

August 7, 2008

Summary Report of Consolidated Operating Results for the First Half of Fiscal 2008 (Period ending June 30, 2008)

Company name: Future Architect, Inc.
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
 Head office: Tokyo, Japan
 Website: <http://www.future.co.jp>
 Representative: Shin Yasunobe, President & COO
 Contact: Kazuya Jitsu, Director of Finance & Administration Div.
 Tel: +81-3-5740-5724
 Scheduled date for submitting half-year earnings reports: September 25, 2008

1. Consolidated Results for the First Half of Fiscal 2008 (January 1, 2008 to June 30, 2008)

(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 2008	14,341	27.6	1,669	42.8	1,733	39.6
First half - Fiscal 2007	11,237	47.0	1,168	-22.2	1,241	-16.3
Fiscal 2007	25,018	-	3,046	-	3,162	-

	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 2008	972	199.1	2,169.89	-
First half - Fiscal 2007	325	-62.0	689.45	687.11
Fiscal 2007	1,268	-	2,729.31	2,725.02

(Reference) Profit/loss from equity method investments:

First half ended June 2008: 10 million yen
 First half ended June 2007: 8 million yen
 Fiscal 2007: 18 million yen

Note: Fully diluted net income per share for the first half under review is not stated because the average share price during the period was below the exercise price of the stock acquisition right and hence net income per share for the period is not diluted.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
First half - Fiscal 2008	13,891	9,351	66.5	20,855.98
First half - Fiscal 2007	13,591	9,116	65.6	19,047.97
Fiscal 2007	14,036	8,852	62.4	19,540.06

(Reference) Shareholders' equity

First half ended June 2008: 9,240 million yen
 First half ended June 2007: 8,916 million yen
 Fiscal 2007: 8,761 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 2008	1,357	(432)	(1,317)	2,466
First half - Fiscal 2007	(509)	(569)	(1,844)	2,055
Fiscal 2007	1,597	(469)	(3,240)	2,864

2. Dividends

(Record date)	Dividends per share (yen)		
	Dividend for the first-half end	Year-end dividend	Annual dividend
Fiscal 2007	-	950.00	950.00
Fiscal 2008 (Actual)	-		1,600.00
Fiscal 2008 (Forecast)		1,600.00	

3. Projected Consolidated Results for Fiscal 2008 (January 1, 2008 to December 31, 2008)

(Percentages show year-on-year changes)

	Net sales		Operating income	
	Million yen	%	Million yen	%
Full year	28,000	11.9	3,550	16.5

	Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Yen
Full year	3,600	13.8	2,040	60.9	4549.78

4. Others

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

(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: None

b. Changes other than a.: None

(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 2008: 476,640 shares

First half ended June 2007: 476,640 shares

Fiscal 2007: 476,640 shares

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

First half ended June 2008: 28,267 shares

First half ended June 2007: 8,517 shares

Fiscal 2007: 28,267 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 data" on page 45.

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for the First Half of Fiscal 2008 (January 1, 2008 to June 30, 2008)

(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 2008	10,008	49.2	1,729	77.8	1,885	53.8
First half - Fiscal 2007	6,706	-10.5	972	-33.2	1,225	-16.0
Fiscal 2007	16,046	-	2,717	-	3,071	-

	Net income for the first half		Net income per share for the first half
	Million yen	% change	Yen
First half - Fiscal 2008	1,092	140.1	2,436.44
First half - Fiscal 2007	454	-42.7	964.18
Fiscal 2007	1,339	-	2,883.70

(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 2008	12,713	9,162	72.1	20,434.92
First half - Fiscal 2007	11,767	8,779	74.6	18,754.42
Fiscal 2007	12,484	8,566	68.6	19,106.38

(Reference) Shareholders' equity

First half ended June 2008: 9,162 million yen

First half ended June 2007: 8,779 million yen

Fiscal 2007: 8,566 million yen

2. Projected Non-consolidated Results for Fiscal 2008 (January 1, 2008 to December 31, 2008)

	Net sales		Operating income	
	Million yen	%	Million yen	%
Full year	19,300	29.3	3,450	27.0

	Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Yen
Full year	3,620	17.9	2,100	56.7	4,683.60

***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. The Company revised its consolidated and non-consolidated earnings forecast and dividend forecast for the year ending December 2008 as shown above on June 24, 2008 and August 7, 2008, respectively. Please refer to page 6 for assumptions and other matters related to the above 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 2008 were as follows:

Consolidated net sales:	¥14,341 million (up 27.6% year-on-year)
Consolidated operating income:	¥1,669 million (up 42.8% year-on-year)
Consolidated ordinary income:	¥1,733 million (up 39.6% year-on-year)
Net income:	¥972 million (up 199.1% year-on-year)

Both sales and profits hit record highs.

The noteworthy events of this period were as follows:

The Japanese economy came near to a "plateau," and its outlook became increasingly uncertain, affected by confusion in the real estate and financial markets on the back of the subprime mortgage problem in the U.S. and slowed consumer spending amid increasing prices reflecting a surge in the prices of energy and raw materials.

The IT service industry was sluggish as a whole because of client corporations' cautious stance toward investments. However, this situation, in which clients give priority to cost efficiency of IT investments, is thought to be a good business opportunity for the Company, because with our new technologies we renovate conventional systems into low-cost, high-performance systems. This view is justified by our earnings results and orders received for the first half under review.

1. IT Consulting Business

(1) Sales

Sales of the IT Consulting Business were ¥9,990 million, up 40.2 percent from the corresponding period of the previous fiscal year, thanks to continued strong order taking, good use of our consultants, and resultantly our steady delivery.

With respect to the distribution service industries, competition among peer companies heightened and they reviewed their IT strategies. As a result, the Company received many inquiries from them because we provide low-cost systems that enable real-time analysis. Consequently, sales in these industries increased substantially, with the ratio of sales to the total sales accounting for 66 percent (up from 57 percent in the preceding year). In the financial industry, existing projects are progressing steadily, but companies became cautious about IT investments influenced by the subprime mortgage problem. Sales in this industry leveled off, with the ratio of sales representing 21 percent (down from 30 percent). In the manufacturing industry, sales remained almost unchanged from a year earlier, with a sales composition of 13 percent (unchanged from the previous year).

Sales at the IT Consulting Business are broken down into 22 percent (up from 19 percent in the preceding year) for the strategic phase, 25 percent (up from 22 percent) for the design phase, 50 percent (down from 51 percent) for the development phase and 3 percent (down from 8 percent) for the operation and maintenance phase. Sales at each phase grew in a well-balanced manner.

(2) Operating expenses and operating income

As in the previous fiscal year, the Company strengthened the management of project reviews by both the Business Operations and the Quality Control Division, further improved project quality, and operated projects with higher productivity. We also actively reviewed indirect expenses to curtail unnecessary costs while aggressively investing in strategic projects.

Costs included outsourcing expenses of ¥2,856 million caused by our use of more partners to quickly handle projects in the design and development phases for which we received steady orders; recruitment expenses of ¥155 million owing to our active employment of new graduates and mid-career staff; training expenses of ¥133 million caused by our formulation of a structure to rapidly assign new graduates to projects and quickly train them to be leaders; and R&D expenses of ¥36 million because we began to outline a design of distributed architecture. Operating expenses were ¥8,334 million, up 38.2 percent from a year earlier, and operating income was ¥1,656 million, up 51.3 percent.

2. Package & Service Business

(1) Sales

As a result of liquidating again the software business of the former Woodland Corporation in the previous fiscal year, sales of the Package & Service Business decreased 3.3 percent from the previous year to ¥2,249 million. However, the Group in the ERP business fully advanced into the middle-range company market where our know-how of large projects is combined with package services, and we steadily explored markets in new fields through the promotion of collaborations between the head office and Group companies in consigned development work and the operation and maintenance businesses.

(2) Operating expenses and operating income

Because we reviewed operations in the preceding fiscal year, the burden of depreciation of software assets decreased and we restructured the administrative sector. In the period under review, these effects became apparent, with operating expenses dropping 9.0 percent year-on-year to ¥2,042 million. As a result, operating income soared 155.2 percent to ¥206 million.

3. Corporate Revitalization/New Business Cultivation Business

(1) Sales

The Group implemented sales increase measures including renovating outlets; reviewing sales promotion activities; and enhancing merchandising through reinforcement of personnel at the merchandize sector. These measures produced the desired effect, boosting our major outlets' capabilities to attract customers. As a result, sales were ¥2,325 million.

(2) Operating expenses and operating income

Price hikes of oil and foods cooled consumer sentiment, which made it difficult to pass on high costs to prices, and pushed up purchase prices. Operating expenses increased to ¥2,531 million. As a result, operating loss was ¥206 million.

4. Non-operating income/expenses and ordinary income

In the first half under review, we booked an amortization of negative goodwill of ¥28 million as non-operating income. Earnings of the Group's affiliated companies were also steady. Consolidated ordinary income jumped 39.6 percent from the previous year to ¥1,733 million.

5. Extraordinary income/losses, net income before taxes, corporate tax adjustments and net income

In the first half under review, gains on transfer of business of ¥140 million in relation to corporate separation in the public accounting business (part of the IT Consulting Business) were booked as extraordinary income. Meanwhile, extraordinary losses include ¥38 million in losses from sales and disposal of fixed assets in association with the renovation of some outlets in the Corporate Revitalization Business; and ¥15 million in losses on devaluation of investment securities caused by a slowdown in the stock market. Corporate adjustments and minority interests were ¥852 million in total. As a result, net income was ¥972 million for the period under review, up 199.1 percent from the preceding year.

Outlook for the current fiscal year

1. Forecast for the full fiscal year

On June 24, 2008, the Group revised downward its original consolidated earnings forecast for fiscal 2008, as shown below.

Consolidated net sales:	¥28,000 million (up 11.9% year-on-year)
Consolidated operating income:	¥3,550 million (up 16.5% year-on-year)
Consolidated ordinary income:	¥3,600 million (up 13.8% year-on-year)
Consolidated net income:	¥2,040 million (down 60.9% 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 understand the nature of the client's business, understand the challenges they face from the standpoint of management, and use highly practical technological skills to develop and build information systems that can help our clients resolve these business challenges." At present, the Japanese economy is experiencing considerable uncertainty due to rising price of raw materials and the aftershocks of the sub-prime mortgage crisis in the US. However, these pressures are also making corporations in Japan more sensitive to cost issues and increasing demand for more efficient information systems. As a result, Japanese companies are likely to experience an increasing need for the sort of services that the Group provides. The Group will expand IT consulting services through the use of its component products and technology for the midsize-company market that the Group expanded through the merger.

(2) The supply-demand situation of resources in the IT industry will likely continue to tighten. However, the Group's plan to hire mid-career persons and new graduates is progressing smoothly, and we believe we can reduce the outflows of funds particularly in the second half, when new employees hired in April are expected to contribute to our operations, and hence the ratio of using our own staff will increase.

