

August 7, 2007

## Summary Report of Consolidated Operating Results for the First Half of Fiscal 2007 (Period ending June 30, 2007)

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 Shares listed on: First Section of Tokyo Stock Exchange  
 Security code number: 4722  
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 Scheduled date for submitting half-year earnings reports: September 25, 2007

### 1. Consolidated Results for the First Half of Fiscal 2007 (January 1, 2007 to June 30, 2007)

#### (1) Consolidated operating results

(Amount rounded off to million yen)

|                          | Net sales   |          | Operating income |          | Ordinary income |          |
|--------------------------|-------------|----------|------------------|----------|-----------------|----------|
|                          | Million yen | % change | Million yen      | % change | Million yen     | % change |
| First half - Fiscal 2007 | 11,237      | 47.0     | 1,168            | -22.2    | 1,241           | -16.3    |
| First half - Fiscal 2006 | 7,646       | 63.0     | 1,501            | 120.9    | 1,483           | 136.0    |
| Fiscal 2006              | 15,261      | -        | 2,754            | -        | 2,741           | -        |

|                          | Net income for the first half |          | Net income per share for the first half | Net income per share for the first half (fully diluted) |
|--------------------------|-------------------------------|----------|---|---|
|                          | Million yen                   | % change | Yen                                     | Yen   |
| First half - Fiscal 2007 | 325                           | -62.0    | 689.45                                  | 686.36  |
| First half - Fiscal 2006 | 855                           | 93.0     | 1,854.16                                | 1,841.46  |
| Fiscal 2006              | 1,525                         | -        | 3,331.45                                | 3,309.71  |

(Reference) Profit/loss from equity method investments:

First half ended June 2007: 8 million yen  
 First half ended June 2006: (23) million yen  
 Fiscal 2006: (19) million yen

#### (2) Consolidated financial position

|                          | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--------------------------|--------------|-------------|----------------------------|----------------------|
|                          | Million yen  | Million yen | Percent (%)                | Yen                  |
| First half - Fiscal 2007 | 13,591       | 9,116       | 65.6                       | 19,047.97            |
| First half - Fiscal 2006 | 10,750       | 8,075       | 75.0                       | 17,503.76            |
| Fiscal 2006              | 9,712        | 6,493       | 66.7                       | 14,664.38            |

(Reference) Shareholders' equity

First half ended June 2007: 8,916 million yen  
 First half ended June 2006: 8,058 million yen  
 Fiscal 2006: 6,477 million yen

**(3) Consolidated cash flow position**

|                          | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at the end of the period |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
|                          | Million yen                         | Million yen                         | Million yen                         | Million yen  |
| First half - Fiscal 2007 | (509)                               | (569)                               | (1,844)                             | 2,055  |
| First half - Fiscal 2006 | 668                                 | 369                                 | (660)                               | 5,194  |
| Fiscal 2006              | 2,260                               | (320)                               | (2,885)                             | 3,871  |

**2. Dividends**

| (Record date)          | Dividends per share (yen) |                 |
|------------------------|---------------------------|-----------------|
|                        | Year-end dividend         | Annual dividend |
| Fiscal 2006            | 950                       | 950             |
| Fiscal 2007 (Forecast) | 850                       | 850             |

**3. Projected Consolidated Results for Fiscal 2007 (January 1, 2007 to December 31, 2007)**

(Percentages show year-on-year changes)

|           | Net sales   |      | Operating income |     |
|-----------|-------------|------|------------------|-----|
|           | Million yen | %    | Million yen      | %   |
| Full year | 23,500      | 54.0 | 2,830            | 2.8 |

|           | Ordinary income |     | Net income  |       | Net income per share |
|-----------|-----------------|-----|-------------|-------|----------------------|
|           | Million yen     | %   | Million yen | %     | Yen                  |
| Full year | 2,900           | 5.8 | 1,240       | -18.7 | 2,628.17             |

**4. Others**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): Yes

Newly included: 6 (Elm Corporation, ABM Corporation, SWaN Corporation, Triple-W Corporation, Fit Corporation, and Associant Technology Inc.)

Newly excluded: None

Note: For further details, please see “2. The Future Group” on page 20.

(2) Changes in accounting principles, procedures, and classifications for the preparation of half-year consolidated financial statements (described in Changes in Significant Accounting Policies for the Preparation of Half-Year Consolidated Financial Statements)

a. Changes accompanying revision of accounting standards: Yes

b. Changes other than a.: Yes

Note: For further details, please see “Changes in Significant Accounting Policies for the Preparation of Half-Year Consolidated Financial Statements” on page 40.

(3) Number of outstanding shares (common stock)

a. Total outstanding shares as of the end of the period (including treasury stocks)

First half ended June 2007: 476,640 shares

First half ended June 2006: 476,640 shares

Fiscal 2006: 476,640 shares

b. Total treasury stocks as of the end of the period

First half ended June 2007: 8,517 shares

First half ended June 2006: 15,308 shares

Fiscal 2006: 34,904 shares

Note: For the number of shares that forms the basis of calculating consolidated net income per share for the first half, please see “Per-share information” on page 54.

## (Reference) Overview of non-consolidated results

**1. Non-consolidated Results for the First Half of Fiscal 2007** (January 1, 2007 to June 30, 2007)

## (1) Non-consolidated operating results

(Percentages show year-on-year changes)

|                          | Net sales   |          | Operating income |          | Ordinary income |          |
|--------------------------|-------------|----------|------------------|----------|-----------------|----------|
|                          | Million yen | % change | Million yen      | % change | Million yen     | % change |
| First half - Fiscal 2007 | 6,706       | -10.5    | 972              | -33.2    | 1,225           | -16.0    |
| First half - Fiscal 2006 | 7,494       | 60.6     | 1,456            | 114.9    | 1,459           | 113.3    |
| Fiscal 2006              | 14,831      | -        | 2,591            | -        | 2,594           | -        |

|                          | Net income for the first half |          | Net income per share for the first half |
|--------------------------|-------------------------------|----------|---|
|                          | Million yen                   | % change | Yen                                     |
| First half - Fiscal 2007 | 454                           | -42.7    | 964.18                                  |
| First half - Fiscal 2006 | 793                           | 110.3    | 1,720.02                                |
| Fiscal 2006              | 1,405                         | -        | 3,069.50                                |

## (2) Non-consolidated financial position

|                          | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--------------------------|--------------|-------------|----------------------------|----------------------|
|                          | Million yen  | Million yen | Percent (%)                | Yen                  |
| First half - Fiscal 2007 | 11,767       | 8,779       | 74.6                       | 18,754.42            |
| First half - Fiscal 2006 | 10,372       | 7,850       | 75.7                       | 17,017.43            |
| Fiscal 2006              | 8,525        | 6,211       | 72.9                       | 14,060.75            |

## (Reference) Shareholders' equity

|                             |                   |
|-----------------------------|-------------------|
| First half ended June 2007: | 8,779 million yen |
| First half ended June 2006: | 7,850 million yen |
| Fiscal 2006:                | 6,211 million yen |

**2. Projected Non-consolidated Results for Fiscal 2007** (January 1, 2007 to December 31, 2007)

|           | Net sales   |     | Operating income |      |
|-----------|-------------|-----|------------------|------|
|           | Million yen | %   | Million yen      | %    |
| Full year | 15,000      | 1.1 | 2,390            | -7.8 |

|           | Ordinary income |     | Net income  |      | Net income per share |
|-----------|-----------------|-----|-------------|------|----------------------|
|           | Million yen     | %   | Million yen | %    | Yen                  |
| Full year | 2,630           | 1.4 | 1,290       | -8.2 | 2,734.15             |

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

The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. On July 31, 2007, the Company revised its projections for fiscal 2007 (consolidated and non-consolidated), as described above. Please refer to page 8 for assumptions and other matters related to the projections.

## 1. Operating Results

### (1) Analysis of operating results

#### Overview of first half under review

The Group's consolidated operating results for the first half of fiscal 2007 were as follows:

|                                |  |
|--------------------------------|--|
| Consolidated net sales:        | ¥11,237 million (up 47.0% year-on-year)  |
| Consolidated operating income: | ¥1,168 million (down 22.2% year-on-year) |
| Consolidated ordinary income:  | ¥1,241 million (down 16.3% year-on-year) |
| Consolidated net income:       | ¥325 million (down 62.0% year-on-year)   |

The noteworthy events of this period were as follows:

- (a) The Japanese economy maintained a recovery trend during the period under review, thanks to increased capital investment and an improved employment situation amid strong corporate earnings, despite negative factors including additional increases in interest rates, volatile movements of oil prices and the yen's downtrend.

The IT service industry benefited from growing IT investments in the distribution service, financial and manufacturing industries, and the Company could receive steady orders.

- (b) Up until the previous fiscal year, the Group's business centered on the IT consulting service. Beginning in the period under review (January 1, 2007 to June 30, 2007), however, we established a new corporate structure, and now we operate the IT Consulting Business and the Package & Service Business, both provided by the former Woodland Corporation group, which we have merged with, and the Corporate Revitalization Business provided by Uoei Shoten Corporation, with which we formed a capital alliance in December 2006.

#### 1. IT Consulting Business

Our order intake was strong in the second quarter, as in the first quarter. In terms of resources, we continued to hire employees and secure partners on a relatively steady basis. And we improved the quality of services by standardizing our project promotion methods and enhancing our project monitoring system, while we boosted productivity by using the Company's component groups. In light of these things, we expected to secure both net sales and ordinary income as originally planned. However, net sales and operating income were no more than ¥7,125 million and ¥1,094 million, respectively. These weak results were because of a delay in the conclusion of a contract for one of the ongoing projects in the manufacturing industry and we refrained from booking sales of these projects in the first half, the period we had originally planned to book in.

Sales of the IT Consulting Business are broken down into: 57% for the distribution service industries (up from 53% in the previous year), 30% for the financial industry (up from 25%) and 13% for the manufacturing industry (down from 22%).

Sales of the IT Consulting Business by objective are as follows:

The IT consulting services can be classified as follows by objective.

- 1) To satisfy corporate needs for management reform and innovation using IT, the Group has established real-time platforms that can significantly reduce IT-related costs by utilizing its real-time processing middleware component groups and downsizing methodologies, and sales of this business occupy 56% of the Group's entire sales.
- 2) To satisfy corporate needs for installation of highly specialized solutions, the Group mainly offers the financing support systems for financial institutions, EAI (Enterprise Application Integration) and inter-system interface-based solutions, and sales of this business account for 17% of all the Group's sales.
- 3) Sales of systems supporting M&A strategies occupy 1% of the entire sales, and the Group considers the entire IT-related configuration, which is the key to establish and regenerate inter-group integrated system infrastructure for efficient promotion of corporate restructuring.
- 4) Because IT is often considered a bottleneck in the development of rapidly growing companies, the Group strives to install systems that can be adjusted in size to flexibly respond to future growth, and sales of this

business occupy approximately 15% of the entire sales.

- 5) Many of the systems provided by the Company support the core businesses of our client companies, and there were strong needs for smooth operations and maintenance. Accordingly, our consulting services for systems and mechanisms to reduce operational costs and the design and establishment of administration and monitoring systems accounted for 11% of the total sales.

## 2. Package & Service Business

The Group obtained steady orders for sales-management software packages customized for small and midsize companies. However, profits decreased more than expected at the ERP business (which sells integrated software packages for midsize firms), at the business of selling ASP accounting software for small and midsize companies, and at the support business. The Group had decided to scale down these businesses. As a result, net sales in this business were ¥2,325 million and operating income was ¥81 million.

In the period under review, some sales partners of the ERP business and the ASP accounting business asked us to review relevant business strategies, citing factors such as organizational changes. In response, the Group carefully looked at and reviewed growth plans and profitability for these businesses, and shifted management resources to profitable businesses of the Company or other firms in the Group. At the same time, we decided to redesign our growth strategies for the ERP and ASP accounting businesses, taking a longer perspective.

For intangible fixed assets, such as goodwill, in the businesses that we reviewed we revalued the portions likely to exceed the cash flows that we expect to generate in the future. As a result, we booked an impairment loss of ¥317 million (consisting of ¥113 million in goodwill and ¥203 million in software) as extraordinary losses.

## 3. Corporate Revitalization Business

The Group launched efforts to improve sales by reviewing shop and product policies and sales promotion systems, while striving to reduce costs by reviewing inventory management and transactions with clients and making operational reforms more efficient. However, such efforts failed to produce satisfactory results in a short time. As a result, we posted net sales of ¥1,837 million and an operating loss of ¥45 million, in this business.

**Analysis of operating results for the first half of fiscal 2007**

The following represent the comparison of consolidated statements of income and the analysis of operating results for the first half of fiscal 2007.

## Comparison of first half consolidated statements of income (summary)

| Item   | First half ended<br>June 2006 | First half ended<br>June 2007 | Year-on-year comparison |              |
|--|-------------------------------|-------------------------------|-------------------------|--------------|
|  | Amount (million yen)          | Amount (million yen)          | Amount (million yen)    | Change (%)   |
| <b>Net sales</b>                             | <b>7,646</b>                  | <b>11,237</b>                 | <b>3,590</b>            | <b>47.0</b>  |
| Cost of sales                                | 4,375                         | 6,462                         | 2,087                   | 47.7         |
| Gross profit                                 | 3,271                         | 4,774                         | 1,503                   | 46.0         |
| Selling, general and administrative expenses | 1,769                         | 3,605                         | 1,836                   | 103.8        |
| Operating income                             | 1,501                         | 1,168                         | (332)                   | -22.2        |
| Non-operating income                         | 7                             | 101                           | 94                      | 1,216.4      |
| Non-operating expenses                       | 25                            | 29                            | 3                       | 12.7         |
| <b>Ordinary income</b>                       | <b>1,483</b>                  | <b>1,241</b>                  | <b>(241)</b>            | <b>-16.3</b> |
| Extraordinary profits                        | 125                           | 150                           | 24                      | 19.8         |
| Extraordinary losses                         | 29                            | 501                           | 471                     | 1,610.4      |
| Net income before taxes                      | 1,579                         | 890                           | (689)                   | -43.6        |
| Corporate, inhabitants' and enterprise taxes | 687                           | 124                           | (563)                   | -81.9        |
| Corporate tax adjustments                    | 34                            | 474                           | 440                     | 1,284.4      |
| Minority interests in net income             | 1                             | (33)                          | (35)                    | -            |
| <b>Net income</b>                            | <b>855</b>                    | <b>325</b>                    | <b>(530)</b>            | <b>-62.0</b> |

## (1) Net sales

In the period under review, consolidated net sales were ¥11,237 million, up 47.0% or ¥3,590 million from the previous year.

This increase is attributable mainly to total sales of ¥4,163 million, which were added beginning in this period, at the Package & Service Business and Corporate Revitalization Business, despite a ¥697 million decrease in sales of hardware procurement services of the IT Consulting Business.

Sales of consulting services at the IT Consulting Business are broken down into 25% for the strategy phase (down from 33% in the previous year), 18% for the design phase (down from 19%), 46% for the development phase (up from 40%) and 11% for the operation and other phases (up from 8%)

## (2) Cost of sales and gross profit

Costs of sales increased 47.7% or ¥2,087 million year-on-year to ¥6,462 million on a consolidated basis.

This rise is due chiefly to a total of ¥2,937 million in costs of sales at the Package & Service Business and Corporate Revitalization Business, which were added beginning in this period, despite a ¥522 million decline in costs of sales of hardware procurement services at the IT Consulting Business.

As a result, gross profit was ¥4,774 million, up 46.0% or ¥1,503 million from the preceding year, and the gross profit margin was 42.5%, down from 42.8% in the previous year.

## (3) Selling, general and administrative expenses and operating income

Selling, general and administrative expenses soared 103.8% or ¥1,836 million year-on-year to ¥3,605 million on a consolidated basis.

This growth came primarily from the addition of a total of ¥1,190 million in selling, general and administrative expenses at the Package & Service Business and Corporate Revitalization Business.

As a result, operating income was ¥1,168 million, down 22.2% or ¥332 million from a year earlier.

## (4) Non-operating income/expenses and ordinary income

The Group booked ¥32 million as amortization of negative goodwill on a consolidated basis in non-operating income.

As a result, ordinary income dropped 16.3% or ¥241 million year-on-year to ¥1,241 million.

(5) First half extraordinary profits/losses and net income before taxes

The Group recorded extraordinary profits, including gains on sales of investment securities of ¥138 million, while registering extraordinary losses of ¥501 million, including losses on disposal of fixed assets of ¥60 million, losses on devaluation of investment securities of ¥103 million, losses on devaluation of inventories of ¥19 million, and impairment losses of ¥317 million.

As a result, consolidated net income before taxes was ¥890 million, down 43.6% or ¥689 million from the preceding year.

(6) First half corporate tax and net income

The Group posted ¥565 million derived from corporate taxes and minority interests in income.

As a result, consolidated net income decreased 62.0% or ¥530 million year-on-year to ¥325 million.

## Outlook for the current fiscal year

### 1. Forecast for the full fiscal year

On July 31, 2007, the Group revised downward its original consolidated earnings forecast for fiscal 2007, as shown below.

|                                |  |
|--------------------------------|--|
| Consolidated net sales:        | ¥23,500 million (up 54.0% year-on-year)  |
| Consolidated operating income: | ¥2,830 million (up 2.8% year-on-year)    |
| Consolidated ordinary income:  | ¥2,900 million (up 5.8% year-on-year)    |
| Consolidated net income:       | ¥1,240 million (down 18.7% year-on-year) |

The noteworthy events for the following fiscal year are as follows:

#### 1) IT Consulting Service Business

- (1) The Group's basic management policy is to "provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing clients' managerial issues from the viewpoint of management and understanding the essence of clients' businesses." The Group believes needs for such services will further increase against the backdrop of economic recovery and corporate globalization in Japan. The Group will expand IT consulting services through the use of proprietary components and technologies for midsize companies taking advantage of the said merger.
- (2) The supply-demand situation of resources in the IT industry will likely continue to tighten. Under such circumstances, the Group will continuously strive to enhance productivity in system development by making the best use of proprietary component techniques, strengthen alliances with business partners, conduct project management, step up personnel training, and boost R&D activities.

- (3) Outlook for operations by division is as follows:

##### Distribution and service

Large-scale downsizing projects will continue, and demand for a variety of projects is forecast to increase, including company-wide renovation of mission-critical systems. In this sector, the Group expects to win orders accounting for 40%–50% of its entire sales.

##### Finance

The Group expects a continued steady flow of orders from regional banks for projects to establish marketing support systems, an expanded form of loan support system, and information system infrastructures.

##### Global services and manufacturing industry

The Group will start implementing projects to reconstruct backbone systems for excellent manufacturers with distinguishing features, in order to overhaul their management. The Group will also implement large-scale projects carried over from the previous fiscal year. Sales from this sector are likely to account for about 20% of the Group's total sales.

##### Advanced services

Existing clients will likely place additional orders at a steady pace. Furthermore, the Group is expected to provide major and minor consulting services for nonbanks, insurance companies, healthcare firms, and cross-industry corporations.

##### Technology services

The Group plans to offer consulting services to companies from various industries and of differing sizes, making the best use of its proprietary technologies.

#### 2) Package & Service Business

The former Woodland Corporation group had sold or offered through ASP a wide range of software packages, which focus on sales management, ERP, and other highly specialized fields, to clients ranging from small to large companies. This group is expected to post brisk sales in fiscal 2007 by utilizing its conventional customer base and products

#### 3) Corporate Revitalization Business

Uoei Shoten Corporation is a midsize supermarket chain with eight outlets and is based in the Chuetsu Region of Niigata Prefecture. In fiscal 2007, this company aims to improve sales by reviewing inventory management and sales promotion systems, while streamlining work efficiency by reviewing transactions with clients and reforming operations.

#### Progress of the medium-term business plan, etc.

To differentiate itself from its competitors and maintain continuous growth, the Group focuses its allocation of management resources on research and development, training, recruiting, and other strategic investments, while setting goals for ordinary income growth of at least 20% a year over the medium to long term, and consolidated net sales of over ¥30.0 billion and ordinary income of more than ¥5.0 billion in 2010.

We refrained from booking sales of some projects in the first half of the current fiscal year under review, and we think it is difficult to completely recover profits corresponding to this decrease in the limited time of the latter half. As a result, the ordinary income growth in the current year will probably be capped at about 6% on a consolidated basis from a year earlier. Meanwhile, we expect consolidated net sales to rise 54%.

In and after the following fiscal year, we forecast that the factor of this temporary decrease will disappear, and we believe it is possible to achieve our mid-term business plan.

(2) Analysis of financial condition

1. Assets, liabilities and net assets

The following are the status of assets, liabilities and capital as of the end of the first half of fiscal 2007.

|              |   |
|--------------|---|
| Assets:      | ¥13,591 million (up 39.9% year-on-year) |
| Liabilities: | ¥4,474 million (up 39.0% year-on-year)  |
| Net assets:  | ¥9,116 million (up 40.4% year-on-year)  |

The following is the analysis of financial condition for the fiscal period under review.

(a) Current assets

Current assets were ¥6,962 million on a consolidated basis at the end of the period under review, up ¥938 million from the previous year.

This growth mainly reflects a decrease in cash and cash equivalents of ¥1,716 million, an increase in notes and accounts receivable of ¥1,847 million and a rise in deferred tax assets of ¥406 million.

For the breakdown of decrease in cash and cash equivalents, please see “2. Cash flows” on page 12.

(b) Fixed assets

Fixed assets amounted to ¥6,629 million at the end of the period under review, up ¥2,940 million from the preceding year.

This increase is due chiefly to a rise in tangible fixed assets of ¥574 million, a rise in intangible fixed assets of ¥972 million, an increase in investment securities of ¥575 million, a growth in long-term deposits of ¥300 million, and an advance in deferred tax assets of ¥442 million.

(c) Current liabilities

Current liabilities stood at ¥3,716 million at the end of the period under review, up ¥946 million from a year earlier.

This rise is attributable primarily to an increase in short-term borrowings of ¥741 million, a growth in long-term borrowings due within one year of ¥643 million, an increase in bonds due within one year of ¥20 million, a decrease in income tax payable, etc. of ¥474 million, and a drop in reserve for quality assurance of ¥176 million.

(d) Fixed liabilities

Non-current liabilities were ¥758 million at the end of the period under review, up ¥309 million from the previous year.

This increase is due mainly to a rise in bonds of ¥160 million, a growth in long-term borrowings of ¥407 million, and a decrease in negative goodwill of ¥276 million.

(e) Net assets

Net assets were ¥9,116 million at the end of the period under review, up ¥2,623 million from the preceding year.

This rise is mainly because of an increase of ¥325 million as a result of net income, a growth in additional paid-in capital of ¥370 million and an increase in minority interests of ¥184 million, despite a decrease of ¥419 million derived from payment of dividends and a fall in net unrealized gains on available-for-sale securities of ¥172 million. In addition, net assets increased by ¥2,335 million because the Group allotted treasury stocks as new shares to shareholders of the former Woodland Corporation in relation to the merger with the said company, while it newly acquired treasury stocks.

(f) Total assets

Total assets were ¥13,591 million at the end of the period under review, up ¥3,878 million from a year earlier, mainly because of an increase in intangible fixed assets, a rise in deferred tax assets and a growth in accounts receivable and payable as a result of increased sales.

