

# Information Meeting For Financial Results For FY2005

February 9, 2006

**Future System Consulting Corp.**

- 1. Overview of Earnings for FY2005**
- 2. Earnings Outlook for FY2006**
- 3. Introduction of Projects**
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# 1. Overview of Earnings for FY2005

# FY 2005 Results (Consolidated)

(millions of yen)	2004	2005	Change
<b>Net sales</b>	<b>9,364</b>	<b>10,957</b>	<b>17.0%</b>
IT consulting	8,473	10,280	21.3%
HW procurement	891	677	-23.9%
<b>Operating income</b>	<b>888</b>	<b>1,863</b>	<b>109.6%</b>
Operating income margin	9.5%	17.0%	—
<b>Ordinary income</b>	<b>844</b>	<b>1,809</b>	<b>114.2%</b>
Ordinary income margin	9.0%	16.5%	—
<b>Extraordinary income</b>	<b>410</b>	<b>666</b>	<b>62.2%</b>
<b>Extraordinary loss</b>	<b>(505)</b>	<b>(477)</b>	<b>-5.6%</b>
<b>Net income</b>	<b>458</b>	<b>1,171</b>	<b>155.5%</b>
Net income margin	4.9%	10.7%	—

# Balance Sheets (Consolidated) [1]

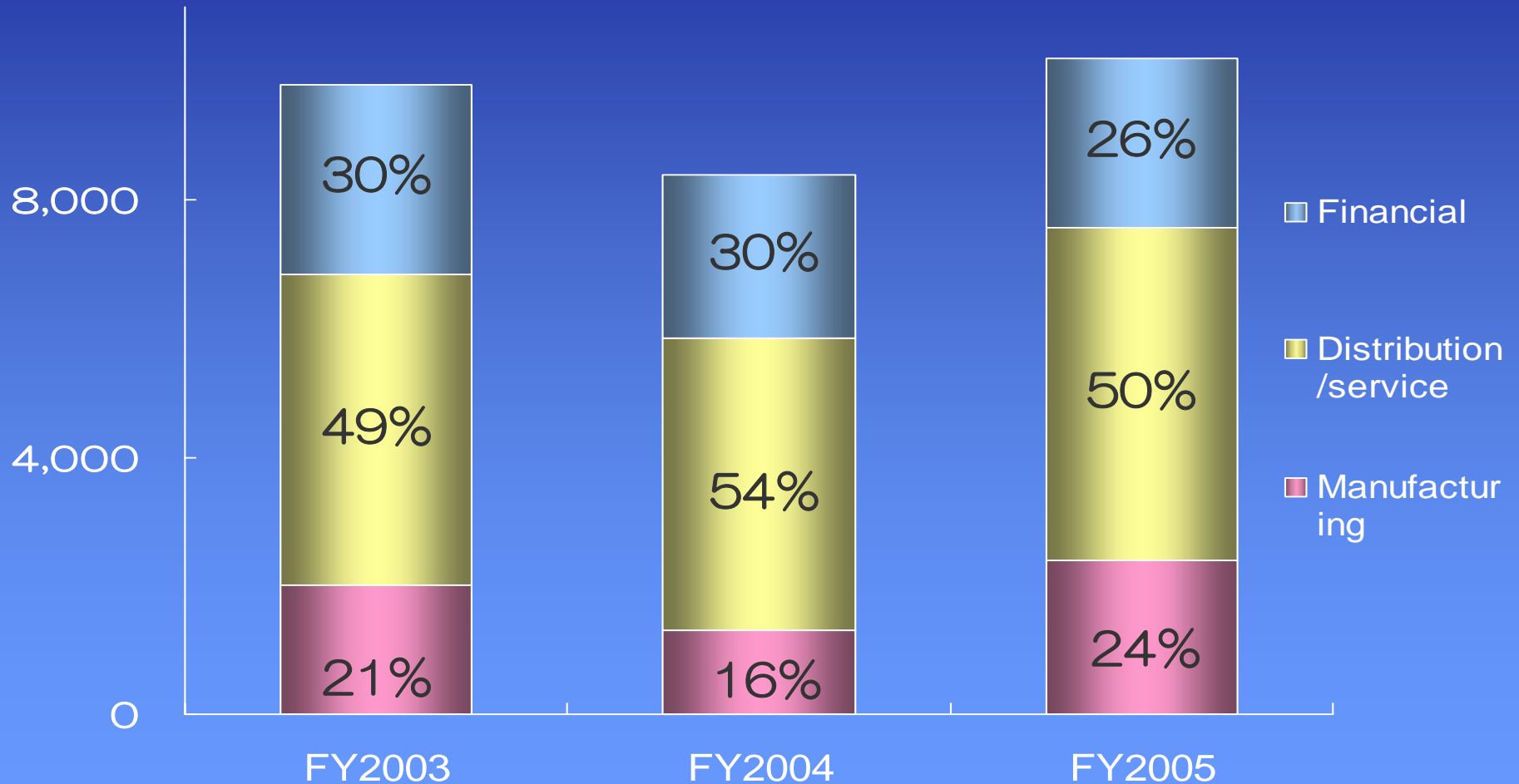
(millions of yen)	2004	2005	Change
<b>Current assets</b>	<b>5,549</b>	<b>7,184</b>	<b>1,635</b>
Cash and cash equivalents	3,822	4,817	995
Notes and accounts receivable	1,101	2,001	900
Other current assets	626	366	- 260
<b>Fixed assets</b>	<b>3,644</b>	<b>3,140</b>	<b>- 504</b>
Tangible fixed assets	315	333	18
Intangible fixed assets	981	421	- 560
Investments and other assets	1,904	1,988	84
Other fixed assets	444	398	- 46
<b>Total assets</b>	<b>9,194</b>	<b>10,324</b>	<b>1,130</b>