In addition, 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, as well as step up project management, personnel training and R&D activities.

(3) Outlook for operations by industry 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 60% of its entire sales.

Because of the new J-SOX Law and other compliance-related issues, companies have an increasing need for support to maintain and operate their high-level, highly secure operating systems. The Group will develop its operations service business on a full-scale basis, aiming to further increase its earnings capabilities.

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.

In the market for services provided to financial institutions other than banks, the Group not only expects to benefit from a steady stream of orders from existing clients; it also plans to provide consulting services for a wide range of projects, both large and small, at non-bank financial institutions and insurance companies.

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 15% of the Group's total sales.

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, mainly to small and midsize companies. From now on, this group is expected to post brisk sales by using its conventional customer base and products, and enhance operations for midsize clients by complementing its conventional package business with the Company's know-how about project operations.

3) Corporate Revitalization/New Business Cultivation Business

Uoei Shoten Corporation is a midsize supermarket chain with eight outlets and is based in the Chuetsu Region of Niigata Prefecture. Against the backdrop of a slow economy and weak consumer spending, hurt by higher prices, this company aims to improve its gross profit margin by reviewing the terms of transactions with clients and improving operational efficiency through restructuring.

The Group, which has invested in the in-house venture company Zakura Inc. specialized in the Internet media business, will form sales and technical alliances with companies that operate businesses in which the Group is not engaged, in order to continue expanding its operations.

(Progress of the medium-term business plan, etc.)

To differentiate itself from its competitors and maintain continuous growth, the Group will focus its allocation of management resources on research and development, training, recruiting, and other strategic investments, and strive to continuously improve operational efficiency, while setting goals for consolidated net sales of over ¥30.0 billion and ordinary income of over ¥5.0 billion for 2010.

For the current fiscal year, the Group expects, as shown on page 6, consolidated net sales will be ¥28.0 billion, up 11.9 percent from the previous year, and ordinary income will increase 13.8 percent to ¥3.6 billion. Given this, we are likely to achieve the target of net sales for 2010 in the next fiscal year.

Looking at ordinary income, the ratio of ordinary income to net sales has been slightly declining in the current fiscal year since we are using more employees of our partners for some projects. However, in and after the next fiscal year, we forecast that this temporary decrease will disappear, and the Group should be able to meet the targets of its medium-term management 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 2008.

Assets:	¥13,891 million (down 1.0% year-on-year)
Liabilities:	¥4,540 million (down 12.4% year-on-year)
Net assets:	¥9,351 million (up 5.6% year-on-year)

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

(a) Current assets

Current assets were ¥8,430 million on a consolidated basis at the end of the period under review, up ¥156 million from the previous year.

This increase reflects mainly a ¥397 million decrease in cash and cash equivalents, a ¥288 million increase in notes and accounts receivable caused by a concentration of claims on the settling month, and a ¥313 million rise in other current assets derived from the booking of accounts receivable related to business transfer.

For the breakdown of decrease in cash and cash equivalents, please see “2. Analysis of cash flows” below.

(b) Fixed assets

Fixed assets amounted to ¥5,461 million at the end of the period under review, down ¥301 million from the preceding year.

This decrease is attributable primarily to a decline in intangible fixed assets of ¥247 million caused by the progress of depreciation, and a fall in deferred tax assets of ¥65 million.

(c) Current liabilities

Current liabilities stood at ¥4,113 million at the end of the period under review, down ¥619 million from a year earlier.

The drop is chiefly because of a ¥840 million decrease resulting from repayment of long-term borrowings and redemption of bonds, a ¥452 million increase in relation to booking of income tax payable and other taxes, and a ¥279 million decline in other current liabilities.

(d) Fixed liabilities

Non-current liabilities were ¥426 million at the end of the period under review, down ¥24 million from the previous year, owing primarily to repayment of long-term borrowings and an increase in retirement obligations amid a decreased market value of pension funds.

(e) Net assets

Net assets were ¥9,351 million at the end of the period under review, up ¥499 million from the preceding year.

The increase reflects mainly a ¥972 million growth thanks to our booking of net income and a ¥425 million decrease owing to payment of dividends.

(f) Total assets

Total assets were ¥13,891 million at the end of the period under review, down ¥145 million from a year earlier.

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 ¥1,357 million in the period under review, reflecting net income before taxes of ¥1,825 million, corporate tax payment of ¥201 million for the previous fiscal year, and a decrease in accounts payable of ¥277 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 ¥432 million in the period under review. Purchase of tangible fixed assets in relation to office relocation and outlet renovation amounted to ¥230 million. Acquisition of intangible fixed assets associated with software development was ¥97 million, and purchase of investment securities amounted to ¥156 million.

(c) Cash flows from financing activities

Cash outflows from financing activities were ¥1,317 million in the period under review, reflecting our repayment of borrowings and redemption of bonds amounting to ¥892 million, and payment of dividends amounting to ¥423 million.

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

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥2,466 million, because of a decrease of ¥396 million in cash and cash equivalents, the result of calculating cash flows from operating, investing and financing activities.

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 contracts concluded with clients 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 and Service Business, we need funds for operating expenses because we charge for and collect fees of services after clients inspect and receive those services. The Group raises such funds by financing within the Group. In Corporate Revitalization/New Business Cultivation 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 Corporate Revitalization/New Business Cultivation 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 from financial institutions 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, which is realized using the cash management system (CMS).

As described in “(3) Dividend policy and dividends for the current year” on page 11 and “a. Demand for operating funds” above, 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 d) strengthen M&A activities and e) enhance alliances with external partner companies in order to raise the value added of services provided by the Group. As for M&A activities in the IT-related industries, where business is fast, the Group considers liquidity at hand as important funds for such activities, while regarding borrowings from financial institutions as an option to raise funds.

At its developing stage, the Group needs to raise funds directly from capital markets in order to further grow and expand. Such fund-raising measures include an effective use of treasury stock (acquisition, allocation and disposal). Therefore, the Group will continue to consider pursuing direct financing as well as financial operations as described above.

(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 while comprehensively taking into purchase of treasury shares, we will give due consideration to a proper balance between dividend payout and internal reserves needed for important investments. We will make such investments to enhance R&D activities for design and development technologies to ensure medium-term technological superiority—the core source of maximizing medium- to long-term corporate value; to attract and train personnel; to implement measures for strengthening project management; and to enhance M&A activities and alliances with external partner companies in order to increase the value-added of services.

The Company had targeted a non-consolidated payout ratio of 30 percent or more in allocating retained earnings. However, because of favorable earnings and in view of returning more profits to shareholders, we have decided to increase the payout ratio for the current fiscal year, revising our dividend projection upward to ¥1,600 per share from the ¥1,100 we originally announced.

(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, 2008.

(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.

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

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 reconstructions, reorganization and integration, we forecast that client needs for the Group's unique IT Consulting Business will continue growing. 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 strives to meet the needs of clients, mainly small and midsize companies, for improving operational efficiency, by offering in-house developed sales management and accounting software packages through our sales channels, partners, OEM agreements, or ASPs.

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/New Business Cultivation 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 future direction for the Japanese economy remains uncertain because of the effects of the subprime mortgage problem and an increase of prices caused by price hikes of raw materials.

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 competitiveness for technologically-advanced companies. The Group will steadily enhance its internal structure by training staff and strengthening project management, and join hands with user companies to promote their managerial reforms.

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. Furthermore, the deterioration of business sentiment of small and midsize companies often occurs before that of large companies, and market competition is always fierce. Given this, we are concerned that the Group's operations may be adversely affected depending on the future direction of macroeconomics.

Still, 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 reduce the customization processes in order to realize low-cost packages that can be installed quickly, while improving 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/New Business Cultivation 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 in reducing prices, rise of food prices caused by the growing global demand for resources, or substantial price fluctuations of perishable owing to abnormal weather.

(3) Business development and outlook

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 translating its experience gained over many years into know-how, using its software components and products — our in-house assets, and establishing a system to spread them 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, 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 IT Consulting Business of 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 are already in the stage of being applied, and are contributing to improving system quality and productivity in actual systems development. 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

In the IT industry, it is increasingly important to recruit talented personnel amid further growing needs of clients for IT at a time when open systems are replacing legacy systems on a full-scale basis.

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 ¥163 million and ¥137 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 Technology & Quality Control Division.

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.

(10) Dependence on specific clients

The IT Consulting Business of the Group may temporarily come to rely heavily on sales to specific clients because of limited human resources, when large-scale projects of these clients enter the development phase and we have to allocate a significant portion of human resources within (and outside) the Group 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. Furthermore, at times we may need 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 ¥150 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 Corporate Revitalization/New Business Cultivation Business, the Group operates small retail stores. If the business environment changes significantly because of such factors as competitors establishing large stores in their marketing areas or food procurement prices rising, 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 that development, resulting in a time lag until we recoup our investments. 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) External environment

In the retail industry, costs of sales may increase significantly because of factors over which the retailers have no control, as seen in the recent case where prices of raw materials, fuels and foods surged worldwide, and retailers may fail to fully pass on higher costs to prices. In this case, the Group's operating results may be affected.

(17) 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.

(18) 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 amounting to ¥1,541 million in companies (including six 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 above amount, we invested ¥489 million in listed companies, and hence that investment's value will be subject to the trends of the stock market. In the first half under review, we registered unrealized profits of ¥100 million, but such profits may substantially increase or decrease from now on.

2. The Future Group

Disclosure of “The Future Group” is omitted because there have been no significant changes in the “Diagram of business structure (Business activities)” and “Affiliated companies” since we stated them in the recent Securities Report, which we disclosed on March 25, 2008.

For the present details of “The Future Group,” please see the Company’s website (<http://www.future.co.jp/company/index.html>).

3. Management Policy

(1) Basic corporate tenets

We have omitted to disclose (1) Basic corporate tenets and (2) Goals and objectives because there have been no significant changes in these items since they we stated them in the “Summary Report of Consolidated Operating Results for Fiscal 2007,” which we announced on February 7, 2008.

For the said summary report, you can refer to the following websites:

Website of the Company:

<http://www.future.co.jp>

Website of the Tokyo Stock Exchange (listed company information search page):

<http://www.tse.or.jp/listing/compsearch/index.html>

(3) Medium to long-term management strategies

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/ New Business Cultivation Business, in which the Company gets deeply involved in the existing businesses of clients aiming to reform clients and their surrounding areas.

In addition, the Company will actively stabilize and expand its businesses by forming alliances with client companies and other firms in the same industry, when necessary.

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 the establishment of more advanced project management, risk control and design methodologies, the Group will further 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 while advancing into the market of midsize client companies on a full-scale basis.