## Comparison of first half consolidated balance sheets (summary)

| Item  | First half ended June<br>2006 | First half ended June<br>2007 | Year-on-year comparison |             |
|---|-------------------------------|-------------------------------|-------------------------|-------------|
|   | Amount (million yen)          | Amount (million yen)          | Amount (million yen)    | Change (%)  |
| (Assets)  |                               |                               |                         |             |
| <b>Current assets</b>                                 | <b>6,024</b>                  | <b>6,962</b>                  | <b>938</b>              | <b>15.6</b> |
| Cash and cash equivalents                             | 3,871                         | 2,155                         | (1,716)                 | -44.3       |
| Notes and accounts receivable                         | 1,561                         | 3,408                         | 1,847                   | 118.3       |
| Others  | 590                           | 1,398                         | 807                     | 136.6       |
| <b>Fixed assets</b>                                   | <b>3,688</b>                  | <b>6,629</b>                  | <b>2,940</b>            | <b>79.7</b> |
| Tangible fixed assets                                 | 1,127                         | 1,702                         | 574                     | 51.0        |
| Intangible fixed assets                               | 387                           | 1,360                         | 972                     | 250.9       |
| Investments and other assets                          | 2,173                         | 3,566                         | 1,393                   | 64.1        |
| <b>Total assets</b>                                   | <b>9,712</b>                  | <b>13,591</b>                 | <b>3,878</b>            | <b>39.9</b> |
| (Liabilities)   |                               |                               |                         |             |
| <b>Current liabilities</b>                            | <b>2,770</b>                  | <b>3,716</b>                  | <b>946</b>              | <b>34.2</b> |
| Accounts payable                                      | 670                           | 815                           | 144                     | 21.5        |
| Short-term borrowings                                 | -                             | 741                           | 741                     | -           |
| Long-term borrowings due within one year              | 29                            | 673                           | 643                     | 2,157.4     |
| Income tax payable, etc.                              | 559                           | 85                            | (474)                   | -84.7       |
| Others  | 1,509                         | 1,401                         | (108)                   | -7.2        |
| <b>Fixed liabilities</b>                              | <b>449</b>                    | <b>758</b>                    | <b>309</b>              | <b>68.9</b> |
| Negative goodwill                                     | 276                           | -                             | (276)                   | -           |
| Long-term borrowings                                  | 107                           | 515                           | 407                     | 380.4       |
| Bonds   | -                             | 160                           | 160                     | -           |
| Others  | 65                            | 83                            | 18                      | 27.8        |
| <b>Total liabilities</b>                              | <b>3,219</b>                  | <b>4,474</b>                  | <b>1,255</b>            | <b>39.0</b> |
| (Net assets)  |                               |                               |                         |             |
| Common stock  | 1,421                         | 1,421                         | -                       | -           |
| Additional paid-in capital                            | 2,495                         | 2,866                         | 370                     | 14.8        |
| Retained earnings                                     | 5,365                         | 5,270                         | (94)                    | -1.8        |
| Treasury stock  | (3,093)                       | (758)                         | 2,335                   | -75.5       |
| Net unrealized gains on available-for-sale securities | 287                           | 115                           | (172)                   | -60.0       |
| Foreign currency translation adjustments              | 0                             | 1                             | 0                       | 62.8        |
| Minority interests                                    | 15                            | 199                           | 184                     | 1,195.7     |
| <b>Total net assets</b>                               | <b>6,493</b>                  | <b>9,116</b>                  | <b>2,623</b>            | <b>40.4</b> |
| <b>Total liabilities and net assets</b>               | <b>9,712</b>                  | <b>13,591</b>                 | <b>3,878</b>            | <b>39.9</b> |

## 2. Analysis of cash flows

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

### (a) Cash flows from operating activities

Cash outflows from operating activities were ¥509 million in the period under review, reflecting net income before taxes of ¥890 million, corporate tax payment of ¥610 million for the previous fiscal year, and a decrease in accounts payable of ¥1,225 million from increased charges on clients at the end of the first half.

### (b) Cash flows from investing activities

Cash outflows from investing activities were ¥569 million in the period under review. Proceeds from sales of investment securities amounted to ¥162 million and those from collection of long-term loans stood at ¥85 million. However, purchase of tangible fixed assets totaled ¥625 million, acquisition of intangible fixed assets in association with software development was ¥119 million, purchase of investment securities amounted to ¥30 million, and net increase in deposit guarantees was ¥91 million.

### (c) Cash flows from financing activities

Cash outflows from financing activities were ¥1,844 million in the period under review, reflecting a purchase of treasury stocks totaling ¥760 million, repayment of long-term borrowings of ¥556 million, and payment of dividends amounting to ¥415 million.

### (d) Cash and cash equivalents at the end of the year

Cash and cash equivalents outstanding at the end of the period under review were ¥2,055 million, because of a decrease of ¥2,922 million in cash and cash equivalents, the result of calculating cash flows from operating, investing and financing activities, and an increase of ¥1,105 million in cash and cash equivalents derived from corporate combinations.

## 3. Capital resources and liquidity

### (a) Demand for operating funds

Demands for operating funds at the Group are as follow:

#### Working capital

Working capital, common to the IT Consulting Business, Package & Service Business and Corporate Revitalization Business, is used primarily to cover cost of sales and operating expenses such as selling, general and administrative expenses, as well as payments for taxes such as corporation tax.

Major operating expenses consist of salaries, bonuses, welfare expenses, traveling expenses, rent on offices and other buildings, and subcontracting expenses. Meanwhile, in the IT Consulting Business, the period of contracts concluded with clients is relatively short and such contracts provide that prices of services be charged and collected basically according to the progress of the project in a monthly basis. Accordingly, demand for funds in association with operating expenses is not so large and generally can be covered by cash flows from operating activities. In the Package & Service Business, funds for operating expenses are needed because prices of services are charged and collected after clients inspect and receive services. The Group raises such funds mainly from financial institutions, while emphasizing liquidity on hand. In the Corporate Revitalization Business, whose core entity is engaged in retailing, funds for operating expenses generally can be covered by cash flows from operating activities.

#### Funds for strategic investments

The Group makes strategic investments and needs funds to purchase investment securities. To implement strategic investments flexibly and astutely, the Group emphasizes liquidity on hand, and also takes into account raising funds through financial institutions. The Group also sells investments to employ capital effectively, and earns income from appropriately exiting net investments.

#### Funds for R&D activities

The Group continuously focuses on research and development activities and needs funds for that purpose.

Such funds are mainly used to cover R&D expenses in the category of selling, general and administrative expenses, as well as software in the category of tangible fixed assets, at the IT

## Consulting Business and the Package & Service Business.

### Funds for outlets

In the Corporate Revitalization Business, the Group needs funds to make investments in retail stores.

### Funds for other purposes

The Group sometimes acquires its treasury shares as part of flexible capital policies, and needs funds for that purpose.

### (b) Financial policies

The Group will use mainly internal reserves, which are allocated from profits, and short-term borrowings to provide the funds it needs such as working capital, funds for strategic investments, funds for R&D activities and funds for stores. The Group will efficiently manage these funds by concentrating and allocating them under a centralized structure at the parent's financial division.

As described in "(3) Dividend policy and dividends for the current year" on page 14 and "a. Demand for operating funds" on page 12, the Group will allocate internal reserves, focusing on the investments intended to a) enhance R&D activities for design and development techniques so that the Group can have a technical edge over its peers, which is necessary to maximize the Group's value over the medium to long term; b) recruit and train human resources; and c) implement measures for boosting project management and strengthen M&A activities and alliances with external partner companies in order to raise the value added of services provided by the Group. Aiming for an astute M&A in the IT-related industries, where business is fast, the Group considers liquidity at hand as important funds for that purpose, while regarding borrowings from financial institutions as an option to raise funds.

Implementing financial operations based on the above-mentioned policies, the Group maintains a certain amount of borrowings while keeping a certain amount of cash and cash equivalents, and repays unnecessary borrowings as much as possible in the balance sheets. For this, both assets (cash and cash equivalents) and liabilities (borrowings) are stated in the balance sheets. The Group will conduct financial operations so that it can flexibly operate the business, while carefully examining fund-raising costs.

At its developing stage, the Group needs to raise funds directly from capital markets in order to further grow and expand. Therefore, the Group will continue to consider pursuing direct financing as well as financial operations as described above.

### (c) Acquisition and disposal of treasury stocks

In the period under review, the Group allotted 34,877 shares (worth ¥3,091 million) of its treasury stock to shareholders of the former Woodland Corporation in relation to the merger with Woodland on January 1, 2007. The Group also acquired 8,490 treasury stocks for ¥755 million. As a result, there were 8,517 treasury stocks worth ¥758 million at the end of the period under review.

(3) Dividend policy and dividends for the current year

The Group seeks to maximize medium- to long-term total returns (capital and income gains) to our shareholders.

In order to achieve this goal, and depending on our business performance, we will give due consideration to the proper balance between dividend payout and the need to retain earnings for investments in longer-term maximization of corporate value. This includes investments needed to ensure medium-term technological superiority through enhanced research and development, investments for maintaining design and system development skills, as well as for attracting and training personnel, and M&A activities as well as strategic alliances that enhance our project management skills and our ability to offer higher value-added services.

The Company plans to pay a dividend of ¥850 per share for the current year, which will result in a consolidated payout ratio of 32.8%.

(4) Business risks

The following are major factors that could cause risks in association with the Group's businesses as well as other parties, and thus could have a significant impact on investors' decisions.

The factors described need not necessarily be regarded as risk factors, but the Group deemed them as important for investors who are considering investing, and also useful in terms of proactive information disclosure to investors. Given the possibility of these risks, the Group will strive to prevent them from occurring and respond to them in the event they occur.

The forecasts referred to in the text are based on the Group's judgment as of August 7, 2007.

(1) Group's businesses and industrial trend

The Group provides IT consulting services, in which our staff members help clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of clients' businesses and establishing advanced IT-based information systems using practical and sophisticated technologies.

Firstly, the Group has been pursuing optimum solutions from a vendor-neutral position, without relying on specific hardware and software vendors, to maximize the performance of open systems – the key to next-generation information systems – in which the Company has specialized since its foundation.

Second, the Group provides integrated services, from the strategic IT consulting phase through the successive stages of system design, applications software development, selection and procurement of hardware and software products, and including the training and operational phases. The Group believes that it can best satisfy its clients by actually realizing the outcome of consultations as actual systems that they can put to practical use to produce business results, rather than merely stopping at the presentation of ideas.

Given the progress of the era of real-time computing, the high demand for rebuilding mission-critical systems (large-scale downsizing projects), and the acceleration of corporate reconstruction, reorganization and integration, we forecast that client needs will continue growing for the Group's unique IT Consulting Business. This business provides integrated services, by combining IT and business practically and effectively, from establishing through to running systems that help clients overhaul operations and solve management problems.

In the Package & Service Business, the Group offers in-house developed sales management and accounting software packages, which are intended to improve operational efficiency, mainly to small and midsize companies, through our sales channels, partners, OEM agreements, or ASPs.

We customize these software packages according to the client's business type and market, and thus they not only fully meet the client's needs, but can also have a lower cost and a shorter installation period, compared with establishing systems from scratch.

In the Corporate Revitalization Business, the Group has under its umbrella a regional supermarket chain with eight stores, which engages primarily in providing consumers with fresh ingredients produced locally. The Group will revitalize this supermarket's operations by fully using its strategic and technical experiences in the distribution industry and introducing information technologies.

Given intensifying competition among companies, each business above involves the risks described below.

(2) Economic situation and business climate

The Japanese economy continues to be on a recovery track supported by improved corporate earnings and increased capital expenditures. However, given that the Bank of Japan has further raised interest rates and the price of oil is fluctuating, the future direction of the Japanese economy remains uncertain. In the IT industry, customer needs for IT are rising and the hiring of talented personnel has become an important issue for companies. Accordingly, the Group will probably face competition not only for consulting functions but also for delivery capability.

Under such circumstances, the Group has renewed its conviction that its highly specialized solutions and technical know-how about downsizing are an effective means of establishing companies' competitiveness. The Group will strive to steadily enhance its internal structure by training staff and strengthening project management, and the Group will also join hands with user companies to promote their managerial reforms at a time when open systems are replacing legacy systems on a full-scale basis.

The use of IT by smaller companies, which are the majority of Japanese corporations, remains at lower levels. Meanwhile, there is fierce competition in the markets of these companies and the financial environment is unfavorable to them, which discourages them from making sufficient investments in IT. Hence, it is effective for these companies to use solutions based on inexpensive and highly versatile software packages to improve the efficiency of their operations. In the Package & Service Business, the Group will increase additional libraries to reduce the customization processes in order to realize low-cost packages that can be installed quickly, as well as to improve software packages so that they are compatible with the Internet environment (by using Java, .Net, etc.).

As described above, the Group will continue to implement measures to increase its competitive edge. However, if corporate investments slow, affected by economic trends, we may see lower orders.

In the Corporate Revitalization Business, the Group provides services that closely meet the needs of local clients. However, its operational results may be influenced by such external factors as economic trends, heightened competition, and substantial price fluctuations of perishables owing to abnormal weather.

(3) Business development and outlook

Under the above-mentioned economic conditions, the Group is striving to operate businesses, aiming to realize the wide-ranging needs of companies by combining management and IT. Such firms want to reconstruct backbone systems to overhaul management, introduce highly-specialized solutions to differentiate themselves from rivals and rationalize operations, adopt IT as the key to corporate revitalization and reorganization, or establish an IT infrastructure to support a rapid growth. In addition to the realization of such needs, the Group organically combines personnel, information, and finance through the resultant development of such companies, aiming to revitalize cities and regions, and eventually create innovation throughout society.

To achieve this, the Group is establishing a system to spread know-how obtained from many years' experience and software components and products built up through our experience, within the same industry or similar industries.

However, if these experiences and know-how fail to spread fully or appropriately within the same industry or to similar industries, the intended effects may not be produced satisfactorily.

For the operation of these businesses by sector and the future outlooks, please see "(1) Analysis of operating results" on page 4.

(4) Staying abreast of technological innovation

Ever since its establishment, the IT Consulting Business of the Group has endeavored to specialize in open systems that do not rely on specific products, by using cutting-edge IT and network technologies. Independent of any vendors, the Group strives to select the optimal products for clients, but the options may narrow as some vendors drop out due to the excessively harsh competition.

Against this backdrop, the Group needs to raise and maintain its competitiveness by putting its efforts and resources into the research and introduction of cutting-edge technologies, centering on IT. To this end, the Group is always gathering the latest information on software and hardware, with the core technology division at the helm. In the Package & Service Business, the Group is gradually upgrading existing software packages so that they are compatible with new technologies such as .Net.

However, should the Group not manage to fully keep abreast of new technologies, its competitiveness may decline leading to fewer orders being received.

(5) R&D activities

In recent years, the economic climate that our clients find themselves in has been dramatically changing and the rate of progress in IT has been increasing, causing the information systems of our clients to become obsolete more quickly. Therefore, it is crucial for the Group to develop advanced systems in shorter time spans, while taking future trends into full account. Against this backdrop, the Group is preparing various components and development support tools as efficiently as possible.

Such components and development support tools have enabled the Group to significantly improve system quality and productivity in actual systems development, which indicates they have now reached the stage of application. However, the evolution of IT is rapid and client needs are becoming more sophisticated and complicated. To respond to this situation appropriately, it is important for the Group to continue to: incorporate new technical elements into these components and development support tools so that it can develop high quality systems in shorter periods of time; improve processing performance through decentralization; facilitate the system maintenance through centralized management; standardize interfaces to enable smooth interconnectivity with other systems.

The Group also needs to expand the range of industry-specific platform models, in order to effectively and efficiently leverage the know-how it has accumulated.

In the Package & Service Business, the Group uses templates by business type and additional libraries that are prepared in advance, when customizing packages to suit clients' needs, aiming to offer high-quality products and deliver them in a short time. The Group is adding variations to these templates and libraries one by one. In addition, the Group is striving to maximize the usability of packages for clients, for example by making existing software packages compatible with multiple databases.

In the future, the Group will continue to focus on such research and development. To facilitate this, the Group will further make efforts to obtain able personnel who proceed with such R&D. However, there is a possibility that the Group may fail to recruit such persons or that the R&D activities do not fare as well as expected, which would have an adverse effect on the Group's competitive edge.

(6) Software

Software for in-house use

The Group develops software for internal use to improve information available for business management and to make its operations more efficient. It states software for in-house use, expecting costs to decrease due to improvement in operational efficiency, but the value of software may decline if specific functions should rapidly become obsolete due to drastic operational reforms.

Software for sale

The Group invests in the development of software that standardizes successful platform models for real-time management for divisions such as finance, retailing or manufacturing (distribution industry), and will strive to obtain orders and make systems development more efficient.

Some consolidated subsidiaries are engaged in developing various types of software packages.

The Group states these types of software by making reasonable assessments of future orders received and sales. However, the Group may fail to fully recoup its investments because of unforeseen abrupt changes in market conditions and changes in technical trends.

(7) Recruitment and training

The Group makes vigorous efforts to recruit the best personnel and train them. In the first half under review, recruitment and training expenses amounted to ¥167 million and ¥146 million, respectively. The Group intends to continue to devote itself to personnel acquisition and training. However, should these efforts prove unsuccessful, the Group's growth potential would be hampered. Moreover, increases in the number of employees result in higher fixed labor costs, creating downward pressure on performance when the Group fails to receive orders sufficient to cover those increases in fixed costs.

(8) Strengthening relations with partners

The Group is committed to the acquisition and training of talented staff as a corporate resource. However, in response to the demand of each phase of a given project, we also think it is crucial to obtain appropriate external partners in a timely manner. Consequently, the Group is endeavoring to strengthen its alliance with business partners and create corporate structures that will serve the Group flexibly in the

expansion of the scale of its business. In order to raise productivity and the quality of the Group's system development, training is provided on the Group's proprietary design and development methods for partners who support Group management policies.

However, as the Group's degree of dependence on partners increases, there is a possibility that additional costs may be incurred which were not foreseen at the time of the concluding of contracts, due to the delay in bringing service quality to a level that fully satisfies customers.

(9) Project management

There is no doubt that project management is required for every project. Accordingly, project control is one of the key issues for the Group to tackle.

To enhance its project control, the IT Consulting Business of the Group is strengthening and strictly operating a project review system through the Project Administration Headquarters and the Project Monitoring Team.

The Group is also integrating, expanding and evolving present standard project promotion methods, while establishing and adopting quality control techniques consistent with global standards in model configuration. In addition, the Group is making great efforts to share knowledge through a project information sharing system, and on education and training in project management.

In the Package & Service Business, most projects are small and relatively easy to control. However, as it is impossible to completely eliminate risks associated with projects, unless the Group's project management functions satisfactorily, the profitability of projects may deteriorate.

The Group has not established a firm project management method for corporations whose size lies between a large company, the major market for the IT Consulting Business, and a small firm, the main market for the Package & Service Business, so the profitability of projects may deteriorate.

(10) Dependence on specific clients

The IT Consulting Business of the Group may come to rely heavily on sales to specific clients for a time, when large-scale projects enter the development phase and a significant portion of human resources within (and outside) the Group has to be allocated to such projects.

While the method of receiving orders in installments allows the Group to at least temporarily refrain from proceeding to the next phase of a project when a client has failed to make timely payment (or when their credit standing has deteriorated), the Group may nevertheless be affected by the financial performance of its clients.

(11) Expanding scale of projects

The average size of clients' operations is growing. In addition, needs for projects involving the comprehensive rebuilding of both information and mission-critical systems (large-scale downsizing projects) with open system technologies is increasing and such projects are beginning to occupy a greater share of the Group's total sales. As a result, the scale of projects undertaken by the Group is growing. To pilot these large-scale projects to success and ensure complete client satisfaction, a high level of project management skills is required.

The Group assigns highly experienced project leaders to such large-scale projects. As the project progresses, at each important milestone, the project review team composed of personnel in charge of their specialized areas meet to identify potential problems at an early stage and to ensure timely implementation of necessary countermeasures. However, as projects grow in scale, so inevitably do the potential risks. To achieve quality standards that will fully satisfy the clients, additional costs may be incurred that were not foreseeable at the time the contract was concluded. Furthermore, it may at times become necessary to revise the delivery schedule owing to various factors such as a change in specifications, which could affect sales and profits for an entire fiscal period.

Once a large-scale project is completed, the large number of consultants previously assigned to the projects need to be reassigned to other projects. Because of the number of consultants involved, they may not be reassigned to other projects in timely manner, which could have adverse effects on sales and profits for a fiscal period.

The Group is making the utmost effort to maintain quality of service and to meet delivery commitments, in order to ensure that clients do not suffer losses through any service offered by the Group. While maximum damages payable to clients are stated in the contracts, if a client claims for damages or makes a complaint about a transaction or project, the Group may incur legal expenses, damages or other expenditures affecting the corporate resources.

(12) Reserve for quality assurance

The Group may provide its clients with free services that were unforeseeable at the time of concluding contracts or at the close of the accounting period, in order to guarantee the quality of its product so that customers will be completely satisfied. Although this enhances customer confidence in the Group and their evaluation of it, if the project management malfunctions, the project has to be extended or additional personnel have to be allocated because of an unexpected problem or a discrepancy between the estimated number of man-hours worked and the actual number worked, then there is a possibility that the group will be liable for the costs involved.

To cope with the risk of these incidental costs, the Group has established a reserve for quality assurance, stating an amount for future costs based on estimates calculated from past experience. For the period under review, the Group set aside ¥83 million as a reserve, considering this amount sufficient to meet potential future payments. However, the possibility remains that actual payments may exceed this amount if there are extenuating circumstances.

(13) Fixed assets

In the Package & Service Business, the Group has intangible fixed assets such as software and software in progress. If the Group makes a substantial revision to the projected sales of software or withdraws from the business because of abrupt changes in market conditions, then impairment losses will be incurred. This may affect the Group's earnings.

In the Corporate Revitalization Business, the Group operates retail stores. If the business environment changes significantly because of such factors as competitors establishing large stores in their marketing areas, the Group may post impairment losses and its earnings may be affected.

(14) Prior investments in assets

In the Package & Service Business, the Group makes prior investments in development of software packages, and sells them after finishing the development, resulting in a time lag until investments are recouped. There is similar time lag in the Corporate Revitalization Business as well. That is, the Group purchases land and buildings, arranges the interiors and procures goods, before selling them.

Before developing software packages, establishing stores and procuring goods, the Group carefully conducts marketing research. However, unless sales targets are achieved satisfactorily, it will become difficult to secure operating funds, and the Group's financial conditions may be affected.

(15) Hygiene management

Consumers' awareness is growing about food safety, as seen in the publicized cases of food with agrochemical residues or food whose place of origin and ingredients have been mislabeled. Under such circumstances, the Group, whose Corporate Revitalization Business deals with food, makes great efforts to secure high quality foods and thoroughly manage safety and hygiene, while emphasizing food safety more than ever. However, if problems occur relating to the safety of goods, such as food poisoning, and an unexpected situation breaks out, such as BSE issue, avian influenza or a norovirus, the Group's earnings may be affected.

(16) Information security

In the course of undertaking transactions, the Group comes to know various top-secret information of its clients, ranging from technical to management information.

Accordingly, the Group regards "information management" as a key managerial issue, and formulates measures against the leakage of such top secret information considering from various perspectives. The measures include: the establishment of a security committee to maintain and strengthen the information management system within the Group; and promotion of activities to enlighten and educate the Group's employees on information management as well as enhancing their awareness for this issue. However, in the event of the leakage of a client's confidential information, the Group may face lawsuits and the client in question will be lost to us. The result may seriously affect the Group's earnings.

Moreover, the Group is endeavoring to strengthen its entire system for protecting personal information. To this end, it has set up a special project which is tasked to familiarize every officer and employee with the importance of personal information through enlightenment activities. The Group has acquired Japan's "Privacy Mark", a sign of quasi-official acknowledgment that the holder properly manages personal information.

(17) Strategic investments

The Group makes strategic investments taking business relationships and the prospect of possible future partnerships into consideration. In the first half under review, the Group made such investments in 56 companies (including four (4) equity-method affiliates). The Group intends to maintain such investment activities, but there is a risk that it would sustain losses equivalent to the entire investment in such a company, because of such a firm's major business failure.

Of the firms in which the Group invests, 16 of them are listed companies. The Group registered unrealized profits on holding them in the first half under review, but such profits are subject to fluctuation.

Furthermore, depending on future operating performance of the firms in which the Group invests, the Group earnings may be affected as a result of the statutory requirement to devalue its investments in the firms.

## 2. The Future Group

The Group merged with Woodland Corporation on January 1, 2007, and its business operations at the end of the period under review are as follows.

The Group (the parent and related companies) consists of eighteen consolidated subsidiaries and five equity-method affiliates, and operates three main businesses, the IT Consulting Business, the Package & Service Business, and the Corporate Revitalization Business.

Business activities and involved companies are as follows.

