



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2018 [J-GAAP]

November 14, 2018

Name of listed company: Future Innovation Group, Inc.

Listed on: Tokyo Stock Exchange, 1st Section and
Fukuoka Stock Exchange

Securities code: 4392

URL: <http://www.figinc.jp>

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Scheduled date of filing the quarterly financial report: November 14, 2018

Scheduled date to start dividends distribution: —

Supplementary quarterly materials prepared: Yes

Explanation meeting for quarterly financial results: No

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated results for the third quarter ended September 30, 2018 (January 1, 2018 – September 30, 2018)

(1) Consolidated operating results

(Percentage figures show changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2018	6,165	—	280	—	322	—	129	—
Nine months ended September 30, 2017	—	—	—	—	—	—	—	—

Note: Comprehensive income: Nine months ended September 30, 2018: ¥182 million (—%)
Nine months ended September 30, 2017: ¥— million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended September 30, 2018	5.24	5.19
Nine months ended September 30, 2017	—	—

Note: Consolidated operating results for the same period of the previous fiscal year and year-on-year percentage changes have been omitted, as Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	11,983	7,781	64.3
As of December 31, 2017	—	—	—

Reference: Equity capital: As of September 30, 2018: ¥7,705 million As of December 31, 2017: ¥— million

Note: Consolidated financial information for the previous fiscal year has been omitted, as Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer.

2. Dividends

	Dividends per share				
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual
Year ended December 31, 2017	Yen —	Yen —	Yen —	Yen —	Yen —
Year ending December 31, 2018	—	—	—		
Year ending December 31, 2018 (Forecast)				5.00	5.00

Notes: 1. Revisions to the most recently announced dividend forecast during the period: No
2. Dividend information for the previous fiscal year and for the first and second quarter of the current fiscal year is not available, as Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer.

3. Consolidated financial forecast for the fiscal year ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(Percentage figures show changes from the same period in the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,600	—	450	—	458	—	265	—	9.77

Notes: 1. Revisions to the most recently announced financial forecast during the period: No
2. Year-on-year percentage changes have been omitted, as Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer.

Notes:

(1) Significant changes to subsidiaries during the period (Transfers of specific subsidiaries with changes in the scope of consolidation): No

New: — companies (company name): —

Excluded: — companies (company name): —

(2) Application of the specific accounting methods for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and restatement of revisions

1) Changes in accounting policies due to revision of accounting standard, etc.: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(4) Number of outstanding shares (common stock):

1) Number of shares issued and outstanding (including treasury shares)	As of September 30, 2018	31,084,515 shares	As of December 31, 2017	— shares
2) Number of treasury shares	As of September 30, 2018	3,097,458 shares	As of December 31, 2017	— shares
3) Average number of shares issued and outstanding in each period	Nine months ended September 30, 2018	24,746,321 shares	Nine months ended September 30, 2017	— shares

Notes: 1. Results for the same period of the previous fiscal year and for the previous fiscal year have been omitted, as Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer.

2. As Future Innovation Group, Inc. was formed on July 2, 2018 through a joint share transfer, profit per share for the period before the company was established (January 1, 2018 – July 1, 2018) is calculated using the average number of Mobile Create Co., Ltd. shares issued and outstanding, multiplied by the share transfer ratio.

*** This quarterly report is not subject to audit procedures conducted by certified public accountants and the independent auditor.**

*** Explanation of appropriate use of forecasts of financial results; other important items**

The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company, and are not intended to guarantee the achievements by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. For more details about these assumptions and other conditions that form the basis of these forecasts, please refer to page 2 of the supplementary materials, “Qualitative information on consolidated financial forecasts and other future projection data”.

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1. Analysis of operating results and financial position

Future Innovation Group, Inc. (FIG Inc.) was established as a wholly owning parent company of Mobile Create Co., Ltd. and Ishii Tool & Engineering Corporation on July 2, 2018 through a joint share transfer.

Information for the previous fiscal year and comparisons with the third quarter of the previous fiscal year have not been provided, as the current fiscal year will be the first that FIG Inc. discloses financial information since its establishment.

(1) Analysis of operating results

The Group is working to expand existing businesses and move into new business fields, including building a new business model.

In the Information Communications segment, FIG is focusing on the development of new products. The Group has recently launched a new mobile device for use with its iMESH IP wireless system and is currently developing a new version of its mainstay IP wireless system for automotive applications.

In the Equipment segment, FIG reported strong orders and sales of vehicle facility-related equipment, spurred by the shift to electrification and high-performance systems in vehicles.

In addition, in new business development, FIG pushed ahead with research and development to expand its robotics business. The Group is currently developing drones for business use, industrial robots and service robots.