Corporate Revitalization Business

- (1) The Group will get deeply involved in the management team of client firms, assess and relieve bottlenecks of their operations, expedite their decision-making process, and improve their profitability.
- (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) In addition, the Group uses and combines its extensive technological skills and know-how in management, sales, and general IT activities for a wide range of different industries, focusing them in order to contribute to developments in each target industry. In this way, the Group continuously seeks to expand the range of its operations, establishing alliances with companies that are active in sectors that the Group has not worked in previously and investing in venture companies to expand its business portfolio in the most appropriate manner.
- (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. Improvement of profitability [Package & Services Business]
In the Package & Service Business, the Group customizes existing software packages. However, profitability may decrease if customization services require more person-hours than anticipated, or functional addition and modification to software packages may involve various potential 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.
 - e. 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 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, cultivate new leading partners and implement effective partner strategies.
 - f. Management of information on sales, purchase and inventory [Corporate Revitalization/New Business Cultivation 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.
 - g. Enhancement of individual stores [Corporate Revitalization/New Business Cultivation 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 experiencing increased uncertainty, hurt by the subprime mortgage problem that emerged in the second half of last year, and this year's jump in international prices for raw materials, fuels and foods.

Under such circumstances, concern arose over the direction of companies' overall investment activities. Meanwhile, IT is now indispensable "weapons" for corporate management, and companies, fearful of the uncertain future, are reviewing the efficiency and rationality of their existing IT investments. We think this is rather a good business opportunity for the Company, a supplier of business models based on advanced technologies that enable clients to improve their cost performance.

In the first half under review, both demand and sales at the IT Consulting Business, our core operations, remained robust. As for the Package & Service Business, which was created when the Company integrated its operations with those of the Woodland Corporation group, profits increased steadily due to the effects of our business review in the previous fiscal year. As a result, consolidated profits marked a record high, and we revised our dividend forecast upward.

With respect to the Corporate Revitalization/New Business Cultivation Business, the retail sector, where market competition is intense, is facing difficult times affected by price hikes of primary raw materials worldwide. We regard this as a priority issue to tackle in the second half.

Against the back of increasingly severe market environment, the Company will promote open system-based projects using cutting-edge technologies, its forte, while surely pushing up demand, by exploring markets in advance and forming alliances with client companies when necessary. It is also needless to say that we will focus on further enhancing technological capability and training personnel.

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 (As of Jun. 30, 2007)		End of first half (As of Jun. 30, 2008)		Previous fiscal year (As of Dec. 31, 2007)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
(Assets)						
I. Current assets						
1. Cash and cash equivalents	2,155,191		2,566,971		2,964,532	
2. Notes and accounts receivable	3,408,903		4,698,447		4,409,484	
3. Inventories	327,172		301,599		268,139	
4. Deferred tax assets	617,634		208,131		275,523	
5. Others	504,354		696,990		383,203	
6. Allowance for doubtful accounts	(50,958)		(42,105)		(27,105)	
Total current assets	6,962,298	51.2	8,430,035	60.7	8,273,777	58.9
II. Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	2,944,245		2,750,818		2,902,862	
Accumulated depreciation	2,097,589	846,655	1,910,068	840,750	2,075,121	827,740
(2) Others *1	1,871,623		1,922,453		1,873,564	
Accumulated depreciation	1,016,235	855,387	1,132,704	789,748	1,094,692	778,872
Total tangible fixed assets	1,702,042	12.5	1,630,499	11.7	1,606,612	11.5
2. Intangible fixed assets						
(1) Goodwill *2	63,012		42,774		103,532	
(2) Software	874,442		589,853		749,416	
(3) Others	422,791		367,871		394,714	
Total intangible fixed assets	1,360,246	10.0	1,000,498	7.2	1,247,664	8.9
3. Investments and other assets						
(1) Investment securities	1,877,739		1,541,060		1,526,446	
(2) Deposit guarantees	795,797		811,969		838,030	
(3) Deferred tax assets	479,076		185,724		250,851	
(4) Others	1,026,916		342,400		408,042	
(5) Allowance for doubtful accounts	(612,741)		(50,802)		(114,473)	
Total investments and other assets	3,566,788	26.3	2,830,352	20.4	2,908,897	20.7
Total fixed assets	6,629,077	48.8	5,461,350	39.3	5,763,174	41.1
Total assets	13,591,375	100.0	13,891,385	100.0	14,036,951	100.0

(Unit: thousands of yen)

Item	Period	End of first half (As of Jun. 30, 2007)		End of first half (As of Jun. 30, 2008)		Previous fiscal year (As of Dec. 31, 2007)	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
(Liabilities)							
I.	Current liabilities						
1.	Accounts payable	815,076		1,190,856		1,213,444	
2.	Short-term borrowings	741,000		300,000		885,000	
3.	Long-term borrowings due within one year *1	673,168		162,455		407,906	
4.	Bonds payable within one year	20,000		160,000		170,000	
5.	Income tax payable, etc.	85,803		701,441		249,031	
6.	Reserve for bonuses	-		51,854		37,215	
7.	Reserve for quality assurance	83,973		150,000		94,546	
8.	Others	1,297,279		1,396,698		1,675,900	
	Total current liabilities	3,716,300	27.3	4,113,304	29.6	4,733,044	33.7
II.	Fixed liabilities						
1.	Bonds	160,000		-		-	
2.	Long-term borrowings *1	515,023		317,786		369,969	
3.	Allowance for retirement benefits	46,744		79,551		50,286	
4.	Others	36,811		29,484		31,529	
	Total fixed liabilities	758,579	5.6	426,822	3.1	451,784	3.2
	Total liabilities	4,474,879	32.9	4,540,127	32.7	5,184,829	36.9
(Net assets)							
I.	Shareholders' equity						
1.	Common stock	1,421,815	10.4	1,421,815	10.2	1,421,815	10.1
2.	Additional paid-in capital	2,866,178	21.1	2,866,178	20.6	2,866,178	20.4
3.	Consolidated retained earnings	5,270,851	38.8	6,764,731	48.7	6,213,675	44.3
4.	Treasury stock	(758,372)	(5.6)	(1,870,942)	(13.4)	(1,870,942)	(13.3)
	Total shareholders' equity	8,800,471	64.7	9,181,782	66.1	8,630,726	61.5
II.	Valuation, translation adjustments, etc.						
1.	Net unrealized gain on available-for-sale securities	115,314	0.9	59,555	0.4	130,354	0.9
2.	Foreign currency translation adjustments	1,004	0.0	(497)	(0.0)	152	0.0
	Total valuation, translation adjustments, etc.	116,319	0.9	59,058	0.4	130,507	0.9
III.	Minority interests	199,704	1.5	110,417	0.8	90,888	0.7
	Total net assets	9,116,496	67.1	9,351,257	67.3	8,852,122	63.1
	Total liabilities and net assets	13,591,375	100.0	13,891,385	100.0	14,036,951	100.1

(b) Consolidated Statements of Income

(Unit: thousands of yen)

Item	Period		First half (Jan. 1,2007 - Jun. 30, 2007)		First half (Jan. 1,2008 - Jun. 30, 2008)		Fiscal year (Jan. 1,2007 - Dec. 31, 2007)		
	Amount		Ratio (%)	Amount		Ratio (%)	Amount		Ratio (%)
I. Net Sales		11,237,231	100.0		14,341,257	100.0		25,018,281	100.0
II. Cost of sales *4		6,462,735	57.5		9,310,141	64.9		14,793,440	59.1
Gross Profit		4,774,495	42.5		5,031,115	35.1		10,224,840	40.9
III. Selling, general and administrative expenses									
1. Officers' remuneration	207,523			192,690			442,974		
2. Salaries and bonuses	1,425,765			1,495,628			2,532,716		
3. Employee training expenses	146,842			137,111			246,009		
4. Research & development expenditures	93,611			39,182			144,100		
5. Depreciation	115,343			106,867			219,903		
6. Recruitment expenses	167,890			163,809			319,635		
7. Amortization of goodwill	75,621			89,102			166,395		
8. Others	1,373,205	3,605,803	32.1	1,137,687	3,362,079	23.5	3,106,877	7,178,613	28.7
Operating Income		1,168,692	10.4		1,669,035	11.6		3,046,226	12.2
IV. Non-operating income									
1. Interest income	6,700			5,297			11,345		
2. Dividend income	5,904			10,772			9,461		
3. Amortization of negative goodwill	32,773			28,414			56,623		
4. Equity in income of non-consolidated subsidiaries & affiliates	8,138			10,252			18,247		
5. Others	48,347	101,863	0.9	28,116	82,854	0.6	70,187	165,865	0.6
V. Non-operating expenses									
1. Interest expenses	17,355			8,362			27,275		
2. Treasury stock purchasing expenses	4,320			-			10,996		
3. Others	7,484	29,160	0.3	10,253	18,615	0.1	11,415	49,687	0.2
Ordinary Income		1,241,395	11.0		1,733,274	12.1		3,162,405	12.6
VI. Extraordinary income									
1. Gains on sale of investment securities	138,602			7,882			261,102		
2. Gains on reversal from allowance for doubtful accounts	4,148			-			-		
3. Gains on changes in equity	7,311			-			4,255		
4. Gains on transfer of business	-			140,898			-		
5. Others	-	150,062	1.3	-	148,780	1.0	8,084	273,442	1.1
VII. Extraordinary losses									
1. Losses on sale of fixed assets *2	-			13,295			6,384		
2. Losses on disposal of fixed assets *1	60,118			25,510			75,806		
3. Losses on sale of investment securities	-			1,793			3,000		
4. Losses on devaluation of investment securities	103,950			15,986			292,331		
5. Office relocation expenses	-			-			116,000		
6. Impairment losses *3	317,138			-			317,138		
7. Losses on devaluation of inventories	19,999	501,207	4.4	-	56,585	0.4	19,999	830,661	3.3
Net income before taxes		890,250	7.9		1,825,469	12.7		2,605,186	10.4
Corporate, residential and enterprise taxes	124,223			649,331			384,458		
Corporate tax adjustments	474,375	598,598	5.3	187,312	836,644	5.8	1,000,690	1,385,149	5.5
Minority interests in net income (loss)		(33,636)	(0.3)		15,906	0.1		(48,075)	(0.2)
Net income		325,288	2.9		972,918	6.8		1,268,112	5.1

(c) Consolidated Statements of Changes in Shareholders' Equity for the First Half
Previous first half period (Jan. 1, 2007 - Jun. 30, 2007)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006 (thousands of yen)	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 (thousands of yen)	-	370,405	(94,360)	2,335,185	2,611,230
Balance as of June 30, 2007 (thousands of yen)	1,421,815	2,866,178	5,270,851	(758,372)	8,800,471

	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 (thousands of yen)	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 (thousands of yen)	(172,612)	387	(172,224)	184,291	2,623,297
Balance as of June 30, 2006 (thousands of yen)	115,314	1,004	116,319	199,704	9,116,496

