

Briefing on Operating Results for First Half of FY2008

August 8, 2008
Future Architect, Inc.

Session Agenda

- 1. Overview of Earnings Results for First Half of FY2008**
- 2. Summary of First Half of FY2008**
- 3. Summary by Business Operations and Introduction of Project Cases**
- 4. Earnings Outlook for FY2008 and Topics**
- 5. Questions and Answers**

1. Overview of Earnings Results for First Half of FY2008

Consolidated Results

FY2008 First Half Earnings Results (YoY comparison) (Consolidated)

(Millions of yen)	FY2007 first half results	FY2008 first half results	YoY comparison
Net Sales	11,237	14,341	+27.6%
Operating income	1,168	1,669	+42.8%
Operating income margin	10.4%	11.6%	
Ordinary income	1,241	1,733	+39.6%
Ordinary income margin	11.0%	12.1%	
Net income	325	972	+199.1%
Net income margin	2.9%	6.8%	

FY2008 First Half Earnings Results (YoY comparison) (Consolidated)

(Millions of yen)	FY2008 first half initial plan	FY2008 first half revised plan	FY2008 first half results	Comparison with initial plan (Percentage change)
Net Sales	11,980	14,000	14,341	+19.7%
Operating income	1,580	1,600	1,669	+5.6%
Operating income margin	13.2%	11.4%	11.6%	
Ordinary income	1,600	1,630	1,733	+8.3%
Ordinary income margin	13.4%	11.6%	12.1%	
Net income	770	970	972	+26.4%
Net income margin	6.4%	6.9%	6.8%	

Balance Sheets

Balance Sheets (Consolidated) (1/2)

(Millions of yen)	End of Jun. 2007	End of Dec. 2007	End of Jun. 2008	Amount of change
Current assets	6,962	8,273	8,430	156
cash and each equivalents	2,155	2,964	2,566	(397)
Notes and accounts receivable	3,408	4,409	4,698	288
Deferred tax assets	617	275	208	(67)
Other current assets	782	624	956	332
Fixed assets	6,629	5,763	5,461	(301)
Tangible fixed assets	1,702	1,606	1,630	23
Intangible fixed assets	1,360	1,247	1,000	(247)
Software	874	749	589	(159)
Goodwill	63	103	42	(60)
Other intangible fixed assets	422	394	367	(26)
Investment and other assets	3,566	2,908	2,830	(78)
Investment securities	1,877	1,526	1,541	14
Deferred tax assets	479	250	185	(65)
Other	1,209	1,131	1,103	(28)
Total Assets	13,591	14,036	13,891	(145)

Balance Sheets (Consolidated) (2/2)

(Millions of yen)	End of Jun. 2007	End of Dec. 2007	End of Jun. 2008	Amount of change
Currents liabilities	3,716	4,733	4,113	(619)
Accounts payable	815	1,213	1,190	(22)
Borrowings and debentures	1,434	1,462	622	(840)
Income tax payable, etc.	85	249	701	452
Other	1,381	1,807	1,598	(209)
Non-current liabilities	758	451	426	(24)
Long-term borrowings	515	369	317	(52)
Other	243	81	109	27
Total liabilities	4,474	5,184	4,540	(644)
Total Net Assets	9,116	8,852	9,351	499
Common stock	1,421	1,421	1,421	-
Treasury stock	(758)	(1,870)	(1,870)	-
Net unrealized gain on available-for-sale securities	115	130	59	(71)
Other	8,337	9,170	9,740	596
Total liability and assets	13,891	14,036	13,891	(145)
Shareholders' equity ratio	66%	63%	66%	

Cash flow (consolidated)

(Millions of yen)	End of Jun. 2007	End of Dec. 2007	End of Jun. 2008	Amount of change
Cash flows from operating activities	(509)	1,597	1,357	(240)
Cash flows from investing activities	(569)	(469)	(432)	37
Cash flows from financing activities	(1,844)	(3,240)	(1,317)	1,923
Changes in cash and cash equivalents	(2,922)	(2,113)	(399)	1,713
Cash and cash equivalents at beginning of the period	3,871	3,871	2,864	(1,007)
Decrease in cash and cash equivalents from exclusion from consolidation	-	-	(1)	(1)
Increase in cash and cash equivalents from merger	1,105	1,105	-	(1,105)
Cash and cash equivalents at end of the period	3,871	2,864	2,466	(397)

Non-Consolidated Earnings

FY2008 First Half Earnings Results (YoY comparison) (Non-Consolidated)

(Millions of yen)	FY2007 first half results	FY2008 first half results	YoY comparison (Percentage change)
Net Sales	6,706	10,008	+49.2%
Operating income	972	1,729	+77.8%
Operating income margin	14.5%	17.3%	
Ordinary income	1,225	1,885	+53.8%
Ordinary income margin	18.3%	18.8%	
Net income	454	1,092	+140.1%
Net income margin	6.8%	10.9%	

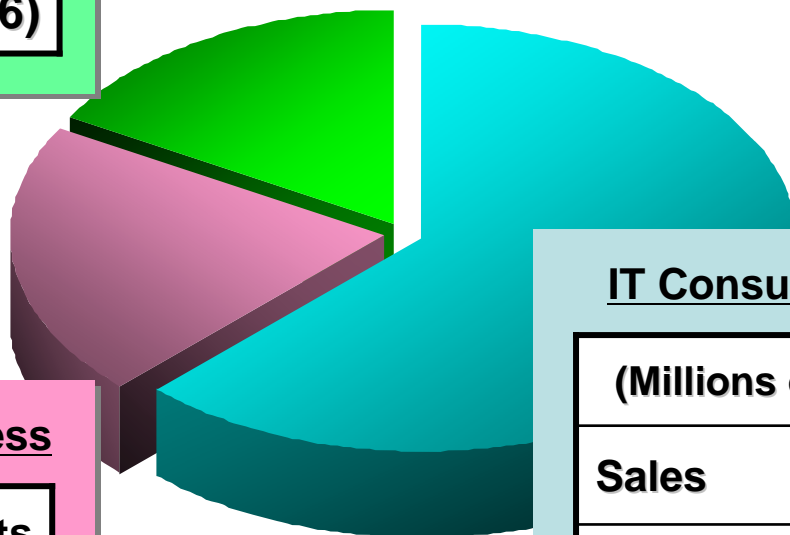
FY2008 First Half Earnings Results (YoY comparison) (Non-Consolidated)

(Millions of yen)	FY2008 first half initial plan	FY2008 first half revised plan	FY2008 first half results	Comparison with initial plan (Percentage change)
Net Sales	7,270	10,000	10,008	+37.7%
Operating income	1,340	1,550	1,729	+29.1%
Operating income margin	18.4%	15.5%	17.3%	
Ordinary income	1,510	1,680	1,885	+24.9%
Ordinary income margin	20.7%	16.8%	18.8%	
Net income	800	990	1,092	+36.6%
Net income margin	11.0%	9.9%	10.9%	

FY2008 First Half, Results by Segment

Corporate Revitalization and New Business Cultivation

(Millions of yen)	Results
Sales	2,325
Ordinary income	(206)



