

# **Materials for the Briefing on the Financial Results for the Second Quarter of FY2020**

August 4, 2020

Future Corporation

(First Section of Tokyo Stock Exchange: 4722)

# Today's Attendees



**Yuki Shingu**

Board Director,  
Future Corporation  
President,  
Future Architect, Inc.



**Yohei Saito**

Board Director,  
Chief Technology Officer,  
Future Corporation

Tomoko Sumida  
Executive Officer, Future Corporation

Shinichi Iwata  
Head of Financial & Accounting Group, Future Corporation

1. Earnings Results for the First Half of FY2020

2. Topics Related to the First Half of FY2020

3. Plan for FY2020

# 1. Earnings Results for the First Half of FY2020

# 1. Earnings Results for the First Half of FY2020

## (i) Earnings Highlights

### Consolidated earnings results for the first half of FY2020

Net sales were comparable to the level of the previous year, while operating income and ordinary income decreased, and profit increased.

Net sales	22,135 million yen (0.4% decrease)
Operating income	3,239 million yen (2.9% decrease)
Ordinary income	3,325 million yen (3.4% decrease)
Quarterly profit attributable to owners of parent	2,366 million yen (11.1% increase)

### IT Consulting & Service

Segment sales and operating income decreased due to lower sales of Future Architect, FutureOne, etc.

Net sales:	18,030 million yen (2.8% decrease)	
Operating income:	3,061 million yen (7.5% decrease)	*Refer to Appendix (i)

### Business Innovation

eSPORTS and CodeCamp drove the growth in sales. All companies improved operating income/loss.

Net sales:	4,139 million yen (11.4% increase)	
Operating income:	209 million yen (-89 million yen for the same period in FY2019)	*Refer to Appendix (i)

### Inter-segment adjustment

Net sales:	-33 million yen
Operating income:	-21 million yen

# 1. Earnings Results for the First Half of FY2020

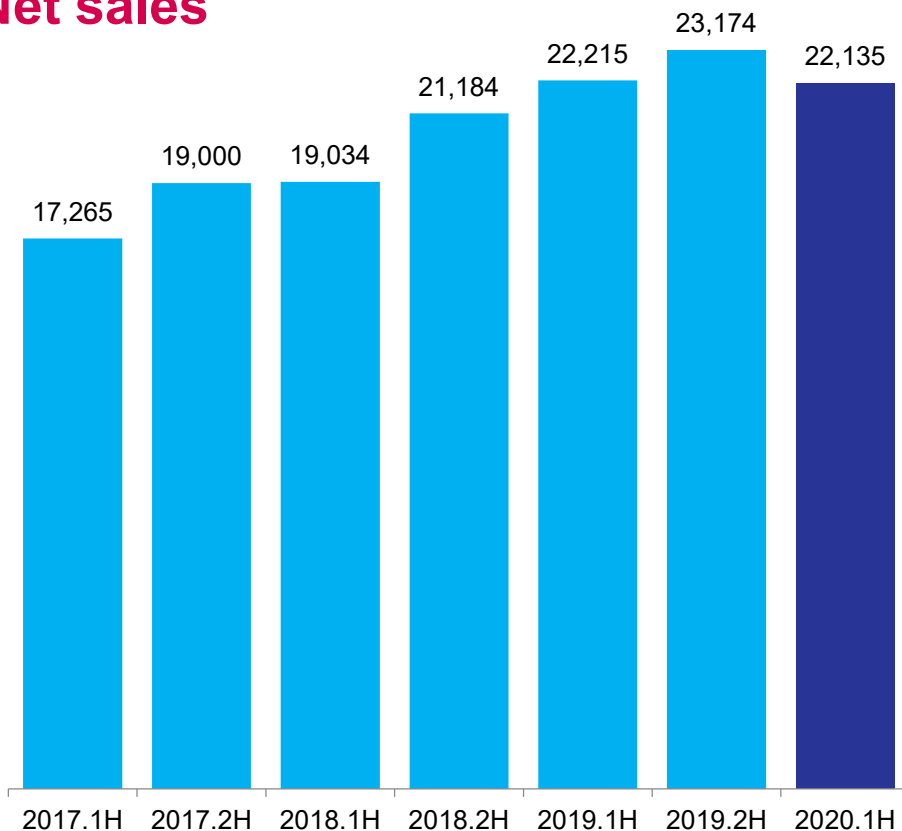
## (ii) Analysis of Earnings Results (Net Sales and Operating Income) **FUTURE**

\*Refer to Appendix

Compared to the previous six-month period (2H 2019), net sales decreased while operating income increased.

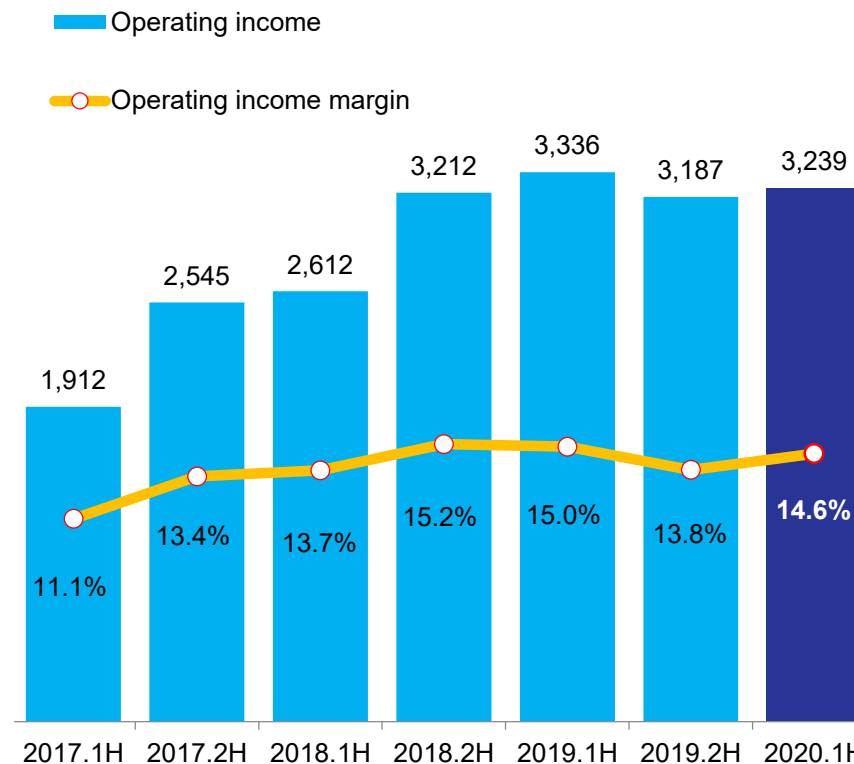
Operating income margin recovered to the level of the same period of the previous year (1H 2019)

### Net sales



### Operating income

(Million yen)



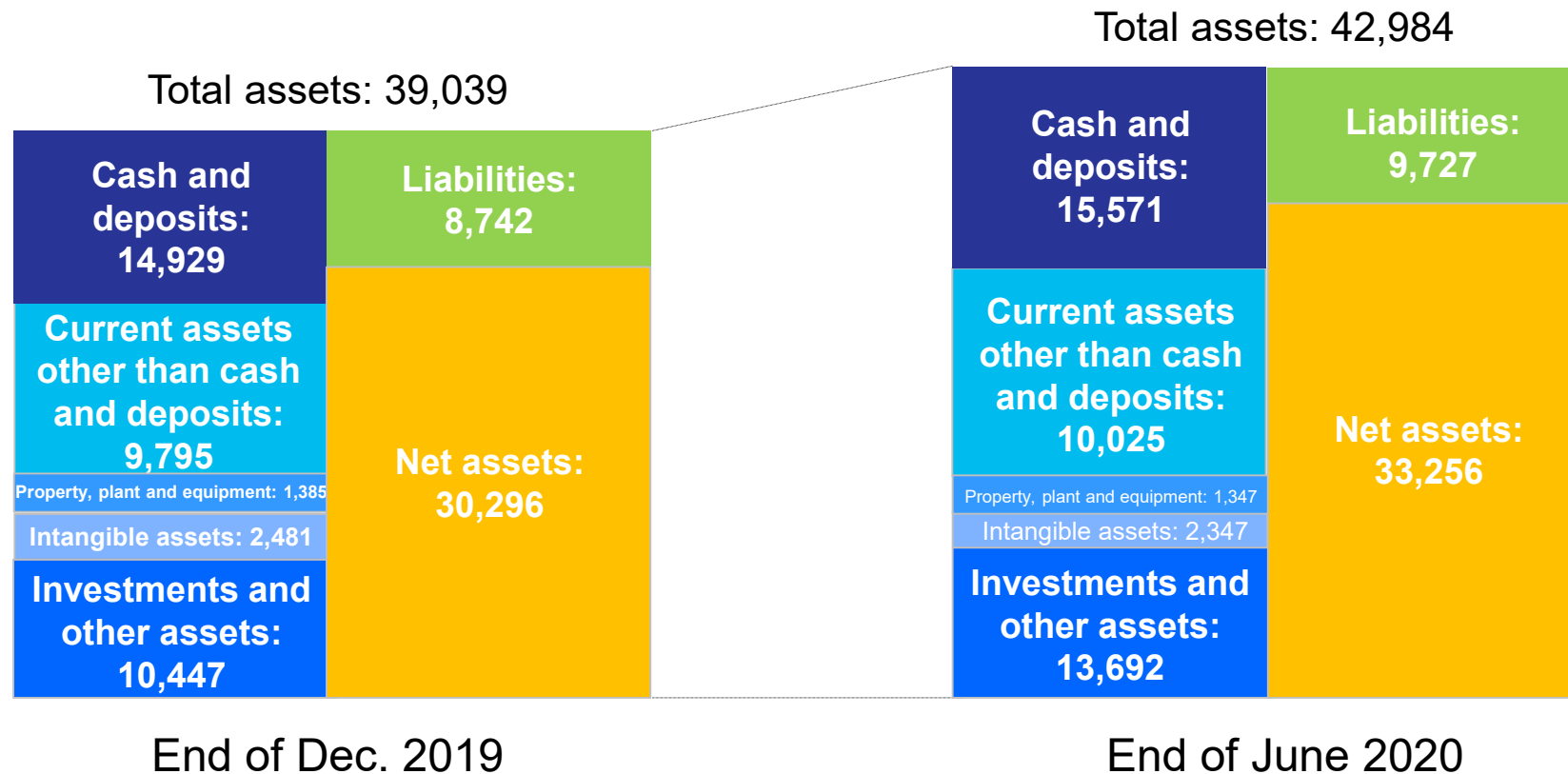
# 1. Earnings Results for the First Half of FY2020

## (ii) Analysis of Earnings Results (Balance Sheets)

Net assets increased from 30,296 million yen at the end of December 2019 to 33,256 million yen.