### IT Consulting Business

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

| Company name                                      | Business activities   |
|---|---|
| Future Architect, Inc. (Parent company)           | Using its advanced information technology, Future System Consulting Corp. offers IT consulting, hardware and other procurement services from an objective and independent position. The Company also functions as corporate headquarters for the Group. |
| Future Financial Strategy Corp. (subsidiary)      | Future Financial Strategy Corp. is engaged in consulting services for financial institutions and research on financial technology.  |
| e-Manufacturing Co., Ltd. (subsidiary)            | Development of production management packages, sales and related consulting   |
| ABM Corporation (subsidiary) (new)                | Development and sales of managerial accounting packages and public accounting packages and related consulting   |
| Shanghai UFIDA Future Consulting Ltd. (affiliate) | Provision of consulting service for the retail and logistics service sectors in China.  |

### Package & Service Business

In this business, the Group helps clients improve their operational efficiency, by selling or providing via ASP operations software packages for highly specialized fields, such as sales management and ERP, and developing mission-critical systems on a commission basis.

| Company name                                 | Business activities   |
|--|---|
| Elm Corporation (subsidiary) (new)           | Development and sales of operational support systems by industry for small and midsize companies, backbone systems and EOS systems, and provision of related support services |
| Fit Corporation (subsidiary) (new)           | Establishment of open systems, EC sites, and similar products and sales of the Group's products on an OEM basis   |
| Mthink Co., Ltd. (subsidiary) (new)          | Development of software using development tools   |
| Maple Inc. (subsidiary) (new)                | Sales of operational support systems for companies mainly in the Chugoku region, and provision of related support services  |
| SWaN Corporation (subsidiary) (new)          | Planning, development and sales of ERP packages for midsize companies, and provision of related education services  |
| Wiseware Co., Ltd. (subsidiary) (new)        | Provision of total solution services using ERP packages for midsize companies   |
| Triple-W Corporation (subsidiary) (new)      | Development of Web applications and operations of ASP services  |
| Solution East Corporation (subsidiary) (new) | Sales of Web applications and provision of related consulting services  |
| Ascendia Inc. (subsidiary) (new)             | Development of systems based on Java and Web technologies, personnel training, sales of systems for e-Government and development tools  |
| XEBEC LAND INC (subsidiary) (new)            | Provision of total solutions for retail chain operations  |
| dit Co., Ltd. (affiliate) (new)              | Development and sales of security network products and development and provision of such services   |
| Cyber Solution, Inc. (affiliate) (new)       | Establishment of ASP service systems and corporate information system bases, and provision of operations planning and management services                                     |
| Elmos Inc (affiliate) (new)                  | General printing, and sales of office fixtures, OA (office automation) supplies, OA equipment, POS systems, etc.  |

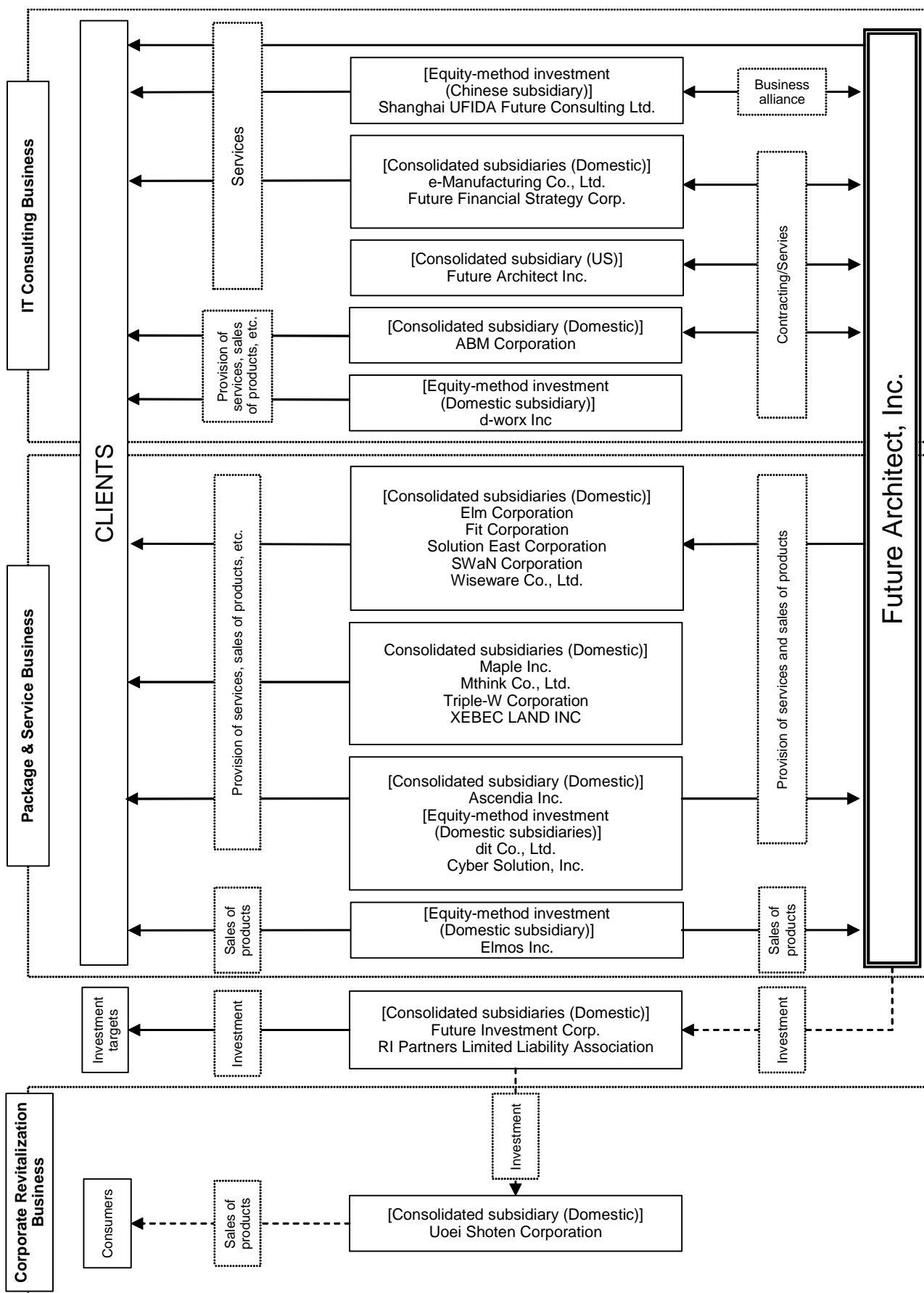
## Corporate Revitalization Business

In this business, the Group goes deep into the management of client companies, revitalizes them through quick and drastic reforms, and creates models of success for each industry.

| Company name                         | Business activities |
|--------------------------------------|---------------------|
| Uoei Shoten Corporation (subsidiary) | Grocery supermarket |

To expand and complement the above three businesses, the Group needs to enhance its research and development systems, strengthen its consulting capabilities for specific industries and explore new markets, as well as provide enhanced services. To this end, a subsidiary specializing in investment and management establishes and operates affiliates in a carefully planned way.

| Company name   | Business activities  |
|--|--|
| Future Investment Corp. (subsidiary)                   | Securities holding, management and investment  |
| RI Partners Limited Liability Association (subsidiary) | Investment   |
| Future Architect Inc. (subsidiary)                     | Future Architect, Inc., is engaged in research, development and study of advanced information technology in the U.S. |
| Associant Technology Inc. (subsidiary) (new)           | Asset management   |
| d-worx Inc. (affiliate)                                | Development of tools to analyze website access and ASP business.   |



## Affiliated companies

## (1) Consolidated subsidiaries

| Name   | Location                 | Capital<br>(¥1,000)               | Main<br>business<br>activities | Voting right<br>ratio (%) | Relationship                      |                                   |                        |   |
|--|--------------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------------|-----------------------------------|------------------------|---|
|  |                          |                                   |                                |                           | Interlocking directors            |                                   | Monetary<br>assistance | Business<br>transactions  |
|  |                          |                                   |                                |                           | Number of<br>company<br>directors | Number of<br>company<br>employees |                        |   |
| Future Financial<br>Strategy Corp.                 | Shinagawa-ku,<br>Tokyo   | 30,000                            | IT Consulting                  | 100.0                     | 2                                 | 1                                 | None                   | Consigning of<br>financial<br>consulting                                    |
| e-Manufacturing<br>Co., Ltd.                       | Shinagawa-ku,<br>Tokyo   | 81,072                            | IT Consulting                  | 68.6<br>(68.6)            | 2                                 | 1                                 | None                   | Consigning of<br>consulting on<br>production<br>management<br>packages      |
| ABM<br>Corporation                                 | Shinagawa-ku,<br>Tokyo   | 350,000                           | IT Consulting                  | 51.8                      | 1                                 | –                                 | Fund lending           | Provision of the<br>license for ABC<br>cost accounting<br>packages          |
| Elm<br>Corporation                                 | Shibuya-ku,<br>Tokyo     | 200,000                           | Package &<br>Service           | 100.0                     | 2                                 | –                                 | None                   | Provision of the<br>license for sales<br>management<br>packages             |
| Fit Corporation                                    | Chuo-ku,<br>Osaka        | 147,500                           | Package &<br>Service           | 63.1                      | 1                                 | 1                                 | None                   | Provision of the<br>license for sales<br>management<br>packages             |
| Mthink Co.,<br>Ltd.                                | Chuo-ku,<br>Osaka        | 13,000                            | Package &<br>Service           | 50.0<br>(50.0)            | –                                 | –                                 | None                   | None  |
| Maple Inc.   | Higashi-ku,<br>Hiroshima | 30,000                            | Package &<br>Service           | 83.3<br>(83.3)            | 1                                 | 1                                 | Fund lending           | None  |
| SWaN<br>Corporation                                | Shinagawa-ku,<br>Tokyo   | 336,060                           | Package &<br>Service           | 55.0                      | 1                                 | –                                 | None                   | Provision of the<br>license for ERP<br>packages                             |
| Wiseware Co.,<br>Ltd.                              | Shinagawa-ku,<br>Tokyo   | 137,200                           | Package &<br>Service           | 96.5                      | 1                                 | 1                                 | None                   | Provision of the<br>license for ERP<br>packages                             |
| Triple-W<br>Corporation                            | Shibuya-ku,<br>Tokyo     | 200,000                           | Package &<br>Service           | 67.0                      | 1                                 | –                                 | None                   | Provision of the<br>license for ASP<br>accounting<br>packages               |
| Solution East<br>Corporation                       | Shibuya-ku,<br>Tokyo     | 10,000                            | Package &<br>Service           | 95.0                      | –                                 | –                                 | None                   | Provision of the<br>license for ASP<br>accounting<br>packages               |
| Ascendia Inc.                                      | Oita-shi,<br>Oita        | 83,700                            | Package &<br>Service           | 91.7                      | 2                                 | 2                                 | Fund lending           | Receipt of<br>services for<br>development                                   |
| XEBEC LAND<br>INC                                  | Chuo-ku,<br>Osaka        | 10,000                            | Package &<br>Service           | 90.0                      | 1                                 | 2                                 | Fund lending           | None  |
| Uoei Shoten<br>Corporation                         | Minami-ku,<br>Niigata    | 48,000                            | Corporate<br>Revitalization    | 100.0<br>(100.0)          | –                                 | 3                                 | Fund lending           | None  |
| Future<br>Investment<br>Corp.                      | Shinagawa,<br>Tokyo      | 10,000                            | Entire<br>company              | 100.0                     | 3                                 | 1                                 | Fund lending           | Consignment of<br>custody and<br>management of<br>stocks, and<br>investment |
| RI Partners<br>Limited<br>Liability<br>Association | Shinagawa-ku,<br>Tokyo   | 48,000                            | Entire<br>company              | 100.0<br>(100.0)          | –                                 | –                                 | None                   | Consignment of<br>investment  |
| Future Architect<br>Inc.                           | Shinagawa-ku,<br>Tokyo   | 16,558<br>(US\$ 139<br>thousand ) | Entire<br>company              | 100.0                     | 3                                 | –                                 | None                   | None  |
| Associant<br>Technology Inc.                       | Oita-shi,<br>Oita        | 273,400                           | Entire<br>company              | 90.0                      | 1                                 | 3                                 | None                   | None  |

## Notes:

- The name of the business segment is stated in “Main business activities.”
- ABM Corporation, Elm Corporation, Fit Corporation, SWaN Corporation, Triple-W Corporation, and Associant Technology Inc. are specified subsidiaries.
- The above subsidiaries file neither securities registration statements nor securities reports.
- Figures in the parentheses in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above the parentheses.
- Mthink Co., Ltd., for which the voting right ratio is 50/100 or less, is a subsidiary, because it is virtually controlled by the Company.
- Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.

## (2) Affiliated companies to which equity method is applicable:

| Name  | Location                    | Capital<br>(¥1,000)              | Main<br>business<br>activities | Voting right<br>ratio (%) | Relationship                      |                                   |                        |  |
|---|-----------------------------|----------------------------------|--------------------------------|---------------------------|-----------------------------------|-----------------------------------|------------------------|--|
|   |                             |                                  |                                |                           | Interlocking directors            |                                   | Monetary<br>assistance | Business<br>transactions   |
|   |                             |                                  |                                |                           | Number of<br>company<br>directors | Number of<br>company<br>employees |                        |  |
| d-worx Inc.                                       | Shimizu-ku,<br>Shizuoka-shi | 25,000                           | Entire<br>company              | 50.0                      | –                                 | 2                                 | None                   | None   |
| Shanghai<br>UFIDA<br>Future<br>Consulting<br>Ltd. | Shanghai,<br>China          | 28,703<br>(US\$ 247<br>thousand) | IT Consulting                  | 40.0                      | 2                                 | –                                 | None                   | Provision of<br>IT<br>consulting<br>services in<br>the Chinese<br>market |
| dit Co., Ltd.                                     | Koto-ku,<br>Tokyo           | 428,745                          | Package &<br>Service           | 45.3<br>(8.1)             | 1                                 | –                                 | None                   | Receipt of<br>services for<br>network<br>consulting                      |
| Cyber<br>Solution,<br>Inc.                        | Koto-ku,<br>Tokyo           | 310,000                          | Package &<br>Service           | 45.3<br>(45.3)            | 1                                 | –                                 | None                   | None   |
| Elmos Inc   | Chuo-ku,<br>Osaka           | 10,000                           | Package &<br>Service           | 40.0<br>(40.0)            | 1                                 | –                                 | None                   | Purchase of<br>OA<br>equipment<br>and fixtures                           |

## Notes:

1. The name of the business segment is stated in “Main business activities.”
2. Figures in the parentheses in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above the parentheses.

### 3. Management Policy

#### (1) Basic corporate tenets

The Future Group aims to provide clients with optimal solutions and contribute to their success by establishing a high quality, flexible, and expandable system that also offers added value in the future. It does this by using an optimal combination of existing businesses and cutting-edge IT.

The Group also strengthens the IT governance capabilities of its clients' senior management and increases their value in the future, by leading a reform in management using IT and providing optimal proposals from objective and independent perspectives. If this goes successfully, the Group will organically combine personnel, information, and finance through the resultant development of such companies, aiming to revitalize cities and regions, and eventually create innovation throughout society.

#### (2) Goals and objectives

To differentiate ourselves from our competitors and maintain continuous growth, the Group concentrates management resources on the fields in which it makes strategic investments, such as research and development, training, and recruiting. At the same time, however, we have set a goal for ordinary income growth of 20% or more per year with regard to the mainstay IT Consulting Business. We also aim to achieve an ordinary income margin of at least 10% at the Package & Service Business, and about 5% at the Corporate Revitalization Business. On a consolidated basis, we have set a target of at least ¥30.0 billion in net sales and ¥5.0 billion or more in ordinary income in three years.

#### (3) Medium to long-term management strategies

In December 2006, the Company acquired Uoei Shoten Corporation, a midsize retailer with operating outlets in Niigata Prefecture, and merged with the Woodland Corporation group, which had been listed on the JASDAQ market, on January 1, 2007. As a result, the Company's business scale has changed substantially. From now on, the Company will realize management reform-oriented systems that meet the needs of the times, hoping to enhance the Group's corporate value. To achieve this, the Company will integrate: the advanced IT Consulting Business, which utilizes experience it has accumulated as a leading company of conventional IT consulting; the Package & Service Business, which offers specialized solutions on an individual basis; and the corporate revitalization business, in which the Company gets deeply involved in the existing businesses of clients aiming to reform clients and their surrounding areas.

The specific strategies for this are as follows:

#### **IT Consulting Business**

- (1) The Group will strive to become a force for change, changing the people and companies that choose it as partners, through further strengthening of technology, professionalism, and sense of mission in the pursuit of both the philosophy and realities of reform.
- (2) The Group will endeavor to further differentiate itself from its rivals in speed, cost and quality, by responding to clients' needs to see benefit in the short-term through knowledge-sharing, enhanced component groups and the use of easily re-configured system architecture.
- (3) Through successful upgrading of project management, risk control and design methodologies, The Group will strengthen its ability to build large-scale systems, thereby ensuring continued high growth.
- (4) The Group will establish an infrastructure to ensure continued recruitment of high caliber human resources who are thoroughly committed to their craft and are results-oriented. Through continued research and development, training and enhanced career planning, the Group aims to improve employee satisfaction levels and ensure high employee retention. The Group believes that by upholding its corporate principles and strengthening its corporate culture, it can further enhance Group cohesion.

#### **Package & Service Business**

- (1) The Group will provide software packages for small and midsize companies to support them in revitalizing businesses and reforming management. To offer solutions based on such packages and various other related services, the Group will enhance proprietary technologies and business know-how at early stages.
- (2) To achieve the above, the employees in this business sector will share and exchange human resources and knowledge with the IT Consulting Business sector, aiming to become the number one and only one entity in

each market and business segment.

### **Corporate Revitalization Business**

- (1) The Group will get deeply involved in the management team of client firms and assess and relieve bottlenecks so that those teams can make decisions quickly.
- (2) Aiming at quick revitalization of client firms through drastic reform focusing on IT, the Group will proactively use the know-how obtained through and components developed in the IT Consulting Business.
- (3) Then, the Group will establish models for success for each industry, spreading such models within the Group.

#### (4) Issues the Company faces

- a. Stepping up our large scale project management capabilities and establishing a support infrastructure [IT Consulting and Package & Service Business]  
The size of projects to upgrade existing mission critical systems grows ever larger, requiring us to continue to build our project management capabilities. At the same time, in addition to further refining and standardizing design and development technologies we will endeavor to build closely integrated, preventive support infrastructure that can respond to any issue that arises during construction of the system or after it is put into operation.
- b. Research and development of core design and development technologies [IT Consulting Business]  
A number of proprietary core design/development technologies are already being applied to our projects and are contributing to the improvement in productivity. However, in order to ensure medium-term technological superiority, it is necessary to continue research and development to expand the applications of these core technologies and to achieve a wider sharing of knowledge within the Company.
- c. Recruitment and training of professionals and outside alliances [all businesses]  
As the scale of our projects continues to increase, it is a key for us to consistently recruit and train highly qualified personnel. By challenging the frontiers of information technology, we aim to create an environment conducive to proactively attracting talented people. We also continue to strengthen our alliances with external partners, to ensure their timely participation when and where needed as a project progresses.
- d. Early realization of synergy from mergers [all business]  
The major clients of the IT Consulting Business, a conventional business domain, are large corporations for which consulting models are thought to be effective. Meanwhile, the Woodland group, which the Company merged with on January 1, 2007, targets mainly small and midsize companies, for which package software models are thought to be effective. By complimenting and exchanging the human resources, technologies, products, and know-how of both entities, the Company will realize, at an early stage, strong competitiveness for midsize company clients, with which the Company has not sufficiently deepened its relationship so far.  
In the Corporate Revitalization Business, the Group will make every effort to rebuild operations for the time being by fully using human resources and IT.
- e. Improvement of profitability [Package & Services Business]  
In the Package & Services Business, the Group customizes existing software packages. However, customization services require a lot of man-hours and hence are less profitable, and they involve various risks.  
Accordingly, the Group will enhance the completeness of software packages while reducing customization man-hours as much as possible, aiming to improve the profitability of the business.
- f. Enhancement of sales channels [Package & Services Business]  
The profitability of the package business is closely related to its market share, and in order to expand market share, it is essential to strengthen marketing abilities. Up until now, the Group has retained multiple companies as sales partners for its products. From now on, we will clarify each partner's role and implement effective partner strategies.

g. Management of information on sales, purchase and inventory [Corporate Revitalization Business]

To further develop in the retail industry, where competition is fierce among rivals, companies are required to supply products that consistently meet the needs of the market. Hence, the Group will strive to develop new purchase routes, aiming to provide better products in a more timely fashion and at lower prices. We will also improve the accuracy of sales, purchase and inventory plans so that we can reduce unnecessary costs and sell products efficiently.

h. Enhancement of individual stores [Corporate Revitalization Business]

The Corporate Revitalization Business is in a severe management environment, and earnings of existing stores have reached their ceiling. Against this backdrop, the Group will aggressively renovate stores to attract more customers through the maximum and effective use of limited resources, improve operational efficiency through the overhaul of organizations and work flows in stores, realize low-cost management through reviewing cost structures, and establish a stable business foundation.

(5) Management's awareness of issues and future policies

The Japanese economy is continuing to expand moderately, in general. However, uncertainties are multiplying from a macroscopic perspective, including an increase in interest rates, the slackness of overseas markets and the opaque political situation in Japan. Although the market's awareness of the value of IT is changing, some clients are strongly demanding only a shorter period between development and delivery and lower prices. Given this, the Group predicts that its business environment will remain severe and continue to change abruptly.

In the half-year period under review, the Group was plagued with a problem about contracts on some projects, and its assets were devalued because of the review and reorganization of some businesses after it integrated its operations with those of the Woodland group. As a result, operating income, ordinary income and net income fell short of our targets, although net sales were almost as expected. Consequently, we had to review our planned dividends.

We believe that these negative factors are temporary, and will not continue to affect our businesses. In the future, the Group will make the best use of the business and market bases that were expanded as a result of an expansion of the Group, and further reinforce various resources obtained through the merger.

It is, of course, important for the Group to continuously release strategic projects. In addition to doing this, we will: actively implement promotion activities for advanced projects that are expected to be the Group's future mainstay, while demonstrating our technological excellence in a wide range of fields; maximize the value of products provided to clients; and expand the Company's business base and enhance related supporting organizations.

**4. Consolidated Financial Statements for the First Half****(1) Consolidated Balance Sheets for the First Half**

(Unit: thousands of yen)

| Item                                | End of first half<br>(As of Jun. 30, 2006) |              | End of first half<br>(As of Jun. 30, 2007) |              | Previous fiscal year<br>(As of Dec. 31, 2006) |              |
|-------------------------------------|--|--------------|--|--------------|---|--------------|
|                                     | Amount                                     | Ratio<br>(%) | Amount                                     | Ratio<br>(%) | Amount  | Ratio<br>(%) |
| (Assets)                            |  |              |  |              |   |              |
| I. Current assets                   |  |              |  |              |   |              |
| 1. Cash and cash equivalents        | 5,194,703                                  |              | 2,155,191                                  |              | 3,871,832                                     |              |
| 2. Notes and accounts receivable    | 2,362,175                                  |              | 3,408,903                                  |              | 1,561,425                                     |              |
| 3. Inventories                      | 3,468                                      |              | 327,172                                    |              | 139,441                                       |              |
| 4. Deferred tax assets              | 239,535                                    |              | 617,634                                    |              | 210,848                                       |              |
| 5. Others                           | 341,392                                    |              | 504,354                                    |              | 270,630                                       |              |
| 6. Allowance for doubtful accounts  | (30,000)                                   |              | (50,958)                                   |              | (30,000)                                      |              |
| Total current assets                | 8,111,276                                  | 75.4         | 6,962,298                                  | 51.2         | 6,024,178                                     | 62.0         |
| II. Fixed assets                    |  |              |  |              |   |              |
| 1. Tangible fixed assets            |  |              |  |              |   |              |
| (1) Buildings and structures *1     | 219,366                                    |              | 2944,245                                   |              | 2,789,456                                     |              |
| Accumulated depreciation            | 131,124                                    | 88,242       | 2,097,589                                  | 846,655      | 2,194,643                                     | 594,813      |
| (2) Others *1                       | 694,480                                    |              | 1,871,623                                  |              | 1,317,991                                     |              |
| Accumulated depreciation            | 442,094                                    | 252,385      | 1,016,235                                  | 855,387      | 785,551                                       | 532,439      |
| Total tangible fixed assets         | 340,627                                    | 3.2          | 1,702,042                                  | 12.5         | 1,127,252                                     | 11.6         |
| 2. Intangible fixed assets          |  |              |  |              |   |              |
| (1) Software                        | 340,338                                    |              | 874,442                                    |              | 285,090                                       |              |
| (2) Goodwill *2                     | –  |              | 63,012                                     |              | –   |              |
| (3) Others                          | 74,615                                     |              | 422,791                                    |              | 102,583                                       |              |
| Total intangible fixed assets       | 414,953                                    | 3.9          | 1,360,246                                  | 10.0         | 387,674                                       | 4.0          |
| 3. Investments and other assets     |  |              |  |              |   |              |
| (1) Investment securities           | 1,517,688                                  |              | 1,877,739                                  |              | 1,302,068                                     |              |
| (2) Deposit guarantees              | –  |              | 795,797                                    |              | 818,949                                       |              |
| (3) Deferred tax assets             | –  |              | 479,076                                    |              | 36,510  |              |
| (4) Others                          | 365,715                                    |              | 1,026,916                                  |              | 15,796  |              |
| (5) Allowance for doubtful accounts | –  |              | (612,741)                                  |              | –   |              |
| Total investments and other assets  | 1,883,404                                  | 17.5         | 3,566,788                                  | 26.3         | 2,173,325                                     | 22.4         |
| Total fixed assets                  | 2,638,985                                  | 24.6         | 6,629,077                                  | 48.8         | 3,688,252                                     | 38.0         |
| Total assets                        | 10,750,262                                 | 100.0        | 13,591,375                                 | 100.0        | 9,712,431                                     | 100.0        |