First half under review (Jan. 1, 2008 - Jun. 30, 2008)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007 (thousands of yen)	1,421,815	2,866,178	6,213,675	(1,870,942)	8,630,726
Changes during the first half					
Earnings paid out as dividends			(425,954)		(425,954)
Net income for the period			972,918		972,918
Increase caused by exclusion of consolidated subsidiaries			4,092		4,092
Changes in items other than the shareholders' equity during the first half (net amount)	-	-	-	-	-
Total changes during the first half (thousands of yen)	-	-	551,055	-	551,055
Balance as of June 30, 2008 (thousands of yen)	1,421,815	2,866,178	6,764,731	(1,870,742)	9,181,782

	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, 2007 (thousands of yen)	130,354	152	130,507	90,888	8,852,122
Changes during the first half					
Earnings paid out as dividends					(425,954)
Net income for the period					972,918
Increase caused by exclusion of consolidated subsidiaries					4,092
Changes in items other than the shareholders' equity during the first half (net amount)	(70,798)	(650)	(71,449)	19,528	(51,920)
Total changes during the first half (thousands of yen)	(70,798)	(650)	(71,449)	19,528	499,135
Balance as of June 30, 2008 (thousands of yen)	59,555	(497)	59,058	110,417	9,351,257

Consolidated Statements of Changes in Shareholders' Equity of the Previous Fiscal Year
(Jan. 1, 2007 – Dec. 31, 2007)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006 (thousands of yen)	1,421,815	2,495,772	5,365,211	(3,093,558)	6,189,241
Changes during the period					
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			1,268,112		1,268,112
Purchase of treasury stock				(1,868,549)	(1,868,549)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	-	-	-	-	-
Total changes during the period (thousands of yen)	-	370,405	848,463	1,222,615	2,441,485
Balance as of December 31, 2007 (thousands of yen)	1,421,815	2,866,178	6,213,675	(1,870,942)	8,630,726

	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 (thousands of yen)	287,927	617	288,544	15,413	6,493,198
Changes during the period					
Increase (decrease) by merger					3,461,571
Earnings paid out as dividends					(419,649)
Net income for the period					1,268,112
Purchase of treasury stock					(1,868,549)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(157,572)	(464)	(158,037)	75,475	(82,561)
Total changes during the period (thousands of yen)	(157,572)	(464)	(158,037)	75,475	2,358,923
Balance as of December 31, 2007 (thousands of yen)	130,354	152	130,507	90,888	8,852,122

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

(Unit: thousands of yen)

Item	First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)
	Amount	Amount	Amount
I. Cash flows from operating activities:			
Net income before taxes	890,250	1,825,469	2,605,186
Depreciation and amortization	390,874	379,434	824,754
Increase (decrease) in allowance for doubtful accounts	-	(9,062)	(21,311)
Increase (decrease) in reserve for bonuses	81,449	14,638	6,885
Increase (decrease) in allowance for retirement benefits	(16,505)	29,265	(12,963)
Increase (decrease) in reserves for quality assurance	(187,833)	55,453	(179,765)
Earned interest and dividends	(12,604)	(16,070)	(20,807)
Interest expenses	17,355	8,362	27,275
Gains on changes in equity	(7,311)	-	(4,255)
Gains on transfer of business	-	(140,898)	-
Equity in income (losses) of subsidiaries & affiliates	(8,138)	(10,252)	(18,247)
Gains on sale of fixed assets	-	-	(8,084)
Losses on sale of fixed assets	-	13,295	6,384
Losses on disposal of fixed assets	60,118	25,510	75,806
Gains on sale of investment securities	(138,602)	(7,882)	(261,102)
Losses on sale of investment securities	-	1,793	3,000
Losses on devaluation of investment securities	103,950	15,986	292,331
Gains on reversal from allowance for doubtful accounts	(4,148)	-	-
Impairment losses	317,138	-	317,138
Office relocation expenses	-	-	116,000
Losses on devaluation of inventories	19,999	-	19,999
Increase (decrease) in accounts receivable	(1,225,711)	(277,627)	(2,241,655)
Increase (decrease) in inventories	98,568	(21,502)	157,601
Increase (decrease) in other assets	74,321	46,217	192,497
Increase (decrease) in accounts payable	962	(16,077)	354,687
Increase (decrease) in other liabilities	(348,455)	(364,761)	70,057
Subtotal	105,678	1,551,291	2,301,414
Interest and dividends received	12,066	15,763	20,055
Interest paid	(17,115)	(8,805)	(25,114)
Income and other taxes	(610,102)	(201,141)	(698,509)
Net cash provided by (used in) operating activities	(509,473)	1,357,108	1,597,844

(Unit: thousands of yen)

Item	First half	First half	Fiscal year
	(Jan. 1, 2007 - Jun. 30, 2007)	(Jan. 1, 2008 - Jun. 30, 2008)	(Jan. 1, 2007 - Dec. 31, 2008)
	Amount	Amount	Amount
II. Cash flows from investing activities:			
Withdrawal of long-term deposits	-	-	100,000
Purchase of tangible fixed assets	(625,212)	(230,799)	(757,536)
Proceeds from sale of tangible fixed assets	1,366	11,145	75,067
Purchase of intangible fixed assets	(119,421)	(97,819)	(234,086)
Proceeds from sale of intangible fixed assets	626	354	687
Proceeds related to the acquisition of shares of newly consolidated subsidiaries	-	5,135	-
Purchase of shares of subsidiaries	-	-	(123,156)
Proceeds from sale of shares of subsidiaries	-	-	13,359
Purchase of investment securities	(30,198)	(156,800)	(30,198)
Proceeds from sale of investment securities	162,349	13,058	466,849
Net increase in deposit guarantees	(304,035)	(116,224)	(374,661)
Proceeds from collection of deposit guarantees	212,160	139,602	239,806
Proceeds from collection of loans	85,920	210	99,630
Proceeds from cancellation of insurance reserves	33,940	-	41,263
Proceeds from cancellation of golf-club memberships	13,000	-	13,000
Net cash provided by (used in) investing activities	(569,503)	(432,136)	(469,974)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(101,000)	(585,000)	43,000
Repayment of long-term borrowings	(556,130)	(297,633)	(966,446)
Redemption of debentures	(10,000)	(10,000)	(20,000)
Purchase of treasury stock	(760,300)	-	(1,879,546)
Dividends paid	(415,414)	(423,104)	416,507
Dividends paid to minority shareholders	(1,200)	(1,392)	(1,200)
Net cash provided by (used in) financing activities	(1,844,045)	(1,317,129)	(3,240,699)
IV. Effect of exchange rate changes on cash and cash equivalents	387	(3,886)	(464)
V. Increase (decrease) in cash and cash equivalents	(2,922,635)	(396,044)	(2,113,293)
VI. Cash and cash equivalents at beginning of the period	3,871,832	2,864,532	3,871,832
VII. Decrease in cash and cash equivalents caused by exclusion of subsidiaries from consolidation	-	(1,516)	-
VIII. Increase in cash and cash equivalents from merger	1,105,993	-	1,105,993
IX. Cash and cash equivalents at end of the period *1	2,055,191	2,466,971	2,864,532