# Balance Sheets (Consolidated) [2]

(millions of yen)	2004	2005	Change
<b>Current liabilities</b>	<b>2,113</b>	<b>2,733</b>	<b>620</b>
Accounts payable, and other Accounts payable	541	812	271
Short-term borrowings	650	0	- 650
Long-term borrowings due within one year	566	468	- 98
Income tax payable, etc.	128	979	851
Other liabilities	228	474	246
<b>Non-current liabilities</b>	<b>468</b>	<b>0</b>	<b>- 468</b>
Long-term borrowings	468	0	- 468
<b>Total liabilities</b>	<b>2,582</b>	<b>2,733</b>	<b>151</b>
<b>Total shareholders' equity</b>	<b>6,612</b>	<b>7,591</b>	<b>979</b>
Common stock	1,421	1,421	0
Treasury stock	(962)	(1,055)	- 93
<b>Total liabilities and shareholders' equity</b>	<b>9,194</b>	<b>10,324</b>	<b>1,130</b>
Equity ratio	72%	74%	

## Trends in sales by industry

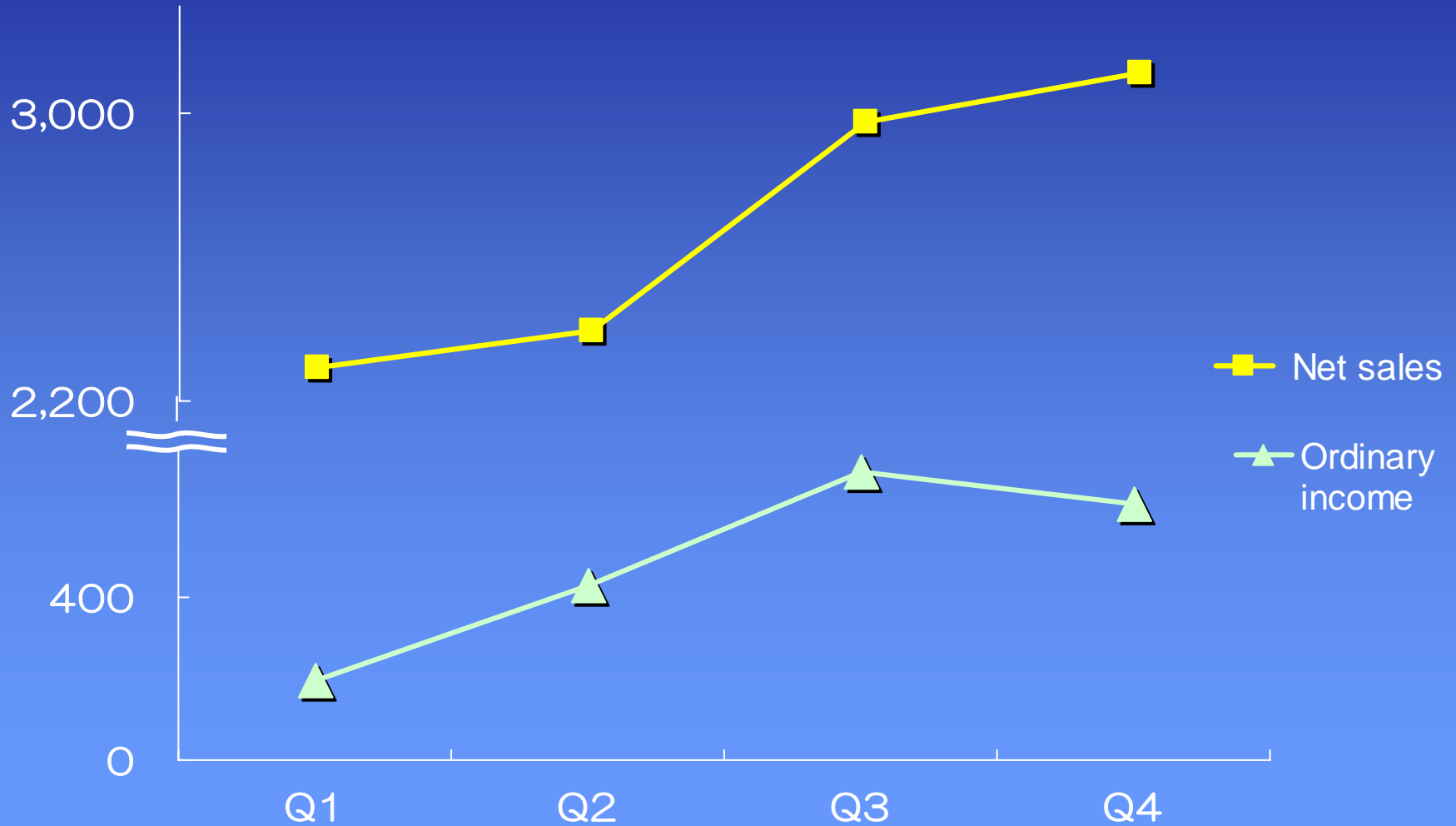
(Unit: millions of yen)