(Unit: thousands of yen)

| Item  | End of first half<br>(As of Jun. 30, 2006) |              | End of first half<br>(As of Jun. 30, 2007) |              | Previous fiscal year<br>(As of Dec. 31, 2006) |              |
|---|--|--------------|--|--------------|---|--------------|
|   | Amount                                     | Ratio<br>(%) | Amount                                     | Ratio<br>(%) | Amount  | Ratio<br>(%) |
| <b>(Liabilities)</b>  |  |              |  |              |   |              |
| I. Current liabilities  |  |              |  |              |   |              |
| 1. Accounts payable   | 703,779                                    |              | 815,076                                    |              | 670,840                                       |              |
| 2. Short-term borrowings                                      | –  |              | 741,000                                    |              | –   |              |
| 3. Long-term borrowings<br>due within one year *1             | 188,324                                    |              | 673,168                                    |              | 29,820  |              |
| 4. Bonds due within one year                                  | –  |              | 20,000                                     |              | –   |              |
| 5. Income tax payable, etc.                                   | 694,924                                    |              | 85,803                                     |              | 559,926                                       |              |
| 6. Reserve for quality<br>assurance                           | 212,000                                    |              | 83,973                                     |              | 260,000                                       |              |
| 7. Reserve for bonuses  | 206,000                                    |              | –  |              | –   |              |
| 8. Others   | 640,486                                    |              | 1,297,279                                  |              | 1,249,464                                     |              |
| Total current liabilities                                     | 2,645,514                                  | 24.6         | 3,716,300                                  | 27.3         | 2,770,051                                     | 28.5         |
| II. Fixed liabilities   |  |              |  |              |   |              |
| 1. Bonds  | –  |              | 160,000                                    |              | –   |              |
| 2. Long-term borrowings *1                                    | 5,042                                      |              | 515,023                                    |              | 107,212                                       |              |
| 3. Allowance for<br>retirement benefits                       | –  |              | 46,744                                     |              | 28,735  |              |
| 4. Negative goodwill *2                                       | –  |              | –  |              | 276,602                                       |              |
| 5. Others   | 24,660                                     |              | 36,811                                     |              | 36,631  |              |
| Total fixed liabilities                                       | 29,702                                     | 0.3          | 758,579                                    | 5.6          | 449,180                                       | 4.6          |
| Total liabilities   | 2,675,217                                  | 24.9         | 4,474,879                                  | 32.9         | 3,219,232                                     | 33.1         |
| <b>(Net assets)</b>   |  |              |  |              |   |              |
| I. Shareholders' equity                                       |  |              |  |              |   |              |
| 1. Common stock   | 1,421,815                                  | 13.2         | 1,421,815                                  | 10.4         | 1,421,815                                     | 14.6         |
| 2. Additional paid-in capital                                 | 2,495,772                                  | 23.2         | 2,866,178                                  | 21.1         | 2,495,772                                     | 25.7         |
| 3. Consolidated retained<br>earnings                          | 4,695,530                                  | 43.7         | 5,270,851                                  | 38.8         | 5,365,211                                     | 55.2         |
| 4. Treasury stock   | (1,055,978)                                | (9.8)        | (758,372)                                  | (5.6)        | (3,093,558)                                   | (31.8)       |
| Total shareholders' equity                                    | 7,557,140                                  | 70.3         | 8,800,471                                  | 64.7         | 6,189,241                                     | 63.7         |
| II. Valuation, translation<br>adjustments, etc.               |  |              |  |              |   |              |
| 1. Net unrealized gain on<br>available-for-sale<br>securities | 501,537                                    | 4.7          | 115,314                                    | 0.9          | 287,927                                       | 3.0          |
| 2. Foreign currency<br>translation adjustments                | 144  | 0.0          | 1,004                                      | 0.0          | 617   | 0.0          |
| Total valuation, translation<br>adjustments, etc.             | 501,682                                    | 4.7          | 116,319                                    | 0.9          | 288,544                                       | 3.0          |
| III. Minority interests                                       | 16,222                                     | 0.1          | 199,704                                    | 1.5          | 15,413  | 0.2          |
| Total net assets  | 8,075,044                                  | 75.1         | 9,116,496                                  | 67.1         | 6,493,198                                     | 66.9         |
| Total liabilities and net<br>assets                           | 10,750,262                                 | 100.0        | 13,591,375                                 | 100.0        | 9,712,431                                     | 100.0        |

## (b) Consolidated Statements of Income

(Unit: thousands of yen)

| Item  | Period  |           | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) |           | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) |              | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |            |              |
|---|---------|-----------|--|-----------|--|--------------|---|------------|--------------|
|   | Amount  |           | Ratio<br>(%)                                 | Amount    |  | Ratio<br>(%) | Amount  |            | Ratio<br>(%) |
|   |         |           |  |           |  |              |   |            |              |
| I. Net Sales  |         | 7,646,678 | 100.0  |           | 11,237,231                                   | 100.0        |   | 15,261,499 | 100.0        |
| II. Cost of sales *3  |         | 4,375,488 | 57.2   |           | 6,462,735                                    | 57.5         |   | 8,885,240  | 58.2         |
| Gross Profit  |         | 3,271,190 | 42.8   |           | 4,774,495                                    | 42.5         |   | 6,376,258  | 41.8         |
| III. Selling, general and administrative expenses                 |         |           |  |           |  |              |   |            |              |
| 1. Officers' remuneration   | 101,379 |           |  | 207,523   |  |              | 258,663                                       |            |              |
| 2. Salaries and bonuses   | 758,855 |           |  | 1,425,765 |  |              | 1,435,755                                     |            |              |
| 3. Employee training expenses                                     | 45,918  |           |  | 146,842   |  |              | 95,463  |            |              |
| 4. Research & development expenditures                            | 145,707 |           |  | 93,611    |  |              | 318,523                                       |            |              |
| 5. Depreciation   | 70,884  |           |  | 115,343   |  |              | 143,563                                       |            |              |
| 6. Amortization of goodwill                                       | -       |           |  | 75,621    |  |              | -   |            |              |
| 7. Recruitment expenses   | 153,762 |           |  | 167,890   |  |              | 309,255                                       |            |              |
| 8. Others   | 493,245 | 1,769,754 | 23.2   | 1,373,205 | 3,605,803                                    | 32.1         | 1,060,817                                     | 3,622,041  | 23.7         |
| Operating Income  |         | 1,501,435 | 19.6   |           | 1,168,692                                    | 10.4         |   | 2,754,217  | 18.1         |
| IV. Non-operating income  |         |           |  |           |  |              |   |            |              |
| 1. Interest income  | 879     |           |  | 6,700     |  |              | 3,124   |            |              |
| 2. Dividend income  | 4,626   |           |  | 5,904     |  |              | 6,126   |            |              |
| 3. Equity in income of non-consolidated subsidiaries & affiliates | -       |           |  | 8,138     |  |              | -   |            |              |
| 4. Amortization of negative goodwill                              | -       |           |  | 32,773    |  |              | -   |            |              |
| 5. Others   | 2,232   | 7,737     | 0.1  | 48,347    | 101,863                                      | 0.9          | 9,597   | 18,848     | 0.1          |
| V. Non-operating expenses   |         |           |  |           |  |              |   |            |              |
| 1. Interest expenses  | 2,441   |           |  | 17,355    |  |              | 3,827   |            |              |
| 2. Equity in loss of non-consolidated subsidiaries & affiliates   | 23,017  |           |  | -         |  |              | 19,142  |            |              |
| 3. Treasury stock purchasing expenses                             | -       |           |  | 4,320     |  |              | 7,939   |            |              |
| 4. Others   | 411     | 25,870    | 0.3  | 7,484     | 29,160                                       | 0.3          | 1,108   | 32,017     | 0.2          |
| Ordinary Income   |         | 1,483,302 | 19.4   |           | 1,241,395                                    | 11.0         |   | 2,741,047  | 18.0         |
| VI. Extraordinary income  |         |           |  |           |  |              |   |            |              |
| 1. Gains on sale of investment securities                         | 125,270 |           |  | 138,602   |  |              | 125,270                                       |            |              |
| 2. Gains on reversal from allowance for doubtful accounts         | -       |           |  | 4,148     |  |              | -   |            |              |
| 3. Gains on changes in equity                                     | -       | 125,270   | 1.7  | 7,311     | 150,062                                      | 1.3          | -   | 125,270    | 0.8          |
| VII. Extraordinary losses   |         |           |  |           |  |              |   |            |              |
| 1. Losses on disposal of fixed assets *1                          | -       |           |  | 60,118    |  |              | -   |            |              |
| 2. Losses on devaluation of investment securities                 | 9,302   |           |  | 103,950   |  |              | 9,302   |            |              |
| 3. Impairment losses *2   | -       |           |  | 317,138   |  |              | -   |            |              |
| 4. Losses on devaluation of inventories                           | -       |           |  | 19,999    |  |              | -   |            |              |
| 5. Office relocation expenses                                     | -       |           |  | -         |  |              | 99,259  |            |              |
| 6. Retirement benefits to directors                               | 20,000  | 29,302    | 0.4  | -         | 501,207                                      | 4.4          | 20,000  | 128,562    | 0.8          |
| Net income before taxes   |         | 1,579,270 | 20.7   |           | 890,250                                      | 7.9          |   | 2,737,756  | 18.0         |
| Corporate, residential and enterprise taxes                       | 687,984 |           |  | 124,223   |  |              | 1,043,309                                     |            |              |
| Corporate tax adjustments   | 34,264  | 722,249   | 9.5  | 474,375   | 598,598                                      | 5.3          | 168,553                                       | 1,211,862  | 8.0          |
| Minority interests in net income (loss)                           |         | 1,639     | 0.0  |           | (33,636)                                     | (0.3)        |   | 831        | 0.0          |
| Net income  |         | 855,381   | 11.2   |           | 325,288                                      | 2.9          |   | 1,525,062  | 10.0         |

## (c) Consolidated Statements of Changes in Shareholders' Equity for the First Half

Previous first half period (Jan. 1, 2006 - Jun. 30, 2006)

(Unit: thousands of yen)

|   | Shareholders' equity |                            |                   |                |                            |
|---|----------------------|----------------------------|-------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2005   | 1,421,815            | 2,495,772                  | 4,151,548         | (1,055,978)    | 7,013,158                  |
| Changes during the first half   |                      |                            |                   |                |                            |
| Earnings paid out as dividends  |                      |                            | (311,399)         |                | (311,399)                  |
| Net income for the period   |                      |                            | 855,381           |                | 855,381                    |
| Changes in items other than the shareholders' equity during the first half (net amount) | -                    | -                          | -                 | -              | -                          |
| Total changes during the first half   | -                    | -                          | 543,982           | -              | 543,982                    |
| Balance as of June 30, 2006   | 1,421,815            | 2,495,772                  | 4,695,530         | (1,055,978)    | 7,557,140                  |

(Unit: thousands of yen)

|   | Valuation, translation adjustments, etc.             |  |  | Minority interests | Total net assets |
|---|--|--|--|--------------------|------------------|
|   | Net unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Total valuation, translation adjustments, etc. |                    |                  |
| Balance as of December 31, 2005   | 577,610  | 511                                      | 578,122  | -                  | 7,591,280        |
| Changes during the first half   |  |  |  |                    |                  |
| Earnings paid out as dividends  |  |  |  |                    | (311,399)        |
| Net income for the period   |  |  |  |                    | 855,381          |
| Changes in items other than the shareholders' equity during the first half (net amount) | (76,072)   | (366)                                    | (76,439)                                       | 16,222             | (60,217)         |
| Total changes during the first half   | (76,072)   | (366)                                    | (76,439)                                       | 16,222             | 483,764          |
| Balance as of June 30, 2006   | 501,537  | 144                                      | 501,682  | 16,222             | 8,075,044        |

## First half under review (Jan. 1, 2007 - Jun. 30, 2007)

(Unit: thousands of yen)

|   | Shareholders' equity |                            |                   |                |                            |
|---|----------------------|----------------------------|-------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2006   | 1,421,815            | 2,495,772                  | 5,365,211         | (3,093,558)    | 6,189,241                  |
| Changes during the first half   |                      |                            |                   |                |                            |
| Increase (decrease) by merger   |                      | 370,405                    |                   | 3,091,165      | 3,461,571                  |
| Earnings paid out as dividends  |                      |                            | (419,649)         |                | (419,649)                  |
| Net income for the period   |                      |                            | 325,288           |                | 325,288                    |
| Purchase of treasury stock  |                      |                            |                   | (755,979)      | (755,979)                  |
| Changes in items other than the shareholders' equity during the first half (net amount) | -                    | -                          | -                 | -              | -                          |
| Total changes during the first half   | -                    | 370,405                    | (94,360)          | 2,335,185      | 2,611,230                  |
| Balance as of June 30, 2007   | 1,421,815            | 2,866,178                  | 5,270,851         | (758,372)      | 8,800,471                  |

(Unit: thousands of yen)

|   | Valuation, translation adjustments, etc.             |  |  | Minority interests | Total net assets |
|---|--|--|--|--------------------|------------------|
|   | Net unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Total valuation, translation adjustments, etc. |                    |                  |
| Balance as of December 31, 2006   | 287,927  | 617                                      | 288,544  | 15,413             | 6,493,198        |
| Changes during the first half   |  |  |  |                    |                  |
| Increase (decrease) by merger   |  |  |  |                    | 3,461,571        |
| Earnings paid out as dividends  |  |  |  |                    | (419,649)        |
| Net income for the period   |  |  |  |                    | 325,288          |
| Purchase of treasury stock  |  |  |  |                    | (755,979)        |
| Changes in items other than the shareholders' equity during the first half (net amount) | (172,612)  | 387                                      | (172,224)                                      | 184,291            | 12,066           |
| Total changes during the first half   | (172,612)  | 387                                      | (172,224)                                      | 184,291            | 2,623,297        |
| Balance as of June 30, 2007   | 115,314  | 1,004                                    | 116,319  | 199,704            | 9,116,496        |

Consolidated Statements of Changes in Shareholders' Equity of the Previous Fiscal Year  
(Jan. 1, 2006 – Dec. 31, 2006)

(Unit: thousands of yen)

|  | Shareholders' equity |                            |                   |                |                            |
|--|----------------------|----------------------------|-------------------|----------------|----------------------------|
|  | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2005  | 1,421,815            | 2,495,772                  | 4,151,548         | (1,055,978)    | 7,013,158                  |
| Changes during the period  |                      |                            |                   |                |                            |
| Earnings paid out as dividends   |                      |                            | (311,399)         |                | (311,399)                  |
| Net income for the period  |                      |                            | 1,525,062         |                | 1,525,062                  |
| Purchase of treasury stock   |                      |                            |                   | (2,037,580)    | (2,037,580)                |
| Changes in items other than the shareholders' equity during the fiscal year (net amount) | -                    | -                          | -                 | -              | -                          |
| Total changes during the period  | -                    | -                          | 1,213,663         | (2,037,580)    | (823,916)                  |
| Balance as of December 31, 2006  | 1,421,815            | 2,495,772                  | 5,365,211         | (3,093,558)    | 6,189,241                  |

(Unit: thousands of yen)

|  | Valuation, translation adjustments, etc.             |  |  | Minority interests | Total net assets |
|--|--|--|--|--------------------|------------------|
|  | Net unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Total valuation, translation adjustments, etc. |                    |                  |
| Balance as of December 31, 2005  | 577,610  | 511                                      | 578,122  | -                  | 7,591,280        |
| Changes during the period  |  |  |  |                    |                  |
| Earnings paid out as dividends   |  |  |  |                    | (311,399)        |
| Net income for the period  |  |  |  |                    | 1,525,062        |
| Purchase of treasury stock   |  |  |  |                    | (2,037,580)      |
| Changes in items other than the shareholders' equity during the fiscal year (net amount) | (289,683)  | 105                                      | (289,578)                                      | 15,413             | (274,164)        |
| Total changes during the period  | (289,683)  | 105                                      | (289,578)                                      | 15,413             | (1,098,081)      |
| Balance as of December 31, 2006  | 287,927  | 617                                      | 288,544  | 15,413             | 6,493,198        |

## (d) Consolidated Statements of Cash Flows for the First Half

(Unit: thousands of yen)

| Item  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |
|---|--|--|---|
|   | Amount                                       | Amount                                       | Amount  |
| I. Cash flows from operating activities:                                    |  |  |   |
| Net income before taxes   | 1,579,270                                    | 890,250                                      | 2,737,756                                     |
| Depreciation and amortization   | 141,808                                      | 390,874                                      | 295,694                                       |
| Increase (decrease) in reserve for bonuses to directors/reserve for bonuses | 153,017                                      | 81,449                                       | (43,700)                                      |
| Increase (decrease) in allowance for retirement benefits                    | –  | (16,505)                                     | –   |
| Increase (decrease) in reserves for quality assurance                       | 87,000                                       | (187,833)                                    | 135,000                                       |
| Earned interest and dividends   | (5,505)                                      | (12,604)                                     | (9,250)                                       |
| Interest expenses   | 2,441  | 17,355                                       | 3,827   |
| Equity in income (losses) of subsidiaries & affiliates                      | 23,017                                       | (8,138)                                      | 19,142  |
| Losses on disposal of tangible fixed assets                                 | –  | 60,118                                       | –   |
| Gains (losses) on sale of investment securities                             | (125,270)                                    | (138,602)                                    | (125,270)                                     |
| Gains on reversal from allowance for doubtful accounts                      | –  | (4,148)                                      | –   |
| Gains on changes in equity  | –  | (7,311)                                      | –   |
| Losses on devaluation of investment securities                              | 9,302  | 103,950                                      | 9,302   |
| Impairment losses   | –  | 317,138                                      | –   |
| Losses on devaluation of inventories  | –  | 19,999                                       | –   |
| Increase (decrease) in accounts receivable                                  | (356,326)                                    | (1,225,711)                                  | 468,778                                       |
| Increase (decrease) in inventories  | 9,122  | 98,568                                       | 4,964   |
| Increase (decrease) in other assets   | (107,037)                                    | 74,321                                       | (13,239)                                      |
| Increase (decrease) in accounts payable                                     | 236,915                                      | 962  | (15,208)                                      |
| Increase (decrease) in consumption tax payable                              | –  | –  | (26,973)                                      |
| Increase (decrease) in other liabilities                                    | (156,810)                                    | (348,455)                                    | 123,036                                       |
| Subtotal  | 1,490,946                                    | 105,678                                      | 3,563,859                                     |
| Interest and dividends received   | 5,505  | 12,066                                       | 8,819   |
| Interest paid   | (2,913)                                      | (17,115)                                     | (4,890)                                       |
| Income and other taxes  | (825,274)                                    | (610,102)                                    | (1,307,305)                                   |
| Net cash provided by (used in) operating activities                         | 668,264                                      | (509,473)                                    | 2,260,482                                     |

| Item  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |
|---|--|--|---|
|   | Amount                                       | Amount                                       | Amount  |
| II. Cash flows from investing activities:   |  |  |   |
| Purchase of tangible fixed assets   | (72,117)                                     | (625,212)                                    | (112,759)                                     |
| Proceeds from sale of tangible fixed assets   | –  | 1,366  | –   |
| Acquisition of intangible fixed assets  | (12,627)                                     | (119,421)                                    | (35,261)                                      |
| Proceeds from sale of intangible fixed assets                                       | –  | 626  | –   |
| Proceeds related to the acquisition of shares of newly consolidated subsidiaries *2 | 22,457                                       | –  | 62,255  |
| Purchase of investment securities   | –  | (30,198)                                     | (140,200)                                     |
| Proceeds from sale of investment securities   | 435,270                                      | 162,349                                      | 435,270                                       |
| Net increase in deposit guarantees  | (3,209)                                      | (304,035)                                    | (113,209)                                     |
| Proceeds from collection of deposit guarantees                                      | –  | 212,160                                      | –   |
| Increase in short term loans  | –  | –  | (416,525)                                     |
| Proceeds from collection of loans   | –  | 85,920                                       | –   |
| Proceeds from cancellation of golf-club memberships                                 | –  | 13,000                                       | –   |
| Proceeds from cancellation of insurance reserves                                    | –  | 33,940                                       | –   |
| Net cash provided by (used in) investing activities                                 | 369,773                                      | (569,503)                                    | (320,429)                                     |
| III. Cash flows from financing activities   |  |  |   |
| Net increase (decrease) in short-term borrowings                                    | (35,000)                                     | (101,000)                                    | (35,000)                                      |
| Repayment of long-term borrowings   | (316,654)                                    | (556,130)                                    | (503,316)                                     |
| Redemption of debentures  | –  | (10,000)                                     | –   |
| Purchase of treasury stock  | –  | (760,300)                                    | (2,037,580)                                   |
| Dividends paid  | (308,800)                                    | (415,414)                                    | (309,911)                                     |
| Dividends paid to minority shareholders   | –  | (1,200)                                      | –   |
| Net cash provided by (used in) financing activities                                 | (660,454)                                    | (1,844,045)                                  | (2,885,807)                                   |
| IV. Effect of exchange rate changes on cash and cash equivalents                    | (362)  | 387  | 104   |
| V. Increase (decrease) in cash and cash equivalents                                 | 377,221                                      | (2,922,635)                                  | (945,650)                                     |
| VI. Cash and cash equivalents at beginning of the period                            | 4,817,482                                    | 3,871,832                                    | 4,817,482                                     |
| VII. Increase in cash and cash equivalents from merger                              | –  | 1,105,993                                    | –   |
| VIII. Cash and cash equivalents at end of the period *1                             | 5,194,703                                    | 2,055,191                                    | 3,871,832                                     |

## Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements for the First Half

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)   |
|--|---|--|---|
| 1. Scope of consolidation                                    | There are four consolidated subsidiaries, Future Financial Strategy Corp., Future Investment Corp., e-Manufacturing Co., Ltd. and Future Architect, Inc. There are no unconsolidated subsidiaries. The Company received shares of e-Manufacturing Co., Ltd. was made a subsidiary of the Company through third party allocation on March 30, 2006, and thus it is included in the scope of consolidation effective the first half under review. | (1) Number of consolidated subsidiaries: 18<br>Names and other details of consolidated subsidiaries are stated in "2. The Future Group" and are omitted here.<br>(2) Names and other details of non-consolidated subsidiaries<br>Non-consolidated subsidiaries:<br>Logilix<br>Digital Retail Corp.<br>Next ERP<br>TRINITY SOFTWARE PHILIPPINES, INC.<br>Reason for excluding non-consolidated subsidiaries from the scope of consolidation:<br>Logilix, Digital Retail and Next ERP are undergoing liquidation and the Company has no virtual control over them. TRINITY SOFTWARE PHILIPPINES, INC. is a small company and its total assets, net sales, net income (loss), retained earnings, and other accounting results do not significantly influence our consolidated financial statements for the first half under review.   | There are six (6) consolidated subsidiaries: Future Financial Strategy Corp., Future Investment Corp., e-Manufacturing Co., Ltd., RI Partners Limited Liability Association, Uoei Shoten Corporation, and Future Architect, Inc. There are no non-consolidated subsidiaries.<br>On March 30, 2006, the Group underwrote new shares issued by e-Manufacturing for capital increase by third-party allotment, established RI Partners on December 19, 2006, and acquired shares in Uoei Shoten on December 22, 2006.<br>Accordingly, these companies were included in the scope of consolidation beginning in the fiscal year under review. |
| 2. Application of equity method                              | There are two companies to which equity-method is applicable: Shanghai UFIDA Future Consulting Ltd. and D-Worx Inc. There were no affiliates to which the equity method is not applicable.  | (1) Number of affiliated companies to which equity-method is applicable: 5<br>Names and other details of affiliated companies to which equity-method is applicable are stated in "2. The Future Group" and are omitted here.<br>(2) Names and other details of non-consolidated subsidiaries and affiliated companies to which equity-method is not applicable<br>Non-consolidated subsidiaries and affiliated companies:<br>Logilix<br>Digital Retail Corp.<br>Next ERP<br>TRINITY SOFTWARE PHILIPPINES, INC.<br>Public Management<br>Reason for excluding non-consolidated subsidiaries from the scope of consolidation:<br>Logilix, Digital Retail and Next ERP are undergoing liquidation. The earnings results of TRINITY SOFTWARE PHILIPPINES, INC. and Public Management do not significantly influence our consolidated net income (loss), retained earnings, or other accounting results. | There are two companies to which equity-method is applicable: Shanghai UFIDA Future Consulting Ltd. and D-Worx Inc. There were no affiliates to which the equity method is not applicable.  |
| 3. First half accounting period of consolidated subsidiaries | The consolidated subsidiaries' first half period all fall on the same day as the date of consolidated statements.   | Uoei Shoten's account settlement date for the first half is January 31, and Associatec Technology's is September 30.<br>In preparing consolidated financial statements for the first half, the Group uses the first-half financial statements based on a preliminary settlement of accounts as of the closing date of the first half.  | Uoei Shoten's account settlement date is July 31.<br>In preparing consolidated financial statements, the Group uses the financial statements based on a preliminary settlement of accounts as of the closing date of consolidated statements.   |

|   | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)  |
|---|--|--|--|
| 4. Accounting standards<br>(1) valuation standards/methods for principal assets | <p>(a) Securities:<br/>Other securities:<br/>- Securities for which market price is available: stated at fair value based on the market price as of the end of the first half (Unrealized holding gains/ losses are reported as a net amount in a separate component of net assets. Cost of sale is calculated based on moving average method).</p> <p>- Securities for which market price is not available: stated at cost based on moving average method</p> <p>(b) Inventories<br/>- Merchandise/products: stated at lower of cost or market using the gross average method</p>   | <p>(a) Securities:<br/>Other securities:<br/>- Securities for which market price is available: Same as on the left</p> <p>- Securities for which market price is not available: Same as on the left</p> <p>(b) Inventories<br/>- Merchandise/products: stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devalue the book value according to the decrease in profitability)<br/>Uoei Shoten adopts the cost method based on the retail method.<br/>- Products in progress: Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devalue the book value according to the decrease in profitability).</p> | <p>(a) Securities:<br/>Other securities:<br/>- Securities for which market price is available: stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/ losses are reported as a net amount in a separate component of net assets. Cost of sale is calculated based on moving average method).</p> <p>- Securities for which market price is not available: Same as on the left</p> <p>(b) Inventories<br/>- Merchandise/products: stated at lower of cost or market using the gross average method</p> |
| (2) Depreciation/ amortization of major depreciable/ amortizable assets         | <p>(a) Tangible fixed assets:<br/>Declining balance method</p> <p>If acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years.</p> <p>Useful life:<br/>Buildings 3-31 years<br/>Others 3-10 years</p> <p>(b) Intangible fixed assets:<br/>Software for use by the Company is depreciated using straight-line method over its useful life (5 years).<br/>Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount based on straight-line method over the period for which they are expected to remain saleable (3 years).</p> | <p>(a) Tangible fixed assets:<br/>Declining balance method</p> <p>If acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years.</p> <p>Useful life:<br/>Buildings 3-34 years<br/>Others 3-20 years</p> <p>(b) Intangible fixed assets:<br/>Software for use by the Company:<br/>Same as on the left</p> <p>Software for sale:<br/>Same as on the left</p>  | <p>(a) Tangible fixed assets:<br/>Declining balance method</p> <p>If acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years.</p> <p>Useful life:<br/>Buildings 3-34 years<br/>Others 3-20 years</p> <p>(b) Intangible fixed assets:<br/>Software for use by the Company:<br/>Same as on the left</p> <p>Software for sale:<br/>Same as on the left</p>  |

