



## Consolidated Summary Report of Operating Results for the First Quarter of Fiscal 2020 (Year ending December 2020) [Japan GAAP]

April 28, 2020

Company name: Future Corporation      Shares listed on: First Section of Tokyo Stock Exchange  
 Security code number: 4722      URL: <https://www.future.co.jp>  
 Representative: Yasufumi Kanemaru, Chairman and President  
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 Scheduled date for filing the quarterly report: May 14, 2020  
 Scheduled date for distribution of dividend payments: --  
 Creation of supplemental material on quarterly financial results: No  
 Holding of quarterly financial results briefing: No

(Amount rounded off to million yen)

### Consolidated Results for the First Quarter of Fiscal 2020 (January 1, 2020 to March 31, 2020)

Consolidated operating results (cumulative total)      (Percentages represent year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
1Q Fiscal 2020	11,027	1.6	1,654	(7.6)	1,147	7.9
1Q Fiscal 2019	10,850	17.7	1,791	31.3	1,063	(22.6)

(Note) Comprehensive income 1Q Fiscal 2020: 1,380 million yen (-51.7%)      (Note) Comprehensive income 1Q Fiscal 2019: 1,938 million yen (31.2%)

	Profit per share
	Yen
1Q Fiscal 2020	25.67
1Q Fiscal 2019	23.79

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q Fiscal 2020	39,375	30,650	77.8	686.36
Fiscal 2019	39,039	30,296	77.6	677.50

(Reference) Shareholders' equity 1Q Fiscal 2020: 30,642 million yen      Fiscal 2019: 30,296 million yen

### 2. Dividends

	Dividends per share (yen)				
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	-	18.00	-	21.00	39.00
Fiscal 2020	-	-	-	-	-
Fiscal 2020 (Forecast)	-	20.00	-	20.00	40.00

(Note) Modification of the projected dividends announced most recently: No

### 3. Projected Consolidated Results for Fiscal 2020 (January 1, 2020 to December 31, 2020)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First six months (accumulated total)	23,020	3.6	3,195	(4.2)	2,190	2.8	48.97
Full year	48,300	6.4	7,200	10.4	4,880	7.1	109.13

(Note) Modification of the projected consolidated results announced most recently: No

\* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): None

(2) Application of special accounting for the preparation of quarterly consolidated financial statements: 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)	1Q 2020	Fiscal	47,664,000 shares	Fiscal 2019	47,664,000 shares
2) Total treasury shares as of the end of the period	1Q 2020	Fiscal	3,019,087 shares	Fiscal 2019	2,946,587 shares
3) Average number of outstanding shares during the period (cumulative total)	1Q 2020	Fiscal	44,711,469 shares	1Q 2019	Fiscal 44,704,951 shares

\* This quarterly financial report is 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 results may differ significantly from forecasts due to various uncertain factors.

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1. Qualitative Information Regarding Financial Results for the Quarter Under Review

Explanation of operating results

The Group's consolidated net sales for the first three months under review were 11,027 million yen, up 1.6% from a year ago, while operating income fell 7.6% to 1,654 million yen and profit attributable to owners of parent increased 7.9% to 1,147 million yen over the same period of the previous fiscal year.

During the first quarter under review, net sales and operating income of the IT Consulting & Service Business decreased year on year due mainly to year-on-year declines in both net sales and income of Future Architect, Inc. and the technology division of Future Corporation. The Business Innovation Business turned around as a segment to record an operating profit as all of the companies improved their operating performance for this business. As a result of the above, consolidated net sales increased 1.6% year on year while operating income decreased 7.6% year on year. Profit attributable to owners of parent increased 7.9% year on year.

Details of the performance of each segment are as follows.

1. IT Consulting & Service Business

Future Architect, Inc. and the technology division of Future Corporation saw a decrease in net sales as there were delays in receiving new project orders due to the assignment of additional personnel to some difficult projects, although sales to distribution, service and other businesses increased driven by their strategic IT investment conducted actively using big data and AI. Operating income decreased due to the posting of provision for loss on some unprofitable projects.

Future Inspace, Inc. saw a slight decrease in net sales and operating income year on year although, as was the case last year, there were maintenance and operation service deals for projects completed by Future Architect, Inc. as well as new development deals.

Net sales and operating income of FutureOne, Inc. decreased year on year as it failed to focus on receiving new orders due to some delivery delays in SI deals relating to its original sales management software package.