### Balance Sheets

(Million yen)



#### ○ Increase/decrease in assets

Increase/decrease in assets (Major items)	: + 3,945
Cash and deposits	: +641
Notes and accounts receivable - trade	: -518
Work in process	: + 656
Property, plant and equipment	: -38
Customer-related assets	: -104
Investment securities	: +3,259
Deferred tax assets	: -3

#### ○ Increase/decrease in liabilities

Increase/decrease in liabilities (Major items)	: + 985
Accounts payable - trade	: -262
Income taxes payable	: + 143
Provision for loss on projects	: + 405
Deferred tax liabilities	: + 751

#### ○ Increase/decrease in net assets

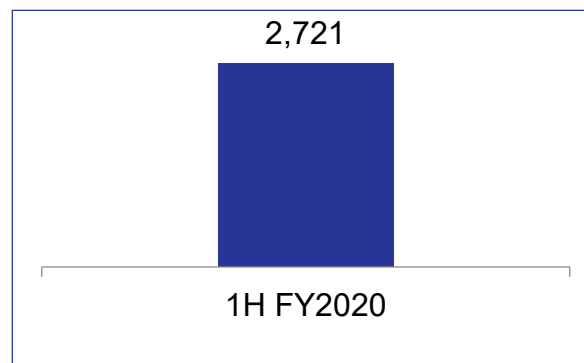
Increase/decrease in net assets (Major items)	: +2,960
Total shareholders' equity	: +707
Valuation difference on available-for-sale securities	: +2,228

# 1. Earnings Results for the First Half of FY2020

## (ii) Analysis of Earnings Results (Cash Flows)

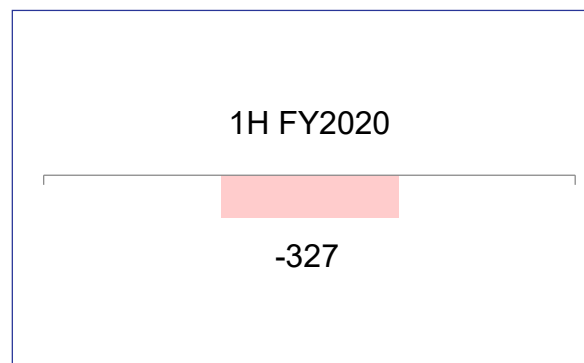
\*Refer to Appendix (iv)

### Operating CF



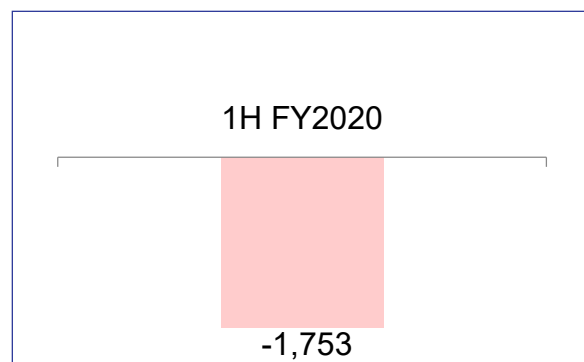
○ Breakdown of cash flows from operating activities	(Million yen)
Profit before income taxes	3,418
Depreciation	523
Increase (decrease) in provision for loss on projects	405
Decrease (increase) in notes and accounts receivable - trade	518
Decrease (increase) in inventories	-648
Other	-569
Subtotal	3,647
Income taxes paid	-998
Interest and dividends	71

### Investing CF



○ Breakdown of cash flows from investing activities	
Purchase of property, plant and equipment	-111
Purchase of intangible assets	-252
Sales of investment securities	99
Other	-63
CF from investing activities	-327

### Financing CF

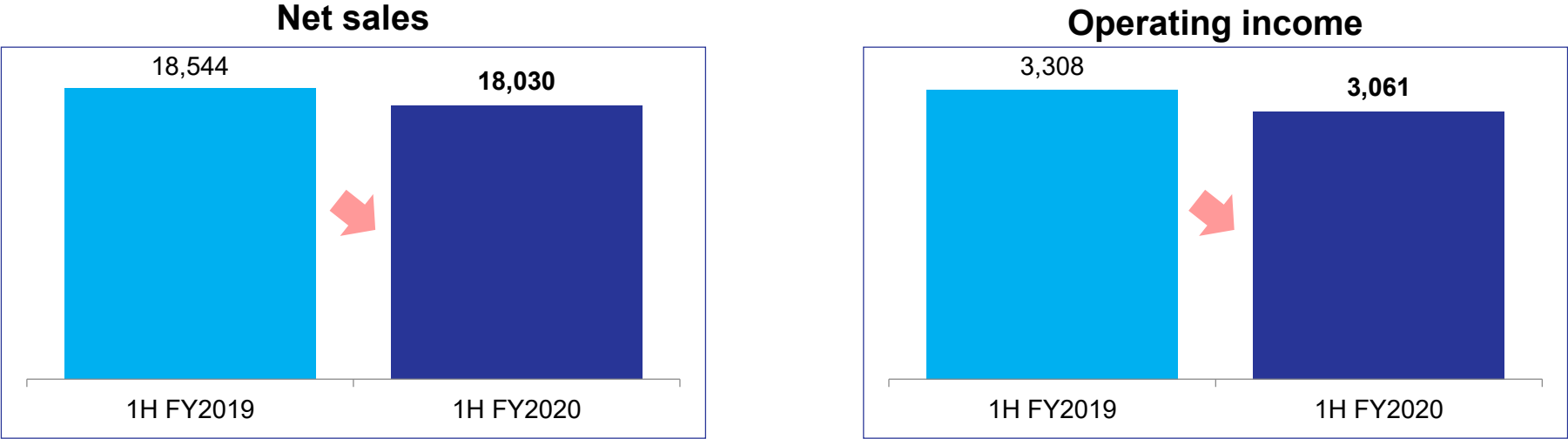


○ Breakdown of cash flows from financing activities	
Repayment of finance leases	-40
Purchase of treasury shares	-758
Cash dividends paid	-938
Other	-16
CF from financing activities	-1,753











# 1. Earnings Results for the First Half of FY2020

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



(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"> <li>• Net sales decreased due to the postponement of the start in new projects despite an increase in sales from financial institutions that continued to work on improving business efficiency and in orders for core system enhancements and DX promotion projects from clients conscious of 2025 Digital Cliff.</li> <li>• Operating income declined due to an increase in costs resulting from the addition of incremental staff to some challenging existing projects.</li> </ul>
<p>Future Inspace, Inc.</p> <p>Net sales  Operating income </p>	<ul style="list-style-type: none"> <li>• Maintenance and operation service deals for projects set by Future Architect were favorable.</li> <li>• Both net sales and operating income decreased mainly due to a decrease in new development orders.</li> </ul>
<p>YDC Corporation</p> <p>Net sales  Operating income </p>	<ul style="list-style-type: none"> <li>• Both net sales and operating income increased mainly due to greater sales of its original software, "YDC SONAR," which integrates and analyzes quality information in the manufacturing industry.</li> </ul>
<p>FutureOne</p> <p>Net sales  Operating income </p>	<ul style="list-style-type: none"> <li>• Both net sales and operating income decreased due to a partial delay in delivery in the large-scale SI project, which made it difficult to focus on winning orders for new projects.</li> </ul>

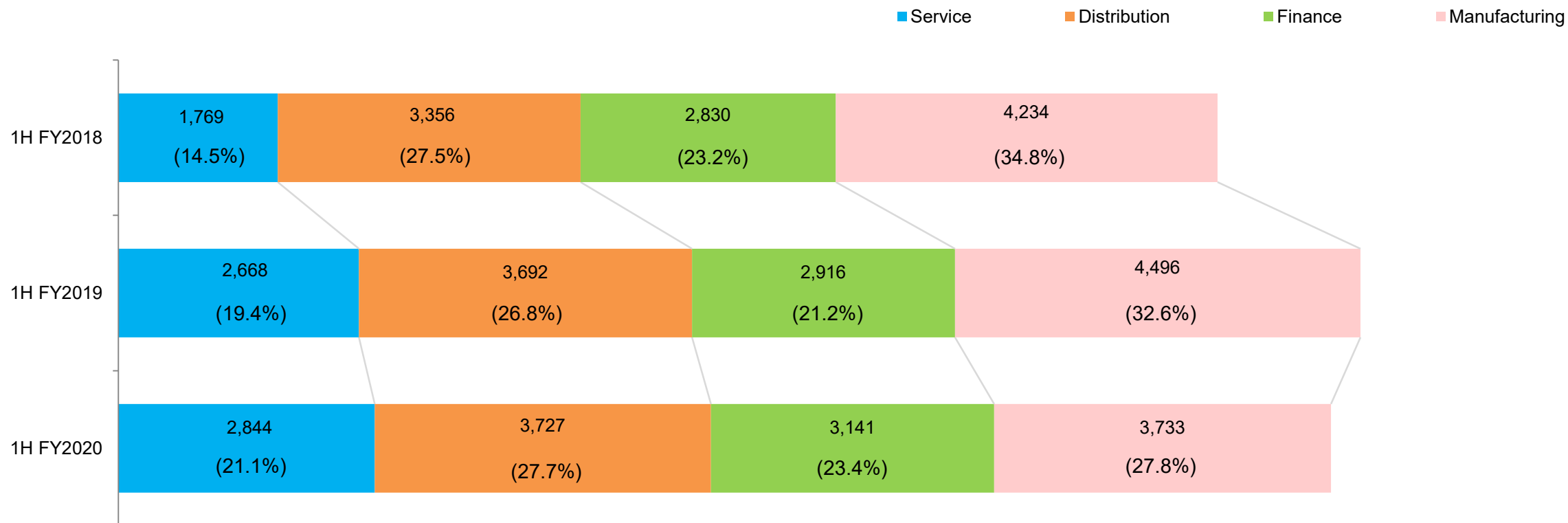
# 1. Earnings Results for the First Half of FY2020

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



(Million yen)

### Sales trends by industry



Note 1) Results for Future, Future Architect, Future Inspace and YDC have been combined.

Note 2) Figures for procured goods and the maintenance thereof are not included.

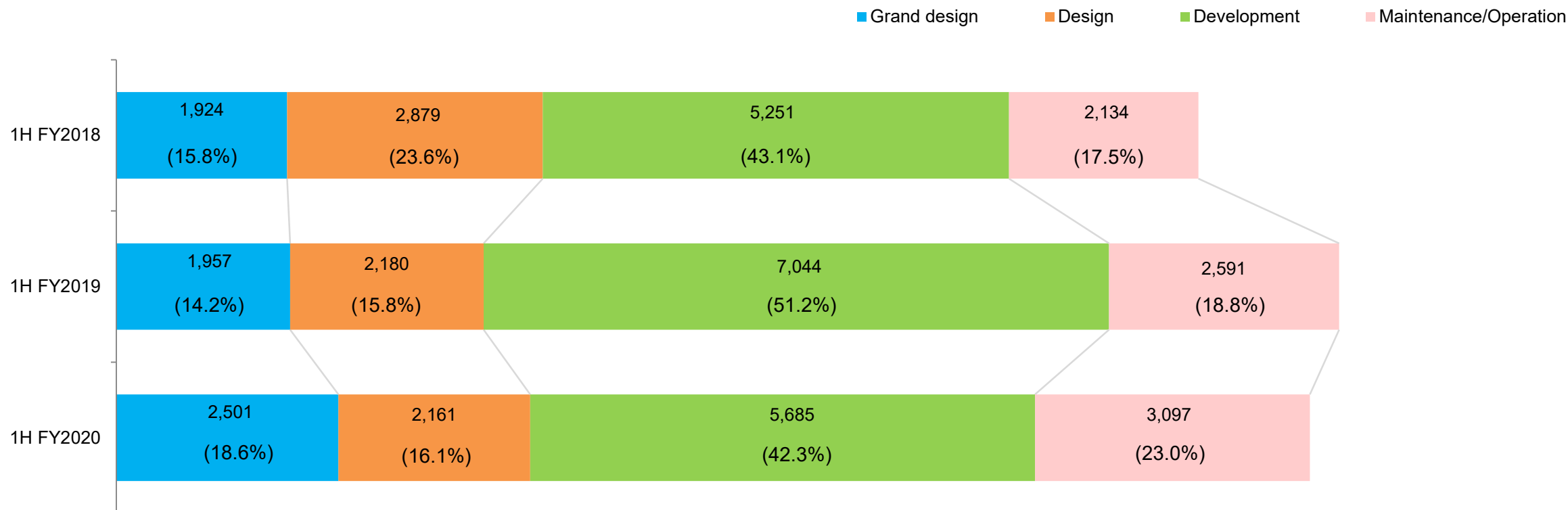
# 1. Earnings Results for the First Half of FY2020

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



(Million yen)

### Sales trends by phase



Note 1) Results for Future, Future Architect, Future Inspace and YDC have been combined.