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 7)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)  |
|--|--|---|--|
| (3) Accounting standards for allowances/reserves | <p>-----</p> <p>Others<br/>Straight-line method</p> <p>(a) Allowance for doubtful accounts<br/>To prepare for losses incurred by bad debt, amount of potential loss is calculated by taking historical loss ratio in case of non-classified loans/receivables. Potential loss for classified loans/receivables are individually assessed.</p> <p>(b) Reserve for quality assurance:<br/>In projects related to open system consultation and system development (IT consulting services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Systems and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services. To prepare for additional cost of sales in IT consulting services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>(c) Reserve for bonuses<br/>To prepare for payment of bonuses to employees, estimated amount of such payment for this first half is stated in the reserve for bonuses.</p> | <p>Goodwill:<br/>Goodwill is amortized evenly over its useful life. However, if it is of little significance in terms of monetary amounts, it is treated as a profit or loss for the fiscal year in which it occurs.</p> <p>Others<br/>Same as on the left</p> <p>(a) Allowance for doubtful accounts<br/>Same as on the left</p> <p>(b) Reserve for quality assurance<br/>In projects related to open system consultation and system development (IT consulting services and Packaging &amp; Services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Packaging &amp; Services. To prepare for additional cost of sales in IT consulting services and Packaging &amp; Services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>(c) Reserve for bonuses<br/>Same as on the left</p> | <p>-----</p> <p>Others<br/>Same as on the left</p> <p>(a) Allowance for doubtful accounts<br/>Same as on the left</p> <p>(b) Reserve for quality assurance<br/>In projects related to open system consultation and system development (IT consulting services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Systems and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services. To prepare for additional cost of sales in IT consulting services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>-----</p> |

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)  |
|--|--|---|--|
|  | -----  | (d) Allowance for retirement benefits<br>To prepare for the payment of retirement benefits to employees, allowance for retirement benefits is provided in accordance with the simplified method (based on the amount that would be required if all employees voluntarily terminated their employment, the balance of liability reserve and the balance of pension funds) stipulated in the Practical Guidelines for Accounting for Retirement Benefits (Interim Report) (JICPA Accounting Committee Report No. 13). | (d) Allowance for retirement benefits<br>Same as on the left   |
| (4) Recognition of sales and cost of sales | Costs of sales for IT consulting business are recognized on an accrual basis for each individual project. Corresponding sales are recognized based on "percentage-of-completion" by taking the ratio of accrued cost to total estimated cost of the project.   | Same as on the left.  | Same as on the left.   |
| (5) Lease transactions accounting method   | Finance leases where ownership does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.   | Same as on the left   | Same as on the left  |
| (6) Other material information             | Accounting treatment of consumption taxes, etc.:<br>Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.<br>Consumption tax payable in suspense and consumption tax received in suspense are netted, and the net amount thus calculated is included in "Others" of Current liabilities. | Accounting treatment of consumption taxes, etc.:<br>Same as on the left   | Accounting treatment of consumption taxes, etc.:<br>Transactions subject to consumption taxes are recorded at net amounts excluding consumption taxes.   |
| 5. Cash and cash equivalents               | "Cash (cash and cash equivalents)" included in consolidated statements of cash flow for the first half include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk.  | Same as on the left   | "Cash (cash and cash equivalents)" included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk. |

## Change of Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements for the First Half

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)   |
|--|---|---|
| <p>(Accounting standards for impairment of fixed assets)</p> <p>The Company adopted the accounting standards for impairment of fixed assets, "Opinions regarding the establishment of accounting standards for impairment of fixed assets" (Financial Accounting Council, August 9, 2002) and "Implementation guide of accounting standards for impairment of fixed assets" (Corporate Accounting Standards Implementation Guide No. 6, October 31, 2003) from this first half. This adoption had no impact on the Group's earnings for the period under review.</p> | -----   | <p>(Accounting standards for impairment of fixed assets)</p> <p>The Company adopted the accounting standards for impairment of fixed assets, "Opinions regarding the establishment of accounting standards for impairment of fixed assets" (Financial Accounting Council, August 9, 2002) and "Implementation guide of accounting standards for impairment of fixed assets" (Corporate Accounting Standards Implementation Guide No. 6, October 31, 2003) from this first half. This adoption had no impact on the Group's earnings for the period under review.</p>  |
| <p>(Accounting standards for presentation of net assets on balance sheets)</p> <p>The Company adopted "Accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards No. 5, December 9, 2005) and "Implementation guide of accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards Implementation Guide No. 8, December 9, 2005) from this first half. The amount equivalent to the total shareholders' equity, a conventionally used term, is 8,058,822 thousand yen.</p>   | -----   | <p>(Accounting standards for presentation of net assets on balance sheets)</p> <p>The Company adopted "Accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards No. 5, December 9, 2005) and "Implementation guide of accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards Implementation Guide No. 8, December 9, 2005) from this first half. The amount equivalent to the total shareholders' equity, a conventionally used term, is 6,477,785 thousand yen.</p> <p>Because of the revision of Regulation on Consolidated Financial Statements, net assets of the consolidated balance sheets for the fiscal year under review are stated in accordance with the revised Regulation on Consolidated Financial Statements.</p> |
| -----  | <p>(Accounting standards for corporate consolidation and accounting standards for corporate separation)</p> <p>The Company adopted "Accounting standards for corporate consolidation" (Financial Accounting Council, October 31, 2003), "Accounting standards for corporate separation, etc." (Accounting Standards Board of Japan; December 27, 2005; Corporate Accounting Standards No. 7) and "Implementation guide for the accounting standards for corporate consolidation and for the accounting standards for corporate separation, etc." (Accounting Standards Board of Japan; December 27, 2005; Corporate Accounting Standards No. 10) from this half under review.</p> | -----   |

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |
|--|--|---|
| -----  | (Accounting standards for measurement of inventories)<br>As “Accounting standards for measurement of inventories” (Corporate Accounting Standards No. 9; July 5, 2006) have become applicable to consolidated financial statements for fiscal years beginning before March 31, 2008, the Company adopted the said accounting standards from this half under review. This adoption had little impact on the Group’s earnings for the period under review. | -----   |
| -----  | (Accounting standards for depreciation of tangible fixed assets)<br>With the revision of the Corporation Tax Law, the Company has changed the depreciation method of tangible fixed assets that have been acquired since April 1, 2007, to the method pursuant to the revised Corporation Tax Law from this half under review. This adoption had little impact on the Group’s earnings for the period under review.                                      | -----   |

### Change in classification

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  |
|---|---|
| (Consolidated balance sheets for the first half)<br>“Income tax payable, etc.” has been included in “others” of current liabilities until the previous first half. At the end of the first half under review, however, the subject value was higher than 5% of total liabilities and net assets. Accordingly, the subject item is separately reported. Outstanding “income tax payable, etc.” was 410,304 thousand yen at the end of the first half under review. | (Consolidated balance sheets for the first half)<br>1. “Goodwill” was included in the category of “Others” in Intangible fixed assets at the end of the first half of the previous fiscal year. However, as the monetary amount of goodwill has become significant, it is separately reported. Goodwill was 62,490 thousand yen at the end of the first half of the previous fiscal year.<br>2. “Deposit guarantees” were included in the category of “Others” in Investments and other assets at the end of the first half of the previous fiscal year. However, as the amount exceeded 5/100 of the total assets at the end of the first half under review, deposit guarantees are separately reported. Deposit guarantees stood at 329,631 thousand yen at the end of the first half of the previous fiscal year.<br>3. “Deferred tax assets” in Investments and other assets were included in the category of “Others” in Investments and other assets at the end of the first half of the previous fiscal year. However, as the monetary amount of deferred tax assets have become significant, they are separately reported. Deferred tax assets were 20,222 thousand yen at the end of the first half of the previous fiscal year.<br>4. “Reserve for bonuses” in Current liabilities had been separately reported until the end of the first half of the previous fiscal year (111,779 thousand yen for the first half under review). However, as the amount was less than 1/100 of the total of liabilities and net assets, it is included in the category of “Others” in Current liabilities.<br>(Consolidated statements of income for the first half)<br>“Amortization of goodwill” had been included in the category of “Others” in Selling, general and administrative expenses until the first half of the previous fiscal year. However, as the monetary amount has become significant, it is separately reported. Amortization of goodwill was 5,680 thousand yen in the first half of the previous fiscal year. |

**Additional information**

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |
|--|--|---|
| (Reserve for bonuses)<br>The Company newly established specific calculation standards for bonuses paid based on its performance in this first half, and is able to reasonably calculate an estimated payment amount of reserve for bonuses for the first half under review. Accordingly, such estimated payment amount was reported as reserve for bonuses.<br>As a result, operating income, ordinary income and net income before taxes decreased by 206,000 thousand yen. | -----  | -----   |

**Notes**

(Notes to the Balance Sheets for the First Half)

(Unit: thousands of yen)

|                                    | End of first half<br>(As of Jun. 30, 2006) | End of first half<br>(As of Jun. 30, 2007)  | Previous fiscal year<br>(As of Dec. 31, 2006)  |
|------------------------------------|--|---|--|
| *1. Assets pledged as collateral   | -----                                      | Land 76,247   | Buildings and structures 224,809<br>Land 113,419<br><hr/> Total 358,229  |
|                                    |  | Obligations with collateral pledged among the above assets  | Obligations with collateral pledged among the above assets   |
|                                    |  | Long-term borrowings due within one year 10,080   | Long-term borrowings due within one year 26,496  |
|                                    |  | Long-term borrowings 24,360   | Long-term borrowings 103,832   |
|                                    |  | <hr/> Total 34,440  | <hr/> Total 130,328  |
| *2. Goodwill and negative goodwill | -----                                      | After offsetting goodwill against negative goodwill, net goodwill is stated under goodwill of fixed assets.<br>Before offsetting, the amounts of goodwill and negative goodwill are as follows:<br>Goodwill 357,970<br>Negative goodwill -294,957 | After offsetting goodwill against negative goodwill, net goodwill is stated under goodwill of fixed assets.<br>Before offsetting, the amounts of goodwill and negative goodwill are as follows:<br>Goodwill 51,128<br>Negative goodwill -327,730 |



## (Notes to the Statements of Changes in Shareholders' Equity for the First Half)

First half of previous consolidated fiscal year (from January 1, 2006 to June 30, 2006)

## 1. Matters related to the types and numbers of outstanding stocks and treasury stocks (Unit: Shares)

|                    | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this first half | Number of stocks decreased during this first half | Number stocks at the end of this first half |
|--------------------|---|---|---|---|
| Outstanding stocks |   |   |   |   |
| Common stock       | 119,160   | 357,480   | –   | 476,640                                     |
| Total              | 119,160   | 357,480   | –   | 476,640                                     |
| Treasury stock     |   |   |   |   |
| Common stock       | 3,827   | 11,481  | –   | 15,308                                      |
| Total              | 3,827   | 11,481  | –   | 15,308                                      |

(Notes) (1) 357,480 shares of outstanding common stock increased due to the stock split (as of February 1, 2006).

(2) 11,481 shares of outstanding common treasury stock increased due to the stock split (as of February 1, 2006).

## 2. Matters related to dividends

## Dividends paid

| Resolution  | Stock type   | Total dividend amount (thousands of yen) | Dividends per share (yen) | Base date         | Effective date |
|---|--------------|--|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 23, 2006 | Common stock | 311,399                                  | 2,700                     | December 31, 2005 | March 24, 2006 |

First half of consolidated fiscal year under review (from January 1, 2007 to June 30, 2007)

## 1. Matters related to the types and numbers of outstanding stocks and treasury stocks (Unit: Shares)

|                    | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this first half | Number of stocks decreased during this first half | Number stocks at the end of this first half |
|--------------------|---|---|---|---|
| Outstanding stocks |   |   |   |   |
| Common stock       | 476,640   | –   | –   | 476,640                                     |
| Total              | 476,640   | –   | –   | 476,640                                     |
| Treasury stock     |   |   |   |   |
| Common stock       | 34,904  | 8,490   | 34,877  | 8,517                                       |
| Total              | 34,904  | 8,490   | 34,877  | 8,517                                       |

(Notes) (1) 8,490 treasury stocks of common stock increased owing to the acquisition resolved by the Board of Directors.

(2) 34,877 treasury stocks of common stock decreased owing to the allocation of such shares to shareholders of the merged company.

## 2. Matters related to dividends

## Dividends paid

| Resolution  | Stock type   | Total dividend amount (thousands of yen) | Dividends per share (yen) | Base date         | Effective date |
|---|--------------|--|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 22, 2007 | Common stock | 419,649                                  | 950                       | December 31, 2006 | March 23, 2007 |

Previous Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)

## 1. Matters related to the types and numbers of outstanding stocks and treasury stocks (Unit: Shares)

|                    | Number of stocks at the end of the previous fiscal year | Number of stocks increased during the period | Number of stocks decreased during the period | Number stocks at the end of current fiscal year |
|--------------------|---|--|--|---|
| Outstanding stocks |   |  |  |   |
| Common stock       | 119,160   | 357,480                                      | –  | 476,640   |
| Total              | 119,160   | 357,480                                      | –  | 476,640   |
| Treasury stock     |   |  |  |   |
| Common stock       | 3,827   | 31,077                                       | –  | 34,904  |
| Total              | 3,827   | 31,077                                       | –  | 34,904  |

(Notes) (1) 357,480 shares of outstanding common stock increased due to the stock split (as of February 1, 2006).

(2) The increase of 31,077 treasury stocks of common stock includes 19,596 shares acquired by resolution of the Board of Directors and 11,481 shares derived from the stock split on February 1, 2006.

## 2. Matters related to dividends

## (1) Dividends paid

| Resolution  | Stock type   | Total dividend amount (thousands of yen) | Dividends per share (yen) | Base date         | Effective date |
|---|--------------|--|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 23, 2006 | Common stock | 311,399                                  | 2,700                     | December 31, 2005 | March 24, 2006 |

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

| Resolution  | Stock type   | Total dividend amount (thousands of yen) | Source of funds for dividends | Dividends per share (yen) | Base date         | Effective date |
|---|--------------|--|-------------------------------|---------------------------|-------------------|----------------|
| Ordinary general meeting of shareholders held on March 22, 2007 | Common stock | 419,649                                  | Retained earnings             | 950                       | December 31, 2006 | March 23, 2007 |

## (Notes to Consolidated Statements of Cash Flows)

(Unit: thousands of yen)

|   | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)                           | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)  |
|---|--|---|--|
| *1 Relationship between cash and cash equivalents at the end of first half (fiscal year) period and amounts stated in First half Consolidated Balance Sheet | Cash and deposits: ¥5,194,703<br>Cash and cash equivalents: ¥5,194,703 | Cash and deposits: ¥2,155,191<br>Time deposits for which the depositing term is over three months (¥100,000)<br>Cash and cash equivalents: ¥2,055,191 | Cash and deposits: ¥3,871,832<br>Cash and cash equivalents: ¥3,871,832   |
| *2 Breakdown of primary assets and liabilities of the companies which became new consolidated subsidiaries due to stock acquisition                         | -----  | -----   | <p>(1) The breakdown of the assets and liabilities at the start of the consolidated period following the consolidation of Uoei Shoten Corporation through stock acquisition, the acquisition price of Uoei Shoten shares, and the expenditures (net) made to acquire Uoei Shoten are as follows:</p> <p style="text-align: right;">(thousand yen)</p> <p>Current assets ¥251,900<br/>Fixed assets ¥985,475<br/>Current liabilities (¥275,921)<br/>Non-current liabilities (¥585,723)<br/>Negative goodwill (¥327,730)<br/>Acquisition price of new consolidated Subsidiary's shares ¥48,000<br/>Balance of cash and cash equivalents of new consolidated subsidiary (¥87,798)<br/>Expenses incurred to acquire Subsidiary's shares which entailed a change in the scope of consolidation (¥39,798)</p> <p>The breakdown of the assets and liabilities at the start of the consolidated period following the consolidation of e-Manufacturing Co., Ltd. through stock acquisition, the acquisition price of e-Manufacturing Co., Ltd. shares, and the expenditures (net) made to acquire e-Manufacturing Co., Ltd. are as follows:</p> <p style="text-align: right;">(thousand yen)</p> <p>Current assets ¥127,420<br/>Fixed assets ¥12,846<br/>Goodwill ¥68,171<br/>Current liabilities (¥62,497)<br/>Non-current liabilities (¥31,359)<br/>Minority interests (¥14,582)<br/>Acquisition price of new consolidated Subsidiary's shares ¥100,000<br/>Balance of cash and cash equivalents of new consolidated subsidiary (¥122,457)<br/>Expenses incurred to acquire Subsidiary's shares which entailed a change in the scope of consolidation (¥22,457)</p> <p>Loans amounting to 416,525 thousand yen for one new consolidated subsidiary, for which the end of the fiscal year under review is the quasi-acquisition date, are included.</p> |

## (Lease transactions)

(Unit: thousands of yen)

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
|--|--|---|---------------------------------|-------|--|-------|--|-----------------|--------------------|--------------------|-------|-------|----------------|--|---------------------|-------|--------------------------|----|---|-------------------------|---------|---------------------------------|---------|--|--------|-------------------------|---------|---------------------------------|---------|--|--------|-------------------------|---------|---------------------------------|---------|--|---------|-----------------|--------|--------------------|--------|-------|---------|----------------|--------|---------------------|--------|--------------------------|-------|---|-------------------------|---------|---------------------------------|--------|---|--------|-----------------|--------|--------------------|--------|-------|--------|----------------|-------|---------------------|-------|--------------------------|-----|
| <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the end of the first half</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>17,893</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>8,552</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>9,341</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the first half</p> <table> <tr> <td>Due in one year</td> <td>3,769</td> </tr> <tr> <td>Due after one year</td> <td>5,611</td> </tr> <tr> <td>Total</td> <td>9,381</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>3,367</td> </tr> <tr> <td>Depreciation equiv.</td> <td>3,328</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>89</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Straight-line method.<br/>Useful life of leased asset is deemed to equal contractual period of the lease, with no residual value remaining at the end of the lease period.</p> <p>(5) Computation of interest expenses equivalents<br/>Interest expenses equivalents are calculated by taking the difference between total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on interest method.</p> | Acquisition cost equiv.                      | 17,893  | Accumulated depreciation equiv. | 8,552 | Book value equiv. at the end of the first half | 9,341 | Due in one year  | 3,769           | Due after one year | 5,611              | Total | 9,381 | Lease payments | 3,367  | Depreciation equiv. | 3,328 | Interest expenses equiv. | 89 | <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses, and book value equivalents of the leased assets at the end of the first half</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>192,920</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>107,172</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>85,748</td> </tr> </table> <p>Intangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>189,934</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>110,957</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>78,976</td> </tr> </table> <p>Total</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>382,854</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>218,129</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>164,724</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the first half</p> <table> <tr> <td>Due in one year</td> <td>78,186</td> </tr> <tr> <td>Due after one year</td> <td>94,018</td> </tr> <tr> <td>Total</td> <td>172,205</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>40,300</td> </tr> <tr> <td>Depreciation equiv.</td> <td>37,935</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>2,279</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Same as on the left</p> <p>(5) Computation of interest expenses equivalents<br/>Same as on the left</p> | Acquisition cost equiv. | 192,920 | Accumulated depreciation equiv. | 107,172 | Book value equiv. at the end of the first half | 85,748 | Acquisition cost equiv. | 189,934 | Accumulated depreciation equiv. | 110,957 | Book value equiv. at the end of the first half | 78,976 | Acquisition cost equiv. | 382,854 | Accumulated depreciation equiv. | 218,129 | Book value equiv. at the end of the first half | 164,724 | Due in one year | 78,186 | Due after one year | 94,018 | Total | 172,205 | Lease payments | 40,300 | Depreciation equiv. | 37,935 | Interest expenses equiv. | 2,279 | <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses, and book value equivalents of the leased assets at the end of the fiscal year-end</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>107,628</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>49,823</td> </tr> <tr> <td>Book value equiv. at the end of fiscal year</td> <td>57,804</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the period</p> <table> <tr> <td>Due in one year</td> <td>17,730</td> </tr> <tr> <td>Due after one year</td> <td>43,721</td> </tr> <tr> <td>Total</td> <td>61,451</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>5,016</td> </tr> <tr> <td>Depreciation equiv.</td> <td>4,868</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>168</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Same as on the left</p> <p>(5) Computation of interest expenses equivalents<br/>Same as on the left</p> | Acquisition cost equiv. | 107,628 | Accumulated depreciation equiv. | 49,823 | Book value equiv. at the end of fiscal year | 57,804 | Due in one year | 17,730 | Due after one year | 43,721 | Total | 61,451 | Lease payments | 5,016 | Depreciation equiv. | 4,868 | Interest expenses equiv. | 168 |
| Acquisition cost equiv.  | 17,893                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 8,552  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 9,341  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | 3,769  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | 5,611  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | 9,381  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Lease payments   | 3,367  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Depreciation equiv.  | 3,328  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 89   |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 192,920                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 107,172                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 85,748                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 189,934                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 110,957                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 78,976                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 382,854                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 218,129                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 164,724                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | 78,186                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | 94,018                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | 172,205                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Lease payments   | 40,300                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Depreciation equiv.  | 37,935                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 2,279  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 107,628                                      |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 49,823                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Book value equiv. at the end of fiscal year  | 57,804                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | 17,730                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | 43,721                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | 61,451                                       |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Lease payments   | 5,016  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Depreciation equiv.  | 4,868  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 168  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>¥43</td> </tr> <tr> <td>Due after one year</td> <td>—</td> </tr> <tr> <td>Total</td> <td>¥43</td> </tr> </table>  | Due in one year                              | ¥43   | Due after one year              | —     | Total  | ¥43   | <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>¥30</td> </tr> <tr> <td>Due after one year</td> <td>—</td> </tr> <tr> <td>Total</td> <td>¥30</td> </tr> </table> <p>Impairment loss<br/>There is no impairment loss on leased assets.</p> | Due in one year | ¥30                | Due after one year | —     | Total | ¥30            | <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>¥29</td> </tr> <tr> <td>Due after one year</td> <td>—</td> </tr> <tr> <td>Total</td> <td>¥29</td> </tr> </table> <p>Impairment loss<br/>Same as on the left</p> | Due in one year     | ¥29   | Due after one year       | —  | Total   | ¥29                     |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | ¥43  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | —  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | ¥43  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | ¥30  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | —  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | ¥30  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due in one year  | ¥29  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Due after one year   | —  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |
| Total  | ¥29  |   |                                 |       |  |       |  |                 |                    |                    |       |       |                |  |                     |       |                          |    |   |                         |         |                                 |         |  |        |                         |         |                                 |         |  |        |                         |         |                                 |         |  |         |                 |        |                    |        |       |         |                |        |                     |        |                          |       |   |                         |         |                                 |        |   |        |                 |        |                    |        |       |        |                |       |                     |       |                          |     |

## (Securities)

Previous First half ended June 2006 (as of June 30, 2006)

## 1. "Other securities" for which market price is available (Unit: thousands of yen)

|        | Acquisition cost | Amount stated in B/S | Difference |
|--------|------------------|----------------------|------------|
| Stocks | 173,829          | 1,019,450            | 845,621    |
| Total  | 173,829          | 1,019,450            | 845,621    |

## 2. Securities for which market price is not available (Unit: thousands of yen)

|   | Amount stated in first half B/S |
|---|---------------------------------|
| (1) Affiliated company stocks             | 18,486                          |
| (2) Other securities<br>Non-listed stocks | 479,750                         |

Note: Impairment losses of 9,302 thousand yen were posted for other securities (unlisted shares) for the first half under review.