YDC Corporation's net sales and operating income increased from a year ago thanks to increased sales of its original software, etc.

Net sales and operating income of dit Co., Ltd. increased significantly year on year thanks to strong sales of security services such as vulnerability diagnosis services, etc.

As a result, the IT Consulting & Service Business showed a decrease in both net sales and operating income, posting net sales of 9,094 million yen (down 2.1% year on year), and operating income of 1,548 million yen (down 12.2% year on year).

2. Business Innovation Business

eSPORTS Co., Ltd. posted significant year-on-year growth in net sales, with improved operating performance, due mainly to strong sales of private-brand products driven by increased demand for indoor training after stay-at-home advice was issued as a measure to prevent novel coronavirus infections, its ability to meet growing demand for outdoor products through appropriate inventory management, and increased sales through participation in campaigns at retail stores located in shopping malls.

CodeCamp Inc. increased its net sales and operating income significantly from the same period a year ago thanks to increased applications for online courses targeting both corporations and individuals after the issuance of stay-at-home advice as a measure to prevent novel coronavirus infections.

Tokyo Calendar Inc. posted a substantial year-on-year increase in net sales thanks to the steady growth of online services (e.g., "Tokyo Calendar Date") and advertising revenues. It turned around to record an operating profit after recording an operating loss for the same period last year.

LaiBlitz, Inc.'s net sales and operating income increased compared to a year ago due to the stable provision of consulting services to multiple professional baseball teams, cloud services, etc. In addition, it acquired the business of TrexEdge, Inc. in January 2020 as part of the restructuring of the Group.

As a result, the Business Innovation Business turned around as a segment to record operating

income, posting net sales of 1,941 million yen (up 22.8% year on year) and operating income of 67 million yen (against a loss of 66 million yen a year earlier).

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2019)	First quarter of the consolidated fiscal year under review (March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	14,929,901	15,067,116
Notes and accounts receivable - trade	7,087,190	6,789,341
Merchandise and finished goods	995,544	1,003,911
Work in process	351,639	575,597
Other	1,363,881	1,413,856
Allowance for doubtful accounts	(3,007)	(3,000)
<b>Total current assets</b>	<b>24,725,149</b>	<b>24,846,823</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,710,429	1,712,865
Accumulated depreciation	(965,749)	(983,909)
Buildings and structures, net	744,679	728,955
Land	855	855
Other	2,888,097	2,668,801
Accumulated depreciation	(2,247,982)	(2,047,999)
Other, net	640,115	620,801
<b>Total property, plant and equipment</b>	<b>1,385,650</b>	<b>1,350,612</b>
Intangible assets		
Goodwill	178,023	168,112
Software	1,673,554	1,658,613
Customer-related assets	624,000	572,000
Other	5,608	6,147
<b>Total intangible assets</b>	<b>2,481,186</b>	<b>2,404,872</b>
Investments and other assets		
Investment securities	8,779,498	9,103,587
Lease and guarantee deposits	1,433,233	1,438,273
Deferred tax assets	16,680	17,837
Other	237,322	225,569
Allowance for doubtful accounts	(19,502)	(12,524)
<b>Total investments and other assets</b>	<b>10,447,232</b>	<b>10,772,743</b>
<b>Total non-current assets</b>	<b>14,314,070</b>	<b>14,528,228</b>
<b>Total assets</b>	<b>39,039,219</b>	<b>39,375,051</b>

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(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2019)	First quarter of the consolidated fiscal year under review (March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	1,305,448	1,415,376
Current portion of long-term loans payable	11,472	6,672
Current portion of bonds	8,000	-
Accounts payable – other	1,326,754	809,781
Income taxes payable	854,922	664,169
Provision for bonuses	238,574	861,311
Provision for quality assurance	65,617	69,411
Provision for loss on projects	254,804	553,597
Other	2,487,069	2,336,956
Total current liabilities	6,552,663	6,717,276
Non-current liabilities		
Long-term loans payable	3,320	1,096
Asset retirement obligations	406,303	406,369
Deferred tax liabilities	1,635,440	1,437,165
Other	145,237	162,783
Total non-current liabilities	2,190,301	2,007,414
Total liabilities	8,742,965	8,724,690
Net assets		
Shareholders' equity		
Capital stock	1,421,815	4,000,000
Capital surplus	2,525,165	-
Retained earnings	23,232,499	23,388,220
Treasury shares	(1,493,579)	(1,581,327)
Total shareholders' equity	25,685,901	25,806,892
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,598,333	4,823,650
Deferred gains or losses on hedges	586	505
Foreign currency translation adjustment	11,432	11,638
Total accumulated other comprehensive income	4,610,352	4,835,795
Non-controlling interests	-	7,673
Total net assets	30,296,254	30,650,360
Total liabilities and net assets	39,039,219	39,375,051