Package & Service Business

(Millions of yen)	Results
Sales	2,249
Ordinary income	206

IT Consulting Business

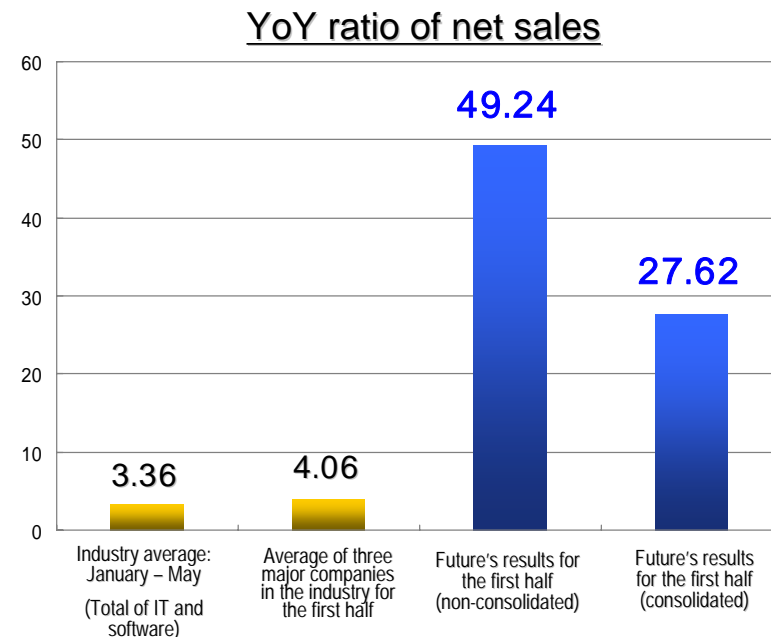
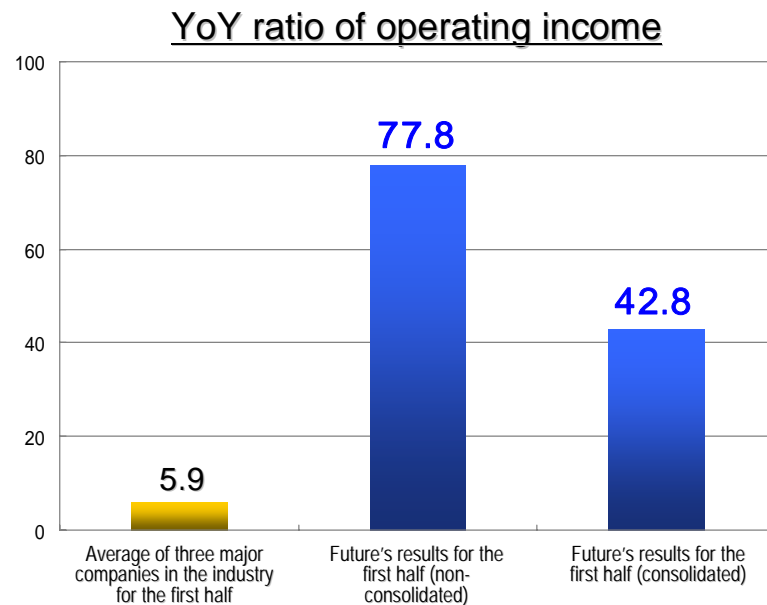
(Millions of yen)	Results
Sales	9,990
Ordinary income	1,656

2. Summary of First Half of FY2008

Overall Summary

- Net sales and each income indicator hit record highs on both consolidated and non-consolidated bases.
- As corporate investment attitude is cautious due to uncertainty over the economy, signs of a stall are increasing in the information technology (IT) industry as a whole. However, we understand that situations in which the user seeks cost efficiency from IT investment is a good opportunity for the Company. As we enable lower cost and higher performance by overhauling high-cost systems with new technologies.

● Comparison with other companies in the IT industry



Note: The industry average is calculated based on materials compiled by the Japan Information Technology Services Industry Association (JISA), while the average of three major companies is worked out based on the segment information of the summary of financial results for the first half of the fiscal year of the three companies.

Summary by Segment

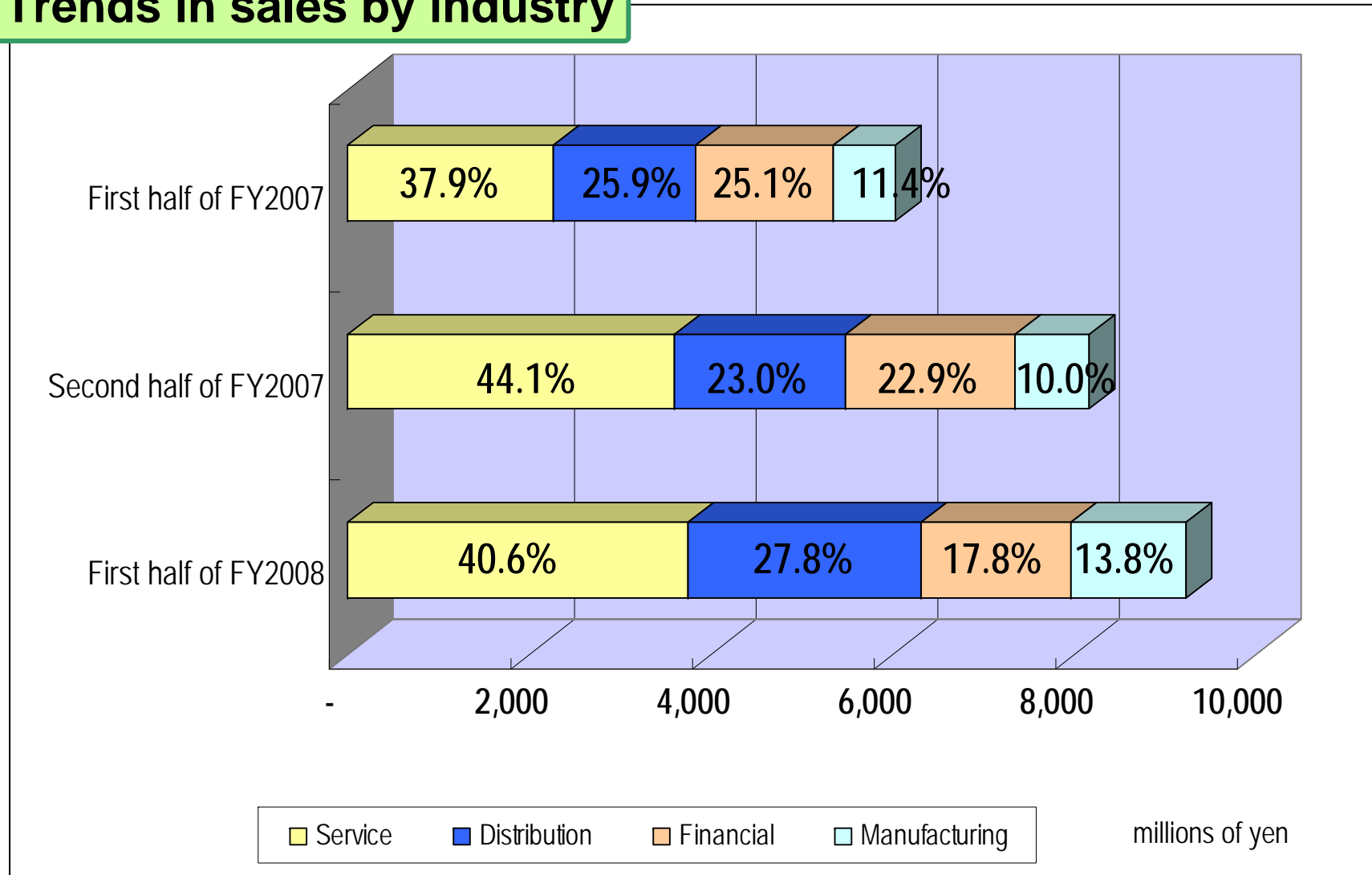
IT Consulting Business

- Sales grew significantly, backed by brisk orders received mainly from distribution and service industries.
- Overall profits increased sharply thanks to the contributions of cost reduction and efforts for financial improvement, though services for the financial business were affected by the subprime mortgage crisis.