# Breakdown of IT Consulting Sales [2] (Non-consolidated)

## Sales by quarter

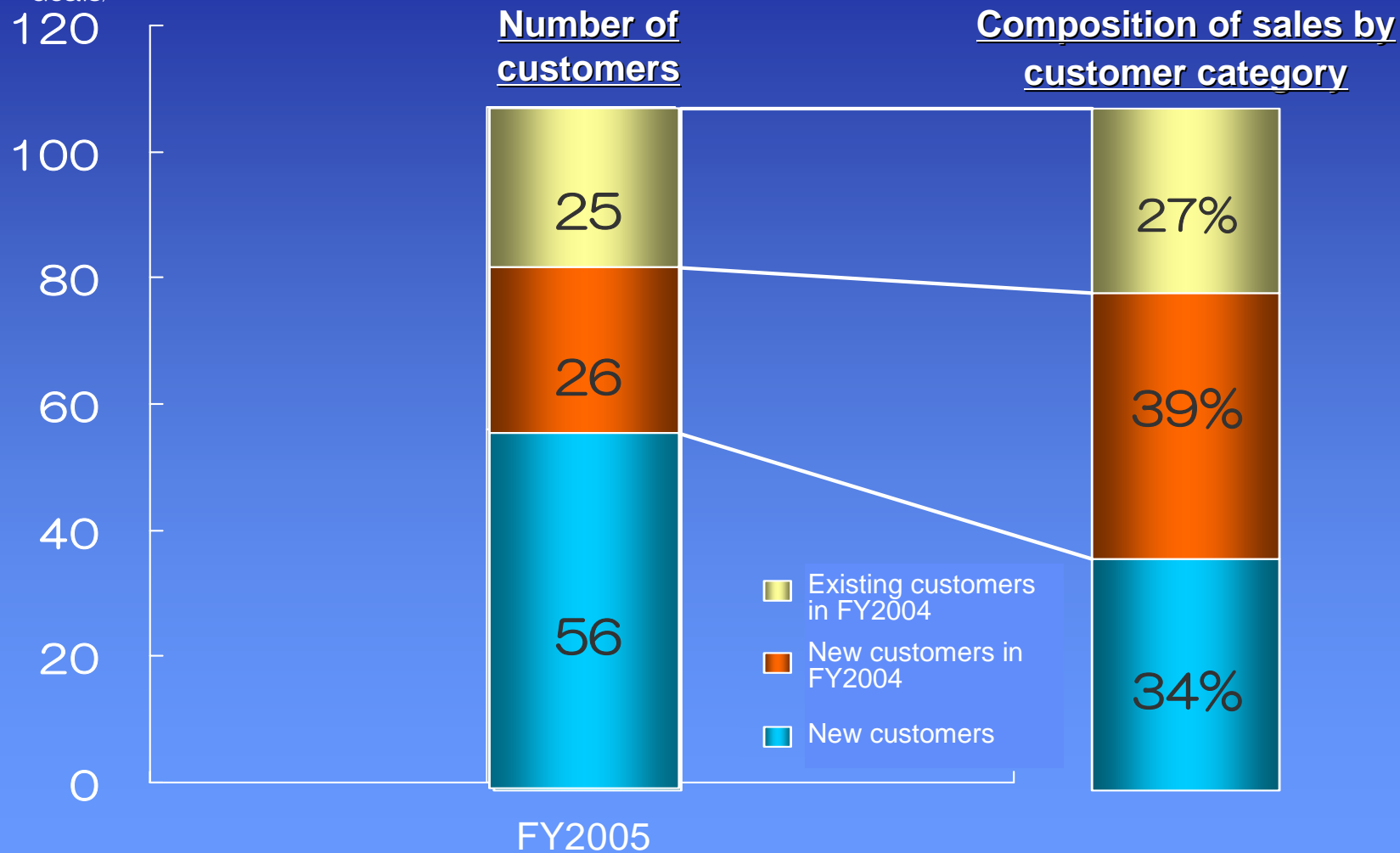
(Unit: millions of yen)



# Breakdown of IT Consulting Sales [3]

● Number of customers and the composition of sales by customer category

(Number of deals)



## ● Dividend payment for FY2005

Original plan: ¥2,300  After revision: ¥2,700

## ● Results for FY2005 (as of the end of December 2005)

Number of acquired shares: 395 shares

(Total acquisition amount: ¥93 million)

Accumulated number of acquired shares: 3,827 shares

(Total acquisition amount: ¥1,055 million)

- Provision of consulting services for operational innovations and system upgrades mainly in the retail, logistics and distribution industries in China
- Development of a new consulting business that combines the expertise of both UFIDA Software Engineering Co., Ltd. and Future System Consulting Corp.

Joint venture's name: UFIDA Future Consulting Ltd. (Shanghai)

Shareholders:

UFIDA Software Engineering: 60%

UFIDA Software Engineering is a system integration firm in the UFIDA group, the largest software company in China, and the venture can use its system development capabilities and user base of 400,000 companies.

Future System Consulting: 40%

The venture can utilize Future System Consulting's know-how in actual operations as well as making use of its knowledge about operational innovations, and use its IT and system design, all of which the company has built up using its technical capabilities.