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

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
1. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 18 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, e-Manufacturing Co., Ltd., ABM Corporation, Elm Corporation, Fit Corporation, Mthink Co., Ltd., Maple Inc., SWaN Corporation, Wiseware Co., Ltd., Triple-W Corp., Solution East Corporation, Ascendia Inc., XEBEC LAND Inc., Uoei Shoten Corporation, Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc. ABM Corporation, Elm Corporation, Fit Corporation, Mthink Co., Ltd., Maple Inc., SWaN Corporation, Wiseware Co., Ltd., Triple-W Corp., Solution East Corporation, Ascendia Inc., XEBEC LAND Inc. and Associant Technology Inc. became subsidiaries on January 1, 2007, as part of the merger with Woodland Corporation. They have subsequently been added to the scope of the Group's consolidated accounts.</p> <p>(2) Names and other details of non-consolidated subsidiaries Non-consolidated subsidiaries: Logilix Digital Retail Corp. Next ERP TRINITY SOFTWARE PHILIPPINES, INC. Reason for excluding non-consolidated subsidiaries from the scope of consolidation: 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.</p>	<p>(1) Number of consolidated subsidiaries: 12 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, e-Manufacturing Co., Ltd., ABM Corporation, Elm Corporation, Ascendia Inc., XEBEC LAND Inc., Uoei Shoten Corporation, Zakura Inc. Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc. On January 30, 2008, the Group underwrote new shares issued by Zakura Inc. for capital increase through a third-party allotment, and resultantly made the subject company a subsidiary and included it in the scope of consolidation. The Group completed the liquidation of Solution East Corporation, and removed it from the scope of consolidation. There are no non-consolidated subsidiaries.</p>	<p>(1) Number of consolidated subsidiaries: 12 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, e-Manufacturing Co., Ltd., ABM Corporation, Elm Corporation, Ascendia Inc., XEBEC LAND Inc., Solution East Corporation, Uoei Shoten Corporation, Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc. ABM Corporation, Elm Corporation, Ascendia Inc., XEBEC LAND Inc., Solution East Corporation and Associant Technology Inc. became subsidiaries on January 1, 2007, as part of the merger with Woodland Corporation. They have subsequently been added to the scope of the Group's consolidated accounts. The aforementioned merger also made subsidiaries of SWaN Corporation and Wiseware Co., Ltd., which were merged with the parent company on December 31, 2007. On the same day, Fit Corporation, Mthink Co., Ltd., Maple Inc. and Triple-W Corp. were merged with Elm Corporation and thus ceased to exist as separate companies. Accordingly, their names were removed from the consolidated accounts.</p> <p>(2) Names and other details of non-consolidated subsidiaries Non-consolidated subsidiaries: Logilix Reason for excluding non-consolidated subsidiaries from the scope of consolidation: Logilix was removed from the consolidated accounts because it is undergoing liquidation procedures, and therefore it is effectively beyond the control of the parent company.</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
2. Application of equity method	<p>(1) Number of affiliated companies to which equity-method is applicable: 5 Names and other details of affiliated companies to which equity-method is applicable Shanghai UFIDA Future Consulting Ltd., dit Co., Ltd., Cyber Solution Inc., Elmos Inc and d-worx Inc. Incidentally, dit Co., Ltd. Cyber Solution Inc., and Elmos Inc became subsidiaries on January 1, 2007, as part of the merger with Woodland Corporation. For financial purposes they are treated as equity-method affiliates.</p> <p>(2) Names and other details of non-consolidated subsidiaries and affiliated companies to which equity-method is not applicable Non-consolidated subsidiaries and affiliated companies: Logilix Digital Retail Corp. Next ERP TRINITY SOFTWARE PHILIPPINES, INC. Public Management Reason for excluding non-consolidated subsidiaries from the scope of consolidation: 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.</p>	<p>(1) Number of affiliated companies to which equity-method is applicable: 6 Names and other details of affiliated companies to which equity-method is applicable Shanghai UFIDA Future Consulting Ltd., dit Co., Ltd., Cyber Solution Inc., Elmos Inc and d-worx Inc., Success Consulting Co., Ltd. On February 9, 2008, the Group purchased shares of Success Consulting Co., Ltd., and made it an affiliate to which the equity method is applicable. There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.</p>	<p>(1) Number of affiliated companies to which equity-method is applicable: 5 Names and other details of affiliated companies to which equity-method is applicable Shanghai UFIDA Future Consulting Ltd., dit Co., Ltd., Cyber Solution Inc., Elmos Inc and d-worx Inc. Incidentally, dit Co., Ltd. Cyber Solution Inc., and Elmos Inc became subsidiaries on January 1, 2007, as part of the merger with Woodland Corporation. For financial purposes they are treated as equity-method affiliates.</p> <p>(2) Names and other details of non-consolidated subsidiaries and affiliated companies to which equity-method is not applicable Non-consolidated subsidiaries and affiliated companies: Logilix Public Management Reason for excluding non-consolidated subsidiaries and affiliated companies from the scope of consolidation: Logilix is undergoing liquidation procedures, and therefore it is effectively beyond the control of the parent company. In addition, Public Management is excluded because the company's earnings contributions and retained earnings for the fiscal year do not have a meaningful impact on the Group's overall results.</p>
3. First half accounting period of consolidated subsidiaries	<p>Uoei Shoten's account settlement date for the first half is January 31, and Associant Technology's is September 30. 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.</p>	<p>Uoei Shoten's account settlement date for the first half is May 31. In preparing consolidated financial statements for the first half, the Group normally presents the balance sheet position of consolidated subsidiaries using figures as of the first half-end date of each subsidiary. However, if there are any major transactions or events affecting the financial condition of the subsidiaries between the date of their book closing for the first half and the parent company's for the first half-end, the Group makes necessary adjustments to its financial statements to reflect these transactions.</p>	<p>Uoei Shoten's account settlement date is November 30. During the fiscal year, Uoei Shoten Corporation changed its fiscal year end from July 31 to November 30. In preparing consolidated financial statements, the Group normally presents the balance sheet position of consolidated subsidiaries using figures as of the fiscal year-end date of each subsidiary. However, if there are any major transactions or events affecting the financial condition of the subsidiaries between the date of their book closing and the parent company's fiscal year-end, the Group makes necessary adjustments to its financial statements to reflect these transactions.</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
4. Accounting standards (1) valuation standards/methods for principal assets	<p>(a) Securities: Other securities: - 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). - Securities for which market price is not available: Stated at cost based on moving average method</p> <p>(b) Inventories - 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) Uoei Shoten adopts the cost method based on the retail method. - 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: Other securities: - Securities for which market price is available: Same as on the left - Securities for which market price is not available: Same as on the left</p> <p>(b) Inventories - Merchandise/products: Same as on the left - Products in progress: Same as on the left</p>	<p>(a) Securities: Other securities: - 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). - Securities for which market price is not available: Same as on the left</p> <p>(b) Inventories - Merchandise/products: Same as on the left - Products in progress: Same as on the left</p>
(2) Depreciation/ amortization of major depreciable/ amortizable assets	<p>(a) Tangible fixed assets: The Group mainly uses the declining balance method to depreciate assets, though some items are depreciated using the straight-line method. If the acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using the straight-line method over three (3) years. Useful life is as follows: Buildings 3-34 years Others 3-20 years</p> <p>(b) Intangible fixed assets: Software for use by the Company is depreciated using straight-line method over its useful life (5 years). 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: Same as on the left</p> <p>(b) Intangible fixed assets: Software for use by the Company: Same as on the left Software for sale: Same as on the left</p>	<p>(a) Tangible fixed assets: Same as on the left</p> <p>(b) Intangible fixed assets: Software for use by the Company: Same as on the left Software for sale: Same as on the left</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30,2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
(3) Accounting standards for allowances/reserves	<p>Goodwill and negative goodwill: Goodwill and negative 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 Straight-line method</p> <p>(a) Allowance for doubtful accounts 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: In projects related to open system consultation and system development (IT consulting services and Packaging & 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 and Packaging & Services. To prepare for additional cost of sales in IT consulting services and Packaging & 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 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 and negative goodwill: Same as on the left</p> <p>Others Same as on the left</p> <p>(a) Allowance for doubtful accounts Same as on the left</p> <p>(b) Reserve for quality assurance Same as on the left</p> <p>(c) Reserve for bonuses Same as on the left</p>	<p>Goodwill and negative goodwill: Same as on the left</p> <p>Others Same as on the left</p> <p>(a) Allowance for doubtful accounts Same as on the left</p> <p>(b) Reserve for quality assurance Same as on the left</p> <p>(c) Reserve for bonuses In order to set aside funds for the payment of bonuses to employees at consolidated subsidiaries, the estimated amount of expenses for bonus payments in the current fiscal year is set aside in the reserve for bonuses account.</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
	(d) Allowance for retirement benefits 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 Same as on the left	(d) Allowance for retirement benefits 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.: Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. 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.: Same as on the left	Accounting treatment of consumption taxes, etc. 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 (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)
<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>	-----	<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 fiscal year under review.</p>
<p>(Accounting standards for measurement of inventories)</p> <p>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.</p>	-----	<p>(Accounting standards for measurement of inventories)</p> <p>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 fiscal year under review. This adoption had little impact on the Group’s earnings for the fiscal year under review.</p>
<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. This adoption had little impact on the Group’s earnings for the period under review.</p>	-----	<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 fiscal year under review. This adoption had little impact on the Group’s earnings for the fiscal year under review.</p>

Change in classification

First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)
<p>(Consolidated balance sheets for the first half)</p> <ol style="list-style-type: none"> 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. 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. 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. 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. <p>(Consolidated statements of income for the first half)</p> <p>"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.</p>	-----

Additional information

First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
-----	<p>(Depreciation method of tangible fixed assets)</p> <p>Beginning in the first half under review, tangible fixed assets acquired on or before March 31, 2007 will be evenly amortized over five years from the consolidated fiscal year after the consolidated fiscal year in which such assets are depreciated down to the maximum allowable amount. This practice had little effect on earnings for the period under review.</p>	-----

Notes

(Notes to the Balance Sheets for the First Half)

(Unit: thousands of yen)

	End of first half (As of Jun. 30, 2007)	End of first half (As of Jun. 30, 2008)	Previous fiscal year (As of Dec. 31, 2007)
*1. Assets pledged as collateral	Land 76,247	Land 76,247	Land 76,247
	Obligations with collateral pledged among the above assets	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 10,080	Long-term borrowings due within one year 10,080
	Long-term borrowings 24,360	Long-term borrowings 15,120	Long-term borrowings 20,160
	Total 34,440	Total 25,200	Total 30,240
*2. Goodwill and negative goodwill	After offsetting goodwill against negative goodwill, net goodwill is stated under goodwill of fixed assets. Before offsetting, the amounts of goodwill and negative goodwill are as follows:	After offsetting goodwill against negative goodwill, net goodwill is stated under goodwill of fixed assets. Before offsetting, the amounts of goodwill and negative goodwill are as follows:	After offsetting goodwill against negative goodwill, net goodwill is stated under goodwill of fixed assets. Before offsetting, the amounts of goodwill and negative goodwill are as follows:
	Goodwill 357,970	Goodwill 241,107	Goodwill 330,209
	Negative goodwill -294,957	Negative goodwill -198,332	Negative goodwill -226,677

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

(Unit: thousands of yen)

	First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)																																		
*1 Breakdown of Losses on disposal of fixed assets	<table border="1"> <tr><td>Buildings and structures</td><td>22,858</td></tr> <tr><td>Software</td><td>36,400</td></tr> <tr><td>Others</td><td>860</td></tr> <tr><td>Total</td><td>60,118</td></tr> </table>	Buildings and structures	22,858	Software	36,400	Others	860	Total	60,118	<table border="1"> <tr><td>Buildings and structures</td><td>21,886</td></tr> <tr><td>Others</td><td>3,624</td></tr> <tr><td>Total</td><td>25,510</td></tr> </table>	Buildings and structures	21,886	Others	3,624	Total	25,510	<table border="1"> <tr><td>Buildings and structures</td><td>30,906</td></tr> <tr><td>Software</td><td>36,400</td></tr> <tr><td>Others</td><td>8,499</td></tr> <tr><td>Total</td><td>75,806</td></tr> </table>	Buildings and structures	30,906	Software	36,400	Others	8,499	Total	75,806												
Buildings and structures	22,858																																				
Software	36,400																																				
Others	860																																				
Total	60,118																																				
Buildings and structures	21,886																																				
Others	3,624																																				
Total	25,510																																				
Buildings and structures	30,906																																				
Software	36,400																																				
Others	8,499																																				
Total	75,806																																				
*2 Breakdown of Losses on sales of fixed assets	-----	<table border="1"> <tr><td>Buildings and structures</td><td>2,864</td></tr> <tr><td>Others(tangible)</td><td>10,240</td></tr> <tr><td>Others(intangible)</td><td>189</td></tr> <tr><td>Total</td><td>13,295</td></tr> </table>	Buildings and structures	2,864	Others(tangible)	10,240	Others(intangible)	189	Total	13,295	<table border="1"> <tr><td>Buildings and structures</td><td>3,637</td></tr> <tr><td>Land</td><td>2,643</td></tr> <tr><td>Others</td><td>103</td></tr> <tr><td>Total</td><td>6,384</td></tr> </table>	Buildings and structures	3,637	Land	2,643	Others	103	Total	6,384																		
Buildings and structures	2,864																																				
Others(tangible)	10,240																																				
Others(intangible)	189																																				
Total	13,295																																				
Buildings and structures	3,637																																				
Land	2,643																																				
Others	103																																				
Total	6,384																																				
*3. Impairment losses	<p>In the first half under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <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> <p>(2) Background of the recognition of impairment losses 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.</p> <p>(3) Amounts of impairment losses</p> <table border="1"> <tr><td>Goodwill</td><td>113,687</td></tr> <tr><td>Software</td><td>123,998</td></tr> <tr><td>Others</td><td>79,452</td></tr> <tr><td>Total</td><td>317,138</td></tr> </table> <p>(4) Asset grouping method The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts The Company measures recoverable amounts based on use value, and specifically estimated cash flows are reduced by 8.3% (capital costs).</p>	Use	Classification	Location	ERP business	Goodwill and software	-	ASP accounting business	Goodwill and selling rights	-	Goodwill	113,687	Software	123,998	Others	79,452	Total	317,138	-----	<p>In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <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> <p>(2) Background of the recognition of impairment losses 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.</p> <p>(3) Amounts of impairment losses</p> <table border="1"> <tr><td>Goodwill</td><td>113,687</td></tr> <tr><td>Software</td><td>123,998</td></tr> <tr><td>Others</td><td>79,452</td></tr> <tr><td>Total</td><td>317,138</td></tr> </table> <p>(4) Asset grouping method The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts The Company measures recoverable amounts based on use value, and specifically estimated cash flows are reduced by 8.3% (capital costs).</p>	Use	Classification	Location	ERP business	Goodwill and software	-	ASP accounting business	Goodwill and selling rights	-	Goodwill	113,687	Software	123,998	Others	79,452	Total	317,138
Use	Classification	Location																																			
ERP business	Goodwill and software	-																																			
ASP accounting business	Goodwill and selling rights	-																																			
Goodwill	113,687																																				
Software	123,998																																				
Others	79,452																																				
Total	317,138																																				
Use	Classification	Location																																			
ERP business	Goodwill and software	-																																			
ASP accounting business	Goodwill and selling rights	-																																			
Goodwill	113,687																																				
Software	123,998																																				
Others	79,452																																				
Total	317,138																																				
*3. Losses on devaluation of inventories included in cost of sales	3,652	1,471	393																																		

