

February 5, 2009

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Extraordinary losses and reasons for disparity with earnings forecasts for fiscal 2008

This press release is to inform the reader that, at a Board of Directors meeting held on February 5, 2009, Future Architect decided to post extraordinary losses on the items outlined below. The reasons for the disparity between actual earnings results and the company's forecasts for fiscal 2008 (both consolidated and non-consolidated), issued on August 7, 2008, are also outlined below. Dividends for the fiscal year ended December 2008 will be set at ¥1,600 per share, as per announced previously.

1. Posting of extraordinary losses and the reasons for these items

Future Architect's main business, IT Consulting operations, continues to enjoy steady earnings. The Package & Service Business is also registering steady earnings.

On the other hand, the general slump in financial markets worldwide has caused financial businesses operated by consolidated subsidiaries to stagnate. Meanwhile, efforts to revise procurement conditions in the supermarket chain operation, which falls into the Corporate Revitalization Business and New Business Cultivation Business division, have taken longer than expected, and delays in passing on higher raw materials costs to customers also contributed to weak earnings.

Based on these conditions, Future Architect decided to revise its valuation of group shareholdings and assets in accordance with revised plans for growth and earnings, after carefully analyzing business conditions. The company considers appropriate to write off the excessive valuation of assets, relative to their potential to generate cash flow, and to book valuation losses on shares in group subsidiaries. Therefore, Future Architect has posted the following extraordinary losses.

Breakdown of extraordinary losses posted in the fourth quarter of fiscal 2008

Item	Total (Consolidated)	Total (Non-consolidated)
Asset valuation loss	¥550 million	¥219 million
Valuation loss on shares in subsidiaries	--	¥549 million
Additions to allowance for doubtful accounts	¥102 million	--
Other items	¥32 million	¥31 million
Total	¥685 million	¥799 million

2. Disparities of earnings forecasts for fiscal 2008 (Jan 1, 2008 – December 31, 2008)

(1) Disparities of consolidated earnings forecasts

(millions of yen unless otherwise noted)

	Sales	Operating income	Ordinary income	Net income	EPS (yen)
Previous forecast (A)	28,000	3,550	3,600	2,040	4,549.78
Actual (B)	28,174	2,598	2,678	701	1,569.29
Disparity (B-A)	+174	-951	-921	-1,338	
Change (%)	+0.6%	-26.8%	-25.6%	-65.6%	
Fiscal 2007 (reference)	25,018	3,046	3,162	1,268	2,729.31

(2) Disparities of non-consolidated earnings forecasts

(millions of yen unless otherwise noted)

	Sales	Operating income	Ordinary income	Net income	EPS (yen)
Previous forecast (A)	19,300	3,450	3,620	2,100	4,683.60
Actual (B)	19,225	2,891	3,118	1,016	2,272.88
Disparity (B-A)	-74	-558	-501	-1,083	
Change (%)	-0.4%	-16.2%	-13.9%	-51.6%	
Fiscal 2007 (reference)	16,046	2,717	3,071	1,339	2,883.70

3. Reasons for the disparities

(1) Consolidated

Sales were roughly at the same level as projected, since demand at the corporate group remained strong despite generally weak economic conditions.

On the other hand, operating income and ordinary income were affected by contributions from a consolidated subsidiary that operates a chain of supermarkets. Not only did it take longer than expected to revise the procurement structure, but rising raw materials costs increased procurement expenses and it was not possible to pass on the full impact to customers. In addition, SG&A costs were not able to reduce as originally planned. For these reasons, losses in the business increased. Furthermore, consolidated subsidiaries that specialize in operations aimed at the financial industry suffered flagging sales and a drop in profits as financial companies cut back on investment. Deteriorating profitability on some projects at non-consolidated basis also had an impact. These factors caused income to fall below previous forecasts.

At net income, the company posted extraordinary losses as outlined in section 1 (“Posting of extraordinary losses and the reasons for these items”), above. This caused net income to fall below previous forecasts.

(2) Non-consolidated

Earnings at non-consolidated basis were generally strong, with sales, operating income and ordinary income rising year on year. However, there were some projects which profitability deteriorated, as expenses increased. In addition, the posting of extraordinary losses caused net income to fall short of previous forecasts. The company’s main business remains healthy, and the main reason for the drop in net income was that Future Architect wrote down the value of assets and posted other extraordinary losses.

However, the decline in net income does not reflect any decline in core business profitability. Therefore the company will keep its dividends per share at the level announced previously, paying out ¥1,600 per share.

Any questions relating to the above press release should be directed to:

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