	64,600
Other	2,178,516	2,728,135
Total current liabilities	6,148,629	6,641,773
Non-current liabilities		
Bonds payable	92,000	71,000
Long-term loans payable	222,674	179,493
Asset retirement obligations	354,965	405,146
Deferred tax liabilities	2,233,019	2,379,769
Other	80,831	92,170
Total non-current liabilities	2,983,490	3,127,580
Total liabilities	9,132,120	9,769,354
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,507,763
Retained earnings	20,239,578	20,543,130
Treasury shares	(1,499,778)	(1,499,778)
Total shareholders' equity	22,669,379	22,972,931
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438,242	6,191,318
Deferred gains or losses on hedges	(1,220)	91
Foreign currency translation adjustment	(97,582)	13,384
Total accumulated other comprehensive income	5,339,439	6,204,795
Non-controlling interests	99,602	111,555
Total net assets	28,108,422	29,289,281
Total liabilities and net assets	37,240,542	39,058,636

## (2) Consolidated quarterly statements of income and comprehensive income

(For three months ended March 31, 2019)

(in thousands of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net sales	9,218,194	10,850,850
Cost of sales	5,491,468	6,394,196
Gross profit	3,726,726	4,456,654
Selling, general and administrative expenses		
Directors' compensations	102,327	112,383
Salaries and bonuses	941,273	1,068,469
Training expenses	20,790	27,196
Research and development expenses	68,901	85,439
Depreciation	86,942	83,643
Recruiting expenses	82,567	82,258
Other	1,059,165	1,205,463
Total selling, general and administrative expenses	2,361,968	2,664,855
Operating income	1,364,757	1,791,799
Non-operating income		
Interest income	337	264
Dividend income	—	40
Share of profit of entities accounted for using equity method	48,965	19,128
Foreign exchange gains	—	6,577
Other	4,755	1,774
Total non-operating income	54,059	27,785
Non-operating expenses		
Interest expenses	1,743	1,791
Foreign exchange losses	1,397	—
Total non-operating expenses	3,141	1,791
Ordinary income	1,415,675	1,817,793
Extraordinary income		
Gain on litigation	809,765	—
Total extraordinary income	809,765	—
Extraordinary losses		
Loss on realized foreign currency translation adjustment	—	175,312
Litigation expenses	130,000	—
Total extraordinary losses	130,000	175,312
Quartely Profit before income taxes	2,095,441	1,642,481
Income taxes	674,070	567,045
Quartely Profit	1,421,371	1,075,435
(Profit attributable to)		
Quarterly profit attributable to owners of parent	1,374,069	1,063,535
Quarterly profit attributable to non-controlling interests	47,301	11,900
Other comprehensive income		
Valuation difference on available-for-sale securities	69,455	753,076
Deferred gains or losses on hedges	(1,462)	1,332
Foreign currency translation adjustment	(11,961)	108,883
Share of other comprehensive income of entities accounted for using equity method	(186)	76
Total other comprehensive income	55,845	863,368
Quarterly Comprehensive income	1,477,216	1,938,804
(Comprehensive income attributable to)		
Quarterly Comprehensive income attributable to owners of parent	1,429,881	1,926,883
Quarterly Comprehensive income attributable to non-controlling interests	47,334	11,921

(3) Notes to consolidated quarterly financial statements

(Note on premise of a going concern)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Additional information)

(Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. starting in the first three months ended March 31, 2019. Deferred tax assets and deferred tax liabilities are shown under investments and other assets and non-current liabilities, respectively.



## (Segment information)

## Segment information

## I. Three months ended March 31, 2018

## 1. Information on amounts of net sales and income or loss by reportable segment

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Net sales to outside clients	7,710,318	1,507,876	9,218,194	–	9,218,194	–	9,218,194
(2) Inter-segment sales or transfer	41,949	2,006	43,956	–	43,956	(43,956)	–
Total	7,752,268	1,509,883	9,262,151	–	9,262,151	(43,956)	9,218,194
Segment income/loss	1,437,423	(85,070)	1,352,352	(371)	1,351,980	12,777	1,364,757

(in thousands of yen)

(Note 1) “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.

(Note 2) Adjustments to segment income/loss represent the amount of inter-segment transactions eliminated and income and expenses of the holding company excluding the technology segment.

(Note 3) Segment income/loss is adjusted with operating income in consolidated quarterly financial statements.

## II. Three months ended March 31, 2019

## 1. Information on amounts of net sales and income or loss by reportable segment

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Net sales to outside clients	9,272,620	1,578,229	10,850,850	–	10,850,850	–	10,850,850
(2) Inter-segment sales or transfer	14,866	3,464	18,331	–	18,331	(18,331)	–
Total	9,287,486	1,581,694	10,869,181	–	10,869,181	(18,331)	10,850,850
Segment income/loss	1,763,187	(66,006)	1,697,180	(2,087)	1,695,092	96,706	1,791,799

(in thousands of yen)

(Note 1) “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.

(Note 2) Adjustments to segment income/loss represent the amount of inter-segment transactions eliminated and income and expenses of the holding company excluding the technology segment.

(Note 3) Segment income/loss is adjusted with operating income in consolidated quarterly financial statements.

## 3. Additional Information

Status of orders received

(in thousands of yen)

Segment	Three months ended March 31, 2018		Three months ended March 31, 2019	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	8,725,632	10,637,064	10,116,580	12,742,761
Business Innovation Business	588,041	503,415	454,325	379,348
Total	9,313,673	11,140,480	10,570,905	13,122,109