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

First half of previous consolidated fiscal year (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

First half of consolidated fiscal year under review (from January 1, 2008 to June 30, 2008)

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	28,267	–	–	28,267
Total	28,267	–	–	28,267

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 24, 2008	Common stock	425,954	950	December 31, 2007	March 25, 2008

Previous Consolidated Fiscal Year (from January 1, 2007 to December 31, 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 the period	Number of stocks decreased during the period	Number stocks at the end of current fiscal year
Outstanding stocks				
Common stock	476,640	–	–	476,640
Total	476,640	–	–	476,640
Treasury stock				
Common stock	34,904	28,240	34,877	28,267
Total	34,904	28,240	34,877	28,267

(Notes) The Company increased its holdings of treasury stock by 28,240 shares (common stock) based on a share repurchase plan approved by the Board of Directors. Treasury stock holdings were reduced by 34,877 shares due to the allocation of these shares to the former shareholders of the absorbed company, as part of the merger.

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 22, 2007	Common stock	419,649	950	December 31, 2006	March 23, 2007

(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 24, 2008	Common stock	425,954	Retained earnings	950	December 31, 2007	March 25, 2008

(Notes to Consolidated Statements of Cash Flows)

(Unit: thousands of yen)

	First half (Jan. 1, 2007 - Jun. 30, 2007)		First half (Jan. 1, 2008 - Jun. 30, 2008)		Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)	
	*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: ¥2,155,191	Time deposits for which the depositing term is over three months -¥100,000	Cash and deposits: ¥2,566,971	Time deposits for which the depositing term is over three months -¥100,000	Cash and deposits: ¥2,964,532
	Cash and cash equivalents: ¥2,055,191		Cash and cash equivalents: ¥2,466,971		Cash and cash equivalents: ¥2,864,532	

(Securities)

Previous 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 thousand yen 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 first half B/S
(1) Affiliated company stocks	311,667
(2) Other securities Non-listed stocks	754,096

(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 2008 (as of June 30, 2008)

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

	Acquisition cost	Amount stated in B/S	Difference
Stocks	389,338	489,752	100,414
Total	389,338	489,752	100,414

(Note) In the first half under review, impairment losses of 5,734 thousand yen 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	353,469
(2) Other securities Non-listed stocks	565,677
Bonds	132,000

(Note) Impairment losses of 10,252 thousand yen were posted for other securities (unlisted shares) for the first half under review.

Previous fiscal year ended December 2007 (as of December 31, 2007)

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

(Unit: thousands of yen)

	Acquisition cost	Amount stated in B/S	Difference
Stocks	413,359	631,666	218,307
Total	413,359	631,666	218,307

(Note) During the fiscal year, the Group posted asset impairment losses in the amount of 279,165 thousand yen to cover changes in the valuation of other securities for which the market share price was available. When the market value of the securities at the end of the fiscal year had declined by more than 50% from the acquisition price, the full value was written off as an asset impairment loss. When the market value declined by 30%-50% from the acquisition price, the Group decided whether or not to write off the amount as an asset impairment loss after considering whether the total amount of this decline in value was significant, and considering the likelihood of a recovery in value.

2. Securities for which market price is not available

(Unit: thousands of yen)

	Amount stated in B/S
(1) Affiliated company stocks	308,688
(2) Other securities	
Unlisted shares	556,090
Bonds	30,000

(Note) Impairment losses of 13,166 thousand yen were posted for other securities (unlisted shares) for the fiscal year under review.

(Segment Information)

a. Business segment information:

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

(Unit: 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:

- Method of classifying business segments
Business segments are classified according to the contents of businesses.
- 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.
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.

- 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 2008 (from January 1, 2008 to June 30, 2008)

(Unit: 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	9,990,574	2,070,508	2,280,164	14,341,247	10	14,341,257
(2) Inter-segment sales or transfer	-	178,950	45,612	224,563	(224,563)	-
Total	9,990,574	2,249,458	2,325,777	14,565,810	(224,553)	14,341,257
Operating expenses	8,334,223	2,042,517	2,531,930	12,908,671	(236,449)	12,672,221
Operating income	1,656,351	206,941	(206,152)	1,657,139	11,896	1,669,035
II. Assets, depreciation and capital expenditures						
Assets	7,760,322	2,248,565	1,532,303	11,541,191	2,350,194	13,891,385
Depreciation	298,040	44,082	37,311	379,434	-	379,434
Capital expenditures	220,552	27,267	80,798	328,618	-	328,618

Notes:

- Method of classifying business segments
Business segments are classified according to the contents of businesses.
- 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/New Business Cultivation 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. To use and combine the Group's know-how and technical capabilities regarding management, we conduct operations and implement overall IT systems when we form alliances with companies that operate businesses in which the Group is not engaged, or when we establish or invest in new companies, thereby maximizing those companies' value and accelerating their growth, as we aim to contribute to the development of industries to which those companies belong.

- The amount of assets which were included under "Elimination or corporate" was 4,330,377 thousand yen and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.
- Beginning in the first half under review, the Corporate Revitalization Business was renamed the Corporate Revitalization/New Business Cultivation Business.
- Change in allocation method of operating expenses

Up until the previous fiscal year, operating expenses had been directly charged each to the Package & Service Business and the IT Consulting Business because there was less mutual cooperation between the two business sectors.

In the first half under review, the ERP business was consolidated into Future Architect, Inc. and then incorporated into Industry Business Operations. With this consolidation, mutual cooperation between the IT Consulting Business and Package & Service Business segments was strengthened further. Accordingly, it became better to allocate operating expenses for both business segments regarding them as a group, in order to accurately understand the operating income in each segment. Given this, operating expenses were allocated proportionally based on personnel expenses.

Compared with the previous method, this change had the effect of increasing operating expenses by ¥27 million and depreciation by ¥76 million in the IT Consulting Business segment, while decreasing operating expenses and depreciation by the same amounts, respectively, in the Package & Service Business segment.

Fiscal 2006 (from January 1, 2007 to December 31, 2007)

(Unit: 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	17,007,704	4,532,971	3,476,733	25,017,410	871	25,018,281
(2) Inter-segment sales or transfer	6,128	142,533	-	148,661	(148,661)	-
Total	17,013,832	4,675,505	3,476,733	25,166,071	(147,790)	25,018,281
Operating expenses	13,987,628	4,561,877	3,669,621	22,219,128	(247,074)	21,972,054
Operating income	3,026,203	113,627	(192,887)	2,946,943	99,283	3,046,226
II. Assets, depreciation and capital expenditures						
Assets	7,435,206	2,651,017	1,154,071	11,240,295	2,796,656	14,036,951
Depreciation	471,192	307,338	46,043	824,575	179	824,754
Loss of impaired assets	-	317,138	-	317,138	-	317,138
Capital expenditures	789,003	98,183	104,435	991,622	-	991,622

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 4,388,611 thousand yen, 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, 2007 to June 30, 2007), the first half under review (from January 1, 2008 to June 30, 2008) and the previous fiscal year (from January 1, 2007 to December 31, 2007).

c. Overseas sales

In the previous first half (from January 1, 2007 to June 30, 2007), the period under review (January 1, 2008 to June 30, 2008) and the previous fiscal year (January 1, 2007 to December 31, 2007), sales from overseas operations accounted for less than 10 percent of consolidated sales, and hence overseas sales information is omitted.

(Per Share Data)

First half (Jan. 1, 2007 - Jun. 30, 2007)		First half (Jan. 1, 2008 - Jun. 30, 2008)		Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)	
Net asset value per share	¥19,047.97	Net asset value per share	¥20,855.98	Net asset value per share	¥19,540.06
First half net income per share	¥689.45	First half net income per share	¥2,169.89	First half net income per share	¥2,729.31
First half net income per share (fully diluted)	¥687.11	Fully diluted net income per share is not stated because of the lack of a dilutive effect of latent shares.		First half net income per share (fully diluted)	¥2,725.02

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

	First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (Jan 1, 2007 - Dec 31, 2007)
Net income per share			
First half net income	325,288	972,918	1,268,112
Amount not available for common shareholders	-	-	-
First half net income attributable to common shares	325,288	972,918	1,268,112
Average outstanding shares during the period	471,811	448,373	464,628
Net income per share (fully diluted)			
Adjustment of net income (thousands of yen)	-	-	-
Increase of common stock (shares)	1,603	-	731
(Of which, share subscription rights)	(1,603)	-	(731)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	-----	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (stock acquisition rights: 1,336 units) Common stock: 5,344 shares	-----

(Significant subsequent events)

First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal 2007 (January 1, 2007 to December 31, 2007)
<p>1. Reorganization 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 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. 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 a. Future Architect, Inc. (merged with SWan Corporation and Wiseware Co., Ltd.) Representative: Yasufumi Kanemaru, Chairman & CEO Shin Yasunobe, President & COO Business operations: IT consulting services, etc. b. Elm Corporation (merged with companies which supply operations solutions for small and midsize firms, including Triple-W Corporation, Solution East and Maple Inc.) Representative: Satoru Tahara 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 Scheduled by December 2007</p>	<p>-----</p>	<p>-----</p>

First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal 2007 (January 1, 2007 to December 31, 2007)
<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 To implement flexible capital policies.</p> <p>(2) Details of the acquisition</p> <p>Type of shares acquired: Common stock of the Company</p> <p>Number of shares acquired: Up to 20,000 shares</p> <p>Acquisition cost: Up to ¥1,500,000,000</p> <p>Acquisition period: August 8, 2007 through September 28, 2007</p>	<p>-----</p>	<p>-----</p>

(Notes that are not stated)

Notes to lease transactions, derivative transactions, stock options, and other items and corporate consolidation are not stated since disclosure of them is deemed unnecessary.