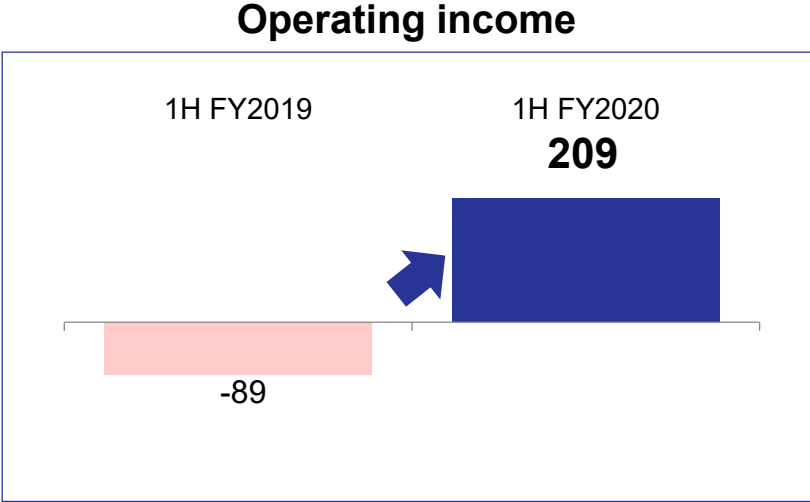
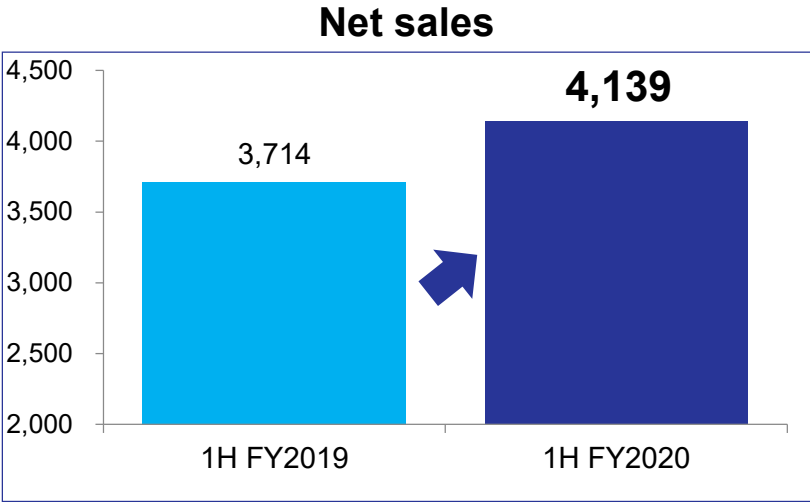
Note 2) Figures for procured goods and the maintenance thereof are not included.

# 1. Earnings Results for the First Half of FY2020

## (iii) Results by Segment (Business Innovation)

\*Refer to Appendix (v)

(Million yen)

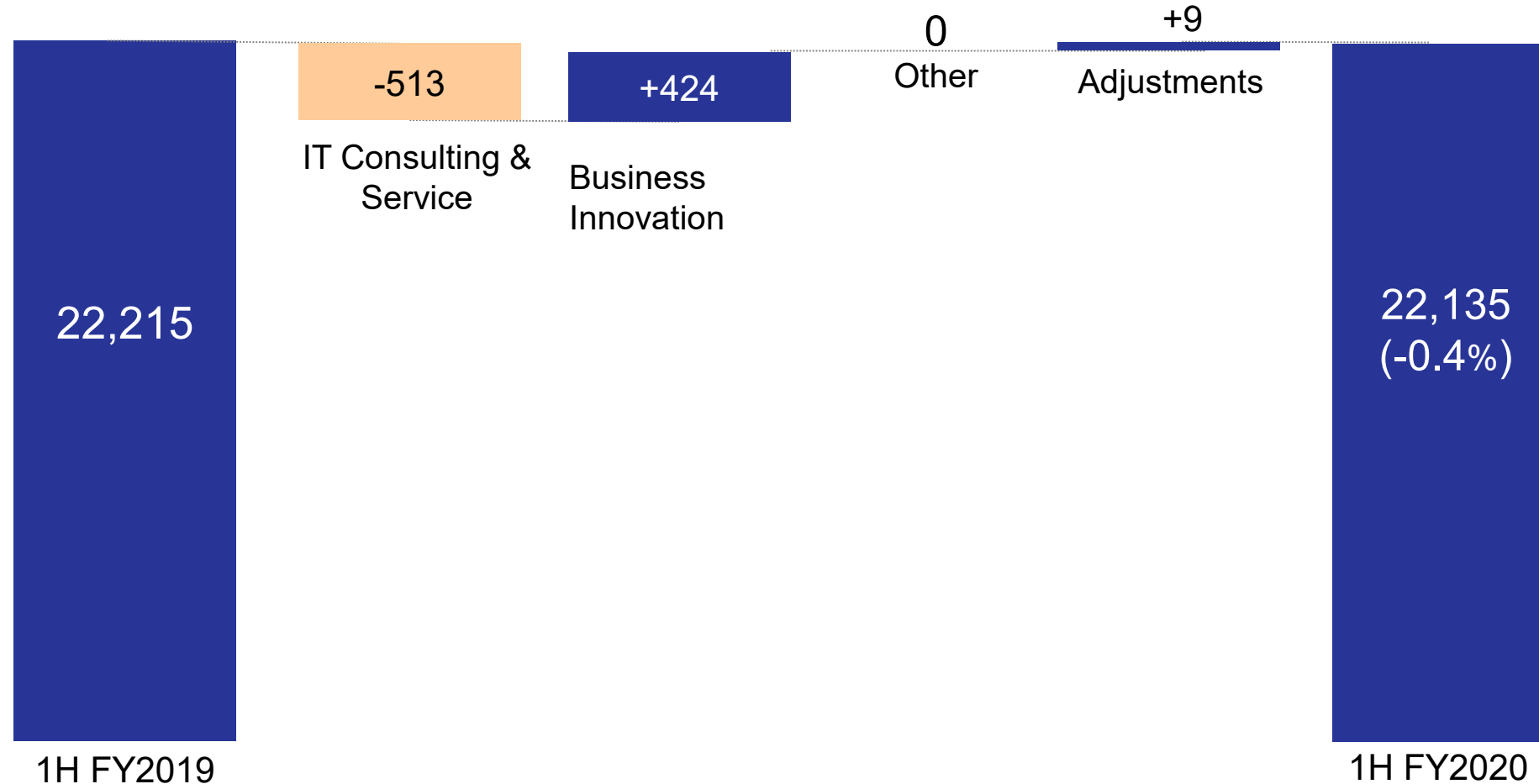


eSPORTS Net sales → Operating income	•Both net sales and operating income increased due to the growth of private brand products resulting from increased demand for staying home and indoor training associated with the spread of the novel coronavirus as well as the recognition of outdoor product brands and the effect of campaigns at mall stores.
Tokyo Calendar Inc. Net sales → Operating income	•"Tokyo Calendar Date" and other Internet services performed well and covered the decline in advertising revenues. Net sales increased, and operating income was posted in contrast to the operating loss recorded in the same period of the previous fiscal year.
CodeCamp Inc. Net sales → Operating income	•Both net sales and operating income rose significantly thanks to an increase in the number of individuals taking online courses during the period when people were asked to refrain from going out due to the novel coronavirus and a move by companies to switch from group training to online courses.
LaiBlitz, Inc. Net sales → Operating income	•Both net sales and operating income increased as a result of steady progress in consulting services and cloud services for several professional baseball teams.

# 1. Earnings Results for the First Half of FY2020

## (iv) Analysis of Changes in Net Sales

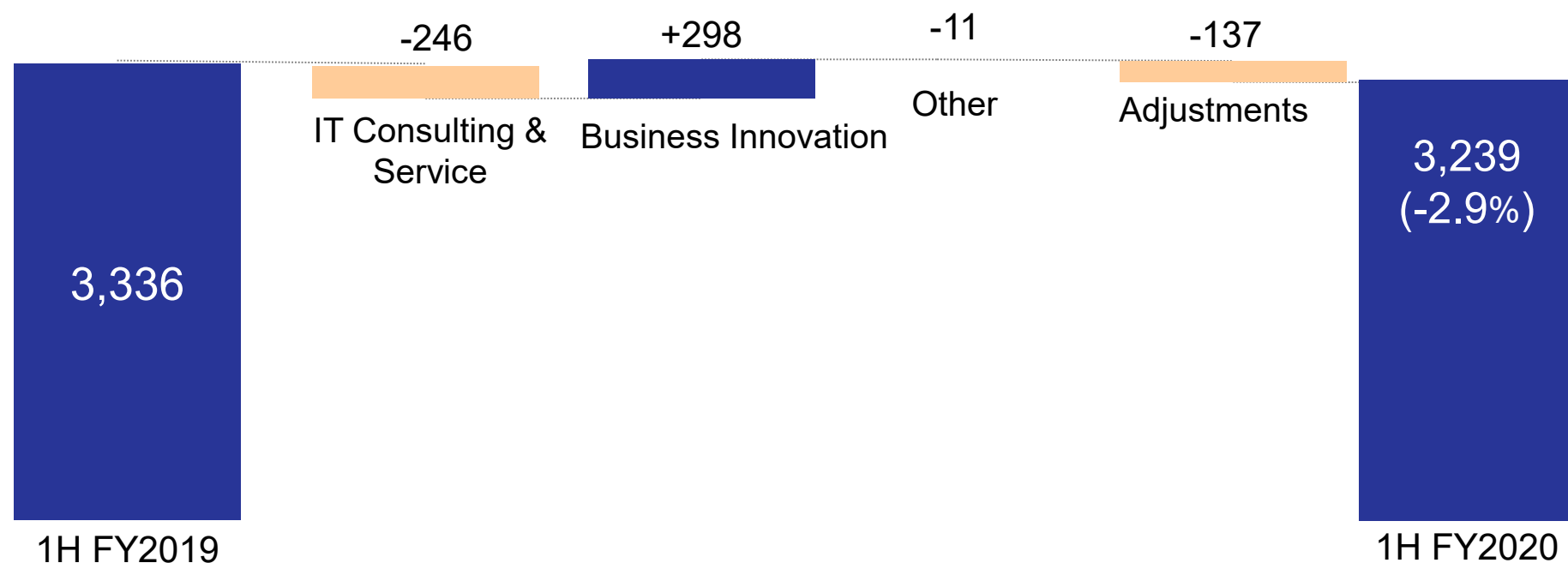
(Million yen)



# 1. Earnings Results for the First Half of FY2020

## (v) Analysis of Changes in Operating Income

(Million yen)



## 2. Topics Related to the First Half of FY2020

1. Group Synergy in the IT Consulting & Service Business
2. Order Trends
3. Introduction and Deployment of Loan Support System for Regional Banks
4. FUJI: First Phase of Digitalization at Stores and Sales Floors
5. Leading Gas Retailer: Digital Twin Total Design by IoT
6. Mid-Career and New Graduate Recruitment
7. Enhancing Organizational and Individual Capabilities through Active Communication
8. Tokyo Calendar Inc.
9. eSPORTS
10. CodeCamp
11. LaiBlitz
12. Cooperation in Vaccine Development Using AI

# Group Synergy in the IT Consulting & Service Business

FUTURE

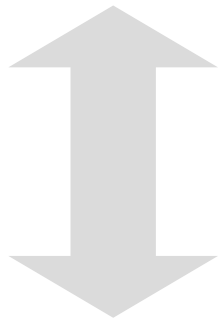
i.Lab newly joined the Group and expanded into the business creation and innovation fields, which contributed to strengthening the synergy among the companies in terms of expertise and customer base.

“Create” businesses and services

“Transform” businesses and services

“Protect” businesses and services

Business and operational consulting



Solution offering-type consulting



**2019**  
**Joined the Group**





# Order Trends

FUTURE

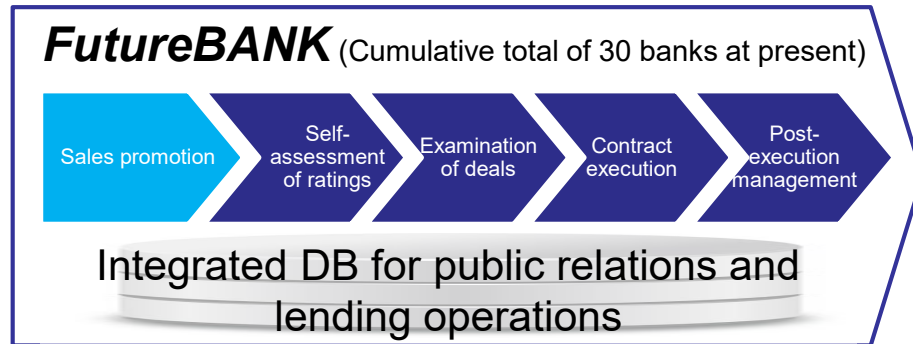
While there were some customers who curtailed and postponed investment, orders for grand design projects were received from customers with a strong desire to invest in business reforms.