First half ended June 2007 (as of June 30, 2007)

## 1. "Other securities" for which market price is available (Unit: thousands of yen)

|        | Acquisition cost | Amount stated in B/S | Difference |
|--------|------------------|----------------------|------------|
| Stocks | 587,846          | 780,814              | 192,967    |
| Total  | 587,846          | 780,814              | 192,967    |

(Note) In the first half under review, impairment losses of ¥103,950,000 were posted for other securities for which the market price was available. The acquisition cost represents a book value obtained after impairment losses are recognized.

## 2. Securities for which market price is not available (Unit: thousands of yen)

|   | Amount stated in B/S |
|---|----------------------|
| (1) Affiliated company stocks             | 311,667              |
| (2) Other securities<br>Non-listed stocks | 754,096              |

Previous fiscal year ended December 2006 (as of December 31, 2006)

1. "Other securities" for which market price is available

(Unit: thousands of yen)

|        | Acquisition cost | Amount stated in B/S | Difference |
|--------|------------------|----------------------|------------|
| Stocks | 173,733          | 659,194              | 486,461    |
| Total  | 173,733          | 659,194              | 486,461    |

2. Securities for which market price is not available

(Unit: thousands of yen)

|  | Amount stated in B/S |
|--|----------------------|
| (1) Affiliated company stocks            | 22,362               |
| (2) Other securities                     |                      |
| Non-listed stocks (excluding OTC stocks) | 590,350              |

Note: Impairment losses of 9,302 thousand yen were posted for other securities (unlisted shares) for the fiscal 2006.

(Stock options, etc.)

First half of previous consolidated fiscal year (from January 1, 2006 to June 30, 2006)

There is no applicable item.

First half of consolidated fiscal year (from January 1, 2007 to June 30, 2007)

There is no applicable item.

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

1. Details, scale and changes of the stock options

(1) Details of the stock options

|                                   | Year 2005<br>Stock options   |     |
|-----------------------------------|--|-----|
| Category and number of recipients | Directors of the Company   | 5   |
|                                   | Employees of the Company   | 467 |
|                                   | Directors of the Company's subsidiaries  | 1   |
|                                   | Employees of the Company's subsidiaries  | 6   |
|                                   |  |     |
| Number of stock options           | Common stock: 8,000 shares   |     |
| Grant date                        | August 25, 2005  |     |
| Vesting condition                 | Recipients shall work continuously until the date of vesting (August 24, 2008) after the grant date (August 25, 2005). |     |
| Eligible period of employment     | From August 25, 2005 to August 24, 2008  |     |
| Exercise period                   | From August 25, 2008 to March 23, 2015   |     |

(2) Scale and changes of the stock options

The stock options that existed in the fiscal year under review are stated. The number of stock options is stated by converting them into shares.

1) Number of stock options

|                                      | Year 2005<br>Stock options |
|--------------------------------------|----------------------------|
| Before vesting (shares)              |                            |
| End of the previous fiscal year      | 7,760                      |
| Grant                                | -                          |
| Lapse                                | 1,356                      |
| Vested                               | -                          |
| Balance of contingent stock options  | 6,404                      |
| After vesting (shares)               |                            |
| End of the previous fiscal year      | -                          |
| Vested                               | -                          |
| Exercise                             | -                          |
| Lapse                                | -                          |
| Balance of outstanding stock options | -                          |

## 2) Unit price information

|   | Year 2005<br>Stock options |
|---|----------------------------|
| Exercise price                              | ¥65,205                    |
| Average stock price at the time of exercise | -                          |
| Fairly evaluated unit price (grant date)    | -                          |

(Corporate consolidation, etc.)

First half of previous consolidated fiscal year (from January 1, 2006 to June 30, 2006)

There is no applicable item.

First half of consolidated fiscal year (from January 1, 2007 to June 30, 2007)

(Application of the purchase method)

The Company merged with Woodland Corporation on January 1, 2007, with the former being the surviving company and the latter being the absorbed company. Consolidated financial statements are prepared using the purchase method, treating the Company as the acquiring company and Woodland as the acquired company.

1. Name and main business of the acquired company, reason for corporate consolidation, consolidation date, legal form of the consolidation, and name of the surviving company after consolidation

(1) Name of acquired company

Woodland Corporation

(2) Main business

Development, sales, and related activities concerning software

(3) Main reason for corporate consolidation

To mutually complement and exchange each party's technologies, products and human resources, while making the maximum use of both parties' management resources and know-how

(4) Date of consolidation

January 1, 2007

(5) Legal form of consolidation

A merger and acquisition under which the Company was the surviving company and Woodland was the absorbed company

(6) Name of surviving company after consolidation

Future Architect, Inc.

2. The acquired company's earnings are included in consolidated financial statements for the first half under review

As the consolidation took place on the first day of Future Architect's current fiscal year, the acquired company's earnings for the period between January 1, 2007 and June 30, 2007 are included in Future Architect's consolidated financial statements for the first half under review.

3. Acquisition cost for the acquired company and its breakdown

3,463,286 thousand yen

4. Ratio of exchange of shares allotted as consideration for the acquisition by type and its calculation method

(1) Type of shares and ratio of exchange

0.004762 shares of the Company were allotted to each Woodland share owned by shareholders who were registered or recorded as shareholders in Woodland's register of shareholders as of the day before the merger.

(2) Calculation method for the merger ratio

The Company asked GMD Corporate Finance Co., Ltd. to calculate the merger ratio, while Woodland asked Deloitte Tohmatsu FAS to do so. After discussions based on the results of these calculations, both parties reached an agreement on the above merger ratio.

(3) Number of shares allotted and their assessed value

34,877 shares worth 3,463,286 thousand yen

5. Amount of generated goodwill, reason for generation of goodwill, and goodwill amortization method and period

(1) Amount of goodwill

522,927 thousand yen

(2) Reason for generation of goodwill

The acquisition cost exceeded market-value net assets at the time of consolidation, and hence the difference was booked as goodwill.

(3) Goodwill amortization method and period

As a result of estimating the useful life reasonably, the Company is amortizing the goodwill over the resultant period of three years.

6. Amounts of assets and liabilities that were received on the day of consolidation, and their breakdown

| Item                    | Amount (unit: thousands of yen) |
|-------------------------|---------------------------------|
| Current assets          | ¥ 1,223,338                     |
| Fixed assets            | ¥ 4,942,393                     |
| Total assets            | ¥ 6,165,731                     |
| Current liabilities     | ¥ 920,146                       |
| Non-current liabilities | ¥ 1,661,188                     |
| Total liabilities       | ¥ 2,581,334                     |

Previous Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)

There is no applicable item.

## (Segment Information)

## a. Business segment information:

The Group does not engage in any line of business other than IT-related consulting services in the previous first half (from January 1, 2006 to June 30, 2006).

Fiscal 2007 (from January 1, 2007 to June 30, 2007)

(in thousands of yen)

|   | IT Consulting Business | Package & Service Business | Corporate Revitalization Business | Total      | Elimination or corporate | Consolidated |
|---|------------------------|----------------------------|-----------------------------------|------------|--------------------------|--------------|
| I. Net sales and operating income (or loss)       |                        |                            |                                   |            |                          |              |
| Net sales   |                        |                            |                                   |            |                          |              |
| (1) Net sales to outside clients                  | 7,123,673              | 2,275,999                  | 1,837,211                         | 11,236,884 | 346                      | 11,237,231   |
| (2) Inter-segment sales or transfer               | 2,128                  | 49,864                     | -                                 | 51,992     | (51,992)                 | -            |
| Total   | 7,125,801              | 2,325,863                  | 1,837,211                         | 11,288,877 | (51,645)                 | 11,237,231   |
| Operating expenses                                | 6,030,910              | 2,244,778                  | 1,883,059                         | 10,158,749 | (90,209)                 | 10,068,539   |
| Operating income                                  | 1,094,890              | 81,084                     | (45,847)                          | 1,130,128  | 38,564                   | 1,168,692    |
| II. Assets, depreciation and capital expenditures |                        |                            |                                   |            |                          |              |
| Assets  | 5,967,478              | 3,285,699                  | 878,858                           | 10,132,036 | 3,459,340                | 13,591,375   |
| Depreciation                                      | 218,402                | 145,225                    | 26,891                            | 390,518    | 153                      | 390,672      |
| Capital expenditures                              | 635,781                | 90,522                     | 18,329                            | 744,633    | -                        | 744,633      |

## Notes:

## 1. Method of classifying business segments

Business segments are classified according to the contents of businesses.

## 2. Main products in each business segment

| Business segment                  | Business operations  |
|-----------------------------------|--|
| IT Consulting Business            | To provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing clients' managerial issues from the viewpoint of management and understanding the essence of clients' businesses." |
| Package & Service Business        | Helping clients improve their operational efficiency by using ASP operations to sell or provide software packages for highly specialized fields, such as sales management and ERP, and to develop mission-critical systems on a commission basis.  |
| Corporate Revitalization Business | To get deeply involved in the management team of client firms, quickly revitalize client firms through drastic reform focusing on IT, and establish models of success for each industry.   |

3. The amount of assets which were included under "Elimination or corporate" was 4,655,855 thousand yen and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

(in thousands of yen)

|   | IT Consulting Business | Corporate Revitalization Business | Total      | Elimination or corporate | Consolidated |
|---|------------------------|-----------------------------------|------------|--------------------------|--------------|
| I. Net sales and operating income (or loss)       |                        |                                   |            |                          |              |
| Net sales   |                        |                                   |            |                          |              |
| (1) Net sales to outside clients                  | 15,261,499             | -                                 | 15,261,499 | -                        | 15,261,499   |
| (2) Inter-segment sales or transfer               | -                      | -                                 | -          | -                        | -            |
| Total   | 15,261,499             | -                                 | 15,261,499 | -                        | 15,261,499   |
| Operating expenses                                | 12,501,530             | -                                 | 12,501,530 | 5,751                    | 12,507,281   |
| Operating income                                  | 2,759,968              | -                                 | 2,759,968  | (5,751)                  | 2,754,217    |
| II. Assets, depreciation and capital expenditures |                        |                                   |            |                          |              |
| Assets  | 5,739,681              | 1,237,376                         | 6,977,057  | 2,735,373                | 9,712,431    |
| Depreciation                                      | 295,694                | -                                 | 295,694    | -                        | 295,694      |
| Capital expenditures                              | 138,836                | -                                 | 138,836    | -                        | 138,836      |

Notes:

## 1. Method of classifying business segments

Business segments are classified according to the contents of businesses.

## 2. Main products in each business segment

| Business segment                  | Business operations  |
|-----------------------------------|--|
| IT Consulting Business            | To provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing clients' managerial issues from the viewpoint of management and understanding the essence of clients' businesses." |
| Corporate Revitalization Business | To get deeply involved in the management team of client firms, quickly revitalize client firms through drastic reform focusing on IT, and establish models of success for each industry.   |

3. The amount of assets which were included under "Elimination or corporate" was ¥3,151,898,000, and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.

## b. Geographical segment information:

Domestic operations accounted for more than 90% of consolidated sales and assets. Geographical segment information is therefore omitted in the previous first half (from January 1, 2006 to June 30, 2006), the first half under review (from January 1, 2007 to June 30, 2007) and the previous fiscal year (from January 1, 2006 to December 31, 2006).

## c. Overseas sales

Sales from overseas operations accounted for less than 10% of consolidated sales. Overseas sales information is therefore omitted in the previous first half (from January 1, 2006 to June 30, 2006), the first half under review (from January 1, 2007 to June 30, 2007) and the previous fiscal year (from January 1, 2006 to December 31, 2006).

## (Per Share Data)

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  |                                      | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)       |   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)      |            |
|---|--------------------------------------|--|---|--|------------|
| Net asset value per share   | ¥17,503.76                           | Net asset value per share                          | ¥19,047.97  | Net asset value per share                          | ¥14,664.38 |
| First half net income per share   | ¥1,854.16                            | First half net income per share                    | ¥689.75   | First half net income per share                    | ¥3,331.45  |
| First half net income per share<br>(fully diluted)  | ¥1,841.46                            | First half net income per share<br>(fully diluted) | ¥686.36   | First half net income per share<br>(fully diluted) | ¥3,309.71  |
| The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows. |                                      |  | The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows. |  |            |
| First half ended June 2006  | Fiscal 2006                          |  |   |  |            |
| Net assets per share  | Net assets per share                 |  |   |  |            |
| 14,529.01   | 16,455.14                            |  |   |  |            |
| First half net income per share   | First half net income per share      |  |   |  |            |
| 957.25  | 2,532.83                             |  |   |  |            |
| First half net income per share (fully diluted)   | Net income per share (fully diluted) |  |   |  |            |
| -   | 2,531.58                             |  |   |  |            |
|   |                                      |  |   | Net assets per share                               | 16,455.14  |
|   |                                      |  |   | First half net income per share                    | 2,532.83   |
|   |                                      |  |   | Net income per share (fully diluted)               | 2,531.58   |

Note: First half net income per share is calculated based on the following:

|   | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(Jan 1, 2006 - Dec 31, 2006) |
|---|--|--|---|
| Net income per share  |  |  |   |
| First half net income   | 855,381                                      | 325,288                                      | 1,525,062                                   |
| Amount not available for common shareholders  | -  | -  | -   |
| First half net income attributable to common shares   | 855,381                                      | 325,288                                      | 1,525,062                                   |
| Average outstanding shares during the period  | 461,332                                      | 471,811                                      | 455,777                                     |
| Net income per share (fully diluted)  |  |  |   |
| Adjustment of net income (thousands of yen)   | -  | -  | -   |
| Increase of common stock (shares)   | 3,181  | 2,123  | 3,008                                       |
| (Of which, share subscription rights)   | (3,181)                                      | (2,123)                                      | (3,008)                                     |
| Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share | -  | -  | -   |

## (Significant subsequent events)

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal 2006<br>(January 1, 2006 to December 31, 2006)   |
|--|---|---|
| <p>About the merger</p> <p>The Company and Woodland Corporation (hereinafter "Woodland") had reached a final agreement on the merger of the two companies effective January 1, 2007.</p> <p>Then, the two parties respectively resolved the said merger at their Board of Directors meetings, both held on September 14, 2006, and in accordance with the resolutions, they signed a merger agreement.</p> <p>Outline of the merger agreement is as follows:</p> <p>1. Background to the merger and the purpose</p> <p>Both the Company and Woodland have developed as purely independent corporations. The Company is a pioneer of consulting on and establishment of open systems which do not rely on particular products and services, while Woodland has supplied business-use software products for PC-based open systems since the dawning of PCs in the 1980s. Given that the market of both companies and the solutions they supply have hardly any overlap, we believe the synergistic effects from this merger are extremely large. We will make the best possible use of both companies' resources and know-how in the following areas:</p> <p>(1) Mutually complementing and exchanging each party's technologies, products and human resources in large markets, the Company's strong field, and in smaller markets, where Woodland can demonstrate its edge.</p> <p>(2) Providing total solutions suitable for the era of J-SOX and internal control by combining the Company's technologies and Woodland's know-how about laws, regulations and systems.</p> <p>(3) Establishing strategic operations services and advanced ASP service by combining the large systems built by the Company and the infrastructure and operations staff owned by Woodland.</p> <p>(4) Sharing know-how and robustly planning and formulating strategies, with respect to M&amp;As in the IT field where technological innovation is rapid and the market is changing dramatically.</p> | <p>1. Reorganization</p> <p>The Company formulated policies for realigning the Group's organization at its Board of Directors meeting on July 31, 2007.</p> <p>(1) Purpose of reorganization</p> <p>a. We will shift the strategic market of the ERP business, operated by the former Woodland Corporation group, from small and midsize companies to midsize companies, and integrate consolidated subsidiaries which are engaged in this business into Future Architect, Inc. to use management resources effectively.</p> <p>b. With respect to the operations solutions business provided by the former Woodland Corporation group, centering on sales management systems and ASP accounting systems for small and midsize companies, we will integrate Group firms which are involved in this business into Elm Corporation to concentrate and strengthen market appeal and sales capabilities.</p> <p>(2) After the reorganization</p> <p>a. Future Architect, Inc.(merged with SWan Corporation and Wiseware Co., Ltd.)<br/>Representative: Yasufumi Kanemaru, Chairman &amp; CEO<br/>Shin Yasunobe, President &amp; COO<br/>Business operations: IT consulting services, etc. b. Elm Corporation<br/>(merged with companies which supply operations solutions for small and midsize firms, including Triple-W Corporation, Solution East and Maple Inc.)<br/>Representative: Satoru Tahara<br/>Business operations: Development, sales, and related activities of operations support systems by industry for small and midsize companies</p> <p>(3) Timing of the reorganization<br/>Scheduled by December 2007</p> | <p>1. Merger</p> <p>The Company merged with Woodland Corporation on January 1, 2007, in accordance with the resolutions of the Board of Directors meeting held on September 14, 2006 and the Extraordinary General Meeting of Shareholders held on November 16, 2006.</p> <p>(1) Name, address, representative, capital and main operations of the merging partner</p> <p>Name: Woodland Corporation<br/>Address: 1-6-19 Imabashi, Chuo-ku, Osaka<br/>Representative: Shin Yasunobe<br/>Capital: ¥2,264,300,000<br/>Main operations: Development and sales of software</p> <p>(2) Merger ratio</p> <p>The Company's 0.004762 share of common stock was allotted for each share of common stock of Woodland. However, no share was allotted for 3,500 shares of common stock of Woodland held by the Company and treasury stocks owned by Woodland.</p> <p>In relation to the merger, 34,877 treasury stocks were allotted to shareholders of the former Woodland.</p> <p>2. Acquisition of treasury stock</p> <p>At its Board of Directors meeting held on February 23, 2007, the Company resolved to acquire its own stock in accordance with Article 156 of the Corporation Law, as applied pursuant to Article 165, Paragraph 3 of the Corporation Law.</p> <p>(1) Reason for acquisition of treasury stock<br/>To implement flexible capital policies.</p> <p>(2) Details of the acquisition</p> <p>Type of shares acquired:<br/>Common stock of the Company<br/>Number of shares acquired:<br/>Up to 10,000 shares<br/>Acquisition cost:<br/>Up to ¥1,100,000,000<br/>Acquisition period:<br/>February 23, 2007 through April 13, 2007</p> |

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal 2006<br>(January 1, 2006 to December 31, 2006) |
|--|--|---|
|  | <p>2. Acquisition of treasury stock</p> <p>At its Board of Directors meeting held on August 7, 2007, the Company resolved to acquire its own stock in accordance with Article 156 of the Corporation Law, as applied pursuant to Article 165, Paragraph 3 of the Corporation Law.</p> <p>(1) Reason for acquisition of treasury stock<br/>To implement flexible capital policies.</p> <p>(2) Details of the acquisition<br/>Type of shares acquired:<br/>Common stock of the Company<br/>Number of shares acquired:<br/>Up to 20,000 shares<br/>Acquisition cost:<br/>Up to ¥1,500,000,000<br/>Acquisition period:<br/>August 8, 2007 through September 28, 2007</p> |   |

## 5. Non-consolidated Financial Statements for the First Half

## (a) Balance Sheets

(Unit: thousands of yen)

| Item                                   | Period | End of first half<br>(As of Jun. 30, 2006) |              | End of first half<br>(As of Jun. 30, 2007) |              | Previous fiscal year<br>(As of Dec. 31, 2006) |              |
|--|--------|--|--------------|--|--------------|---|--------------|
|  |        | Amount                                     | Ratio<br>(%) | Amount                                     | Ratio<br>(%) | Amount  | Ratio<br>(%) |
| <b>(Assets)</b>                        |        |  |              |  |              |   |              |
| <b>I. Current assets</b>               |        |  |              |  |              |   |              |
| 1. Cash and cash equivalents           |        | 4,490,062                                  |              | 942,118                                    |              | 3,336,498                                     |              |
| 2. Accounts receivable                 |        | 2,305,072                                  |              | 2,682,297                                  |              | 1,491,445                                     |              |
| 3. Inventories                         |        | 3,468                                      |              | 33,270                                     |              | 7,627   |              |
| 4. Deferred tax assets                 |        | 228,437                                    |              | 512,443                                    |              | 199,018                                       |              |
| 5. Others                              |        | 369,688                                    |              | 538,180                                    |              | 307,016                                       |              |
| 6. Allowance for doubtful accounts     |        | (30,000)                                   |              | —  |              | (30,000)                                      |              |
| Total current assets                   |        | 7,366,729                                  | 71.0         | 4,708,310                                  | 40.0         | 5,311,606                                     | 62.3         |
| <b>II. Fixed assets</b>                |        |  |              |  |              |   |              |
| <b>1. Tangible fixed assets</b>        |        |  |              |  |              |   |              |
| Tangible fixed assets                  |        | 897,532                                    |              | 1,638,201                                  |              | 936,833                                       |              |
| Accumulated depreciation               |        | 562,305                                    | 335,227      | 787,369                                    | 850,831      | 631,083                                       | 305,749      |
| Total tangible fixed assets            |        | 335,227                                    | 3.2          | 850,831                                    | 7.2          | 305,749                                       | 3.6          |
| <b>2. Intangible fixed assets</b>      |        |  |              |  |              |   |              |
| (1) Software                           |        | 338,749                                    |              | 367,245                                    |              | 281,752                                       |              |
| (2) Goodwill                           |        | —  |              | 262,088                                    |              | —   |              |
| (3) Others                             |        | 11,951                                     |              | 330,961                                    |              | 11,413  |              |
| Total intangible fixed assets          |        | 350,700                                    | 3.4          | 960,295                                    | 8.2          | 293,166                                       | 3.4          |
| <b>3. Investments and other assets</b> |        |  |              |  |              |   |              |
| (1) Investment securities              |        | 1,945,162                                  |              | 1,439,421                                  |              | 1,114,194                                     |              |
| (2) Affiliated company stocks          |        | —  |              | 1,588,542                                  |              | 470,712                                       |              |
| (3) Long-term loans                    |        | —  |              | 747,747                                    |              | —   |              |
| (4) Deposit guarantees                 |        | —  |              | 677,640                                    |              | 738,937                                       |              |
| (5) Others                             |        | 374,894                                    |              | 1,422,251                                  |              | 290,940                                       |              |
| (6) Allowance for doubtful accounts    |        | —  |              | (627,375)                                  |              | —   |              |
| Total Investments and other assets     |        | 2,320,057                                  | 22.4         | 5,248,227                                  | 44.6         | 2,614,784                                     | 30.7         |
| Total fixed assets                     |        | 3,005,985                                  | 29.0         | 7,059,354                                  | 60.0         | 3,213,700                                     | 37.7         |
| Total assets                           |        | 10,372,715                                 | 100.0        | 11,767,664                                 | 100.0        | 8,525,307                                     | 100.0        |