5. Non-consolidated Financial Statements for the First Half

(a) Balance Sheets

(Unit: thousands of yen)

Item	Period	End of first half (As of Jun. 30, 2007)		End of first half (As of Jun. 30, 2008)		Previous fiscal year (As of Dec. 31, 2007)	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
(Assets)							
I. Current assets							
1. Cash and cash equivalents		942,118		1,401,874		1,602,863	
2. Accounts receivable		2,682,297		4,222,028		3,676,491	
3. Inventories		33,270		73,188		44,937	
4. Deferred tax assets		512,443		118,667		147,944	
5. Others		538,180		710,221		543,178	
6. Allowance for doubtful accounts		-		(28,509)		(11,064)	
Total current assets		4,708,310	40.0	6,497,468	51.1	6,004,351	48.1
II. Fixed assets							
1. Tangible fixed assets							
Tangible fixed assets		1,638,201		1,555,055		1,613,796	
Accumulated depreciation		787,369	850,831	854,689	700,365	882,041	731,754
Total tangible fixed assets		850,831	7.2	700,365	5.5	731,754	5.9
2. Intangible fixed assets							
(1) Goodwill		262,088		185,583		247,157	
(2) Software		367,245		476,926		538,808	
(3) Others		330,961		275,288		303,627	
Total intangible fixed assets		960,295	8.2	937,798	7.4	1,089,593	8.7
3. Investments and other assets							
(1) Investment securities		1,439,421		944,959		1,092,125	
(2) Affiliated company stocks		1,588,542		1,335,296		1,335,296	
(3) Long-term loans		747,747		1,235,879		1,051,493	
(4) Deposit guarantees		677,640		684,288		710,181	
(5) Others		1,422,251		455,735		596,409	
(6) Allowance for doubtful accounts		(627,375)		(78,000)		(127,173)	
Total Investments and other assets		5,248,227	44.6	4,578,159	36.0	4,658,332	37.3
Total fixed assets		7,059,354	60.0	6,216,323	48.9	6,479,680	51.9
Total assets		11,767,664	100.0	12,713,792	100.0	12,484,031	100.0

(Unit: thousands of yen)

Item	End of first half (As of Jun. 30, 2007)		End of first half (As of Jun. 30, 2008)		Previous fiscal year (As of Dec. 31, 2007)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
(Liabilities)						
I. Current liabilities						
1. Accounts payable	516,258		703,485		870,791	
2. Short-term borrowings	600,000		500,000		800,000	
3. Long-term borrowings due within one year	653,828		159,042		393,830	
4. Bonds payable within one year	-		150,000		150,000	
5. Income tax payable, etc.	30,000		664,392		158,000	
6. Reserve for bonuses	-		15,000		-	
7. Reserve for quality assurance	76,000		150,000		91,504	
8. Others	707,160		913,406		1,113,652	
Total current assets	2,583,247	22.0	3,255,326	25.6	3,577,778	28.7
II. Fixed liabilities						
1. Bonds	150,000		-		-	
2. Long-term borrowings	255,042		296,000		339,466	
Total fixed liabilities	405,042	3.4	296,000	2.3	339,466	2.7
Total liabilities	2,988,289	25.4	3,551,326	27.9	3,917,244	31.4
(Net assets)						
I. Shareholders' equity						
1. Common stock	1,421,815	12.1	1,421,815	11.2	1,421,815	11.4
2. Additional paid-in capital						
(1) Capital reserves	2,495,772		2,495,772		2,495,772	
(2) Other capital surplus	370,405		370,405		370,405	
Total additional paid-in capital	2,866,178	24.3	2,866,178	22.5	2,866,178	23.0
3. Retained earnings						
(1) Legal reserves	27,748		27,748		27,748	
(2) Other retained earnings						
Reserve for special depreciation	897		124		124	
Unappropriated retained earnings	5,105,794		6,657,985		5,991,507	
Total retained earnings	5,134,440	43.6	6,685,859	52.6	6,019,381	48.2
4. Treasury stock	(758,372)	(6.4)	(1,870,942)	(14.7)	(1,870,942)	(15.0)
Total shareholders' equity	8,664,061	73.6	9,102,910	71.6	8,436,432	67.6
II. Valuation, translation adjustments, etc.						
Net unrealized gain on available-for-sale securities	115,314	1.0	59,555	0.5	130,354	1.0
Total valuation, translation adjustments, etc.	115,314	1.0	59,555	0.5	130,354	1.0
Total net assets	8,779,375	74.6	9,162,465	72.1	8,566,786	68.6
Total liabilities and net assets	11,767,664	100.0	12,713,792	100.0	12,484,031	100.0

(b) Non-consolidated statements of income

(Unit: thousands of yen)

Item	Period	First half (Jan. 1,2007 - Jun. 30, 2007)		First half (Jan. 1,2008 - Jun. 30, 2008)		Fiscal year (Jan. 1,2007 - Dec. 31, 2007)				
		Amount		Ratio (%)	Amount		Ratio (%)	Amount		
I. Net Sales			6,706,330	100.0		10,008,449	100.0		16,046,257	100.0
II. Cost of sales*4			3,415,582	50.9		6,241,135	62.4		8,725,859	54.4
Gross Profit			3,290,748	49.1		3,767,313	37.6		7,320,398	45.6
III. Selling, general and administrative expenses										
1. Officers' remuneration		124,576			131,188			247,816		
2. Salaries and bonuses		961,638			785,982			1,919,955		
3. Employee training expenses		139,395			134,334			241,253		
4. Research & development expenditures		91,430			36,856			142,001		
5. Depreciation		75,067			65,300			144,990		
6. Amortization of goodwill		52,417			61,574			104,835		
7. Recruitment expenses		144,669			162,429			305,094		
8. Others		728,722	2,317,918	34.6	660,320	2,037,987	20.3	1,497,258	4,603,205	28.7
Operating income			972,830	14.5		1,729,326	17.3		2,717,192	16.9
IV. Non-operating income										
1. Interest income		12,997			19,340			26,470		
2. Dividend income		188,689			94,884			211,061		
3. Exchange gain (loss)		3,008			-			-		
4. Group management expenses		48,748			54,348			136,497		
5. Others		16,197	269,640	4.0	5,120	173,693	1.7	18,902	392,932	2.4
V. Non-operating expenses										
1. Interest expenses		10,482			7,810			18,540		
2. Exchange losses		-			3,267			1,088		
3. Others		6,018	16,500	0.2	6,663	17,740	0.2	19,386	39,016	0.2
Ordinary income			1,225,969	18.3		1,885,279	18.8		3,071,107	19.1
VI. Extraordinary income										
1. Gains on sale of investment securities		138,602			7,882			261,102		
2. Gains on reversal from allowance for doubtful accounts		44,265			-			44,265		
3. Others		-	182,867	2.7	-	7,882	0.1	18,991	324,358	2.0
VII. Extraordinary losses										
1. Losses on sale of fixed assets*2		-			13,262			-		
2. Losses on disposal of fixed assets *1		36,400			7,628			38,495		
3. Losses on sale of investment securities		-			1,793			3,000		
4. Losses on devaluation of investment securities		103,950			10,986			291,603		
5. Impairment loss *3		284,318			-			284,318		
6. Valuation losses on commodities		19,999			-			19,999		
7. Office relocation expenses		-			-			104,000		
8. Others		-	444,669	6.6	-	33,670	0.3	77,645	819,062	5.0
Net income before taxes			964,167	14.4		1,859,491	18.6		2,576,403	16.1
Corporate, residential and enterprise taxes		7,164			616,083			175,553		
Corporate tax adjustments		502,093	509,258	7.6	150,975	767,059	7.7	1,061,000	1,236,554	7.7
Net income			454,909	6.8		1,092,431	10.9		1,339,849	8.4

(c) Non-consolidated Statements of Changes in Shareholders' Equity
 First half of previous fiscal year (Jan. 1, 2007 - Jun. 30, 2007)

	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 (thousands of yen)	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 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 (thousands of yen)	-	-	370,405	370,405	-	-	35,259	35,259	2,335,185	2,740,851
Balance as of June 30, 2007 (thousands of yen)	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

	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 (thousands of yen)	287,927	287,927	6,211,137
Changes during the first half			
Increase 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 (thousands of yen)	(172,612)	(172,612)	2,568,238
Balance as of June 30, 2007 (thousands of yen)	115,314	115,314	8,779,375

First half under review (Jan. 1, 2008 - Jun. 30, 2008)

	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, 2007 (thousands of yen)	1,421,815	2,495,772	370,405	2,866,178	27,748	124	5,991,507	6,019,381	(1,870,942)	8,436,432
Changes during the first half										
Earnings paid out as dividends							(425,954)	(425,954)		(425,954)
Net income for the period							1,092,431	1,092,431		1,092,431
Changes in items other than the shareholders' equity during the first half (net amount)	-	-	-	-	-	-	-	-	-	-
Total changes during the first half (thousands of yen)	-	-	-	-	-	-	666,477	666,477	-	666,477
Balance as of June 30, 2008 (thousands of yen)	1,421,815	2,495,772	370,405	2,866,178	27,748	124	6,657,985	6,685,859	(1,870,942)	9,102,910

	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, 2007 (thousands of yen)	130,354	130,354	8,566,786
Changes during the first half			
Earnings paid out as dividends			(425,954)
Net income for the period			1,092,431
Changes in items other than the shareholders' equity during the first half (net amount)	(70,798)	(70,798)	(70,798)
Total changes during the first half (thousands of yen)	(70,798)	(70,798)	595,679
Balance as of June 30, 2008 (thousands of yen)	59,555	59,555	9,162,465

Previous Fiscal Year (Jan. 1, 2007 - Dec. 31, 2007)

	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 (thousands of yen)	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 period										
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)
Reversal of reserve for special depreciation						(772)	772	-		-
Net income for the period							1,339,849	1,339,849		1,339,849
Purchase of treasury stock									(1,868,549)	(1,868,549)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	-	-	-	-	-	-	-	-		-
Total changes during the period (thousands of yen)	-	-	370,405	370,405	-	(772)	920,973	920,200	1,222,615	2,513,222
Balance as of December 31, 2007 (thousands of yen)	1,421,815	2,495,772	370,405	2,866,178	27,748	124	5,991,507	6,019,381	(1,870,942)	8,436,432

	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 (thousands of yen)	287,927	287,927	6,211,137
Changes during the period			
Increase (decrease) by merger			3,461,570
Earnings paid out as dividends			(419,649)
Reversal of reserve for special depreciation			-
Net income for the period			1,339,849
Purchase of treasury stock			(1,868,549)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(157,572)	(157,572)	(157,572)
Total changes during the period (thousands of yen)	(157,572)	(157,572)	2,355,649
Balance as of December 31, 2007	130,354	130,354	8,566,786