# Introduction and Deployment of Loan Support System for Regional Banks

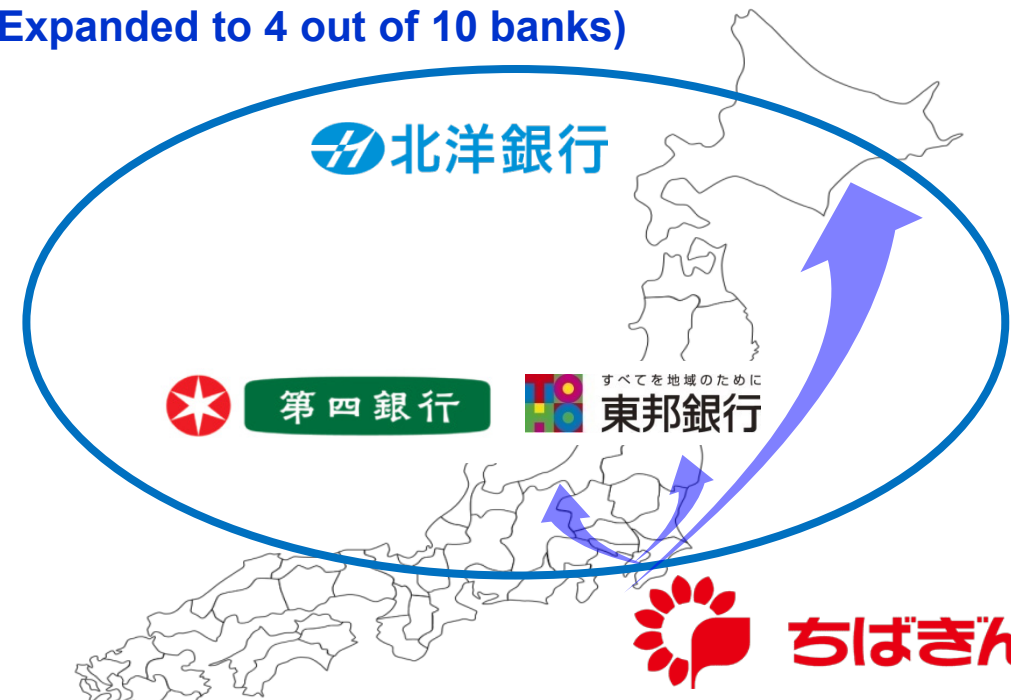


Installed "FutureBANK" at The Chiba Bank to improve the efficiency of loan operations.  
Successively implementing the system at TSUBASA Alliance banks.



- Promoting paperless operations
- Centralization of operations at headquarters
- Increase the sophistication and efficiency of credit review/sales activities

## TSUBASA Alliance (Expanded to 4 out of 10 banks)



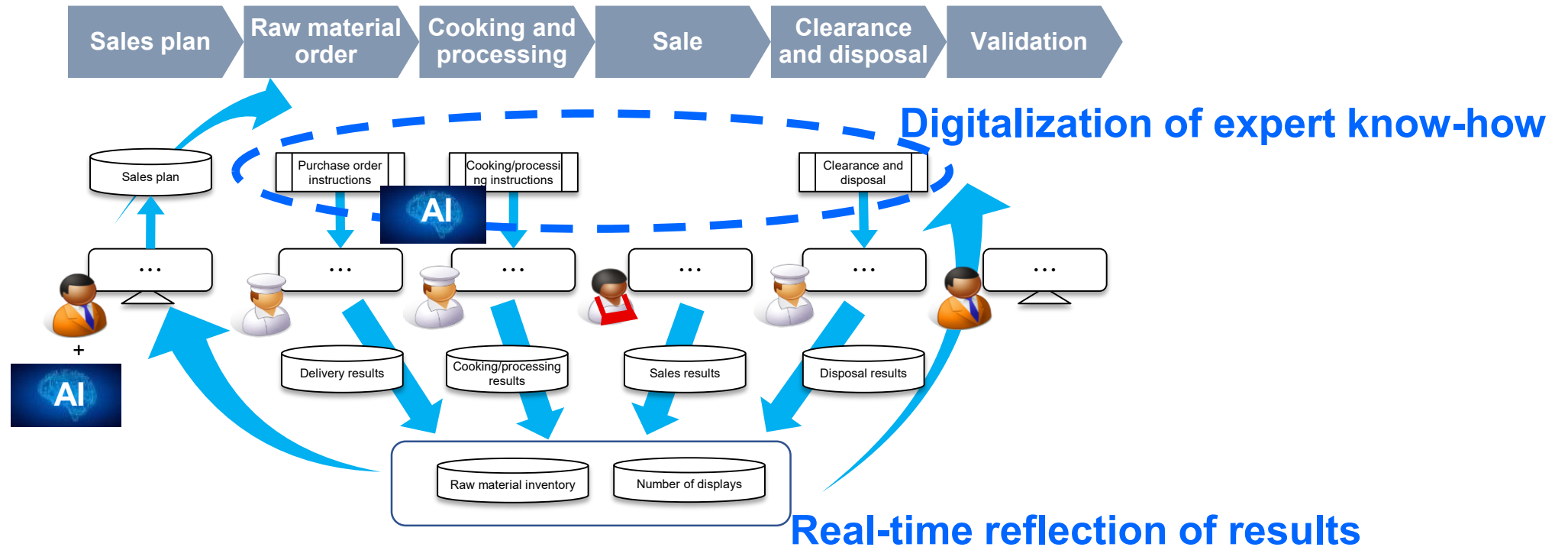
Released in February 2020

# FUJI: First Phase of Digitalization at Stores and Sales Floors

FUTURE

Phase I release in the digitalization of store & sales floor operations that were realized by onsite know-how. Going forward, AI will be used to promote further efficiency and meet the growing demand for eating at home.

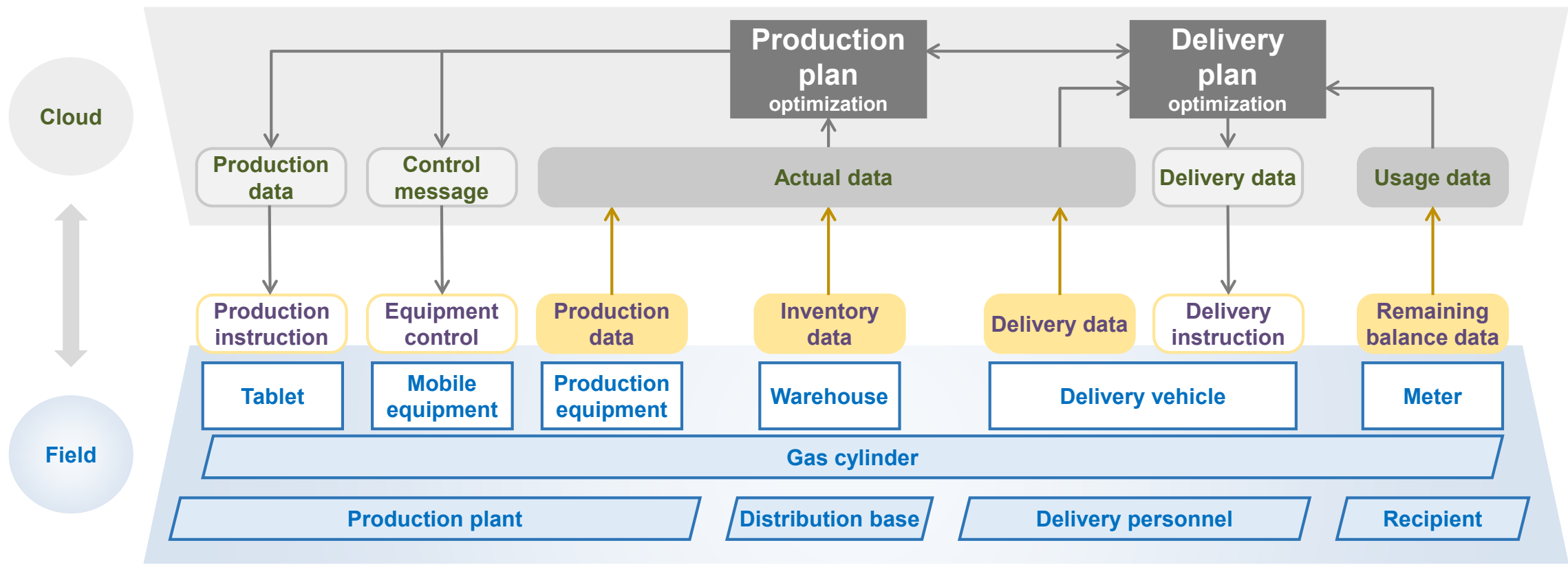
**FUJI** Optimize operations and increase work-style satisfaction through full digitalization.



# Leading Gas Producer/Retailer: Digital Twin Total Design by IoT

FUTURE

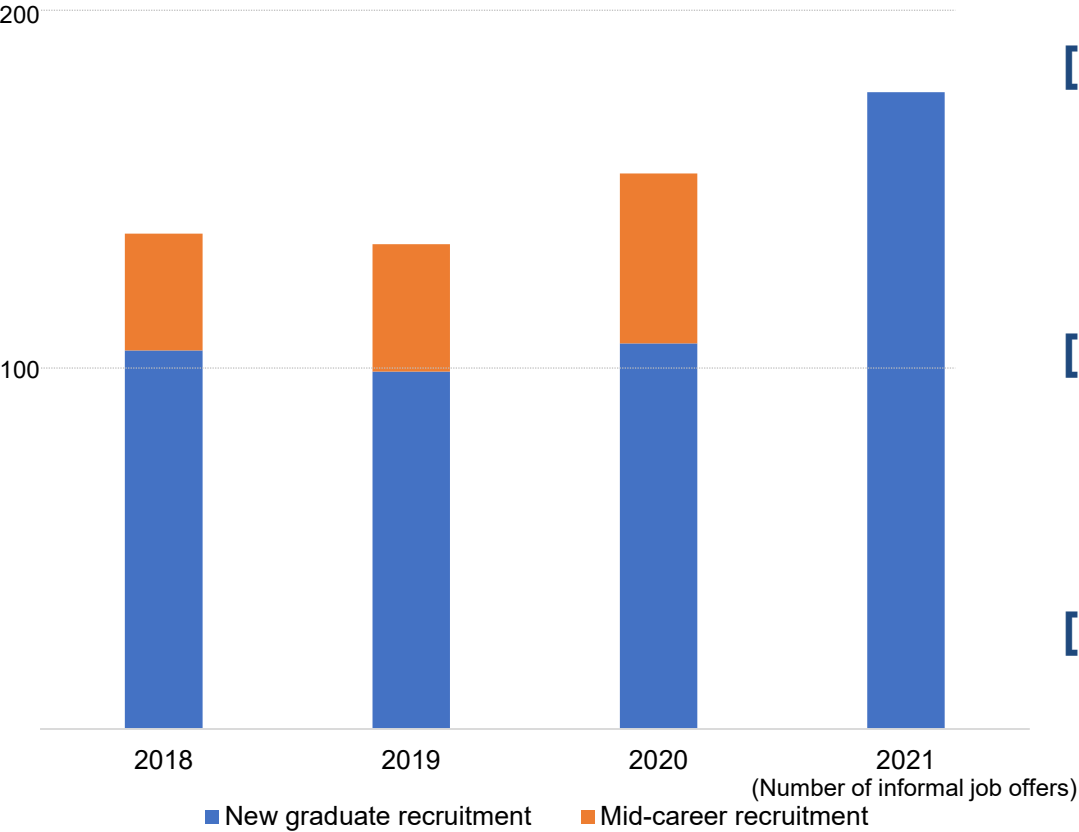
Optimizing production and delivery by fully utilizing digital technology. Promoting control of production and distribution instructions, equipment control as well as overall architecture design and implementation, and driving the entire project from the cloud to the field.