(2) Quarterly consolidated statements of income and comprehensive income  
(First three months of the consolidated fiscal year)

	(in thousands of yen)	
	First three months of the previous consolidated fiscal year (from January 1, 2019 to March 31, 2019)	First three months of the consolidated fiscal year under review (from January 1, 2020 to March 31, 2020)
Net sales	10,850,850	11,027,828
Cost of sales	6,293,786	6,420,629
Gross profit	4,557,063	4,607,199
Selling, general and administrative expenses		
Directors' compensations	112,383	121,641
Salaries and bonuses	1,168,878	1,173,572
Training expenses	27,196	48,288
Research and development expenses	85,439	136,766
Depreciation	83,643	94,730
Recruiting expenses	82,258	104,676
Other	1,205,463	1,272,669
Total selling, general and administrative expenses	2,765,264	2,952,345
Operating income	1,791,799	1,654,854
Non-operating income		
Interest income	264	339
Dividend income	40	34
Share of profit of entities accounted for using equity method	19,128	6,953
Foreign exchange gains	6,577	-
Other	1,774	1,878
Total non-operating income	27,785	9,206
Non-operating expenses		
Interest expenses	1,791	132
Foreign exchange losses	-	941
Total non-operating expenses	1,791	1,074
Ordinary income	1,817,793	1,662,986
Extraordinary losses		
Loss on realized foreign currency translation adjustment	175,312	-
Total extraordinary losses	175,312	-
Profit before income taxes	1,642,481	1,662,986
Total income taxes	567,045	507,508
Profit	1,075,435	1,155,478
(Profit attributable to)		
Profit attributable to owners of parent	1,063,535	1,147,804
Profit attributable to non-controlling interests	11,900	7,673
Other comprehensive income		
Valuation difference on available-for-sale securities	753,076	225,317
Deferred gains or losses on hedges	1,332	(81)
Foreign currency translation adjustment	108,883	155
Share of other comprehensive income of entities accounted for using equity method	76	50
Total other comprehensive income	863,368	225,442
Comprehensive income	1,938,804	1,380,920
(Comprehensive income attributable to)		



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Comprehensive income attributable to owners of parent	1,926,883	1,373,247
Comprehensive income attributable to non-controlling interests	11,921	7,673

(3) Notes to quarterly consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(Notes on any significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I First three months of the previous consolidated fiscal year (from January 1, 2019 to March 31, 2019)

1. Amount of net sales and income or loss by reportable segment

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on quarterly consolidate d 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 profit (loss)	1,763,187	(66,006)	1,697,180	(2,087)	1,695,092	96,706	1,791,799

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

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

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

II First three months of the consolidated fiscal year under review (from January 1, 2020 to March 31, 2020)

1. Amount of net sales and income or loss by reportable segment

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on quarterly consolidate d financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
(1) Net sales to outside clients	9,088,159	1,939,669	11,027,828	-	11,027,828	-	11,027,828
(2) Inter-segment sales or transfer	6,351	2,255	8,606	-	8,606	(8,606)	-
Total	9,094,510	1,941,925	11,036,435	-	11,036,435	(8,606)	11,027,828
Segment profit (loss)	1,548,056	67,526	1,615,583	(3,384)	1,612,198	42,655	1,654,854

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

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

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

3. Supplementary information

Orders received

(in thousands of yen)

	First three months of the previous consolidated fiscal year (from January 1, 2019 to March 31, 2019)		First three months of the consolidated fiscal year under review (from January 1, 2020 to March 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	10,116,580	12,742,761	7,956,502	11,392,066
Business Innovation Business	454,325	379,348	589,320	408,086
Total	10,570,905	13,122,109	8,545,823	11,800,153

	Fourth quarter of the previous consolidated fiscal year (from October 1, 2019 to December 31, 2019)		First quarter of the consolidated fiscal year under review (from January 1, 2020 to March 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	10,221,999	12,523,723	7,956,502	11,392,066
Business Innovation Business	538,391	348,079	589,320	408,086
Total	10,760,391	12,871,803	8,545,823	11,800,153