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

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
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"> - 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). - Securities for which market price is not available: stated at cost based on moving average method <p>(2) Inventories</p> <ul style="list-style-type: none"> - 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) <p>-----</p>	<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"> - Securities for which market price is available: Same as on the left - Securities for which market price is not available: Same as on the left <p>(2) Inventories</p> <ul style="list-style-type: none"> -Merchandise/products: Same as on the left - 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>(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"> - 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). - Securities for which market price is not available: Same as on the left <p>(2) Inventories</p> <ul style="list-style-type: none"> - Merchandise/products: Same as on the left <p>-----</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
2. Depreciation method of fixed assets	<p>(1)Tangible fixed assets: Declining balance method 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. Useful life are as follows: Buildings 3 - 31 years Furniture & Fixtures 3 - 10 years</p> <p>(2)Intangible fixed assets: (a) Software for in-house use is depreciated using the straight-line method over its useful life (5 years). (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). (c) Goodwill: 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. (d) Others Straight-line method</p>	<p>(1)Tangible fixed assets: Same as on the left</p> <p>(2)Intangible fixed assets: (a) Software for in-house use: Same as on the left (b) Software for sale: Same as on the left (c) Goodwill: Same as on the left (d) Others Same as on the left</p>	<p>(1)Tangible fixed assets: Same as on the left</p> <p>(2)Intangible fixed assets: (a) Software for in-house use: Same as on the left (b) Software for sale: Same as on the left (c) Goodwill: Same as on the left (d) Others Same as on the left</p>
3. Accounting standards for allowances/reserves	<p>(1)Allowance for doubtful accounts 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>(1)Allowance for doubtful accounts Same as on the left</p>	<p>(1)Allowance for doubtful accounts Same as on the left</p>

	First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (Jan. 1,2007 - Dec. 31, 2007)
	<p>(2)Reserve for quality assurance: 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 style="text-align: center;">-----</p>	<p>(2)Reserve for quality assurance: In projects related to open system consultation and system development (IT consulting services and Packaging & 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 and Packaging & Services. To prepare for additional cost of sales in IT consulting services and Packaging & 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 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 style="text-align: center;">-----</p>	<p>(2) Reserve for quality assurance Same as on the left</p> <p style="text-align: center;">-----</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
6. Other material information	Accounting treatment of consumption taxes, etc.: Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. 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.: Same as on the left	Accounting treatment of consumption taxes, etc.: 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 (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (January 1, 2007 to December 31, 2007)
<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> <p>(Accounting standards for measurement of inventories)</p> <p>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.</p> <p>This adoption had no impact on the Group’s earnings for the period under review.</p>	<p>-----</p> <p>-----</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 fiscal year under review.</p> <p>(Accounting standards for measurement of inventories)</p> <p>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 fiscal year under review.</p> <p>This adoption had no impact on the Group’s earnings for the period under review.</p>
<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>	<p>-----</p>	<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 fiscal year 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 (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)
(Balance sheets for the first half) 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. Affiliated company stocks were 470,712 thousand yen at the end of the first half of the previous fiscal year. 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 324,902 thousand yen at the end of the first half of the previous fiscal year.	-----

Additional information

First half (Jan. 1,2007- Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal year (January 1, 2007 to December 31, 2007)
-----	(Depreciation method of tangible fixed assets) Tangible fixed assets acquired on or prior to March 31, 2007 will, beginning in the first half under review, be evenly amortized over five years from the next consolidated fiscal year of a consolidated fiscal year in which such assets are depreciated down to the maximum allowable amount. This practice had little impact on earnings for the period under review.	-----

Notes

(Notes to the Balance Sheets for the First Half)

(Unit: thousands of yen)

	First half (As of Jun. 30 2007)	First half (As of Jun. 30 2008)	Fiscal year (As of Dec. 31, 2007)																				
*1. Guarantee against borrowings	(1) Guarantee against borrowings from financial institutions (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 contracts with lease firms (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 against the balance of contracts with lease firms (Unit: thousands of yen) <table border="1"> <thead> <tr> <th>Guarantee</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>XEBEC LAND</td> <td>45,010</td> </tr> </tbody> </table>	Guarantee	Amount	XEBEC LAND	45,010	Guarantee against the balance of contracts with lease firms (Unit: thousands of yen) <table border="1"> <thead> <tr> <th>Guarantee</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>XEBEC LAND</td> <td>72,963</td> </tr> </tbody> </table>	Guarantee	Amount	XEBEC LAND	72,963
Guarantee	Amount																						
SwaN Corporation	200,000																						
XEBEC LAND	22,000																						
Total	222,000																						
Guarantee	Amount																						
XEBEC LAND	101,915																						
Guarantee	Amount																						
XEBEC LAND	45,010																						
Guarantee	Amount																						
XEBEC LAND	72,963																						

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

(Unit: thousands of yen)

	First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (Jan. 1, 2007 - Dec. 31, 2007)																																	
*1 Breakdown of Losses on disposal of fixed assets	Software 36,400	Buildings 6,687 Others 941 Total 7,628	Buildings 690 Furniture and fixtures 1,403 Others 36,400 Total 38,495																																	
*2 Breakdown of Losses on sales of fixed assets	-----	Buildings 2,864 Land 10,172 Others 225 Total 13,262	-----																																	
*3. Impairment losses	<p>In the first half under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <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> <p>(2) Background of the recognition of impairment losses 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.</p> <p>(3) Amounts of impairment losses</p> <table> <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> <p>(4) Asset grouping method The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts The Company measures recoverable amounts based on use value, and specifically estimated cash flows are reduced by 8.3% (capital costs).</p>	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	<p>In the fiscal year under review, the Group reported impairment losses of the following asset groups.</p> <p>(1) Main assets on which impairment losses were recognized</p> <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> <p>(2) Background of the recognition of impairment losses 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.</p> <p>(3) Amounts of impairment losses</p> <table> <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> <p>(4) Asset grouping method The Company groups assets by businesses in terms of management accounting, which it regards as the smallest units that generate almost independent cash flows.</p> <p>(5) Calculation method of recoverable amounts The Company measures recoverable amounts based on use value, and specifically estimated cash flows are reduced by 8.3% (capital costs).</p>	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																																			
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																																			
*4. Losses on devaluation of inventories included in cost of sales	-----	1,471	-----																																	
*5. Losses on devaluation of inventories included in cost of sales																																				
Tangible fixed assets	108,828	115,239	244,076																																	
Intangible fixed assets	169,608	222,203	338,602																																	

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

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

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)	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.

First half of fiscal year under review (from January 1, 2008 to June 30, 2008)

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)	28,267	-	-	28,267
Total	28,267	-	-	28,267

Previous fiscal year (from January 1, 2007 to December 31, 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 the period	Number of stocks decreased during the period	Number stocks at the end of current fiscal year
Common stock (Note)	34,904	28,240	34,877	28,267
Total	34,904	28,240	34,877	28,267

(Note) 28,240 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.

(Securities)

There were no stocks issued by subsidiaries or affiliates for which market price is available for the previous first half (as of June 30, 2007), the first half under review (as of June 30, 2008) and the previous fiscal year (as of December 31, 2007).

(Per Share Data)

First half (Jan. 1, 2007 - Jun. 30, 2007)		First half (Jan. 1, 2008 - Jun. 30, 2008)		Fiscal year (January 1, 2007 to December 31, 2007)	
Net asset value per share	¥18,754.42	Net asset value per share	¥20,434.92	Net asset value per share	¥19,06.38
First half net income per share	¥ 964.18	First half net income per share	¥2436.44	Net income per share	¥2,883.70
First half net income per share (fully diluted)	¥960.91	Fully diluted net income per share is not stated because of the lack of a dilutive effect of latent shares.		Net income per share (fully diluted)	¥2,879.17

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

(Unit: thousands of yen unless otherwise noted)

	First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal year (January 1, 2007 to December 31, 2007)
Net income per share			
First half net income	454,909	1,092,431	1,339,849
Amount not available for common shareholders	-		-
First half net income attributable to common shares	454,909	1,092,431	1,339,849
Average outstanding shares during the period	471,811	448,373	464,628
Net income per share (fully diluted)			
Adjustment of net income	-	-	-
Increase of common stock (shares)	1,603	-	731
(Of which, share subscription rights)	(1,603)	-	(731)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	-	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (stock acquisition rights: 1,336 units) Common stock: 5,344 shares	-

Significant subsequent events

First half (Jan. 1,2007 - Jun. 30, 2007)	First half (Jan. 1,2008 - Jun. 30, 2008)	Fiscal 2007 (January 1, 2007 to December 31, 2007)
<p>1. Reorganization 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 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 a. Future Architect, Inc.(merged with SWan Corporation and Wiseware Co., Ltd.) Representative: Yasufumi Kanemaru, Chairman & CEO Shin Yasunobe, President & COO Business operations: IT consulting services, etc.</p> <p>b. Elm Corporation (merged with companies which supply operations solutions for small and midsize firms, including Triple-W Corporation, Solution East and Maple Inc.) Representative: Satoru Tahara 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 Scheduled by December 2007</p>	<p>-----</p>	<p>-----</p>

First half (Jan. 1, 2007 - Jun. 30, 2007)	First half (Jan. 1, 2008 - Jun. 30, 2008)	Fiscal 2007 (January 1, 2007 to December 31, 2007)
<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 To implement flexible capital policies.</p> <p>(2) Details of the acquisition</p> <p>Type of shares acquired: Common stock of the Company</p> <p>Number of shares acquired: Up to 20,000 shares</p> <p>Acquisition cost: Up to ¥1,500,000,000</p> <p>Acquisition period: August 8, 2007 through September 28, 2007</p>		

Notes to lease transactions and corporate consolidation and other items are not stated since disclosure of them is deemed unnecessary.

6. Others

Orders received

(Unit: thousands of yen)

Classification	First half (Jan. 1,2007- Jun. 30, 2007)		First half (Jan. 1,2008- Jun. 30, 2008)		Fiscal year (Jan. 1,2007- Dec. 31, 2007)	
	Orders Rcvd	Orders O/S	Orders Rcvd	Orders O/S	Orders Rcvd	Orders O/S
IT consulting business	10,382,583	5,152,383	11,572,092	6,145,866	19,759,103	4,644,872
Package & service business	2,094,836	874,033	2,531,841	1,157,073	4,174,050	695,750
Corporate Revitalization/New Business Cultivation business	-	-	5,910	1,486	-	-
Total	12,477,420	6,026,416	14,109,844	7,304,427	23,933,154	5,340,623

Notes: Orders received and order backlog for the first half of the previous fiscal year and the previous fiscal year are not stated for the Corporate Revitalization/New Business Cultivation Business because production by order was not carried out in this segment during these periods.