	Key Measures	Results
Sales	<ul style="list-style-type: none"> • Proposal activities by cooperation across business categories • Concluding a higher percentage of contracts through information sharing in the proposal process 	<ul style="list-style-type: none"> • Obtained orders at appropriate prices by offering high added value • Concluded a high percentage of contract close rate (70%) <p>Issues: Obtaining large next generation businesses</p>
Project operations	<ul style="list-style-type: none"> • Strengthening reviews and quality management • Continuously implementing project monitoring activities 	<ul style="list-style-type: none"> • Strengthened reviews and management by both the Business Operations and the Quality Control Divisions <p>Issues: Stable operation of large projects</p>
Human resources	<ul style="list-style-type: none"> • Expanding personnel through aggressive recruitment • Establishing a mechanism for early fostering of leaders • Forming more expansive and strategic alliances with external partners 	<ul style="list-style-type: none"> • Aggressively hired new graduates • Established a mechanism for early fostering of leaders <p>Issues: Building a more precise mechanism for managing external partners</p>
R&D	<ul style="list-style-type: none"> • Pursuing new large capacity, high speed, high expansion architecture 	<ul style="list-style-type: none"> • Initiated the overall design of distributed architecture <p>Issues: Enhancing R&D promotion system</p>

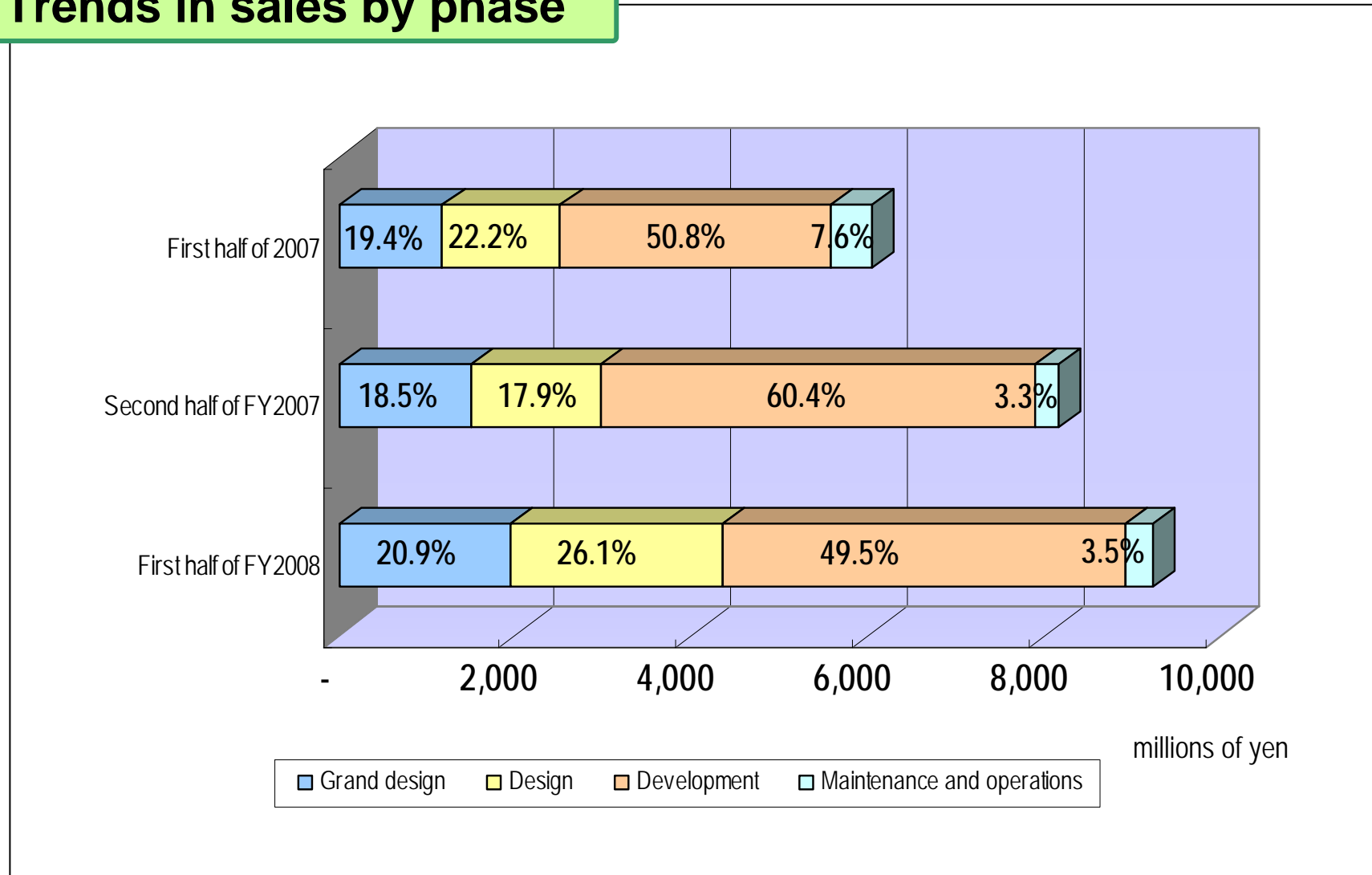
Analysis of Sales from IT Consulting Business (Non-consolidated) (1/2)

Trends in sales by industry



Analysis of Sales from IT Consulting Business (Non-consolidated) (2/3)

Trends in sales by phase



Summary by Segment

Package & Service Business

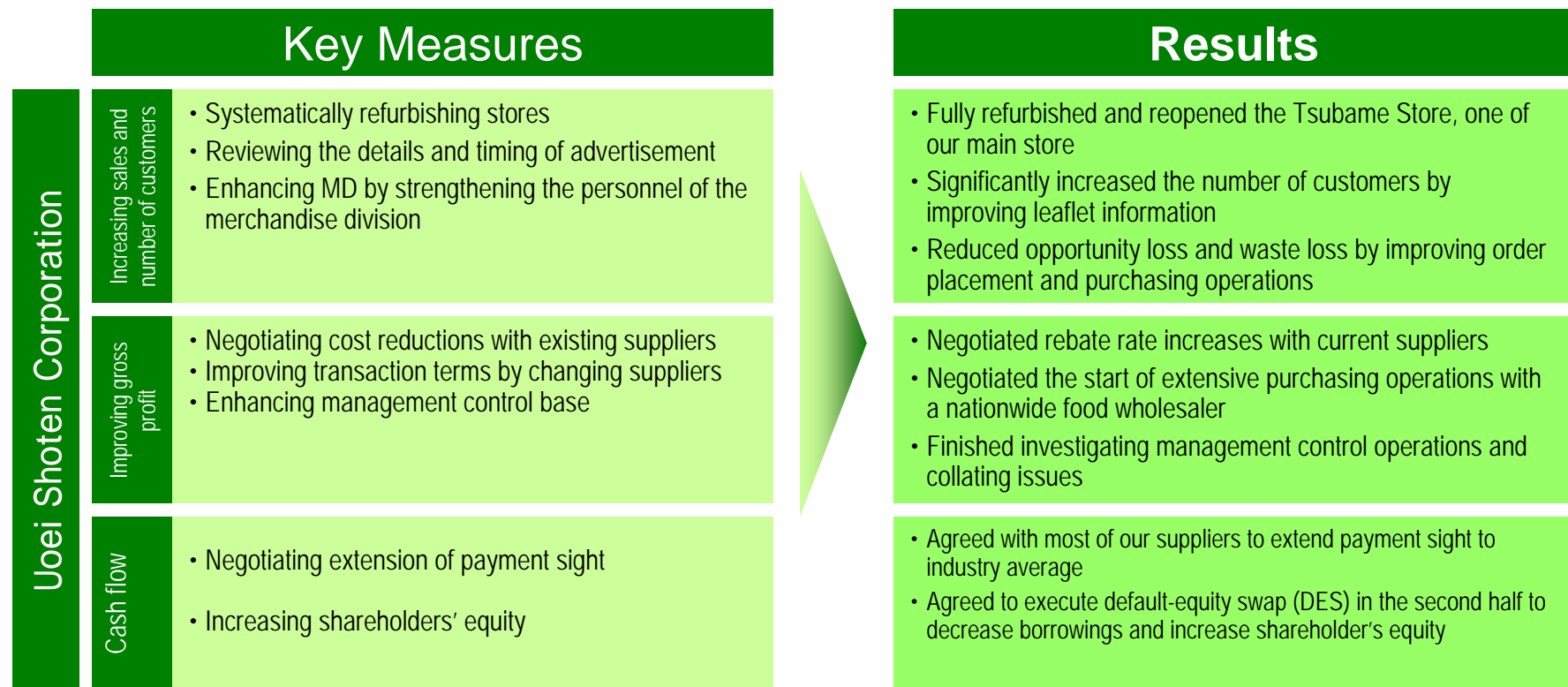
- Started a new system resulting from management integration and reorganization and advanced toward a highly profitable model.
- Increased number of collaborative project by displaying synergistic effects.