(Unit: thousands of yen)

| Item   | End of first half<br>(As of Jun. 30, 2006) |              | End of first half<br>(As of Jun. 30, 2007) |              | Previous fiscal year<br>(As of Dec. 31, 2006) |              |
|--|--|--------------|--|--------------|---|--------------|
|  | Amount                                     | Ratio<br>(%) | Amount                                     | Ratio<br>(%) | Amount  | Ratio<br>(%) |
| <b>(Liabilities)</b>                                 |  |              |  |              |   |              |
| I. Current liabilities                               |  |              |  |              |   |              |
| 1. Accounts payable                                  | 700,104                                    |              | 516,258                                    |              | 455,364                                       |              |
| 2. Short-term borrowings                             | –  |              | 600,000                                    |              | –   |              |
| 3. Long-term borrowings due within one year          | 185,000                                    |              | 653,828                                    |              | –   |              |
| 4. Income tax payable, etc.                          | 611,263                                    |              | 30,000                                     |              | 426,762                                       |              |
| 5. Reserve for quality assurance                     | 212,000                                    |              | 76,000                                     |              | 260,000                                       |              |
| 6. Reserve for bonuses                               | 196,000                                    |              | –  |              | –   |              |
| 7. Others  | 617,662                                    |              | 707,160                                    |              | 1,172,042                                     |              |
| Total current assets                                 | 2,522,030                                  | 24.3         | 2,583,247                                  | 22.0         | 2,314,169                                     | 27.1         |
| II. Fixed liabilities                                |  |              |  |              |   |              |
| 1. Bonds   | –  |              | 150,000                                    |              | –   |              |
| 2. Long-term borrowings                              | –  |              | 255,042                                    |              | –   |              |
| Total fixed liabilities                              | –  | –            | 405,042                                    | 3.4          | –   | –            |
| Total liabilities                                    | 2,522,030                                  | 24.3         | 2,988,289                                  | 25.4         | 2,314,169                                     | 27.1         |
| <b>(Net assets)</b>                                  |  |              |  |              |   |              |
| I. Shareholders' equity                              |  |              |  |              |   |              |
| 1. Common stock                                      | 1,421,815                                  | 13.7         | 1,421,815                                  | 12.1         | 1,421,815                                     | 16.7         |
| 2. Additional paid-in capital                        |  |              |  |              |   |              |
| (1) Capital reserves                                 | 2,495,772                                  |              | 2,495,772                                  |              | 2,495,772                                     |              |
| (2) Other capital surplus                            | –  |              | 370,405                                    |              | –   |              |
| Total additional paid-in capital                     | 2,495,772                                  | 24.1         | 2,866,178                                  | 24.3         | 2,495,772                                     | 29.3         |
| 3. Retained earnings                                 |  |              |  |              |   |              |
| (1) Legal reserves                                   | 27,748                                     |              | 27,748                                     |              | 27,748  |              |
| (2) Other retained earnings                          |  |              |  |              |   |              |
| Reserve for special depreciation                     | 2,121                                      |              | 897  |              | 897   |              |
| Unappropriated retained earnings                     | 4,457,666                                  |              | 5,105,794                                  |              | 5,070,534                                     |              |
| Total retained earnings                              | 4,487,536                                  | 43.3         | 5,134,440                                  | 43.6         | 5,099,180                                     | 59.8         |
| 4. Treasury stock                                    | (1,055,978)                                | (10.2)       | (758,372)                                  | (6.4)        | (3,093,558)                                   | (36.3)       |
| Total shareholders' equity                           | 7,349,146                                  | 70.9         | 8,664,061                                  | 73.6         | 5,923,210                                     | 69.5         |
| II. Valuation, translation adjustments, etc.         |  |              |  |              |   |              |
| Net unrealized gain on available-for-sale securities | 501,537                                    | 4.8          | 115,314                                    | 1.0          | 287,927                                       | 3.4          |
| Total valuation, translation adjustments, etc.       | 501,537                                    | 4.8          | 115,314                                    | 1.0          | 287,927                                       | 3.4          |
| Total net assets                                     | 7,850,684                                  | 75.7         | 8,779,375                                  | 74.6         | 6,211,137                                     | 72.9         |
| Total liabilities and net assets                     | 10,372,715                                 | 100.0        | 11,767,664                                 | 100.0        | 8,525,307                                     | 100.0        |

## (b) Non-consolidated statements of income

(Unit: thousands of yen)

| Item  | Period  |           | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) |         | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) |              | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |            |              |
|---|---------|-----------|--|---------|--|--------------|---|------------|--------------|
|   | Amount  |           | Ratio<br>(%)                                 | Amount  |  | Ratio<br>(%) | Amount  |            | Ratio<br>(%) |
|   |         |           |  |         |  |              |   |            |              |
| I. Net Sales  |         | 7,494,086 | 100.0  |         | 6,706,330                                    | 100.0        |   | 14,831,959 | 100.0        |
| II. Cost of sales   |         | 4,309,152 | 57.5   |         | 3,415,582                                    | 50.9         |   | 8,739,888  | 58.9         |
| Gross Profit  |         | 3,184,934 | 42.5   |         | 3,290,748                                    | 49.1         |   | 6,092,071  | 41.1         |
| III. Selling, general and administrative expenses         |         |           |  |         |  |              |   |            |              |
| 1. Officers' remuneration                                 | 85,059  |           |  | 124,576 |  |              | 205,434                                       |            |              |
| 2. Salaries and bonuses                                   | 753,561 |           |  | 961,638 |  |              | 1,416,326                                     |            |              |
| 3. Employee training expenses                             | 45,517  |           |  | 139,395 |  |              | 94,553  |            |              |
| 4. Research & development expenditures                    | 141,294 |           |  | 91,430  |  |              | 310,590                                       |            |              |
| 5. Depreciation   | 70,094  |           |  | 75,067  |  |              | 141,508                                       |            |              |
| 6. Amortization of goodwill                               | -       |           |  | 52,417  |  |              | -   |            |              |
| 7. Recruitment expenses                                   | 148,155 |           |  | 144,669 |  |              | 303,312                                       |            |              |
| 8. Others   | 485,127 | 1,728,811 | 23.1   | 728,722 | 2,317,918                                    | 34.6         | 1,028,730                                     | 3,500,456  | 23.6         |
| Operating income  |         | 1,456,123 | 19.4   |         | 972,830                                      | 14.5         |   | 2,591,614  | 17.5         |
| IV. Non-operating income                                  |         |           |  |         |  |              |   |            |              |
| 1. Interest income  | 878     |           |  | 12,997  |  |              | 2,706   |            |              |
| 2. Dividend income  | 2,876   |           |  | 188,689 |  |              | 4,376   |            |              |
| 3. Exchange losses  | 1,668   |           |  | 3,008   |  |              | 7,396   |            |              |
| 4. Others   | 563     | 5,986     | 0.1  | 64,945  | 269,640                                      | 4.0          | 1,115   | 15,594     | 0.1          |
| V. Non-operating expenses                                 |         |           |  |         |  |              |   |            |              |
| 1. Interest expenses                                      | 2,131   |           |  | 10,482  |  |              | 3,774   |            |              |
| 2. Others   | 39      | 2,171     | 0.0  | 6,018   | 16,500                                       | 0.2          | 8,565   | 12,340     | 0.1          |
| Ordinary income   |         | 1,459,938 | 19.5   |         | 1,225,969                                    | 18.3         |   | 2,594,868  | 17.5         |
| VI. Extraordinary income                                  |         |           |  |         |  |              |   |            |              |
| 1. Gains on sale of investment securities                 | -       |           |  | 138,602 |  |              | -   |            |              |
| 2. Gains on reversal from allowance for doubtful accounts | -       | -         | -  | 44,265  | 182,867                                      | 2.7          | -   | -          | -            |
| VII. Extraordinary losses                                 |         |           |  |         |  |              |   |            |              |
| 1. Losses on disposal of fixed assets *1                  | -       |           |  | 36,400  |  |              | -   |            |              |
| 2. Losses on devaluation of investment securities         | -       |           |  | 103,950 |  |              | -   |            |              |
| 3. Impairment loss *2                                     | -       |           |  | 284,318 |  |              | -   |            |              |
| 4. Losses on devaluation of inventories                   | -       |           |  | 19,999  |  |              | -   |            |              |
| 5. Office relocation expenses                             | -       |           |  | -       |  |              | 89,000  |            |              |
| 6. Retirement benefits to directors                       | 20,000  | 20,000    | 0.3  | -       | 444,669                                      | 6.6          | 20,000  | 109,000    | 0.7          |
| Net income before taxes                                   |         | 1,439,938 | 19.2   |         | 964,167                                      | 14.4         |   | 2,485,868  | 16.8         |
| Corporate, residential and enterprise taxes               | 603,881 |           |  | 7,164   |  |              | 903,148                                       |            |              |
| Corporate tax adjustments                                 | 42,555  | 646,437   | 8.6  | 502,093 | 509,258                                      | 7.6          | 177,575                                       | 1,080,723  | 7.3          |
| Net income  |         | 793,500   | 10.6   |         | 454,909                                      | 6.8          |   | 1,405,144  | 9.5          |

(c) Non-consolidated Statements of Changes in Shareholders' Equity  
 First half of previous fiscal year (Jan. 1, 2006 - Jun. 30, 2006)

(Unit: thousands of yen)

|   | Shareholders' equity |                            |                                  |                |                                  |                                  |                         |                |                            |
|---|----------------------|----------------------------|----------------------------------|----------------|----------------------------------|----------------------------------|-------------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital |                                  | Legal reserves | Retained earnings                |                                  |                         | Treasury stock | Total shareholders' equity |
|   |                      | Capital reserves           | Total additional paid-in capital |                | Other retained earnings          |                                  | Total retained earnings |                |                            |
|   |                      |                            |                                  |                | Reserve for special depreciation | Unappropriated retained earnings |                         |                |                            |
| Balance as of December 31, 2005   | 1,421,815            | 2,495,772                  | 2,495,772                        | 27,748         | 3,716                            | 3,973,969                        | 4,005,435               | (1,055,978)    | 6,867,045                  |
| Changes during the first half   |                      |                            |                                  |                |                                  |                                  |                         |                |                            |
| Earnings paid out as dividends  |                      |                            |                                  |                |                                  | (311,399)                        | (311,399)               |                | (311,399)                  |
| Reversal of reserve for special depreciation  |                      |                            |                                  |                | (1,595)                          | 1,595                            | -                       |                | -                          |
| Net income for the period   |                      |                            |                                  |                |                                  | 793,500                          | 793,500                 |                | 793,500                    |
| Changes in items other than the shareholders' equity during the first half (net amount) | -                    | -                          | -                                | -              | -                                | -                                | -                       | -              | -                          |
| Total changes during the first half   | -                    | -                          | -                                | -              | (1,595)                          | 483,696                          | 482,101                 | -              | 482,101                    |
| Balance as of June 30, 2006   | 1,421,815            | 2,495,772                  | 2,495,772                        | 27,748         | 2,121                            | 4,457,666                        | 4,487,536               | (1,055,978)    | 7,349,146                  |

(Unit: thousands of yen)

|   | Valuation, translation adjustments, etc.             |  | Total net assets |
|---|--|--|------------------|
|   | Net unrealized gain on available-for-sale securities | Total valuation, translation adjustments, etc. |                  |
| Balance as of December 31, 2005   | 577,610  | 577,610  | 7,444,656        |
| Changes during the first half   |  |  |                  |
| Earnings paid out as dividends  |  |  | (311,399)        |
| Reversal of reserve for special depreciation  |  |  | -                |
| Net income for the period   |  |  | 793,500          |
| Changes in items other than the shareholders' equity during the first half (net amount) | (76,072)   | (76,072)                                       | (76,072)         |
| Total changes during the first half   | (76,072)   | (76,072)                                       | 406,028          |
| Balance as of June 30, 2006   | 501,537  | 501,537  | 7,850,684        |

## First half under review (Jan. 1, 2007 - Jun. 30, 2007)

(Unit: thousands of yen)

|   | Shareholders' equity |                            |                       |                                  |                   |                                  |                                  |                         |                |                            |
|---|----------------------|----------------------------|-----------------------|----------------------------------|-------------------|----------------------------------|----------------------------------|-------------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital |                       |                                  | Retained earnings |                                  |                                  |                         | Treasury stock | Total shareholders' equity |
|   |                      | Capital reserves           | Other capital surplus | Total additional paid-in capital | Legal reserves    | Other retained earnings          |                                  | Total retained earnings |                |                            |
|   |                      |                            |                       |                                  |                   | Reserve for special depreciation | Unappropriated retained earnings |                         |                |                            |
| Balance as of December 31, 2006   | 1,421,815            | 2,495,772                  | -                     | 2,495,772                        | 27,748            | 897                              | 5,070,534                        | 5,099,180               | (3,093,558)    | 5,923,210                  |
| Changes during the first half   |                      |                            |                       |                                  |                   |                                  |                                  |                         |                |                            |
| Increase (decrease) by merger   |                      |                            | 370,405               | 370,405                          |                   |                                  |                                  |                         | 3,091,165      | 3,461,570                  |
| Earnings paid out as dividends  |                      |                            |                       |                                  |                   |                                  | (419,649)                        | (419,649)               |                | (419,649)                  |
| Net income for the period   |                      |                            |                       |                                  |                   |                                  | 454,909                          | 454,909                 |                | 454,909                    |
| Purchase of treasury stock  |                      |                            |                       |                                  |                   |                                  |                                  |                         | (755,979)      | (755,979)                  |
| Changes in items other than the shareholders' equity during the first half (net amount) | -                    | -                          | -                     | -                                | -                 | -                                | -                                | -                       | -              | -                          |
| Total changes during the first half   | -                    | -                          | 370,405               | 370,405                          | -                 | -                                | 35,259                           | 35,259                  | 2,335,185      | 2,740,851                  |
| Balance as of June 30, 2007   | 1,421,815            | 2,495,772                  | 370,405               | 2,866,178                        | 27,748            | 897                              | 5,105,794                        | 5,134,440               | (758,372)      | 8,664,061                  |

(Unit: thousands of yen)

|   | Valuation, translation adjustments, etc.             |  | Total net assets |
|---|--|--|------------------|
|   | Net unrealized gain on available-for-sale securities | Total valuation, translation adjustments, etc. |                  |
| Balance as of December 31, 2006   | 287,927  | 287,927  | 6,211,137        |
| Changes during the first half   |  |  |                  |
| Increase (decrease) by merger   |  |  | 3,461,570        |
| Earnings paid out as dividends  |  |  | (419,649)        |
| Net income for the period   |  |  | 454,909          |
| Purchase of treasury stock  |  |  | (755,979)        |
| Changes in items other than the shareholders' equity during the first half (net amount) | (172,612)  | (172,612)                                      | (172,612)        |
| Total changes during the first half   | (172,612)  | (172,612)                                      | 2,568,238        |
| Balance as of June 30, 2007   | 115,314  | 115,314  | 8,779,375        |

## Statements of Changes in Shareholders' Equity for the Previous Fiscal Year (Jan. 1, 2006 - Dec. 31, 2006)

(Unit: thousands of yen)

|  | Shareholders' equity |                            |                                  |                |                                  |                                  |                         |                |                            |
|--|----------------------|----------------------------|----------------------------------|----------------|----------------------------------|----------------------------------|-------------------------|----------------|----------------------------|
|  | Common stock         | Additional paid-in capital |                                  | Legal reserves | Retained earnings                |                                  |                         | Treasury stock | Total shareholders' equity |
|  |                      | Capital reserves           | Total additional paid-in capital |                | Other retained earnings          |                                  | Total retained earnings |                |                            |
|  |                      |                            |                                  |                | Reserve for special depreciation | Unappropriated retained earnings |                         |                |                            |
| Balance as of December 31, 2005  | 1,421,815            | 2,495,772                  | 2,495,772                        | 27,748         | 3,716                            | 3,973,969                        | 4,005,435               | (1,055,978)    | 6,867,045                  |
| Changes during the period  |                      |                            |                                  |                |                                  |                                  |                         |                |                            |
| Reversal of reserve for special depreciation   |                      |                            |                                  |                | (2,819)                          | 2,819                            | -                       |                | -                          |
| Earnings paid out as dividends   |                      |                            |                                  |                |                                  | (311,399)                        | (311,399)               |                | (311,399)                  |
| Net income for the period  |                      |                            |                                  |                |                                  | 1,405,144                        | 1,405,144               |                | 1,405,144                  |
| Purchase of treasury stock   |                      |                            |                                  |                |                                  |                                  |                         | (2,037,580)    | (2,037,580)                |
| Changes in items other than the shareholders' equity during the fiscal year (net amount) | -                    | -                          | -                                | -              | -                                | -                                | -                       | -              | -                          |
| Total changes during the period  | -                    | -                          | -                                | -              | (2,819)                          | 1,096,564                        | 1,093,745               | (2,037,580)    | (943,834)                  |
| Balance as of December 31, 2006  | 1,421,815            | 2,495,772                  | 2,495,772                        | 27,748         | 897                              | 5,070,534                        | 5,099,180               | (3,093,558)    | 5,923,210                  |

(Unit: thousands of yen)

|  | Valuation, translation adjustments, etc.             |  | Total net assets |
|--|--|--|------------------|
|  | Net unrealized gain on available-for-sale securities | Total valuation, translation adjustments, etc. |                  |
| Balance as of December 31, 2005  | 577,610  | 577,610  | 7,444,656        |
| Changes during the period  |  |  |                  |
| Reversal of reserve for special depreciation   |  |  | -                |
| Earnings paid out as dividends   |  |  | (311,399)        |
| Net income for the period  |  |  | 1,405,144        |
| Purchase of treasury stock   |  |  | (2,037,580)      |
| Changes in items other than the shareholders' equity during the fiscal year (net amount) | (289,683)  | (289,683)                                      | (289,683)        |
| Total changes during the period  | (289,683)  | (289,683)                                      | (1,233,518)      |
| Balance as of December 31, 2006  | 287,927  | 287,927  | 6,211,137        |

**Significant Accounting Policies Regarding the Preparation of Financial Statements for the First Half**

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)   |
|--|---|---|---|
| 1. Valuation standards and method for assets | <p>(1) Securities</p> <p>a) Stocks issued by subsidiaries/affiliates: stated at cost based on moving average method</p> <p>b) Other securities:</p> <ul style="list-style-type: none"> <li>- Securities for which market price is available: stated at fair value based on the market price as of the end of the first half financial period (Unrealized holding gains/losses are reported as a net amount in a separate component of net assets. Cost of sale is calculated based on moving average method).</li> <li>- Securities for which market price is not available: stated at cost based on moving average method</li> </ul> <p>(2) Inventories</p> <ul style="list-style-type: none"> <li>- Merchandise/products: stated at lower of cost or market using the gross average method</li> </ul> | <p>(1) Securities</p> <p>a) Stocks issued by subsidiaries/affiliates: same as on the left</p> <p>b) Other securities:</p> <ul style="list-style-type: none"> <li>- Securities for which market price is available: same as on the left</li> <li>- Securities for which market price is not available: same as on the left</li> </ul> <p>(2) Inventories</p> <ul style="list-style-type: none"> <li>- Merchandise/products: stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devalue the book value according to the decrease in profitability)</li> </ul> | <p>(1) Securities</p> <p>a) Stocks issued by subsidiaries/affiliates: same as on the left</p> <p>b) Other securities:</p> <ul style="list-style-type: none"> <li>- Securities for which market price is available: stated at fair value based on the market price as of the end of the fiscal year (Unrealized holding gains/losses are reported as a net amount in a separate component of net assets. Cost of sale is calculated based on moving average method).</li> <li>- Securities for which market price is not available: same as on the left</li> </ul> <p>(2) Inventories</p> <ul style="list-style-type: none"> <li>- Merchandise/products: stated at lower of cost or market using the gross average method</li> </ul> |
| 2. Depreciation method of fixed assets       | <p>(1) Tangible fixed assets:</p> <p>Declining balance method<br/>If the acquisition cost of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years.<br/>Useful life are as follows:</p> <p>Buildings 3 – 31 years<br/>Furniture &amp; Fixtures 3 – 10 years</p> <p>(2) Intangible fixed assets:</p> <p>(a) Software for in-house use is depreciated using the straight-line method over its useful life (5 years).</p> <p>(b) Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).</p>   | <p>(1) Tangible fixed assets:<br/>Same as on the left</p> <p>(2) Intangible fixed assets:</p> <p>(a) Software for in-house use:<br/>Same as on the left</p> <p>(b) Software for sale:<br/>Same as on the left</p>   | <p>(1) Tangible fixed assets:<br/>Same as on the left</p> <p>(2) Intangible fixed assets:</p> <p>(a) Software for in-house use:<br/>Same as on the left</p> <p>(b) Software for sale:<br/>Same as on the left</p>   |



|   | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)  |
|---|--|--|--|
| 3. Accounting standards for allowances/reserves | <p>(1) Allowance for doubtful accounts<br/>To prepare for losses incurred by bad debt, amount of potential loss is calculated by taking historical loss ratio in case of non-classified loans/receivables. Potential loss for classified loans/receivables are individually assessed.</p> <p>(2) Reserve for quality assurance:<br/>In projects related to open system consultation and system development (IT consulting services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Systems provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services. To prepare for additional cost of sales in IT consulting services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>(3) Reserve for bonuses<br/>To prepare for payment of bonuses to employees, estimated amount of such payment for this first half is stated in the reserve for bonuses.</p> | <p>(1) Allowance for doubtful accounts<br/>Same as on the left</p> <p>(2) Reserve for quality assurance<br/>Same as on the left</p> <p>Same as on the left</p> | <p>(1) Allowance for doubtful accounts<br/>Same as on the left</p> <p>(2) Reserve for quality assurance<br/>Same as on the left</p> <p>-----</p> |
| 4. Recognition of sales and cost of sales       | Costs of sales for IT consulting business are recognized on an accrual basis for each individual project. Corresponding sales are recognized based on "percentage-of-completion" by taking the ratio of accrued cost to total estimated cost of the project.   | Same as on the left  | Same as on the left  |
| 5. Lease transactions                           | Finance leases where ownership does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.   | Same as on the left  | Same as on the left  |

|                               | First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)                            | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006)   |
|-------------------------------|--|---|---|
| 6. Other material information | Accounting treatment of consumption taxes, etc.:<br>Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.<br>Consumption tax payable in suspense and consumption tax received in suspense are netted, and the net amount thus calculated is included in "Other fixed liabilities." | Accounting treatment of Consumption taxes, etc.:<br>Same as on the left | Accounting treatment of consumption taxes, etc.:<br>Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. |

## Change in material information for the preparation of financial statements for the First Half

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(January 1, 2006 to December 31, 2006)  |
|---|--|--|
| <p>(Accounting standards for impairment of fixed assets)<br/>The Company adopted the accounting standards for impairment of fixed assets, "Opinions regarding the establishment of accounting standards for impairment of fixed assets" (Financial Accounting Council, August 9, 2002) and "Implementation guide of accounting standards for impairment of fixed assets" (Corporate Accounting Standards Implementation Guide No. 6, October 31, 2003) from this first half. This adoption had no impact on the Group's earnings for the period under review.</p> | <p>-----</p>   | <p>(Accounting standards for impairment of fixed assets)<br/>The Company adopted the accounting standards for impairment of fixed assets, "Opinions regarding the establishment of accounting standards for impairment of fixed assets" (Financial Accounting Council, August 9, 2002) and "Implementation guide of accounting standards for impairment of fixed assets" (Corporate Accounting Standards Implementation Guide No. 6, October 31, 2003) from this fiscal year under review. This adoption had no impact on the Group's earnings for the period under review.</p>  |
| <p>(Accounting standards for presentation of net assets on balance sheets)<br/>The Company adopted "Accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards No. 5, December 9, 2005) and "Implementation guide of accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards Implementation Guide No. 8, December 9, 2005) from this first half. The amount equivalent to the total shareholders' equity, a conventionally used term, is 7,850,684 thousand yen.</p>   | <p>-----</p>   | <p>(Accounting standards for presentation of net assets on balance sheets)<br/>The Company adopted "Accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards No. 5, December 9, 2005) and "Implementation guide of accounting standards for presentation of net assets on balance sheets" (Corporate Accounting Standards Implementation Guide No. 8, December 9, 2005) from this first half. The amount equivalent to the total shareholders' equity, a conventionally used term, is 6,211,137 thousand yen.<br/>Because of the revision of Regulation on Financial Statements, net assets of the balance sheets for the fiscal year under review are stated in accordance with the revised Regulation on Financial Statements.</p> |
| <p>-----</p>  | <p>(Accounting standards for corporate consolidation and accounting standards for corporate separation)<br/>The Company adopted "Accounting standards for corporate consolidation" (Financial Accounting Council, October 31, 2003), "Accounting standards for corporate separation, etc." (Accounting Standards Board of Japan; December 27, 2005; Corporate Accounting Standards No. 7) and "Implementation guide for the accounting standards for corporate consolidation and for the accounting standards for corporate separation, etc." (Accounting Standards Board of Japan; December 27, 2005; Corporate Accounting Standards No. 10) from this half under review.</p> | <p>-----</p>   |
| <p>-----</p>  | <p>(Accounting standards for measurement of inventories)<br/>As "Accounting standards for measurement of inventories" (Corporate Accounting Standards No. 9; July 5, 2006) have become applicable to consolidated financial statements for fiscal years beginning before March 31, 2008, the Company adopted the said accounting standards from this half under review. This adoption had no impact on the Group's earnings for the period under review.</p>   | <p>-----</p>   |

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(January 1, 2006 to December 31, 2006) |
|--|---|---|
| -----  | <p>(Accounting standards for depreciation of tangible fixed assets)</p> <p>With the revision of the Corporation Tax Law, the Company has changed the depreciation method of tangible fixed assets that have been acquired since April 1, 2007, to the method pursuant to the revised Corporation Tax Law from this half under review.</p> <p>This adoption had little impact on the Group's earnings for the period under review.</p> | -----   |

### Change in Classification

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  |
|--|---|
| <p>(Consolidated balance sheets for the first half)<br/>                     “Income tax payable, etc.” has been included in “others” of current liabilities until the previous first half. At the end of the first half under review, however, the subject value was higher than 5% of total liabilities and net assets. Accordingly, the subject item is separately reported. Outstanding “income tax payable, etc.” was 410,214 thousand yen at the end of the first half under review.</p> | <p>(Balance sheets for the first half)<br/>                     1. “Affiliated company stocks” had been included in the category of “Investment securities” until the end of the first half of the previous fiscal year. However, as the amount exceeded 5/100 of the total assets at the end of the period under review, it is separately reported.<br/>                     Affiliated company stocks were 470,712 thousand yen at the end of the first half of the previous fiscal year.<br/>                     2. “Deposit guarantees” were included in the category of “Others” in Investments and other assets at the end of the first half of the previous fiscal year. However, as the amount exceeded 5/100 of the total assets at the end of the first half under review, deposit guarantees are separately reported.<br/>                     Deposit guarantees stood at 324,902 thousand yen at the end of the first half of the previous fiscal year.</p> |