# Mid-Career and New Graduate Recruitment



Smoothly transitioned to a full online process in March. Actively hiring mid-career employees and new graduates without being impacted by the novel coronavirus pandemic.



Mid-career recruitment: Number of hires as of July 31 / New graduate recruitment: Number of hires  
(Number of persons at Future Corporation and Future Architect, Inc.)

### [Mid-career recruitment]

Promoted referral hiring throughout the Company and increased the number of referrals from employees.  
Formed a promotion team with a plan to hold many seminars in the second half of the year.

### [New graduates]

Increased our online events and maintained the number of contacts even amid the novel coronavirus pandemic.  
Both the number of entries and the number of informal job offer acceptances reached record highs.

### [Common]

Actively publicizing the attractiveness of culture and people through our owned media "MIRAIHO."

Promoting candidates' and students' understanding of the Company, which has led to a higher acceptance rate of informal job offers compared to the level last year.

# Enhancing Organizational and Individual Capabilities through Active Communication

FUTURE

The declaration of a state of emergency has spurred online internal events. Further enhanced collaboration among employees through remote work.

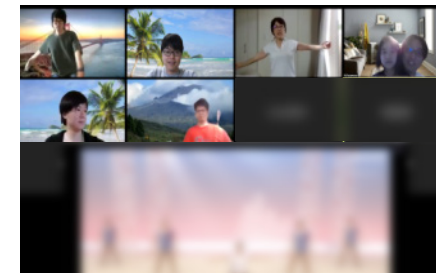
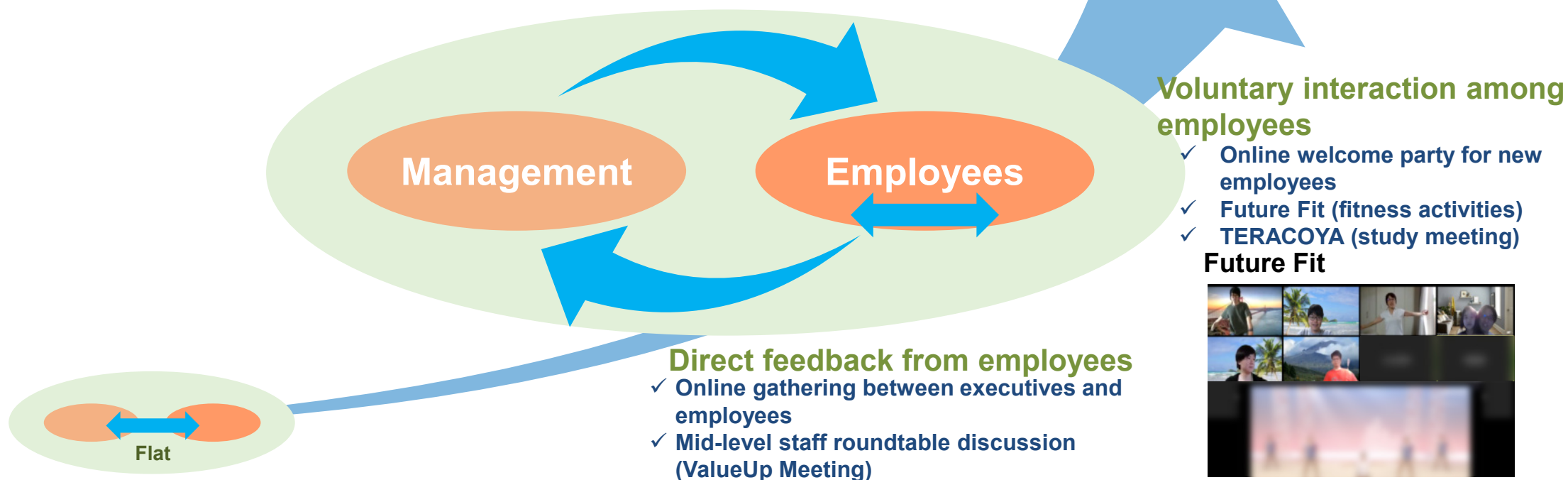
## Online initiation ceremony



- ✓ Online initiation ceremony (April & July)
- ✓ Individual presentation final round@Zoom

Delivering message from top management

More "solid" as an organization  
Further "ValueUp" as an individual



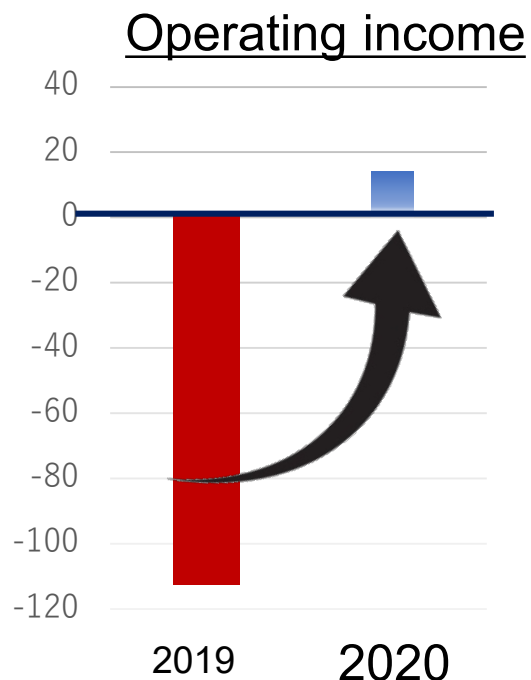
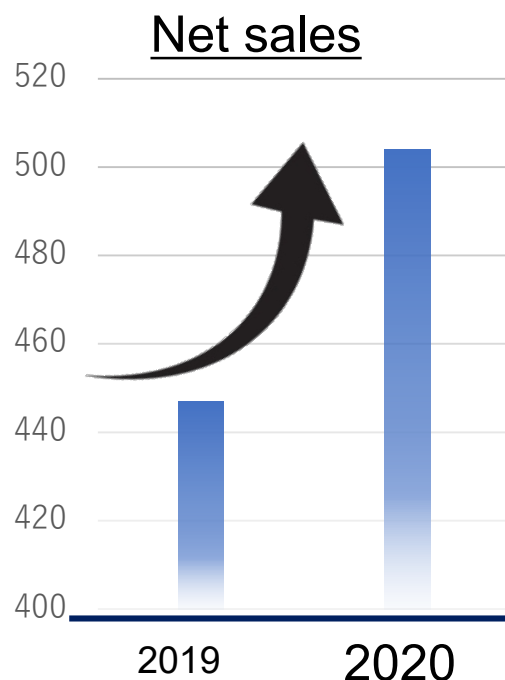


## Business Innovation Business - Topics (Recovery of Profitability)

The business posted profit for the first half as profit was recorded every month up until April, although almost all advertising in May and June was put on hold due to the impact of the novel coronavirus.



Net sales grew 12% year on year and operating income increased significantly by 124 million yen.



Used the marketing platform to link "branding", "attracting customers" and "Internet services" all together.

Brand: Monthly Magazine "Tokyo Calendar"



FUTURE

東京カレンダー  
TOKYO CALENDAR



# Business Innovation Business - Topics (Greater Net Sales due to the Impact of Novel Coronavirus)

Thanks to PB development, net sales and operating income increased 10% and 30%, respectively, year on year despite the impact of the novel coronavirus.

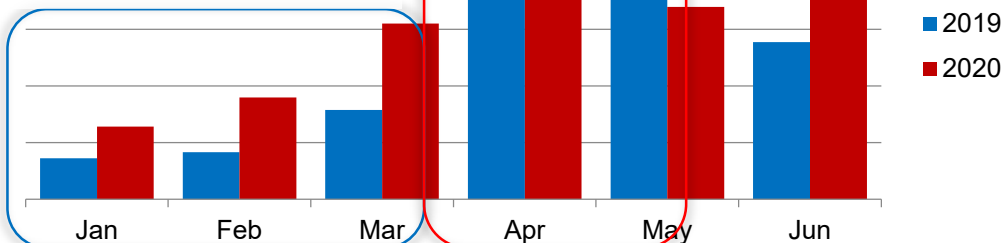


Net sales increased steadily, driven by reinforced brand promotion.  
Performance remained strong even during the novel coronavirus pandemic.



Significant growth as a brand.  
Nearly doubled from a year earlier.

Sales remained stable without falling from the previous year's level while many brands struggled due to the closure of campsites.

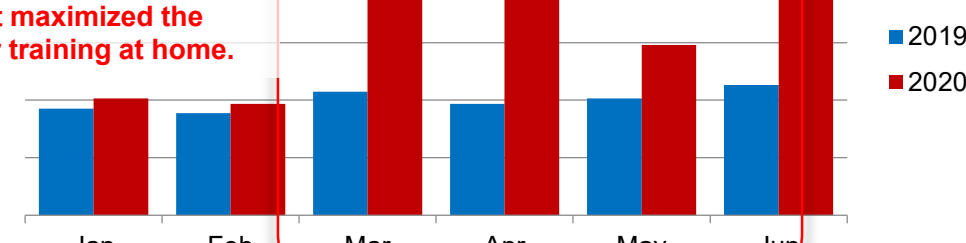


Net sales doubled from a year earlier as a result of bolstering the lineup of brand products and making the best use of special demand amid low inventory.



With limited inventory in the market, sales increased significantly through inventory control that maximized the demand for training at home.

The product lineup became abundant without losing demand since we had introduced new products to nurture the brand.





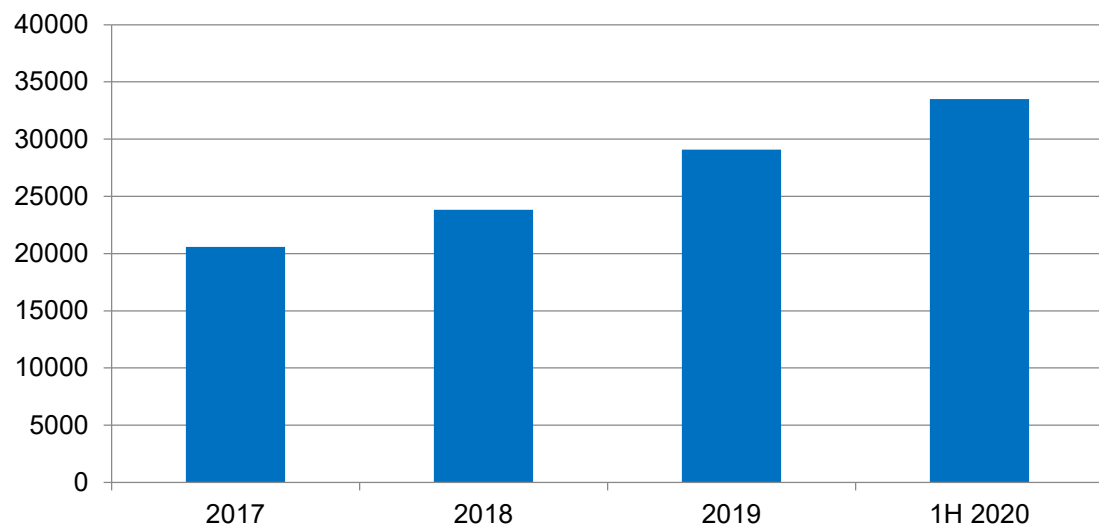
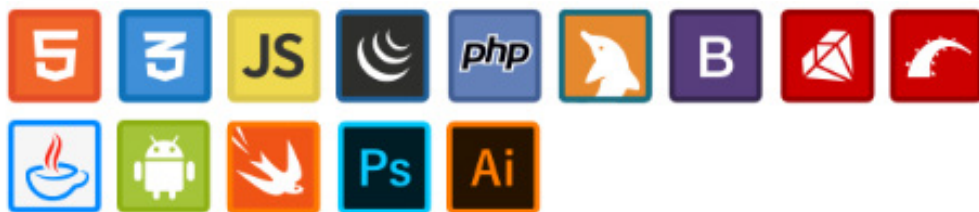
## Business Innovation Business - Topics