	Key Measures	Results
Future Architect	<p>Tools & ERPs for mid-sized companies</p> <ul style="list-style-type: none"> • Demonstrating integration effect and improving profit margins • Embarking on development of next-generation tools 	<ul style="list-style-type: none"> • Made full-scale entry into the middle-range market combining our large-scale project know-how with bundled services <p>Issues: Improving high-value-added client services</p>
Elm	<p>Operations solutions for small and midsize companies</p> <ul style="list-style-type: none"> • Reorganization attendant on management integration • Strengthening products 	<ul style="list-style-type: none"> • Started new system through management integration • Decreased productivity but reduced license cost by switching from development to in-house tools <p>Issues: Boosting profitability, centering on units that were not merged</p>
Ascendia	<p>Consigned development, regional business</p> <ul style="list-style-type: none"> • Promoting development cooperation within the Group • Developing operation and maintenance business 	<ul style="list-style-type: none"> • Cash outflow to outside the group decreased thanks to synergistic effects • Strengthened and developed the operation services division <p>Issues: Establishing operation and maintenance business</p>

Summary by Segment

Corporate Revitalization and New Business Development

- Though both sales and the number of customers increased sharply due to refurbishing of stores, losses expanded because of skyrocketing prices of raw materials.
- The Company accelerated development of a new category by turning Zakura Corporation into a consolidated subsidiary



3. Summary of Business Operations and Introduction of Project Cases

Industry Business Operations

Basic Policies of Industry Business Operations

- Seven Groups (Proactive Social Infrastructure (PSI), Distribution 1, Distribution 2, Distribution 3, Manufacturing, Operations and MBS) are not independent organizations; all groups of the Industry Business Operations function as one team in both knowledge and behavior.
- Achieve an operating income margin of over 20%
- Improve client satisfaction
- Improve employee satisfaction
- Creating business to realize net sales of over 20 billion yen in 2010

Summary of First Half of FY2008

- Orders received were robust, and sales grew favorably.
- Each project steadily bore fruit, contributing to the management reform of corporate clients

Retail

- An order received in the last fiscal year (CVS) grew into a large project.
- Investment in a project in which a system was built in a short term (specialty store) was recouped in three months, much shorter than the initial projection of one year, as the quantitative effect was enormous

Distribution

- Currently proceeding with backbone computer system innovation and management reform at the same time at a major sales/processing company, and are currently establishing strategic, complementary relations with the company as an advance case that leads the industry.

Service

(public services, etc.)

- A major distributor project steadily bore fruit, enabling us to establish a strong relationship with the distributor based on mutual trust.
- Succeeded in winning an order from a new client, which may have a possibility of growing into a large, next-generation project.

Manu- facturing

- A sales/distribution reform project is under way at a major manufacturer.
- Preparations for next-generation global procurement and building of production control systems in the future is taking place.

Project Progress Report

**Freight system downsizing for a major logistics company: Completed
(Restructuring of an account system started.)**

Overall effects

- Reduced system assets (40% cut in screen; 90% cut in forms; and 80% cut in files/tables)
- Reduced installation space by 60%, and slashed hardware procurement costs by 75%
- Ensured flexible extensibility by implementing other freight systems and peripheral-related systems under an integrated architecture
- (The system equals large, nationwide systems of government ministries and agencies in size. The shift to the new system will be completed in three years.)

System effects

- Customer-oriented IT armament has been strengthened
 - Simplified addition of clients and improved flexibility in meeting demand
 - Realized real-time data acquisition
- Reduced system/operation cost through promoting standardization of customer management
 - Improved maintenance through implementation of company-wide standardization of customer management
 - Achieved budget/results management of data exchange and carefully thought out customer management by error statistics functions
 - Realized posting of consignment with no time lag (linkage with billing and freight systems)

Efforts in the Second Half of FY2008

Strengthening progress reviews and monitoring of large-scale projects

Pushing forward with fostering of in-house resources and in-house production to further raise profitability

Conducting a client satisfaction survey

Acquiring new clients for the next fiscal year and beyond

Making a full-scale entry into the Package & Service Business (midsize-company market)

Financial Sector Business Operations

Basic Policies of Financial Sector Business Operations

- **Solving clients issues through advanced system technological capabilities and financial business knowledge**
- **Building long, continuous relationships with clients based on mutual trust**
- **Proposing financial service functions across industries and business categories**
- **Improving employee satisfaction through enhancing capability of individuals and through teamwork**

Summary for First Half of FY2008

- Maintenance services and addition of functions for existing clients are progressing smoothly under way.
- Proposal opportunities for new clients expanded thanks to our highly rated track record and value added, though corporations are tending to curb investment due to the influence of the subprime mortgage crisis, aggravation of regional economic conditions, and other factors.

<p>Mega banks and regional banks</p>	<ul style="list-style-type: none"> ■ The customer opinion collection/utilization system for Bank A launched, contributing to customer support. ■ Development of a new loan support system is smoothly under way ■ A new order from a good standing regional bank could be achieved, and saw an increase in the number of proposals, as our track record and value added are highly rated in the loan supporting and business supporting fields.
<p>Consumer finance</p>	<ul style="list-style-type: none"> ■ Stably operated backbone computer systems of major clients and added functions to the systems. ■ A new order for assessment of consumer finance system assets was added.
<p>Credit</p>	<ul style="list-style-type: none"> ■ Received an order from an existing client to add a convenience store payment agent function following a card settlement function.
<p>Settlement service</p>	<ul style="list-style-type: none"> ■ An individual settlement system for a logistics company (first phase) was completed.
<p>Insurance and securities</p>	<ul style="list-style-type: none"> ■ Continued to work on an operations innovation project for an existing client, thus contributing to the improvement of business efficiency. ■ Implemented PMO support in reconstruction of large, backbone computer system.

Efforts in Second Half of FY2008

- **Secure order receipt for newly proposed projects**
- **Based on our experience and expertise in the core businesses of banks (loan and sales), focus on the following:**
 - ▶ **Horizontal expansion of loan and sales support**
 - ▶ **Developing products in the loan and sales fields, targeting small and midsize financial institutions**
 - ▶ **Expanding proposal domains from loan and sales support to general information systems**
- **Based on our experience, make proposals to expand into business domains across industry types and business categories, sophistication of functions, etc.**

Introduction of Project Cases

Importance of Customer Opinion

**Shift from “savings to investment”
Growing need to protect investors**

**“Intensification of competition”
“Expansion of retail business”
Difficult differentiation**

Directly connecting customer opinion to management

Efforts Made at Bank A

Ethics principles and code of conduct

1. Establishment of trust
- 2. Thorough implementation of customer-oriented operations**
3. Strict compliance with laws and regulations
4. Respect for human rights and the environment
5. Confrontation with antisocial powers

(Based on the website of Bank A)