### Additional information

| First half<br>(Jan. 1, 2006- Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(January 1, 2006 to December 31, 2006) |
|---|--|---|
| <p>(Reserve for bonuses)<br/>                     The Company newly established specific calculation standards for bonuses paid based on its performance in this first half, and is able to reasonably calculate an estimated payment amount of reserve for bonuses for the first half under review. Accordingly, such estimated payment amount was reported as reserve for bonuses.<br/>                     As a result, operating income, ordinary income and net income before taxes decreased by 196,000 thousand yen.</p> | <p>-----</p>                                 | <p>-----</p>  |

## Notes

## (Notes to the Balance Sheets for the First Half)

(Unit: thousands of yen)

|                                  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(January 1, 2006 to December<br>31, 2006) |        |                  |         |            |        |       |         |           |        |            |         |       |
|----------------------------------|--|--|--|--------|------------------|---------|------------|--------|-------|---------|-----------|--------|------------|---------|-------|
| *1. Guarantee against borrowings | -----  | (1) Guarantee against borrowings<br>from financial institutions<br>(Unit: thousands of yen) <table border="1"> <thead> <tr> <th>Guarantee</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>SwaN Corporation</td> <td>200,000</td> </tr> <tr> <td>XEBEC LAND</td> <td>22,000</td> </tr> <tr> <td>Total</td> <td>222,000</td> </tr> </tbody> </table> (2) Guarantee against the balance of<br>contracts with lease firms<br>(Unit: thousands of yen) <table border="1"> <thead> <tr> <th>Guarantee</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>XEBEC LAND</td> <td>101,915</td> </tr> </tbody> </table> | Guarantee  | Amount | SwaN Corporation | 200,000 | XEBEC LAND | 22,000 | Total | 222,000 | Guarantee | Amount | XEBEC LAND | 101,915 | ----- |
| Guarantee                        | Amount                                       |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |
| SwaN Corporation                 | 200,000                                      |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |
| XEBEC LAND                       | 22,000                                       |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |
| Total                            | 222,000                                      |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |
| Guarantee                        | Amount                                       |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |
| XEBEC LAND                       | 101,915                                      |  |  |        |                  |         |            |        |       |         |           |        |            |         |       |

## (Notes to the Statements of Income for the First Half)

(Unit: thousands of yen)

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
|--|--|---|---|----------------|----------|--------------|-----------------------|---|-------------------------|-----------------------------|---|----------|--------|----------|---------|--------|--------|-------|---------|-------|
| *1 Breakdown of Losses on disposal of fixed assets | -----  | Software 36,400   | -----   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| *2. Impairment losses                              | -----  | In the first half under review, the Group reported impairment losses of the following asset groups.<br>(1) Main assets on which impairment losses were recognized <table border="1"> <thead> <tr> <th>Use</th> <th>Classification</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>ERP business</td> <td>Goodwill and software</td> <td>-</td> </tr> <tr> <td>ASP accounting business</td> <td>Goodwill and selling rights</td> <td>-</td> </tr> </tbody> </table> (2) Background of the recognition of impairment losses<br>At the Board of Directors meeting held on July 31, 2007, the Group decided on a policy to reorganize the Group. Following this, the Group reduced the book values of asset groups in the ERP business and the ASP accounting business to recoverable values.<br>(3) Amounts of impairment losses <table border="1"> <tbody> <tr> <td>Goodwill</td> <td>85,652</td> </tr> <tr> <td>Software</td> <td>119,213</td> </tr> <tr> <td>Others</td> <td>79,452</td> </tr> <tr> <td>Total</td> <td>284,318</td> </tr> </tbody> </table> (4) Asset grouping method<br>The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows. | Use   | Classification | Location | ERP business | Goodwill and software | - | ASP accounting business | Goodwill and selling rights | - | Goodwill | 85,652 | Software | 119,213 | Others | 79,452 | Total | 284,318 | ----- |
| Use  | Classification                               | Location  |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| ERP business                                       | Goodwill and software                        | -   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| ASP accounting business                            | Goodwill and selling rights                  | -   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| Goodwill   | 85,652                                       |   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| Software   | 119,213                                      |   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| Others   | 79,452                                       |   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |
| Total  | 284,318                                      |   |   |                |          |              |                       |   |                         |                             |   |          |        |          |         |        |        |       |         |       |

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |
|--|--|--|---|
| *3. Losses on devaluation of inventories included in cost of sales |  | (5) Calculation method of recoverable amounts<br>The Company measures recoverable amounts based on use value, and specifically estimated cash flows are reduced by 8.3% (capital costs). |   |
| Tangible fixed assets  | 58,517                                       | 108,828  | 130,135                                       |
| Intangible fixed assets  | 82,492                                       | 169,608  | 163,494                                       |

## (Notes to the Statements of Changes in Shareholders' Equity for the first half)

First half of previous fiscal year (From January 1, 2006 to June 30, 2006)

## Matters related to the types and numbers of treasury stocks

(Unit: Shares)

| Classification      | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this first half | Number of stocks decreased during this first half | Number stocks at the end of this first half |
|---------------------|---|---|---|---|
| Common stock (Note) | 3,827   | 11,481  | -   | 15,308                                      |
| Total               | 3,827   | 11,481  | -   | 15,308                                      |

(Note) 11,481 shares of common treasury stock increased due to the stock split as of February 1, 2006

First half of fiscal year under review (from January 1, 2007 to June 30, 2007)

## Matters related to the type and number of treasury stocks

(Unit: Shares)

| Classification      | Number of stocks at the end of the previous fiscal year | Number of stocks increased during this first half | Number of stocks decreased during this first half | Number stocks at the end of this first half |
|---------------------|---|---|---|---|
| Common stock (Note) | 34,904  | 8,490   | 34,877  | 8,517                                       |
| Total               | 34,904  | 8,490   | 34,877  | 8,517                                       |

(Note) 8,490 treasury stocks of common stock increased owing to the acquisition resolved by the Board of Directors, while 34,877 treasury stocks of common stock decreased owing to the allocation of such shares to shareholders of the merged company.

Previous fiscal year (from January 1, 2006 to December 31, 2006)

## Matters related to the type and number of treasury stocks

(Unit: Shares)

| Classification      | Number of stocks at the end of the previous fiscal year | Number of stocks increased during the period | Number of stocks decreased during the period | Number stocks at the end of current fiscal year |
|---------------------|---|--|--|---|
| Common stock (Note) | 3,827   | 31,077                                       | -  | 34,904  |
| Total               | 3,827   | 31,077                                       | -  | 34,904  |

(Note) The total increase in treasury shares of 31,077 shares includes 19,596 shares from acquisition by resolution of the Board of Directors and 11,481 shares resulting from the stock split conducted on February 1, 2006.

## Lease transactions

(Unit: thousands of yen)

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(January 1, 2006 to December 31, 2006) |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
|--|--|---|---------------------------------|----------|--|-------|--|-----------------|---------------------------|---------------------------|----------|-------|----------------|--|---------------------|-------|---------------------------|----------|--|-------------------------|--------|---------------------------------|-------|--|-------|-----------------|-------|---------------------------|--------------|-------|-------|----------------|-------|---------------------|-------|--------------------------|----|---|-------------------------|--------|---------------------------------|-------|---|-------|-----------------|-------|---------------------------|--------------|-------|-------|----------------|-------|---------------------|-------|--------------------------|-----|
| <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the end of the first half</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>17,893</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>8,552</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>9,341</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the first half</p> <table> <tr> <td>Due in one year</td> <td>3,769</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>5,611</u></td> </tr> <tr> <td>Total</td> <td>9,381</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>3,367</td> </tr> <tr> <td>Depreciation equiv.</td> <td>3,328</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>89</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Straight-line method.<br/>Useful life of leased asset is deemed to equal contractual period of the lease, with no residual value remaining at the end of the lease period.</p> <p>(5) Computation of interest expenses equivalents<br/>Interest expenses equivalents are calculated by taking the difference between total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on interest method.</p> | Acquisition cost equiv.                      | 17,893  | Accumulated depreciation equiv. | 8,552    | Book value equiv. at the end of the first half | 9,341 | Due in one year  | 3,769           | <u>Due after one year</u> | <u>5,611</u>              | Total    | 9,381 | Lease payments | 3,367  | Depreciation equiv. | 3,328 | Interest expenses equiv.  | 89       | <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses, and book value equivalents of the leased assets at the end of the first half</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>10,961</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>5,426</td> </tr> <tr> <td>Book value equiv. at the end of the first half</td> <td>5,535</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the first half</p> <table> <tr> <td>Due in one year</td> <td>3,685</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>1,926</u></td> </tr> <tr> <td>Total</td> <td>5,611</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>1,881</td> </tr> <tr> <td>Depreciation equiv.</td> <td>1,826</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>65</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Same as on the left</p> <p>(5) Computation of interest expenses equivalents<br/>Same as on the left</p> | Acquisition cost equiv. | 10,961 | Accumulated depreciation equiv. | 5,426 | Book value equiv. at the end of the first half | 5,535 | Due in one year | 3,685 | <u>Due after one year</u> | <u>1,926</u> | Total | 5,611 | Lease payments | 1,881 | Depreciation equiv. | 1,826 | Interest expenses equiv. | 65 | <p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses, and book value equivalents of the leased assets at the end of the fiscal year-end</p> <p>Tangible fixed assets:</p> <table> <tr> <td>Acquisition cost equiv.</td> <td>11,400</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td>4,001</td> </tr> <tr> <td>Book value equiv. at the end of fiscal year</td> <td>7,398</td> </tr> </table> <p>(2) Unexpired lease payments as of the end of the period</p> <table> <tr> <td>Due in one year</td> <td>3,686</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>3,778</u></td> </tr> <tr> <td>Total</td> <td>7,464</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table> <tr> <td>Lease payments</td> <td>5,016</td> </tr> <tr> <td>Depreciation equiv.</td> <td>4,868</td> </tr> <tr> <td>Interest expenses equiv.</td> <td>168</td> </tr> </table> <p>(4) Computation of depreciation equivalents<br/>Same as on the left</p> <p>(5) Computation of interest expenses equivalents<br/>Same as on the left</p> | Acquisition cost equiv. | 11,400 | Accumulated depreciation equiv. | 4,001 | Book value equiv. at the end of fiscal year | 7,398 | Due in one year | 3,686 | <u>Due after one year</u> | <u>3,778</u> | Total | 7,464 | Lease payments | 5,016 | Depreciation equiv. | 4,868 | Interest expenses equiv. | 168 |
| Acquisition cost equiv.  | 17,893                                       |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 8,552  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 9,341  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | 3,769  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>5,611</u>                                 |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | 9,381  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Lease payments   | 3,367  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Depreciation equiv.  | 3,328  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 89   |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 10,961                                       |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 5,426  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Book value equiv. at the end of the first half   | 5,535  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | 3,685  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>1,926</u>                                 |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | 5,611  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Lease payments   | 1,881  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Depreciation equiv.  | 1,826  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 65   |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Acquisition cost equiv.  | 11,400                                       |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Accumulated depreciation equiv.  | 4,001  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Book value equiv. at the end of fiscal year  | 7,398  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | 3,686  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>3,778</u>                                 |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | 7,464  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Lease payments   | 5,016  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Depreciation equiv.  | 4,868  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Interest expenses equiv.   | 168  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>¥43</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>—</u></td> </tr> <tr> <td>Total</td> <td>¥43</td> </tr> </table>  | Due in one year                              | ¥43   | <u>Due after one year</u>       | <u>—</u> | Total  | ¥43   | <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>—</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>—</u></td> </tr> <tr> <td>Total</td> <td>—</td> </tr> </table> <p>Impairment loss<br/>There is no impairment loss on leased assets.</p> | Due in one year | —                         | <u>Due after one year</u> | <u>—</u> | Total | —              | <p>2. Operating lease transactions</p> <p>Unexpired lease payments</p> <table> <tr> <td>Due in one year</td> <td>¥29</td> </tr> <tr> <td><u>Due after one year</u></td> <td><u>—</u></td> </tr> <tr> <td>Total</td> <td>¥29</td> </tr> </table> <p>Impairment loss<br/>Same as on the left</p> | Due in one year     | ¥29   | <u>Due after one year</u> | <u>—</u> | Total  | ¥29                     |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | ¥43  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>—</u>                                     |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | ¥43  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | —  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>—</u>                                     |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | —  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Due in one year  | ¥29  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| <u>Due after one year</u>  | <u>—</u>                                     |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |
| Total  | ¥29  |   |                                 |          |  |       |  |                 |                           |                           |          |       |                |  |                     |       |                           |          |  |                         |        |                                 |       |  |       |                 |       |                           |              |       |       |                |       |                     |       |                          |    |   |                         |        |                                 |       |   |       |                 |       |                           |              |       |       |                |       |                     |       |                          |     |

(Securities)

There were no stocks issued by subsidiaries or affiliates for which market price is available for the previous first half (from January 1, 2006 to June 30, 2006), the first half under review (from January 1, 2007 to June 30, 2007) and the previous fiscal year (from January 1, 2006 to December 31, 2006).

(Corporate consolidation, etc.)

First half of previous fiscal year (from January 1, 2006 to June 30, 2006)

There is no applicable item.

First half of fiscal year (from January 1, 2007 to June 30, 2007)

(Application of the purchase method)

The Company merged with Woodland Corporation on January 1, 2007, with the former being the surviving company and the latter being the absorbed company. Financial statements are prepared using the purchase method, treating the Company as the acquiring company and Woodland as the acquired company.

1. Name and main business of the acquired company, reason for corporate consolidation, consolidation date, legal form of the consolidation, and name of the surviving company after consolidation

(1) Name of acquired company

Woodland Corporation

(2) Main business

Development, sales, and related activities concerning software

(3) Main reason for corporate consolidation

To mutually complement and exchange each party's technologies, products and human resources, while making the maximum use of both parties' management resources and know-how

(4) Date of consolidation

January 1, 2007

(5) Legal form of consolidation

A merger and acquisition under which the Company was the surviving company and Woodland was the absorbed company

(6) Name of surviving company after consolidation

Future Architect, Inc.

2. The acquired company's earnings are included in financial statements for the first half under review

As the consolidation took place on the first day of Future Architect's current fiscal year, the acquired company's earnings for the period between January 1, 2007 and June 30, 2007 are included in Future Architect's financial statements for the first half under review.

3. Acquisition cost for the acquired company and its breakdown

3,463,286 thousand yen

4. Ratio of exchange of shares allotted as consideration for the acquisition by type and its calculation method

(1) Type of shares and ratio of exchange

0.004762 shares of the Company were allotted to each Woodland share owned by shareholders who were registered or recorded as shareholders in Woodland's register of shareholders as of the day before the merger.

(2) Calculation method for the merger ratio

The Company asked GMD Corporate Finance Co., Ltd. to calculate the merger ratio, while Woodland asked Deloitte Tohmatsu FAS to do so. After discussions based on the results of these calculations, both parties reached an agreement on the above merger ratio.

(3) Number of shares allotted and their assessed value

34,877 shares worth 3,463,286 thousand yen

5. Amount of generated goodwill, reason for generation of goodwill, and goodwill amortization method and period

(1) Amount of goodwill

400,159 thousand yen

(2) Reason for generation of goodwill

The acquisition cost exceeded market-value net assets at the time of consolidation, and hence the difference was booked as goodwill.

(3) Goodwill amortization method and period

As a result of estimating the useful life reasonably, the Company is amortizing the goodwill over the resultant period of three years.

6. Amounts of assets and liabilities that were received on the day of consolidation, and their breakdown

| Item                    | Amount (unit: thousands of yen) |
|-------------------------|---------------------------------|
| Current assets          | ¥ 1,223,338                     |
| Fixed assets            | ¥ 4,819,625                     |
| Total assets            | ¥ 6,042,963                     |
| Current liabilities     | ¥ 920,146                       |
| Non-current liabilities | ¥ 1,661,188                     |
| Total liabilities       | ¥ 2,581,334                     |

Previous Fiscal Year (from January 1, 2006 to December 31, 2006)

There is no applicable item.

## (Per Share Data)

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)  |            | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)       |   | Fiscal year<br>(January 1, 2006 to December 31, 2006) |            |
|---|------------|--|---|---|------------|
| Net asset value per share   | ¥17,017.43 | Net asset value per share                          | ¥18,754.42  | Net asset value per share                             | ¥14,060.75 |
| First half net income per share   | ¥ 1,720.02 | First half net income per share                    | ¥964.18   | Net income per share                                  | ¥3,069.50  |
| First half net income per share<br>(fully diluted)  | ¥1,708.24  | First half net income per share<br>(fully diluted) | ¥959.86   | Net income per share (fully diluted)                  | ¥3,049.46  |
| The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows. |            |  | The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows. |   |            |
| First half<br>ended June 2006   |            | Fiscal 2007  |   | Net assets per share                                  | 16,137.31  |
| Net assets per share<br>14,290.83   |            | Net assets per share                               | 16,137.31   | First half net income per share                       | 2,204.17   |
| First half net income<br>per share<br>815.02  |            | First half net income<br>per share<br>2,204.17     |   | Net income per share (fully diluted)                  | 2,203.08   |
| First half net income<br>per share (fully<br>diluted)   | -          | Net income per share<br>(fully diluted)            | 2,203.08  |   |            |

Note: First half net income per share is calculated based on the following:

|  | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) | Fiscal year<br>(January 1, 2006 to December<br>31, 2006) |
|--|--|--|--|
| Net income per share   |  |  |  |
| First half net income  | 793,500                                      | 454,909                                      | 1,405,144  |
| Amount not available for<br>common shareholders  | -  |  | -  |
| First half net income<br>attributable to common shares   | 793,500                                      | 454,909                                      | 1,405,144  |
| Average outstanding shares<br>during the period  | 461,332                                      | 471,811                                      | 457,777  |
| Net income per share (fully<br>diluted)  |  |  |  |
| Adjustment of net income<br>(thousands of yen)   | -  | -  | -  |
| Increase of common stock<br>(shares)   | 3,181  | 2,123  | 3,008  |
| (Of which, share subscription<br>rights)   | (3,181)                                      | (2,123)                                      | (3,008)  |
| Latent shares that have no<br>dilution effect and thus are not<br>included in the calculation of<br>diluted net income per share | -  | -  | -  |

## Significant subsequent events

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006)   | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)  | Fiscal 2006<br>(January 1, 2006 to December 31, 2006)  |
|--|---|--|
| <p>About the merger</p> <p>The Company and Woodland Corporation (hereinafter "Woodland") had reached a final agreement on the merger of the two companies effective January 1, 2007.</p> <p>Then, the two parties respectively resolved the said merger at their Board of Directors meetings, both held on September 14, 2006, and in accordance with the resolutions, they signed a merger agreement.</p> <p>Outline of the merger agreement is as follows:</p> <p>1. Background to the merger and the purpose</p> <p>Both the Company and Woodland have developed as purely independent corporations. The Company is a pioneer of consulting on and establishment of open systems which do not rely on particular products and services, while Woodland has supplied business-use software products for PC-based open systems since the dawning of PCs in the 1980s. Given that the market of both companies and the solutions they supply have hardly any overlap, we believe the synergistic effects from this merger are extremely large. We will make the best possible use of both companies' resources and know-how in the following areas:</p> <p>(1) Mutually complementing and exchanging each party's technologies, products and human resources in large markets, the Company's strong field, and in smaller markets, where Woodland can demonstrate its edge.</p> <p>(2) Providing total solutions suitable for the era of J-SOX and internal control by combining the Company's technologies and Woodland's know-how about laws, regulations and systems.</p> <p>(3) Establishing strategic operations services and advanced ASP service by combining the large systems built by the Company and the infrastructure and operations staff owned by Woodland.</p> <p>(4) Sharing know-how and robustly planning and formulating strategies, with respect to M&amp;As in the IT field where technological innovation is rapid and the market is changing dramatically.</p> | <p>1. Reorganization</p> <p>The Company formulated policies for realigning the Group's organization at its Board of Directors meeting on July 31, 2007.</p> <p>(1) Purpose of reorganization</p> <p>a. We will shift the strategic market of the ERP business, operated by the former Woodland Corporation group, from small and midsize companies to midsize companies, and integrate consolidated subsidiaries which are engaged in this business into Future Architect, Inc. to use management resources effectively.</p> <p>b. With respect to the operations solutions business provided by the former Woodland Corporation group, centering on sales management systems and ASP accounting systems for small and midsize companies, we will integrate Group firms which are involved in this business into Elm Corporation to concentrate and strengthen market appeal and sales capabilities.</p> <p>(2) After the reorganization</p> <p>a. Future Architect, Inc.(merged with SWan Corporation and Wiseware Co., Ltd.)<br/>Representative: Yasufumi Kanemaru, Chairman &amp; CEO<br/>Shin Yasunobe, President &amp; COO<br/>Business operations: IT consulting services, etc. b. Elm Corporation<br/>(merged with companies which supply operations solutions for small and midsize firms, including Triple-W Corporation, Solution East and Maple Inc.)<br/>Representative: Satoru Tahara<br/>Business operations: Development, sales, and related activities of operations support systems by industry for small and midsize companies</p> <p>(3) Timing of the reorganization<br/>Scheduled by December 2007</p> | <p>1. Merger</p> <p>The Company merged with Woodland Corporation on January 1, 2007, in accordance with the resolutions of the Board of Directors meeting held on September 14, 2006 and the Extraordinary General Meeting of Shareholders held on November 16, 2006.</p> <p>(1) Name, address, representative, capital and main operations of the merging partner</p> <p>Name: Woodland Corporation<br/>Address: 1-6-19 Imabashi, Chuo-ku, Osaka<br/>Representative: Shin Yasunobe<br/>Capital: ¥2,264,300,000<br/>Main operations: Development and sales of software</p> <p>(2) Merger ratio</p> <p>The Company's 0.004762 share of common stock was allotted for each share of common stock of Woodland. However, no share was allotted for 3,500 shares of common stock of Woodland held by the Company and treasury stocks owned by Woodland.</p> <p>In relation to the merger, 34,877 treasury stocks were allotted to shareholders of the former Woodland.</p> <p>2. Acquisition of treasury stock</p> <p>At its Board of Directors meeting held on February 23, 2007, the Company resolved to acquire its own stock in accordance with Article 156 of the Corporation Law, as applied pursuant to Article 165, Paragraph 3 of the Corporation Law.</p> <p>(1) Reason for acquisition of treasury stock</p> <p>To implement flexible capital policies.</p> <p>(2) Details of the acquisition</p> <p>Type of shares acquired:<br/>Common stock of the Company<br/>Number of shares acquired:<br/>Up to 10,000 shares<br/>Acquisition cost:<br/>Up to ¥1,100,000,000<br/>Acquisition period:<br/>February 23, 2007 through April 13, 2007</p> |

| First half<br>(Jan. 1, 2006 - Jun. 30, 2006) | First half<br>(Jan. 1, 2007 - Jun. 30, 2007)   | Fiscal 2006<br>(January 1, 2006 to December 31, 2006) |
|--|--|---|
|  | <p>2. Acquisition of treasury stock</p> <p>At its Board of Directors meeting held on August 7, 2007, the Company resolved to acquire its own stock in accordance with Article 156 of the Corporation Law, as applied pursuant to Article 165, Paragraph 3 of the Corporation Law.</p> <p>(1) Reason for acquisition of treasury stock<br/>To implement flexible capital policies.</p> <p>(2) Details of the acquisition<br/>Type of shares acquired:<br/>Common stock of the Company<br/>Number of shares acquired:<br/>Up to 20,000 shares<br/>Acquisition cost:<br/>Up to ¥1,500,000,000<br/>Acquisition period:<br/>August 8, 2007 through September 28, 2007</p> |   |

## 6. Others

### Orders received

(Unit: thousands of yen)

| Classification             | First half<br>(Jan. 1, 2006 - Jun. 30, 2006) |            | First half<br>(Jan. 1, 2007 - Jun. 30, 2007) |            | Fiscal year<br>(Jan. 1, 2006 - Dec. 31, 2006) |            |
|----------------------------|--|------------|--|------------|---|------------|
|                            | Orders Rcvd                                  | Orders O/S | Orders Rcvd                                  | Orders O/S | Orders Rcvd                                   | Orders O/S |
| IT consulting business     | 8,472,265                                    | 3,228,682  | 10,382,583                                   | 5,152,383  | 14,527,291                                    | 1,668,887  |
| Package & service business | -  | -          | 2,094,836                                    | 874,033    | -   | -          |
| Total                      | 8,472,265                                    | 3,228,682  | 12,477,420                                   | 6,026,416  | 14,527,291                                    | 1,668,887  |

Notes: 1. There is no applicable item for the Corporate Revitalization business because of the nature of the business.

2. As the Package & Service Business was launched in the period under review, consolidated earnings for the first half of the previous fiscal year and for the previous fiscal year are not stated.