## (Greater Net Sales due to the Impact of Novel Coronavirus)

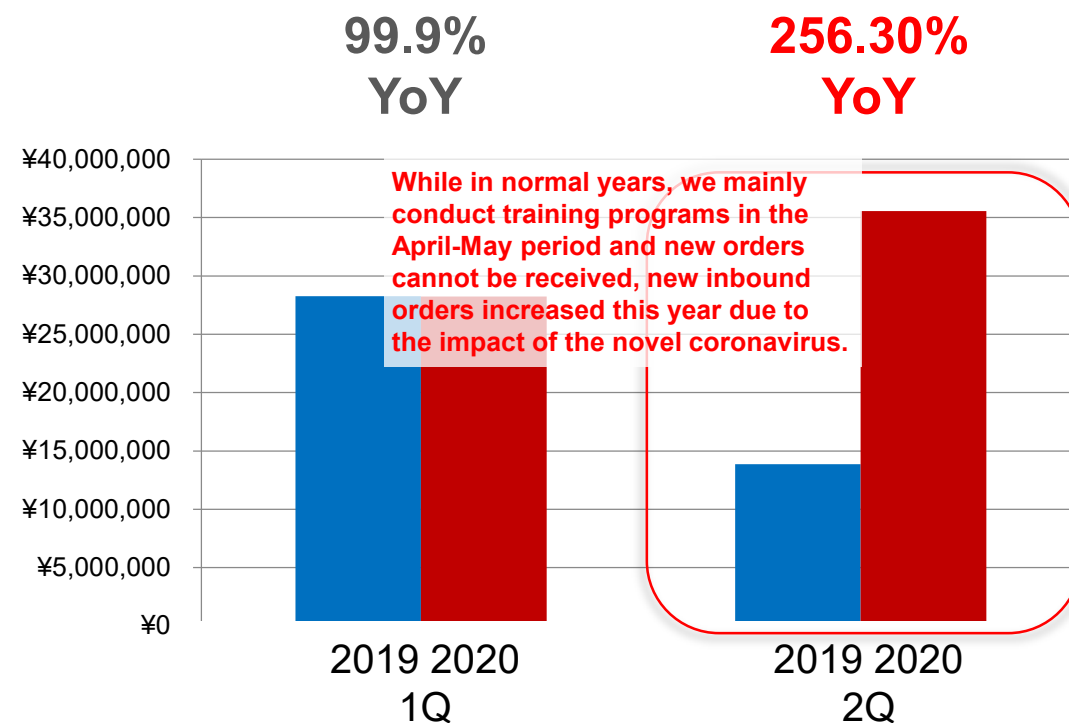
Amid the impacts from the novel corona virus, by taking advantage of the characteristics of online education, the number of users increased for both individual and corporate businesses.



Acquired approximately one year's worth of individual applicants for courses just in the first half, which contributed to net sales and operating income.



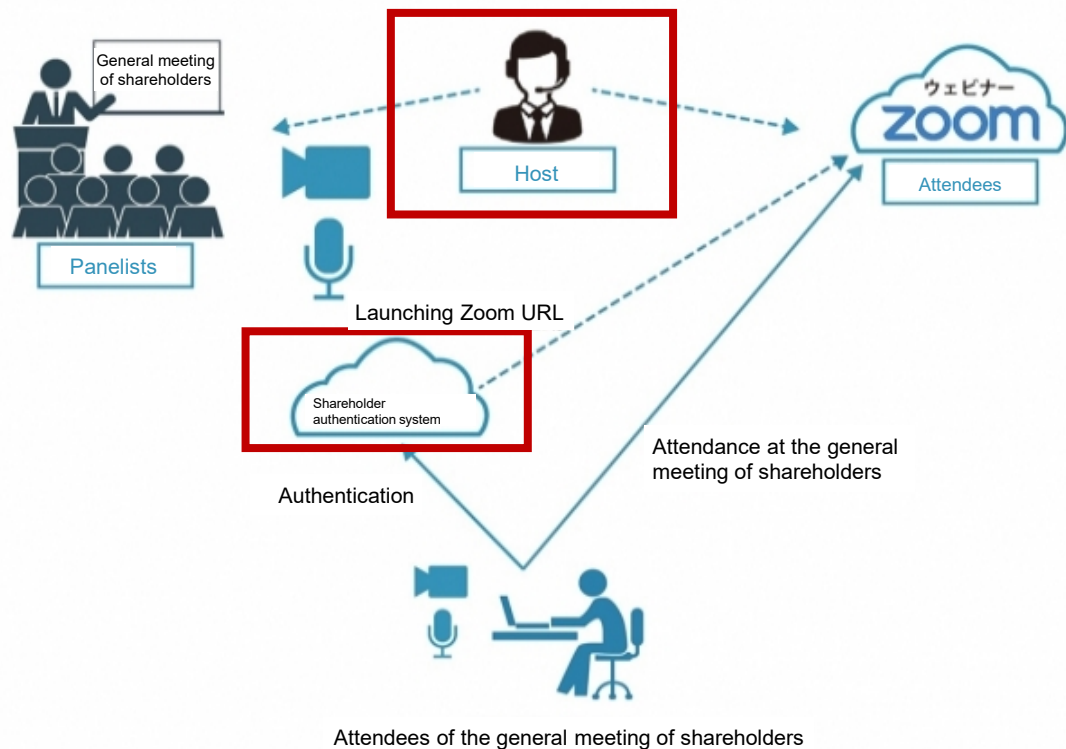
Corporate needs have increased rapidly since April because in-house group training cannot be conducted.



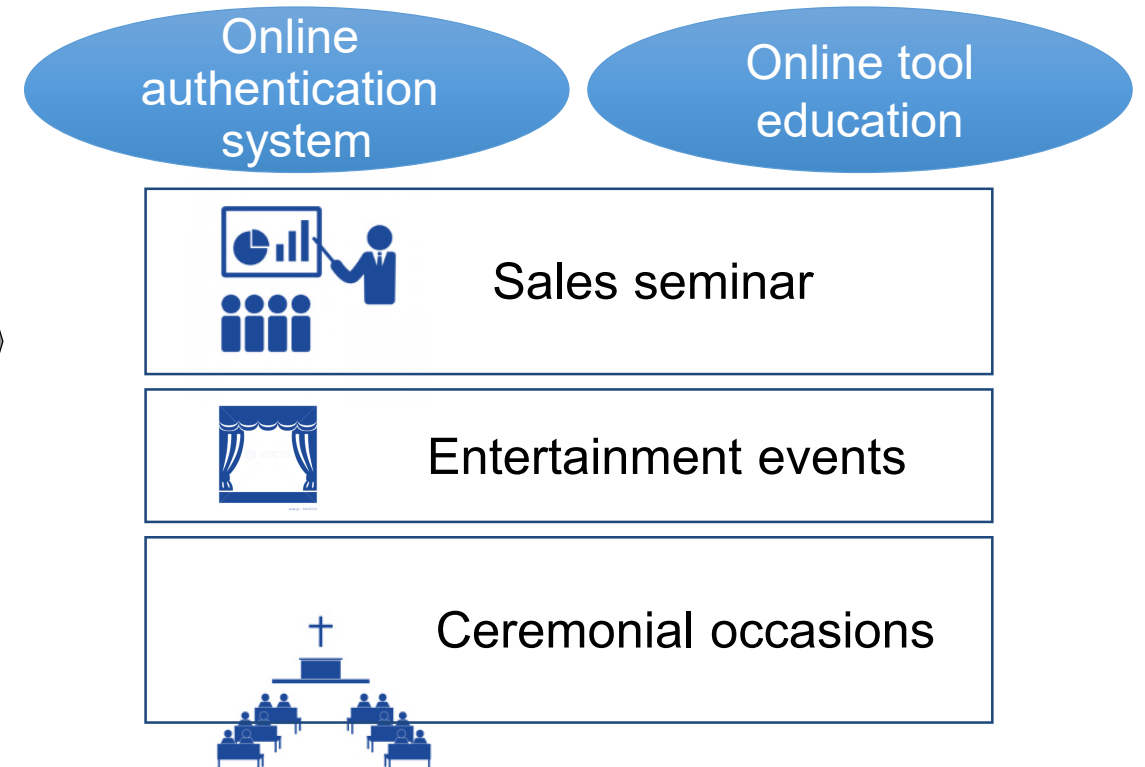
## Business Innovation Business - Topics (New Service Amid the Novel Coronavirus Pandemic)

While various activities are carried out online due to the novel coronavirus pandemic, new services were offered, which also led to more inquiries from other fields.

Providing virtual shareholder meeting support services in collaboration with Group companies, utilizing our experience with our company's shareholders meeting.



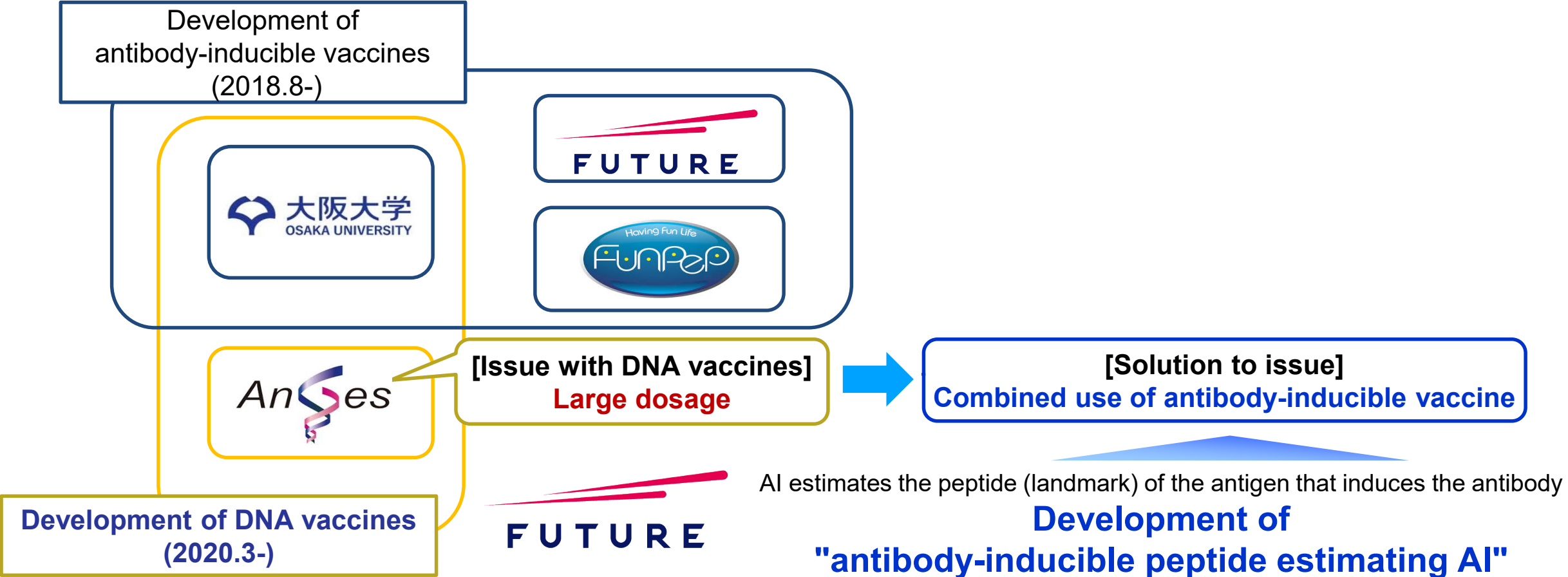
A service specializing in general shareholders meetings expanded to other fields, including use in marketing seminars and events.



# Cooperation in Vaccine Development Using AI



Supplied AI for enhancing development efficiency to AnGes, Inc., a developer of DNA vaccines.  
Using technology to help address social concerns caused by the novel coronavirus.