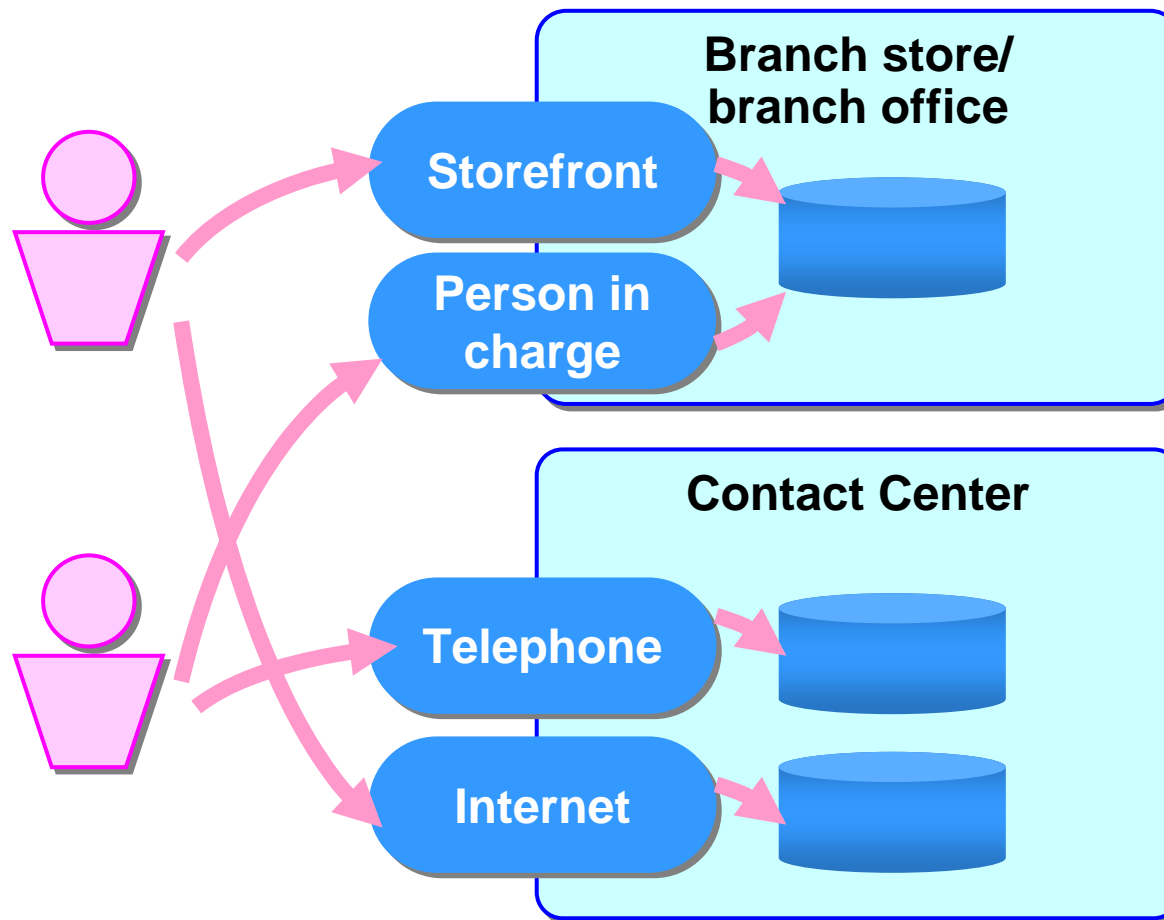
Established continuous improvement system

- Enhanced reception channels
- Introduced analysis/feedback
- Implemented numerous measures to improve satisfaction

Obtained ISO9001:
2000 certification

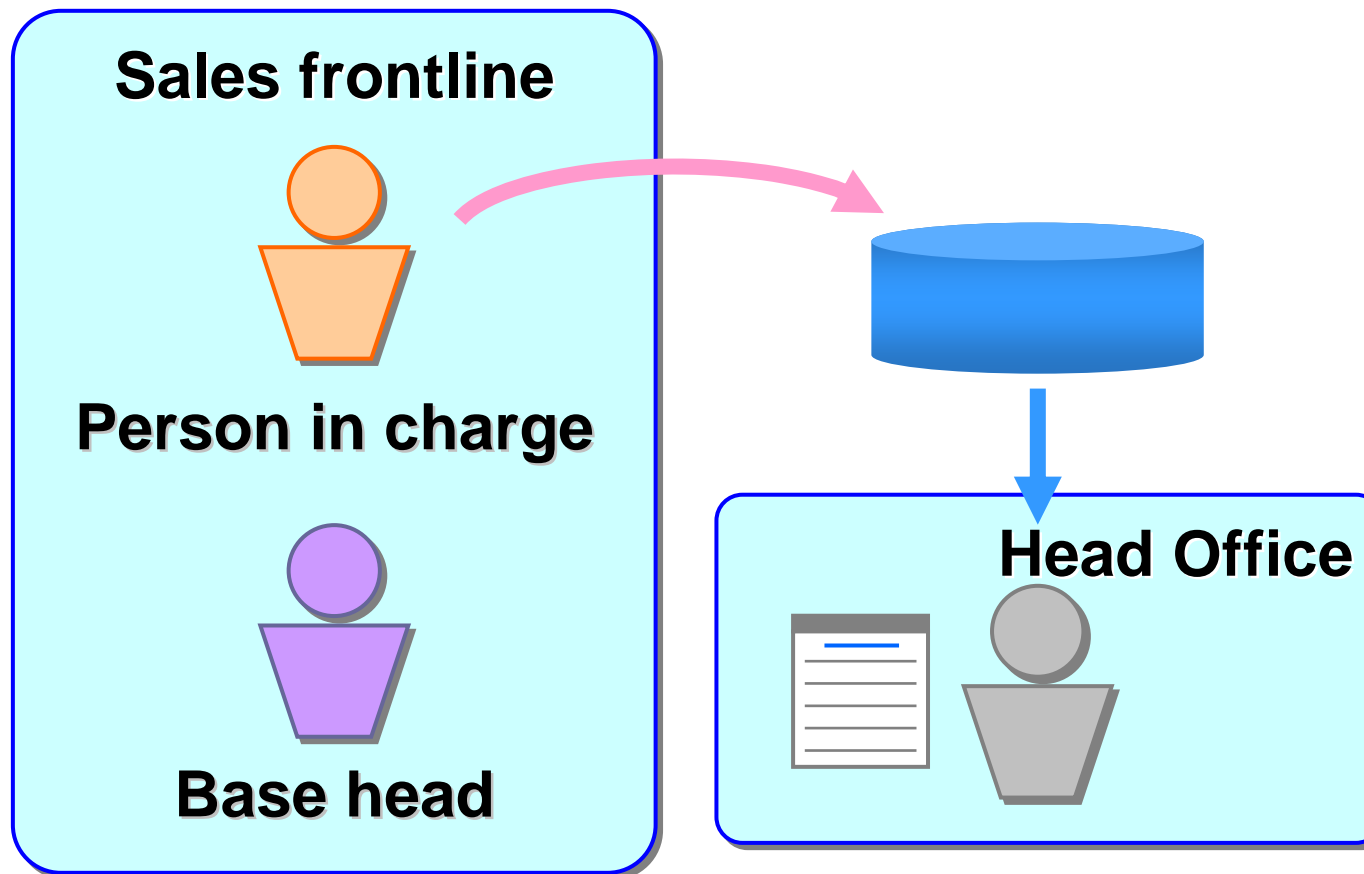
Issues that must be resolved in order to make the most of customer opinion