Established: September 2005

## 2. Earnings Outlook for FY2006

# Earnings Forecast for FY2006 (Consolidated)

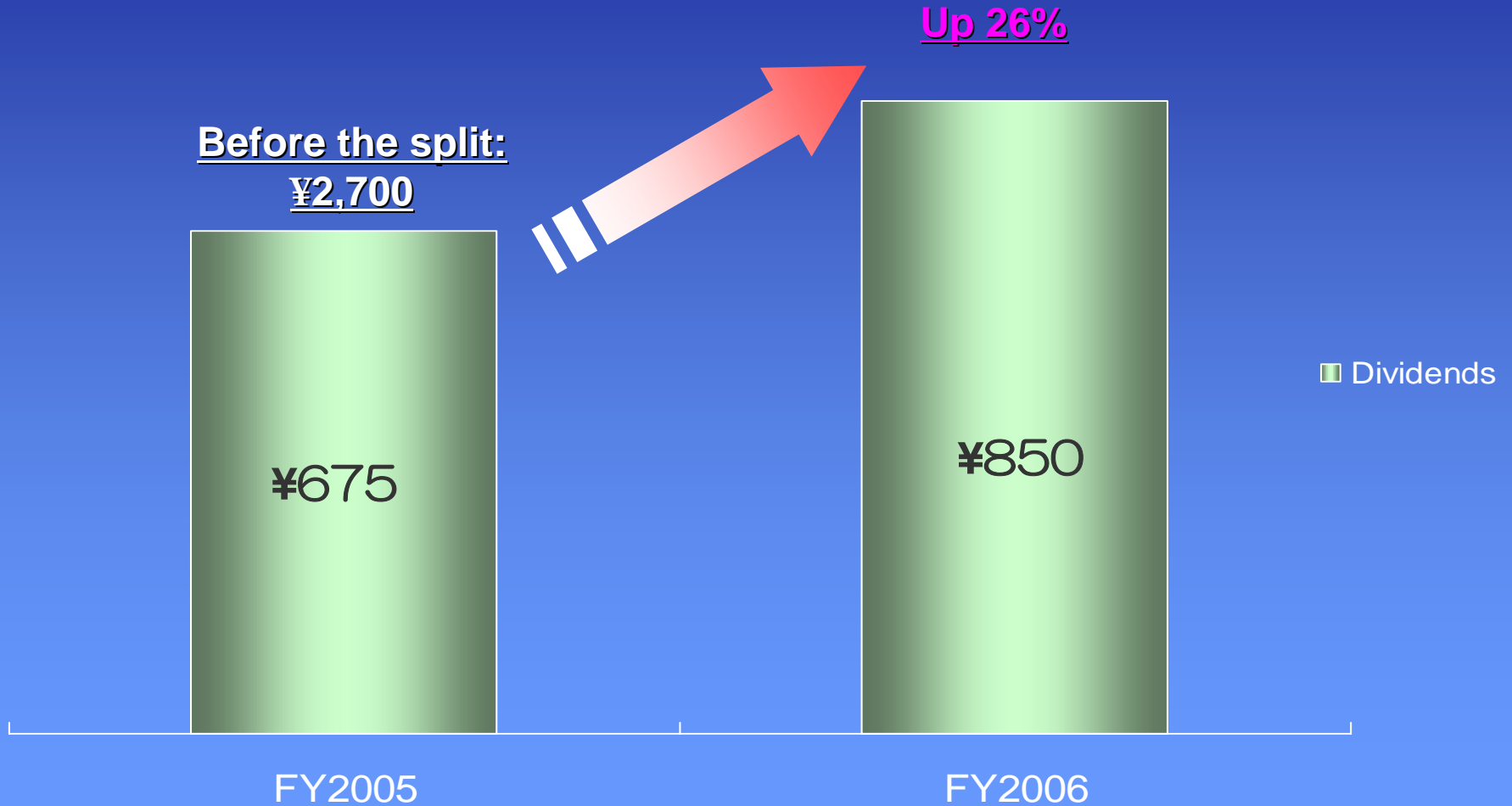
(millions of yen)	2005	2006	Change
Net sales	10,957	12,700	15.9%
Operating income	1,863	2,450	31.5%
Operating income margin	17.0%	19.3%	—
Ordinary income	1,809	2,400	32.6%
Ordinary income margin	16.5%	18.9%	—
Net income	1,171	1,265	8.0%
Net income margin	10.7%	10.0%	—

# Earnings Forecast for First Half & Second Half of FY2006 (Consolidated)

(millions of yen)	First half	Second half
<b>Net sales</b>	<b>6,120</b>	<b>6,580</b>
<b>Operating income</b>	<b>1,168</b>	<b>1,282</b>
Operating income margin	19.1%	19.5%
<b>Ordinary income</b>	<b>1,143</b>	<b>1,257</b>
Ordinary income margin	18.7%	19.1%
<b>Net income</b>	<b>629</b>	<b>636</b>
Net income margin	10.3%	9.7%

# FY2006 Policy for Returning Profits (Dividends)

\*A stock split (4-for-1) was executed on February 1, 2006.