As a result of the above, consolidated net sales of the third quarter, cumulative for the first nine months of the fiscal year, was ¥6,165,792,000. For the same period, operating profit was ¥280,615,000, ordinary profit was ¥322,291,000, and profit attributable to owners of parent for the quarter was ¥129,744,000.

Performance in the Future Innovation Group's business segments was as follows.

(Information Communications segment)

This segment reported net sales to external customers of ¥3,003,603,000 and operating loss of ¥13,892,000.

(Equipment segment)

This segment reported net sales to external customers of ¥3,162,188,000 and operating profit of ¥342,318,000.

(2) Analysis of financial position

Assets, liabilities and net assets

As of September 30, 2018, total assets stood at ¥11,983,260,000. The main items in assets were current assets of ¥7,187,913,000, including cash and deposits of ¥1,638,154,000, notes and accounts receivable – trade of ¥2,985,913,000 and inventories of ¥2,205,938,000, and non-current assets of ¥4,795,347,000, including property, plant and equipment of ¥2,886,199,000, intangible assets of ¥593,499,000 and investments and other assets of ¥1,315,647,000.

Total liabilities for the period amounted to ¥4,201,668,000. The main items in liabilities were current liabilities of ¥2,582,599,000, including notes and accounts payable – trade of ¥1,339,522,000 and short-term loans payable of ¥300,000,000, and non-current liabilities of ¥1,619,068,000, including long-term loans payable of ¥1,110,646,000.

Total net assets stood at ¥7,781,592,000. The main items in net assets were shareholders' equity of ¥7,688,063,000, including capital stock of ¥2,000,000,000, capital surplus of ¥3,824,299,000 and retained earnings of ¥2,657,962,000.

(3) Qualitative information on consolidated financial forecasts and other future projection data

There have been no changes to consolidated business forecasts announced on August 10, 2018.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Thousands of yen)

As of September 30, 2018	
Assets	
Current assets	
Cash and deposits	1,638,154
Notes and accounts receivable – trade	2,985,913
Inventories	2,205,938
Deferred tax assets	122,181
Others	249,991
Allowance for doubtful accounts	(14,265)
Total current assets	7,187,913
Non-current assets	
Property, plant and equipment	
Land	1,413,649
Other- net	1,472,549
Total property, plant and equipment	2,886,199
Intangible assets	
Investments and other assets	
Investment securities	921,284
Net defined benefit asset	265,776
Deferred tax assets	20,276
Others	118,757
Allowance for doubtful accounts	(10,447)
Total investments and other assets	1,315,647
Total non-current assets	4,795,347
Total assets	11,983,260

(Thousands of yen)

As of September 30, 2018

Liabilities	
Current liabilities	
Notes and accounts payable – trade	1,339,522
Short-term loans payable	300,000
Current portion of long-term loans payable	393,270
Income taxes payable	28,739
Provision for bonuses	137,523
Provision for product warranties	11,088
Others	372,456
Total current liabilities	<u>2,582,599</u>
Non-current liabilities	
Bonds payable	300,000
Long-term loans payable	1,110,646
Lease obligations	10,245
Deferred tax liabilities	140,709
Provision for directors' retirement benefits	20,283
Net defined benefit liability	18,506
Others	18,678
Total non-current liabilities	<u>1,619,068</u>
Total liabilities	<u>4,201,668</u>
Net assets	
Shareholders' equity	
Capital stock	2,000,000
Capital surplus	3,824,299
Retained earnings	2,657,962
Treasury shares	(794,198)
Total shareholders' equity	<u>7,688,063</u>
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	52,287
Foreign currency translation adjustment	(1,481)
Remeasurements of defined benefit plans	(33,024)
Total accumulated other comprehensive income	<u>17,781</u>
Subscription rights to shares	75,746
Total net assets	<u>7,781,592</u>
Total liabilities and net assets	<u>11,983,260</u>

(2) Quarterly consolidated statements of income and comprehensive income
 (Quarterly consolidated statements of income)

	(Thousands of yen)
	Nine months ended September 30, 2018
Net sales	6,165,792
Cost of sales	4,335,345
Gross profit	1,830,446
Selling, general and administrative expenses	1,549,831
Operating profit	280,615
Non-operating income	
Interest income	4,748
Dividend income	7,051
Subsidy income	30,797
Others	11,186
Total non-operating income	53,784
Non-operating expenses	
Interest expenses	10,047
Loss on retirement of non-current assets	1,390
Others	670
Total non-operating expenses	12,108
Ordinary profit	322,291
Extraordinary income	
Gain on reversal of share acquisition rights	27,157
Total extraordinary income	27,157
Profit before income taxes	349,448
Income taxes	96,902
Income taxes – deferred	11,594
Total income taxes	108,496
Profit	240,952
Profit attributable to non-controlling interests	111,207
Profit attributable to owners of parent	129,744

(Quarterly consolidated statements of comprehensive income)

(Thousands of yen)

Nine months ended
 September 30, 2018

Profit	240,952
Other comprehensive income	
Valuation difference on available-for-sale securities	(98,457)
Foreign currency translation adjustment	(2,495)
Remeasurements of defined benefit plans	42,778
Total other comprehensive income	(58,174)
Comprehensive income	182,777
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	108,272
Comprehensive income attributable to non-controlling interests	74,504

(3) Notes on quarterly consolidated financial statements

(Notes related to the going concern assumption)

There is no related information.