1. Communication between bases is not smooth.



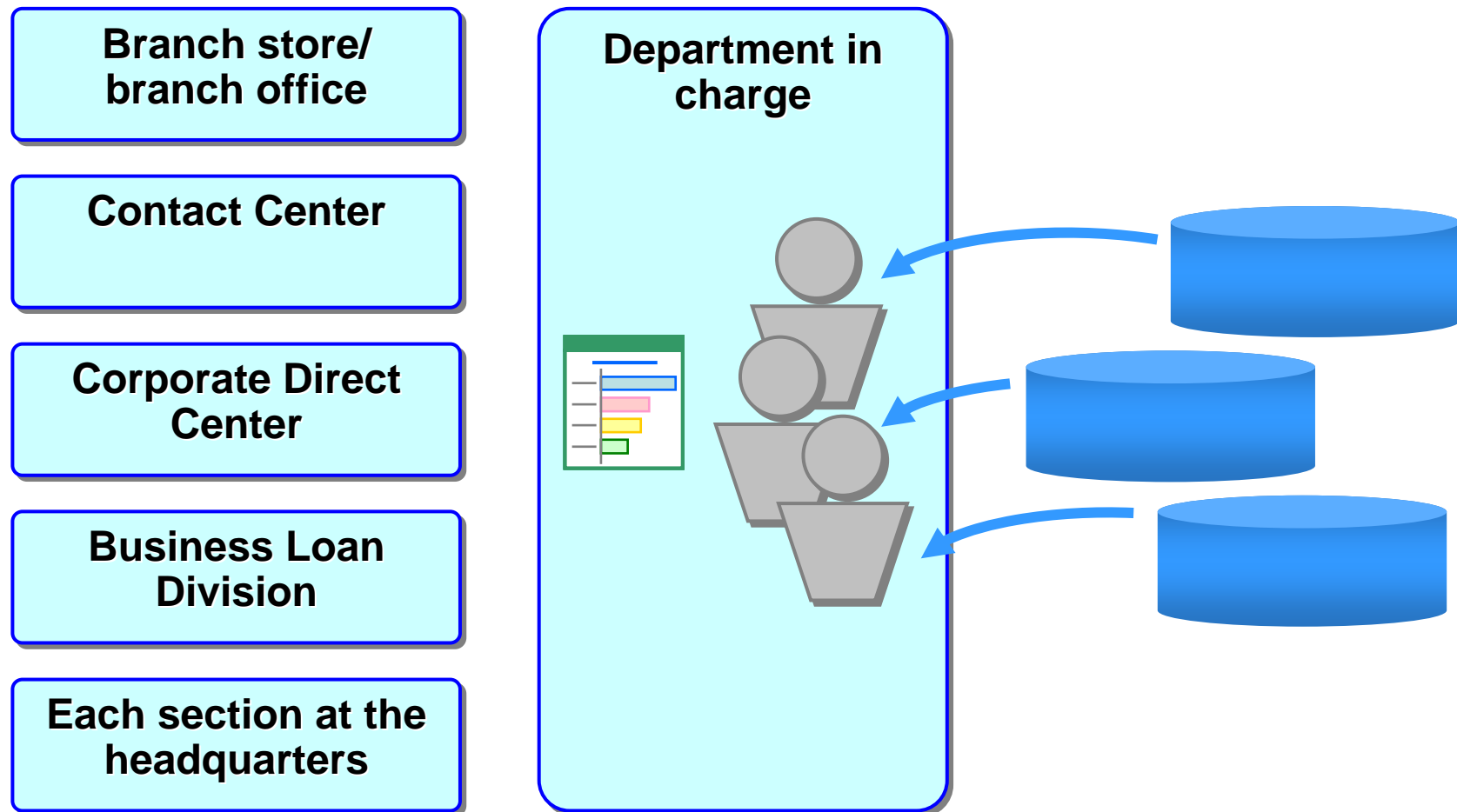
Issues that must be resolved in order to make the most of customer opinion

2. Feedback takes time.



Issues that must be resolved in order to make the most of customer opinion

3. Analysis cannot be done quickly/effectively.



Project Background

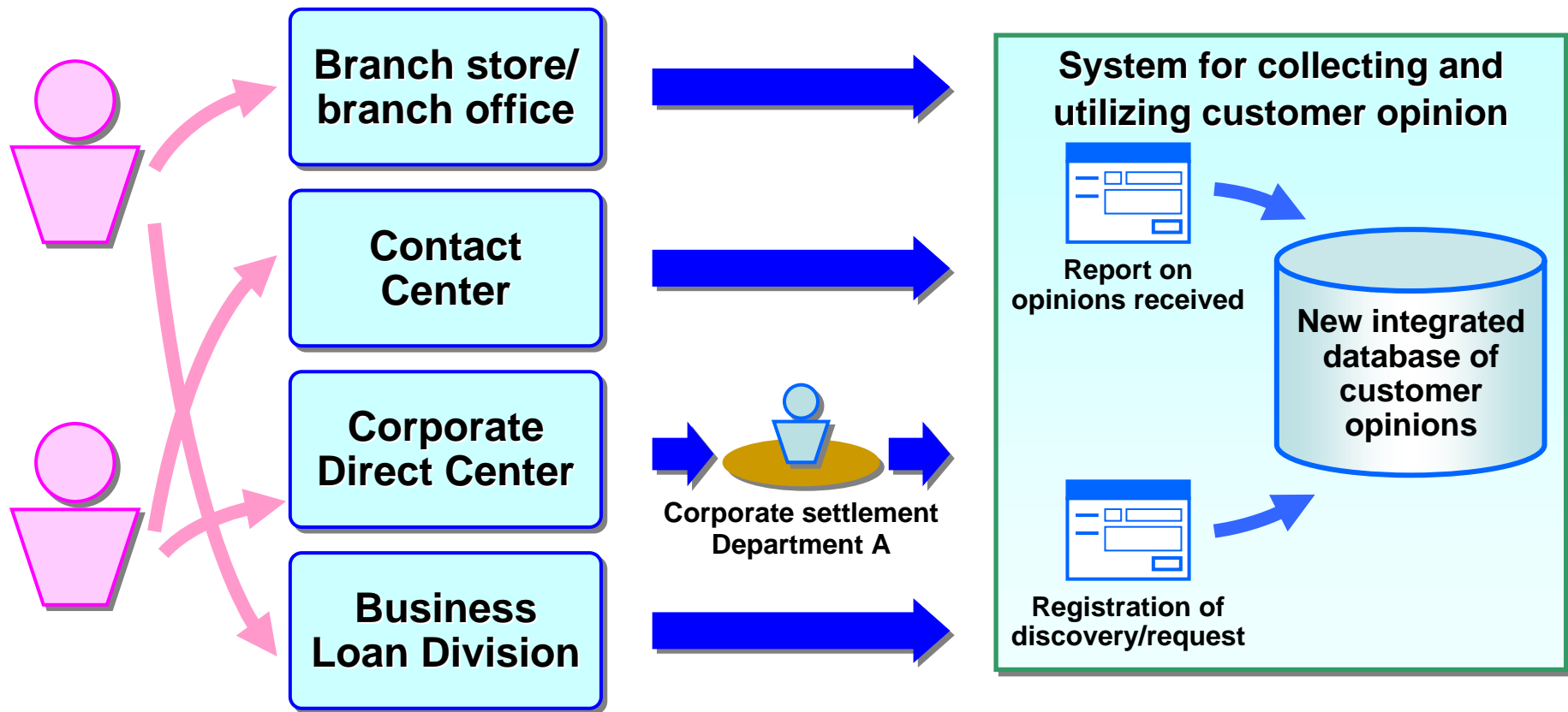
**Further enhancement of
the base to use
customer opinion**