# 3. Introduction of Projects

- The entire Company selects the best project of the year and praises the team members engaged in the project for their efforts.

**The 12 projects implemented for the following industries, companies and fields were nominated from among 64 eligible ones.**

**Internet-related services**

**Food retail chain**

**Drugstore**

**Apparel**

**Power company**

**EDI solutions**

**Regional bank**

**Professional baseball team**

**Autoparts manufacturer**

**Consumer finance group**

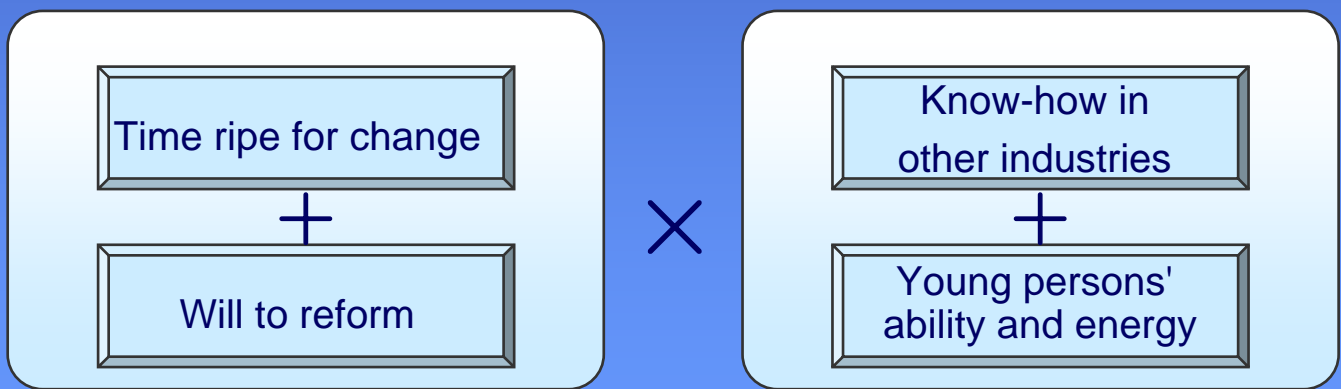
**Distribution firm**

**Real estate broker**

# Company A, Professional Baseball Team

## Partner for promoting innovation

- In fiscal 2004, the professional baseball industry in Japan was violently rocked by a series of events, including the entry of an IT company into the industry and the launch of a new team. Under such circumstances, at the end of the year Company A named Future System Consulting as a partner in the implementation of the reform of its team, aiming to keep one step ahead.
- Future System Consulting established systems that enable a speedier exchange of existing qualitative information; and a quantitative evaluation of players by applying various analysis methods established through operations for the logistics industry.
- Teaming up, the two companies completed a short-term project to establish the above systems, which helped the baseball team company in last year's draft.



Providing values even in new areas through an efficient use of IT

# Example (1): Company A, Professional Baseball Team

## Establishing systems for supporting the team's overall operations

### Scouting system for professional and amateur baseball players

This system is designed to collectively analyze and examine the evaluations of players sent from persons placed throughout the country who are tasked to scout excellent players, thus smoothing the process of drafting. With this system, all baseball players can be assessed using the same standards.