(Notes on significant fluctuation in amounts of shareholders' equity)

Future Innovation Group, Inc. (FIG Inc.) was established as a wholly owning parent company of Mobile Create Co., Ltd. and Ishii Tool & Engineering Corporation on July 2, 2018 through a joint share transfer.

As a result, as of the end of the third quarter of the fiscal year under review, capital stock was ¥2,000,000,000, capital surplus was ¥3,824,299,000, retained earnings was ¥2,657,962,000, and treasury shares was (¥794,198,000).

(Segment information, etc.)

(Segment information)

Third quarter cumulative for the first nine months of the year (January 1, 2018 – September 30, 2018)

Information regarding sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Carried on consolidated financial statements (Note 2)
	Information Communications	Equipment			
Net sales					
Sales to external customers	3,003,603	3,162,188	6,165,792	—	6,165,792
Intersegment sales and transfers	335	26,777	27,113	(27,113)	—
Total	3,003,939	3,188,965	6,192,905	(27,113)	6,165,792
Segment income (loss)	(13,892)	342,318	328,425	(47,810)	280,615

Notes:

1. The adjustment of (¥47,810,000) for segment income (loss) comprises elimination of intersegment transactions of ¥1,525,000 and companywide expenses of (¥49,335,000) not allocated to reportable segments. Companywide expenses are mainly Group management expenses incurred by the Company as the Group's holding company.

2. Some adjustments were made between total segment income (loss) and operating profit recorded in the consolidated financial statements.

(Business combinations)

Third quarter of the current fiscal year (July 1, 2018 – September 30, 2018)

Transaction under common control, etc.

1. Summary of transaction

(1) Names and details of combined businesses

Wholly owned subsidiaries through share transfer

Business name: Mobile Create Co., Ltd.

Business details: Development, sale, operation and maintenance of mobile communications networks based on mobile phone infrastructure and mobile management systems based on GPS

Business name: Ishii Tool & Engineering Corporation

Business details: Semiconductor and automotive-related business manufacturing and selling semiconductor production equipment, dies and other products; real estate & construction business

(2) Date of business combination

July 2, 2018

(3) Legal form of business combination

Establishment of holding company through joint share transfer

(4) Name of company after business combination

Wholly owning holding company formed through share transfer: Future Innovation Group, Inc. (FIG Inc.)

(5) Other items related to summary of transaction

Mobile Create Co., Ltd. and Ishii Tool & Engineering Corporation have been exploring ways to build a management structure that effectively combines their management resources and efficiently integrates overlapping business functions in order to address developments and generate sustained growth in the IoT market, which is projected to continue expanding amid far-reaching change in the operating environment. After consideration, Mobile Create and Ishii Tool & Engineering agreed that the best approach was to integrate the management of their companies through the establishment of a joint holding company, rather than maintaining the current parent company, subsidiary company business relationship. This approach will result in an equal, parallel relationship between two subsidiaries that (i) eliminates potential conflicts of interest between a listed parent company and its listed subsidiary, (ii) creates an even closer business relationship built on a flexible management structure backed by dynamic decision-making, and (iii) reduces management costs related to the dual listing of a parent company and its subsidiary.

Under the joint holding company structure, Mobile Create and Ishii Tool & Engineering will leverage their respective strengths while also reinforcing the Group's cooperative framework, resulting in a management structure that allows the Group to respond rapidly to changes in the operating environment and further increase corporate value.

2. Summary of accounting treatment

The share transfer has been treated as a "common control transaction etc." pursuant to the Accounting Standard for Business Combinations (Accounting Standards Board of Japan ("ASBJ") Statement No.21, September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013).

3. Share transfer ratio for each type of share, calculation method and number of shares transferred

(1) Share transfer ratio by type of share

One common share of Mobile Create was exchanged for one common share of the joint holding company, and one common share of Ishii Tool & Engineering was exchanged for 1.02 common shares of the joint holding company.

(2) Share transfer ratio calculation method

Multiple third-party organizations were asked to calculate provisional share transfer ratios. Based on their reports and input from legal advisers, a share transfer ratio was finalized through discussions with the parties involved

(3) Number of shares transferred

31,084,515