

Press Release

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Announcement of Consolidated Operating Results for the First Quarter of Fiscal Year 2010

1. Consolidated operating results for the first quarter of FY 2010

The Group's net sales for the first quarter of fiscal 2010 (from January 1, 2010 to March 31, 2010) were ¥5,757 million (down 14.0% from the corresponding period of the previous fiscal year), while operating income decreased by 35.2% to ¥476 million, ordinary income decreased by 36.2% to ¥495 million and net income decreased by 39.7% to ¥255 million.

Specific details of the operations in each business segment for the relevant period are outlined below.

In the IT Consulting Business, our core projects progressed almost in line with initial forecasts. However, corporate IT investments have not yet fully recovered, although we expect new projects and large-scale projects to be launched from the second quarter. Given these circumstances, net sales decreased to ¥3,678 million (15.7% down from the corresponding quarter of the previous fiscal year). Operating income was down 24.4% year-on-year to ¥548 million, reflecting the decline of sales, although we continued to streamline expenditure focusing mainly on outsourcing costs.

The Package & Service Business remained strong because a collaborative project between the Company and Ascendia Inc. continued to make smooth progress and other projects were on schedule. However, we continued to face difficult business conditions; for example, Elm Corporation, the core company of our package & service business, still requires time to obtain orders through negotiations with well-established small and medium-sized companies. As a result, net sales were ¥969 million (20.4% down from the corresponding quarter of the previous fiscal year). On the profit front, we posted an operating loss of ¥78 million (operating income of ¥32 million in the corresponding quarter of the previous fiscal year), as the effects of cost reductions were not large enough to offset the decrease of net sales.

In the Corporate Revitalization/New Operations Development Business, there was a decrease of supermarket sales (Uoei Shoten Corporation), which constitute a major part of the business. However, this was due to the closing of unprofitable shops. Sales of existing shops increased from the corresponding quarter of the previous fiscal year. As a result, net sales of the overall corporate revitalization/new operations development business were ¥1,165 million (2.5% down from the previous corresponding period). In addition, there were effects from a streamlining of the sales strategy through the introduction of information technologies, including the launch of an automatic order placement system. Consequently, operating income was ¥1 million (operating loss of ¥15 million in the previous corresponding period), a profit, albeit marginal, for the first time on a quarterly basis.

2. Earnings outlook

While we see signs of recovery in the economic environment, we expect IT investments to continue suffering from difficult conditions in the short term. Under such circumstances, both net sales and profit of each business of the Company decreased in the first quarter from the previous corresponding period. However, we have already factored in a slowdown of business at the beginning of the fiscal year, and there is no revision to the earnings forecast for the second quarter and the consolidated fiscal year ending December 2010, which the Company announced on February 5, 2010.

We consider that we need to address the following issues in the second quarter through the second half of the fiscal year. In the IT Consulting Business, we need to ensure appropriate operation and delivery of major projects for which we will complete contracts down the road, as well as strengthen relations with customers to take newly launched projects to the next phase. In the Package & Service Business, we will deploy all of our resources to develop potential customers and expand the market by releasing new products and services at an early date. In the Corporate Revitalization/New Operations Development Business, in the context of implementing a more effective sales strategy, we will continue to enhance the competitiveness of existing shops and further improve operating efficiency and customer analysis capabilities through the use of information technologies.

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