Balance sheet for a baseball team

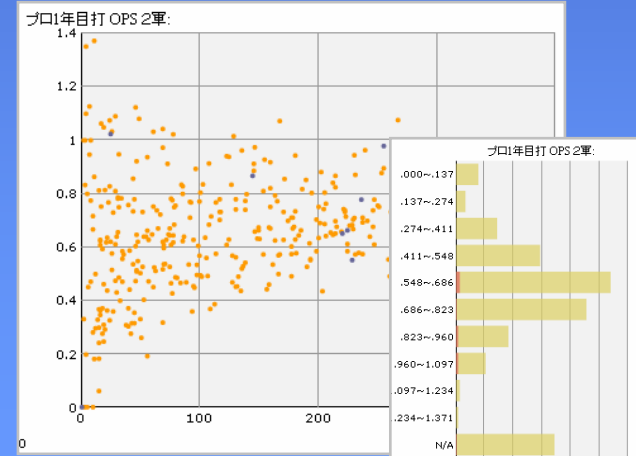
### Team and player analysis system

This system classifies players of each baseball team into the categories of core, reserve, stock and training, using official data from professional baseball, and allows the team to find future stars using data about the traits of past players.



### Player management system

This system allows the team supervisory headquarters, the manager, coaches, trainers, and doctors to share daily reports on games as well as information on players' practice sessions, physical problems and treatment.



Zone analysis

# Company B, Drugstore

# Example (2): Company B, Drugstore

Real-time management of points through linkage of 320 outlets  
(1,000 POS terminals in total)

Center:  
**Real-time point system**



**Store A**



**Store B**



**Store C**



**Old system: Information used to be processed at individual stores**

- Adding points used to take up to 2 days.
- Customers could only use points in Company B stores where they had registered as members.

**New system: Real-time point servers introduced**

- Customers can use points in any Company B store, immediately after purchasing merchandise from a Company B outlet.  
→ **Improved convenience for customers**
- Analysis functions were enhanced by using centrally managed information about customers' points.  
→ **Strengthening of marketing activities for customers**
- Response time of only about 1 second (actual response time at other companies: approximately 3 seconds).  
→ **Realization of quicker response through the use of proprietary components**

## Maximum use of project assets that have thus far been accumulated

- Use of know-how about the establishment of large real-time systems for a major home center store
- Utilization of know-how on the management of many outlets and in-store service systems, at convenience stores
- Advanced use and optimization of open systems and real-time technologies

- Innovating both operations and systems and realizing a shorter time lag between development and delivery
- Succeeding in offshore development in China through the use of proprietary components
  - Training of offshore engineers and acceleration of cost reduction

## 4. Summary of FY2005

## External factors

- Consumers' eagerness to invest increased due to a recovery in the economy and stock prices.
- Money for investments increased reflecting the fact that the disposal of bad loans by banks drew to a close.
- The need for authentic IT reforms grew as the ERP boom ran its course.

Recovery  
in operating results

## Internal factors

- Employees motivation to work increased since the responsibilities for receiving orders and delivering products was integrated, and they became accustomed to working in a divisional organization system.
- Decrease in redundant write-offs through review of proposals
- Acquisition of orders for large projects (projects that were originally small but eventually developed into large ones)
- Various original and ingenious practices were thought up.

### Questionnaire on economic outlook forecast for a specific period conducted by the Japan Association of Corporate Executives

(Economic situation in the period from July to September 2005)

Of the surveyed managers, 80% or more thought the economy was in good shape. Those who responded that the economy was "Expanding" increased sharply to **86%** from **47%**. Those who thought it was "Unchanged" fell substantially from 51% to 13%.

### Analysis of quarterly reports on corporate statistics

The break-even ratio fell to its lowest level (in the period from July to September 2005) since the bubble economy collapsed.

"All businesses": **83.2%**

"Manufacturers": **76.4%**

"Non-manufacturers": **80.9%**

## 5. Future Outlook

- To concentrate management on major projects
- - To enhance project reviews while monitoring projects on a daily basis
- - To double-check every process
- - To thoroughly eliminate waste and complete unfinished things when there is favorable corporate performance
- - To emphasize business practices based on “face to face” interaction, which we believe to be important at a time when we are inundated with too much information and too much emphasis is placed on e-mails
- - To shift to a high-quality organization, by respecting employees' individuality as well as incorporating the merit system and the “new family-style principle,” which provides abundant care.
- - To switch from competition for business models to competition for technologies and the timely formulation and implementation of strategies
- - To find, reveal and pick out new leaders
- - To turn weak alliances into strong ones

# Future System Consulting's Targets

- The main targets are those companies which recognize that IT is an important element for them and are seeking reliable partners to set up an optimum IT environment.