### 3. Plan for FY2020

### 3. Plan for FY2020

#### (i) Full-year Operating Forecast

(Million yen)

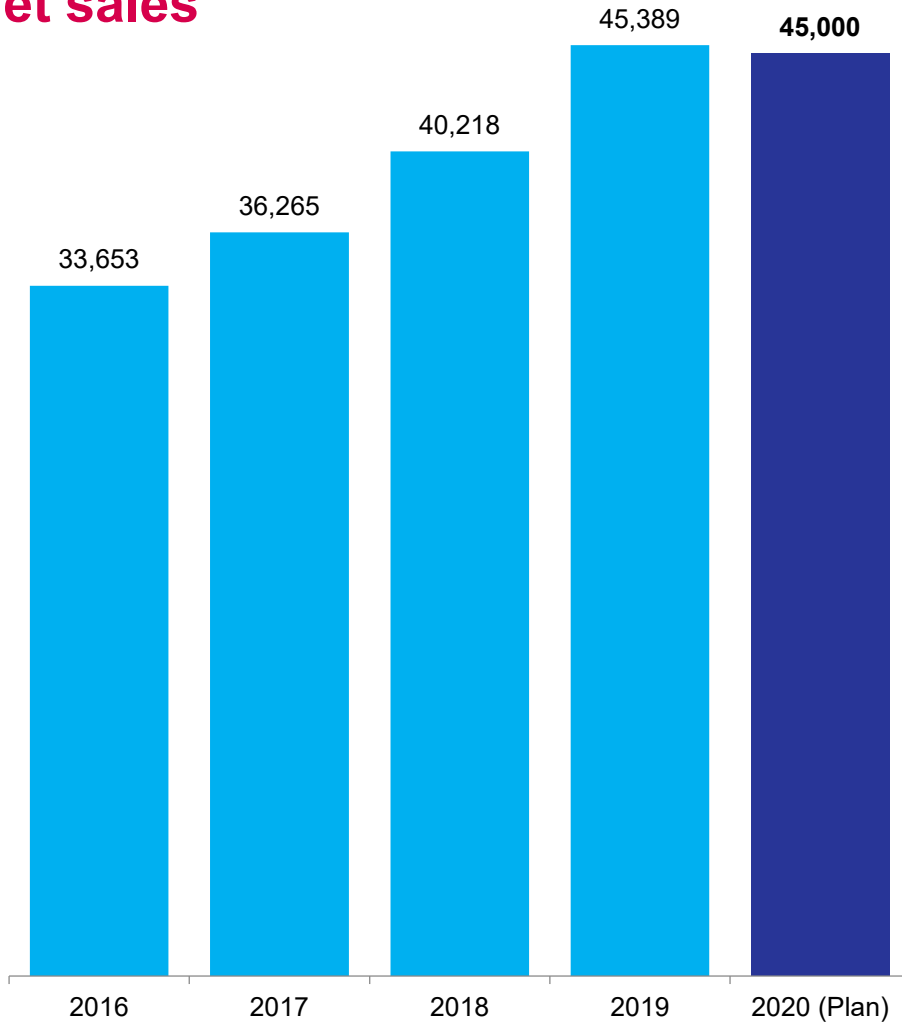
	Plan for FY2020 (full-year) (Initial: 4/28)	Plan for FY2020 (full-year) (Revised: 7/31)	Change	Results for 1H FY2020	Progress rate (Post-revision comparison)
Net sales	48,300	45,000	-3,300	22,135	49.2%
Operating income (Operating income margin)	7,200 (14.9%)	6,500 (14.4%)	-700 (-0.5%)	3,239 (14.6%)	49.8%
Profit attributable to owners of parent (Profit margin)	4,880 (10.1%)	4,400 (9.8%)	-480 (-0.3%)	2,366 (10.7%)	53.8%

### 3. Plan for FY2020

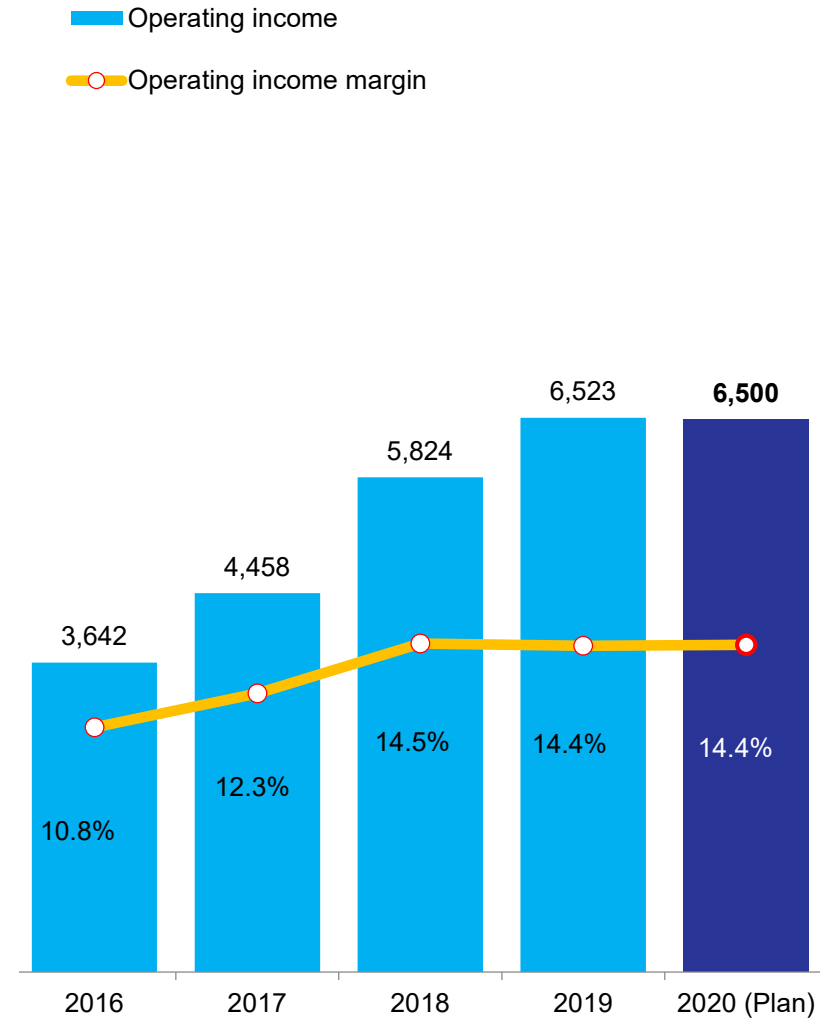
#### (ii) Changes in Net Sales and Operating Income (\*After revision of full-year earnings forecast)

(Million yen)

##### Net sales



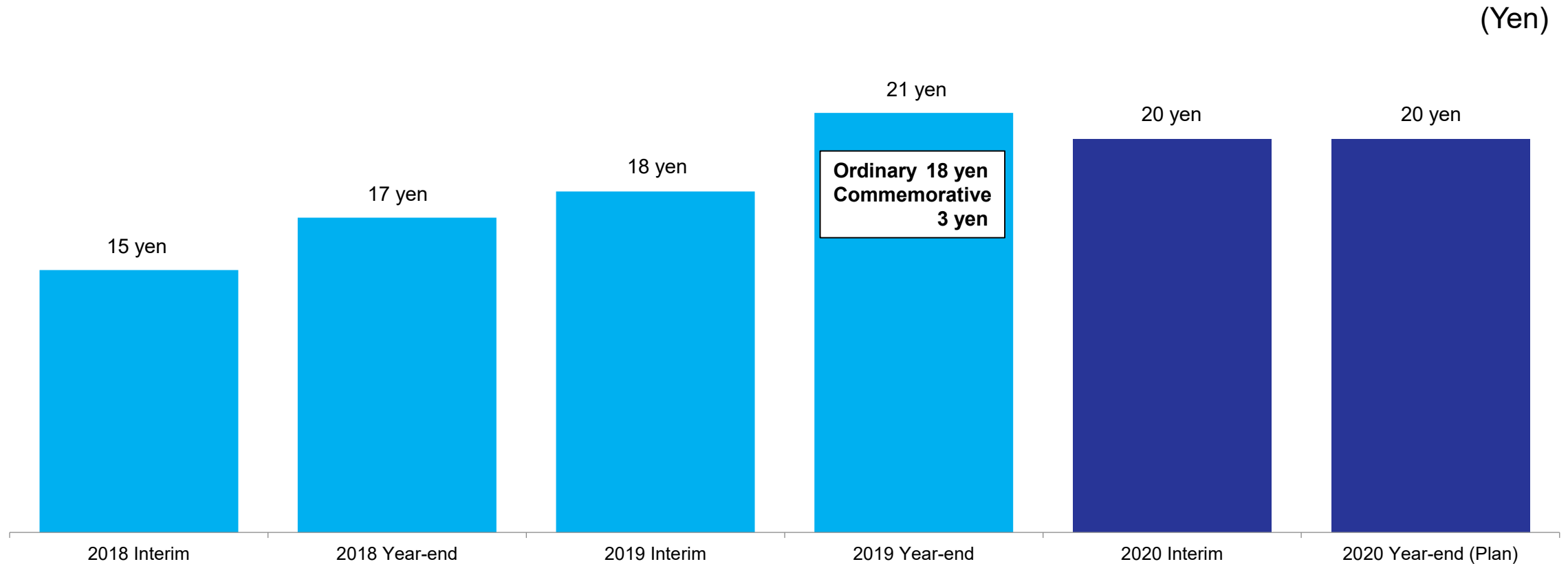
##### Operating income



### 3. Plan for FY2020 (iii) Dividends

The FY2020 annual dividend is expected to be 40 yen, with the interim dividend being an ordinary dividend of 20 yen per share, an increase of 2 yen per share, and the year-end dividend being 20 yen per share (as originally planned).

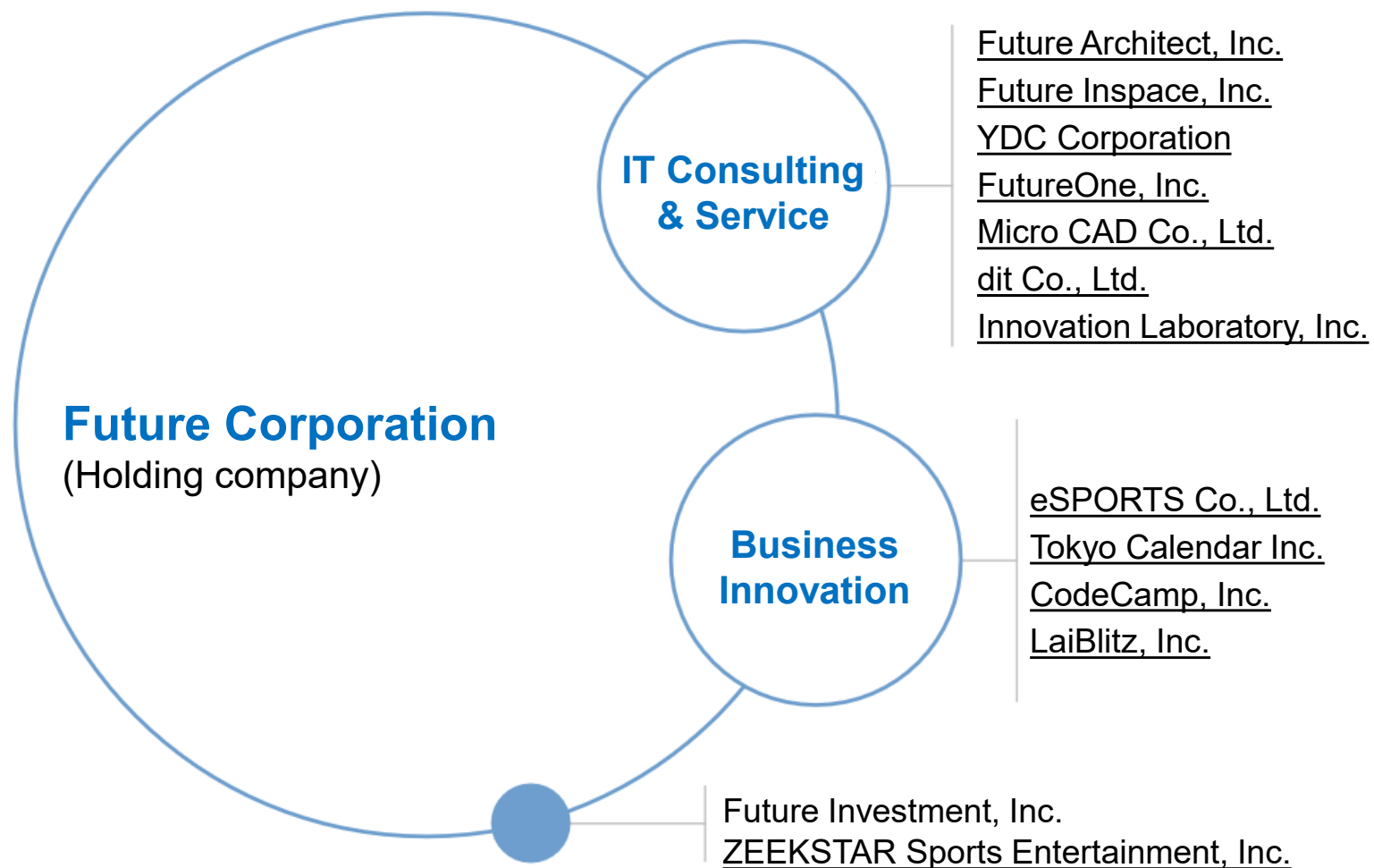
On an annual basis, it is an increase of 1 yen from the previous year (a commemorative dividend of 3 yen was paid last fiscal year to celebrate the 30th anniversary of the Company's founding.)