**Increasing customer
opinion attendant on
integration work.**



**Establishing a new use basis before
Day2 integration work starts**

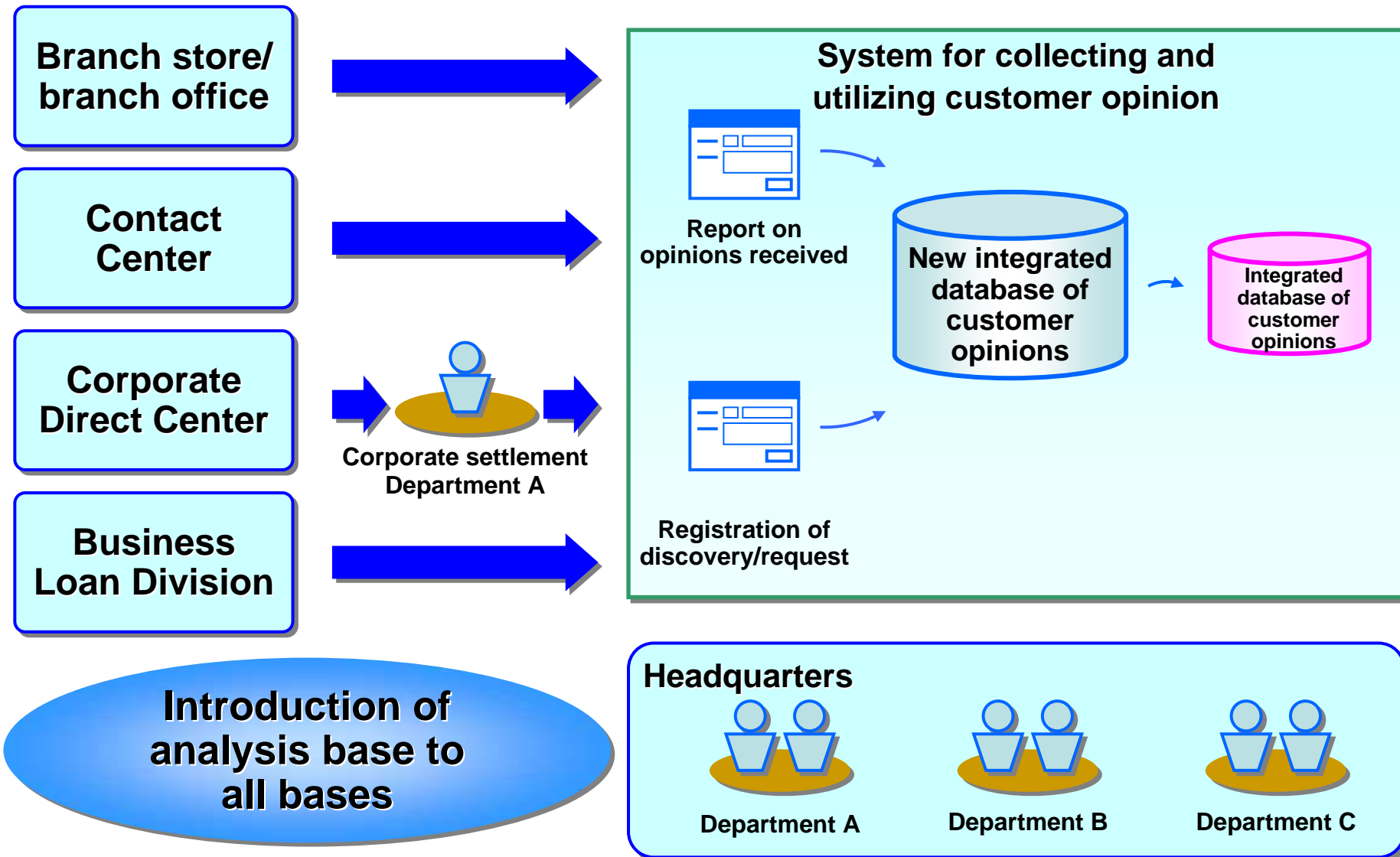
New Base for Collection and Utilization of Customer Opinions



**Integration of
customer opinions**

**Improvement in
return speed**

New Base for Collection and Utilization of Customer Opinions



Establishing a Base for an Organization That Learns

**Integration of
customer
opinions**

**Improvement
in return
speed**

**Introduction
of analysis
base to all
bases**

Real-time and flexible use of base

**Innovate to become an organization that
learns every day**

System Features

More innovative than the previous system

- Features a system response time 1/10 or less of that of the former system and returns data in several-tenths of a second
- Enables real-time analysis and free word search
- Acquires all system operation logs and realizes management security and information sharing at the same time

Maximum effect with minimum investment

- Uses not only commercial software but a lot of free software as well

Steady, simultaneous operation

- Stably and simultaneously operates at 1,000 bases, even through no errors are allowed

Creating FUTURE's Future Value

Realization of a base to utilize customer opinions across business categories

- Can be utilized regardless of business category

Realization of standard framework for information sharing/analysis

- Any information can be shared, and analysis can be used normally.

Important track records in the mega bank market

- Smooth, regular operation can be realized on a large scale and in short delivery time.

4. Earnings Outlook for FY2008 and Topics

Earnings Outlook for FY2008 (Consolidated)

(Millions of yen)	FY2008 first half initial plan	FY2008 revised plan	Percentage change (Bottom:YoY comparison)	(Reference) FY2007 results
Net Sales	26,630	28,000	5.1% (11.9%)	25,018
Operating income	3,500	3,550	1.4%	3,046
Operating income margin	13.1%	12.7%	(16.5%)	12.2%
Ordinary income	3,570	3,600	0.8%	3,162
Ordinary income margin	13.4%	12.9%	(13.8%)	12.6%
Net income	1,760	2,040	15.9%	1,268
Net income margin	6.6%	7.3%	(60.9%)	5.1%

Earnings Outlook for FY2008 (Non-consolidated)

(Millions of yen)	FY2008 first half initial plan	FY2008 revised plan	Percentage change (Bottom:YoY comparison)	(Reference) FY2007 results
Net Sales	17,300	19,300	11.6% (20.3%)	16,046
Operating income	3,200	3,450	7.8%	2,717
Operating income margin	18.5%	17.9%	(27.0%)	16.9%
Ordinary income	3,420	3,620	5.8%	3,071
Ordinary income margin	19.8%	18.8%	(17.9%)	19.1%
Net income	1,750	2,100	20.0%	1,339
Net income margin	10.1%	10.9%	(56.7%)	8.4%

Upward Revision of Dividend Estimate for FY2008

- First-half results grew significantly from a year earlier on both consolidated and non-consolidated bases.
- We expect earnings to remain strong in the second half as well.
- We attach importance to passing on profits to shareholders.

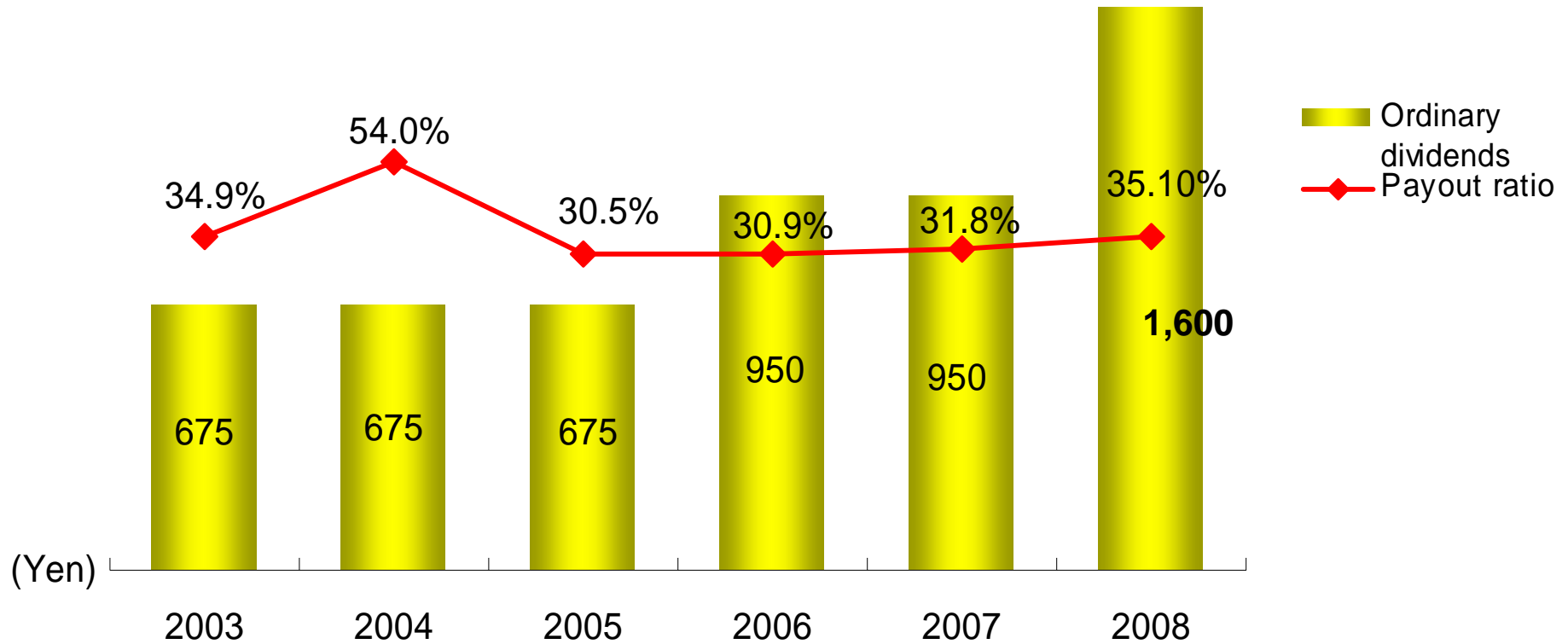
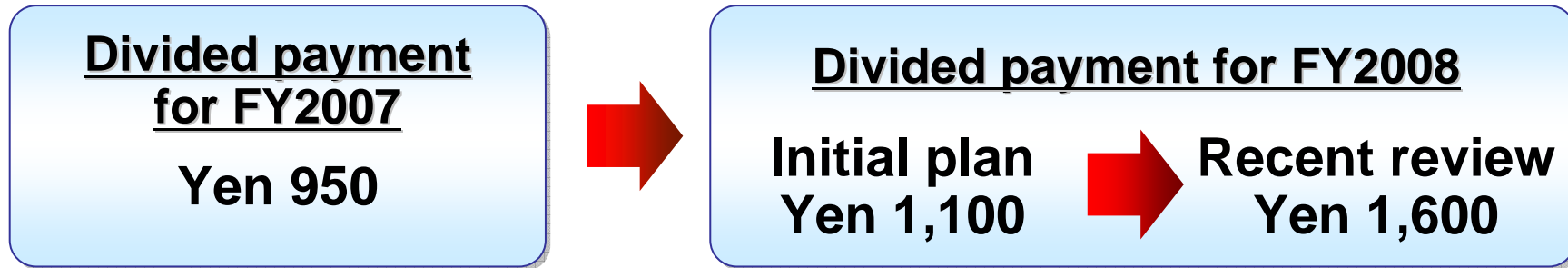
We reviewed the dividend estimate for FY2008.