		Managers' recognition of the importance of IT (the degree to which they recognize the value of investing in IT)	
		— —	+ +
Positioning of information systems	Outsourcing of establishment of IT environment	Companies which do not recognize the importance of IT in management so much and tend to entrust the establishment of the IT environment to other firms <b>Cost competition</b>	Companies which recognize the importance of IT and are seeking reliable external partners to entrust the establishment of an optimum IT environment <b>Main targets</b>
	In-house establishment of IT environment	Companies which do not recognize the importance of IT in management and tend to provide the minimum necessary IT functions at their own expense while minimizing outgoing cash flows <b>Removed from the target list</b>	Companies which recognize the importance of IT in management and thus internally set up an IT environment (Wal-Mart, FedEx, etc.) <b>Difficult to enter</b>

## Marketing strategy

- To reinforce the brand
- To receive steady orders at appropriate prices
- To make customers a fan of Future System Consulting (establishment of a broad, deep relationship with customers)

## Technology strategy

- To provide advanced, differentiated solutions
- To promote the efficiency of projects while increasing profitability
- To create world standard technologies through our (Japan's) own initiatives

## Personnel strategy

- To recruit able personnel and train them (creation of opportunities to play an active part)
- To make employees more professional
- To enhance the delivery capability
- To adopt a merit system while providing considerate care

## Value-added strategy

- To conduct the systematic study/analysis of business and technological trends
- To standardize project promotion processes
- To enhance quality control
- To accumulate knowledge and organize it
- To develop service solutions

## Corporate management strategy

- To provide an environment and services that can bring out the best performance of projects and employees
- To establish a structure that can handle projects as they increase in size

To provide maximum values by reinforcing organizational strength

**To study/analyze business and technological trends and come up with some new ideas**

- Use of external information that is obtained through antennas which have been set up
- Formation of the own views of Future System Consulting's after analyzing
- Coming up with new ideas both inside and outside the Company

Discovering Latent demand



**To develop solutions and promote them**

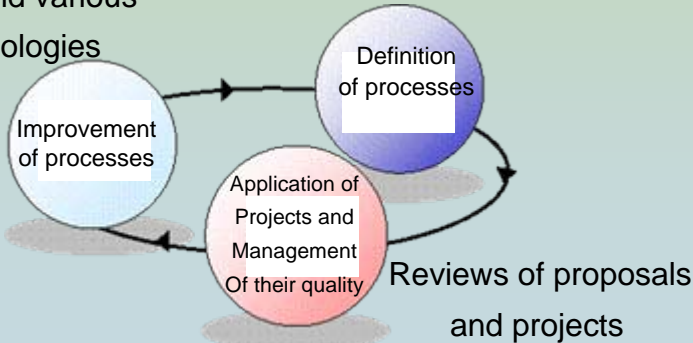
- Providing lineups of highly specialized solutions
- Management of ideas (lineups, budget, development, promotion)

Addition of useful knowledge to the ideas



**To standardize project promotion processes and monitor the quality and progress of projects**

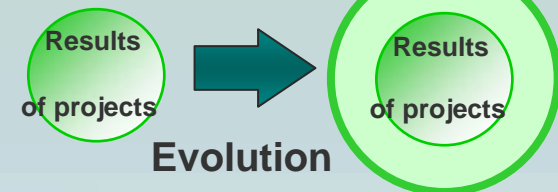
LIPS and various methodologies



**Projects**

**To accumulate, organize and use knowledge**

- Systematic accumulation of methodologies, techniques and results
- Organizing knowledge so that it can be used in suitable ways
- Establishment of a structure which allows appropriate use of knowledge



- To double sales and profits within three years
- Dividend payout ratio: at least 30%
- ROE: at least 15%
- Future course of action
  - Establishing the best practice model that uses IT
    - To build strong partnerships with customers
    - To pursue synergy effects through management restructuring and IT reforms  
(including capital and business alliances)

The forecasts in this material are based on currently available information, and 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.

# FUTURE SYSTEM CONSULTING