# Appendix



# Appendix. - (i) Future GROUP



(As of June 30, 2020)

Copyright © 2020 by Future Corporation

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

(Million yen)

	Results for 1H FY2020	Compared with projected results		Year-on-year comparison	
		Plan for 1H FY2020	Rate of change	Results for 1H FY2019	Rate of change
Net sales	<b>22,135</b>	23,020	-3.8%	22,215	-0.4%
Operating income (Operating income margin)	<b>3,239</b> (14.6%)	3,195 (13.9%)	+1.4%	3,336 (15.0%)	-2.9%
Quarterly profit attributable to owners of parent (Quarterly profit margin)	<b>2,366</b> (10.7%)	2,190 (9.5%)	+8.1%	2,130 (9.6%)	+11.1%

## Appendix - (iii) Balance Sheets

(Million yen)	End of June 2020	End of Dec. 2019	Change
Current assets	25,597	24,725	+872
Non-current assets	17,387	14,314	+3,073
<b>Total assets</b>	<b>42,984</b>	<b>39,039</b>	<b>+3,945</b>
Current liabilities	6,755	6,552	+202
Non-current liabilities	2,972	2,190	+782
<b>Total liabilities</b>	<b>9,727</b>	<b>8,742</b>	<b>+985</b>
<b>Total net assets</b>	<b>33,256</b>	<b>30,296</b>	<b>+2,960</b>
Shareholders' equity ratio	77.3%	77.6%	

		End of June 2020	End of Dec. 2019	Change
Current assets:	Cash and deposits	15,571	14,929	+641
	Notes and accounts receivable - trade	6,568	7,087	-518
	Work in process	1,008	351	+656
Non-current assets:	Property, plant and equipment	1,347	1,385	-38
	Intangible assets (including goodwill)	2,347	2,481	-133
	Investment securities	12,038	8,779	+3,259
Current liabilities:	Provision for loss on projects	660	254	+405
Non-current liabilities:	Deferred tax liabilities	2,387	1,635	+751
Net assets:	Valuation difference on available-for-sale securities	6,826	4,598	2,227

## Appendix - (iv) Cash Flows



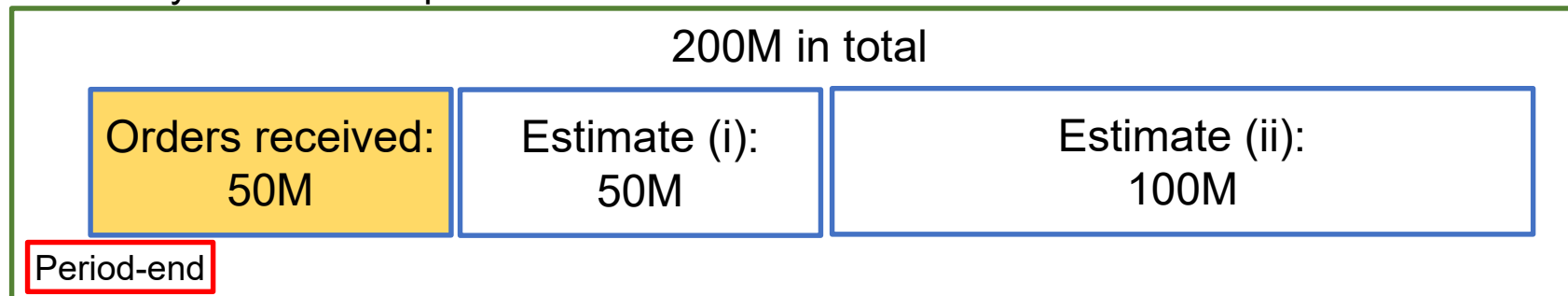
(Million yen)	1H FY2020	1H FY2019	Change
Cash flows from operating activities	2,721	2,247	+473
Cash flows from investing activities	-327	-613	+285
Cash flows from financing activities	-1,753	-1,266	-487
Effect of exchange rate changes on cash and cash equivalents	1	-7	+ 8
Increase (decrease) in cash and cash equivalents	641	360	+280
Cash and cash equivalents at the beginning of the period	14,929	13,908	<b>+1,021</b>
<b>Cash and cash equivalents at end of the period</b>	<b>15,571</b>	<b>14,269</b>	<b>+1,301</b>
	1H FY2020	1H FY2019	Change
Operating CF: Profit before income taxes	3,418	3,265	+152
Increase (decrease) in provision for loss on projects	405	-12	+417
Decrease (increase) in notes and accounts receivable - trade	518	-413	+931
Decrease (increase) in inventories	-648	3	-652
Investing CF: Purchase of property, plant and equipment	-111	-425	+314
Proceeds from sales of investment securities	99	-	+ 99
Financing CF: Purchase of treasury shares	-758	-0	-758
Cash dividends paid	-938	-756	-181

## Appendix - (v) Results by Segment

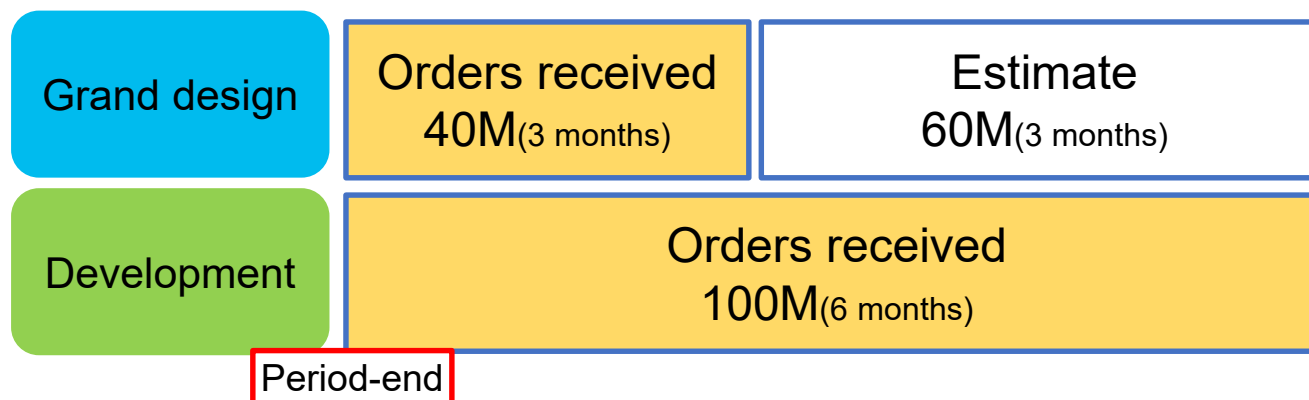
(Million yen)	1H FY2020	1H FY2019	YoY
<b>Net sales</b>	<b>22,135</b>	<b>22,215</b>	<b>-0.4%</b>
IT Consulting & Service	18,030	18,544	-2.8%
Business Innovation	4,139	3,714	+16.7%
Other	0	0	-
Adjustments	-33	-43	-
<b>Operating income</b>	<b>3,239</b>	<b>3,336</b>	<b>-2.9%</b>
IT Consulting & Service	3,061	3,308	-7.5%
Business Innovation	209	-89	-
Other	-10	1	-
Adjustments	-21	116	-

## Appendix - (vi) -1 Recognition of Backlog (IT Consulting & Service)

- (1) When making a large, long-term contract, we divide it into two or more parts to manage risk, and treat only the finalized portion as an order received.



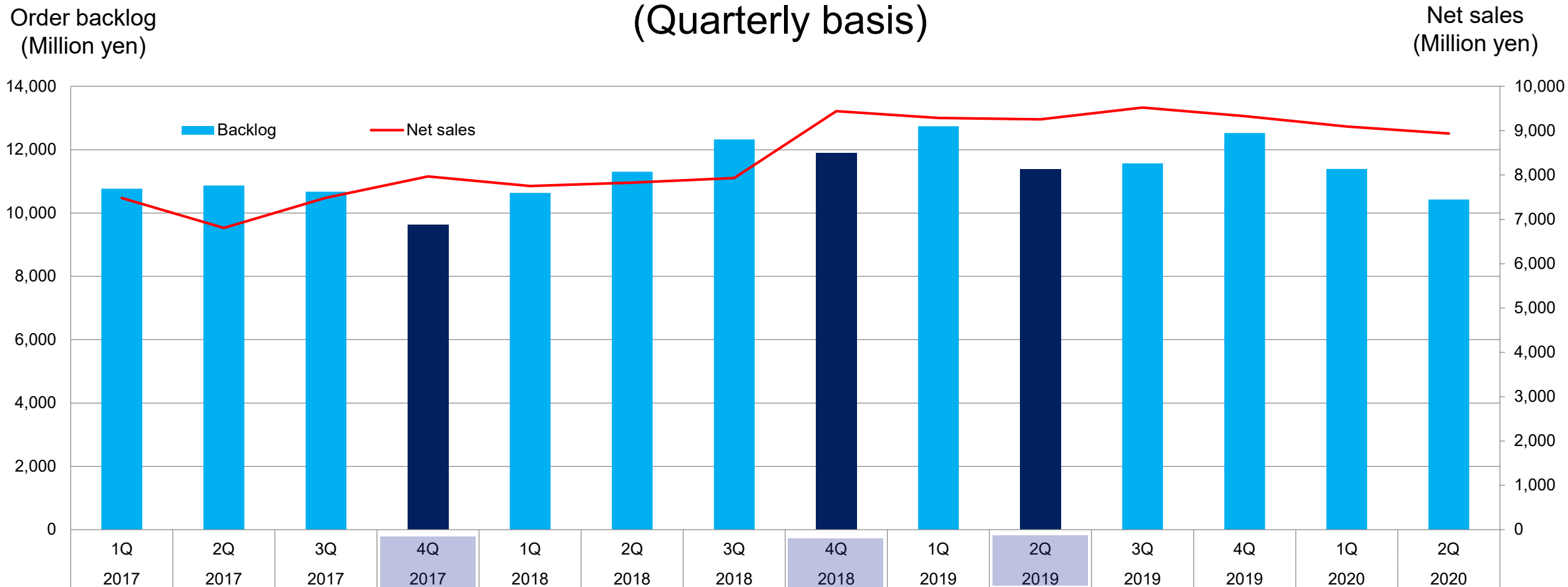
- (2) Each contract's period and amount differ depending on the portfolio for each phase.



- (3) Orders received are recognized based on evidence (contract documents) and are not considered as such without evidence even if sales are expected to be made.
- (4) Unless we can obtain evidence of orders by the respective closing dates, we do not recognize them.

## Appendix - (vi) -2 Relationship between Backlogs and Sales

### IT Consulting & Service - Changes in backlogs and sales (Quarterly basis)



- As shown in the concept of order backlog on the previous page, the order backlog at the end of the period does not necessarily correlate with future net sales.

# FUTURE

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/](https://www.future.co.jp/investor_relations/)

Investor Relations, Future Corporation

Tel: 03-5740-5724

FAX: 03-5740-5820

E-mail: [ir@future.co.jp](mailto:ir@future.co.jp)

This material contains future forecasts made based on currently available information. These forecasts may change 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.