We revised dividend payment to 1,600 yen per share

(For reference)

- *Up 45% from the estimate made at the beginning of the fiscal year (1,100 yen)*
- *Up 68% from the dividend paid in the previous fiscal year (950 yen)*

Return of Earnings to Shareholders (Dividends)



* Dividends before 2005 are calculated based on the number of outstanding shares after a stock split on February 1, 2006.



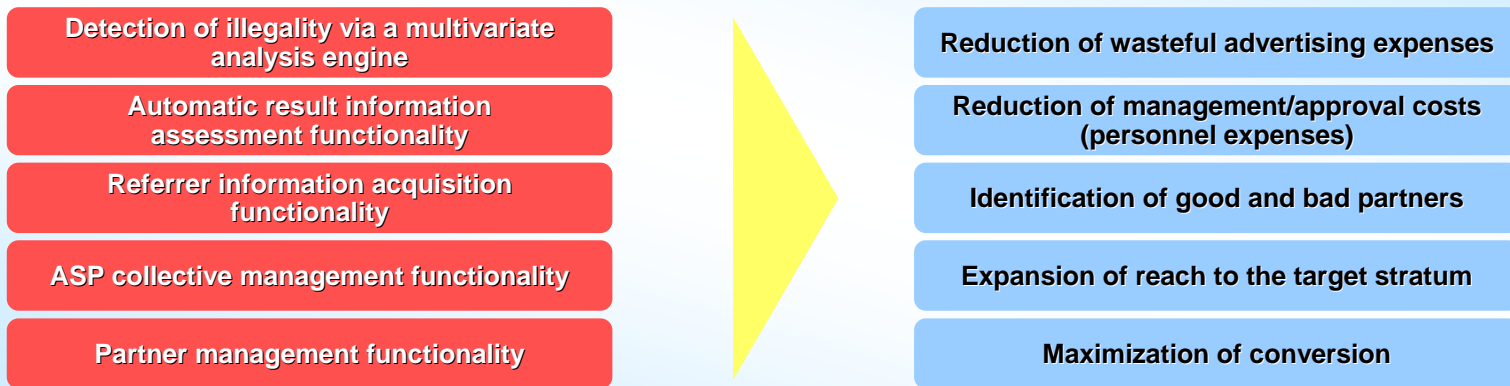
New Field Venture from the Group

Zakura Corporation drew attention with its release of APOZ (affiliate program optimizer).

Zakura Corporation: A venture company that bears the Internet Business to Consumer (BtoC) business of the Future Group

Major functions and effects of APOZ

• Automatically detects/prevents illegality in affiliate advertisement on the Internet !!!



Introduction track record

- Introduced in CarSensor.net (Recruit Co., Ltd.)
 - Reduced complaints from retailers
 - Contributed to reducing fees by 40 - 60%
- Introduced by 11 companies for 17 services (from February to June 2008)

Improved cost effectiveness of acquiring users by APOZ

Inquiries about used vehicles
Fee paid to affiliates: 650 yen per case

ASP	Approval	Denial	Retention
Company A	46.6%	47.3%	6.1%
Company B	35.1%	60.9%	4.0%
Company C	34.9%	61.6%	3.5%

*APOZ --- (Affiliate Program Optimizer powered by Zakura) *The case of Recruit Co., Ltd. was described in detail in the July 2008 issue of NIKKEI NETMarketing.

Reference

Financial Topics (non-consolidated)

● Increase (decrease) in net sales

(Millions of yen)

Application	First half of 2007	First half of 2008	YoY ratio
Net Sales	6,706	10,008	49.2%
IT consulting	6,314	9,581	51.8%
HW procurement	315	65	-79.1%
Package & Service	77	361	366.1%
Net sales per consultant	13.2	16.8	27.6%
Average number of consultants	507	593	17.0%

● Changes in cost of sales

(Millions of yen)

Category	First half of 2007	First half of 2008	YoY ratio
IT consulting service	3,079	5,973	94.0%
Labor expenses	1,298	1,918	47.7%
Subcontract expenses	1,362	2,804	105.8%
Others	417	1,251	199.5%
Cost of sales of hardware procurement	276	53	-80.6%
Cost of sales of package & service business	59	213	258.7%
Total	3,415	6,241	82.7%

● Changes in selling, general and administrative expenses

(Millions of yen)

Category	First half of 2007	First half of 2008	YoY ratio
Selling, general and administrative expenses	2,317	2,037	-12.1%
Personnel expenses	1,196	917	-23.3%
Strategic expenses	501	460	-8.2%
Research & development expenditures	91	36	-60.4%
Depreciation	127	117	-7.9%
Employee training expenses	139	134	-3.6%
Recruitment expenses	144	162	12.5%

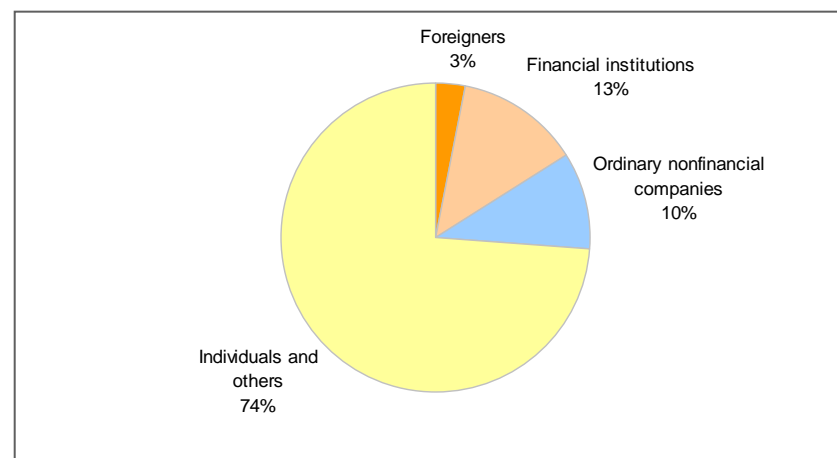
● Net sales and value added per consultant

(Millions of yen)

	First half of 2007	First half of 2008	YoY ratio
Net Sales	6,706	10,008	49.2%
Purchases	277	53	-80.6%
Subcontract expenses	1,362	2,804	105.8%
Results of subtraction: value added*	5,067	7,151	41.1%
Average number of consultants	507	593	17.0%
Average sales per consultant	13.2	16.9	27.6%
Average value added per consultant	10.0	12.1	20.6%

*Value added = Net sales - Purchases - Subcontracting expenses

● Breakdown of shareholders



Note

The forecasts in this material are based on currently available information, and actual results may differ from such forecasts depending on the future direction of the Japanese economy and the IT service industry.

It should be noted that the Company does not guarantee or promise the accuracy of these forecasts.