Member of the Financial Accounting Standards Foundation

February 8, 2011

Summary Report of Consolidated Operating Results for Fiscal 2010 (Year ended December 31, 2010)

Company name: Future Architect, Inc.
Shares listed on: First Section of Tokyo Stock Exchange
Security code number: 4722
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Scheduled date of annual general shareholders' meeting: March 22, 2011
Scheduled date for submitting *Yuka Shoken Hokokusho* (financial documents): March 23, 2011
Scheduled date for distribution of dividend payments: March 23, 2011

(Figures are rounded to the nearest 1 million.)

1. Consolidated Results for Fiscal 2010 (January 1, 2010 to December 31, 2010)

(1) Consolidated operating results

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	% change	Million yen	% change	Million yen	% change	Million yen	% change
Fiscal 2010	22,639	-4.3	3,141	19.9	3,281	21.3	1,591	32.1
Fiscal 2009	23,658	-16.0	2,618	0.8	2,704	1.0	1,204	71.7

	Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating profit margin
	Yen	Yen	%	%	%
Fiscal 2010	3,485.23	--	15.6	24.8	13.9
Fiscal 2009	2,719.50	--	13.0	20.5	11.1

(Reference) Profit/loss from equity method investments:
Fiscal 2010: 21 million yen
Fiscal 2009: (10) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2010	13,931	10,662	76.5	23,349.47
Fiscal 2009	12,557	9,841	77.9	21,422.20

(Reference) Shareholders' equity
Fiscal 2010: 10,662 million yen
Fiscal 2009: 9,782 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
Fiscal 2010	2,163	170	(762)	5,153
Fiscal 2009	2,834	(999)	(871)	3,585

2. Dividends

	Dividends per share					Total annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Annual dividend	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2009	—	0.00	—	1,600.00	1,600.00	730	58.8	7.8
Fiscal 2010	—	0.00	—	1,200.00	1,200.00	547	34.4	5.4
Fiscal 2011 (Forecast)	—	750.00	—	750.00	1,500.00	—	35.1	—

3. Projected Consolidated Results for Fiscal 2011 (January 1, 2011 to December 31, 2011)

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	% change	Million yen	% change	Million yen	% change	Million yen	% change	yen
Second quarter	12,000	9.7	1,650	52.7	1,680	46.5	950	79.5	2,080.45
Full year	24,500	8.2	3,400	8.2	3,450	5.1	1,950	22.5	4,270.40

4. Other

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

Notes: Presence or absence of changes in specified subsidiaries that involved changes in the scope of consolidation.

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

a. Changes accompanying revision of accounting standards: Yes

b. Changes other than a: None

Note: For details, please refer to "Changes in Material Information for the Preparation of Consolidated Financial Statements" on page 27 of [Attached Materials].

(3) Number of outstanding shares (common stock)

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

Fiscal 2010: 476,640shares

Fiscal 2009: 476,640shares

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

Fiscal 2010: 20,008shares

Fiscal 2009: 20,008shares

Note: For details of the number of shares that serves as the base for calculating (consolidated) net income per share, please refer to "Per share data" on page 39 of [Attached Materials].

(Reference) Overview of non-consolidated results

1. Non-consolidated Results for Fiscal 2010 (January 1, 2010 to December 31, 2010)

(1) Non-consolidated operating results

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	% change	Million yen	% change	Million yen	% change	Million yen	% change
Fiscal 2010	14,290	-7.2	3,039	11.5	3,108	12.3	1,480	41.5
Fiscal 2009	15,400	-19.9	2,726	-5.7	2,768	-11.2	1,046	3.0

	Net income per share	Fully diluted earnings per share
	Yen	Yen
Fiscal 2010	3,242.94	—
Fiscal 2009	2,361.40	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2010	12,521	10,511	83.9	23,018.71
Fiscal 2009	11,574	9,741	84.2	21,332.54

(Reference) Shareholders' equity

Fiscal 2010: 10,511 million yen

Fiscal 2009: 9,741 million yen

2. Non-consolidated Results for Fiscal 2011 (January 1, 2011 to December 31, 2011)

(Percentage figures reflect year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	% change	Million yen	% change	Million yen	% change	Million yen	% change	
Second quarter	7,800	12.4	1,520	34.8	1,550	32.2	892	33.4	1,953.43
Full year	15,500	8.5	3,200	5.3	3,250	4.6	1,850	24.9	4,051.40

*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. Please refer to page 4 of [Attached Materials] for assumptions and other matters related to the projections.

1. Operating Results

(1) Analysis of operating results

(Overview of fiscal year under review)

The Group's consolidated operating results for fiscal year under review were as follows:

Net sales:	¥22,639 million (down 4.3% year-on-year)
Operating income:	¥3,141 million (up 19.9% year-on-year)
Ordinary income:	¥3,281 million (up 21.3% year-on-year)
Net income:	¥1,591 million (up 32.1% year-on-year)

The noteworthy events of this period were as follows:

The operating results by business segment represent values before adjustment of internal sales or transfers among segments.

During the fiscal year under review in Japan, the deflationary trend did not improve and the employment situation remained harsh, although there were some signs of an earnings recovery in some business categories, mainly supported by the government's economic measures and a recovery in exports following the development of emerging markets. Uncertainty over the course of the Japanese economy seems likely to remain, as exemplified by the rapid advance in the appreciation of the yen and financial issues in Europe.

Despite some signs of recovery in capital investment in IT, a full-scale recovery is yet to come. Hence, the IT service industry as a whole is facing a harsh business environment.

Under such circumstances, net sales of the Group decreased from the previous consolidated fiscal year primarily due to a slowdown in orders received and delay in concluding contracts, mainly affected by the unstable business trends in the first fiscal half. On the other hand, the profit structure improved remarkably even in such a situation, thanks to our efforts to increase the accuracy of project management and further improve cost management.

In addition, both orders received and our order backlog, including those received from new customers, have been steadily increasing since the beginning of the second fiscal half. We believe that net sales will also increase in and after the next fiscal year.

1. IT Consulting Business

Net sales recovered in the second half due to an increase in projects including new ones. This, however, failed to offset poor sales in the first half. As a result, net sales for the fiscal year under review were ¥13,981 million, down 8.0% from a year earlier.

Meanwhile, profits improved significantly from the previous fiscal year, thanks to the success in appropriately controlling delivery periods, quality of services and man-hours through enhanced project management as well as thorough cost management. Operating income advanced 7.3% year-on-year to ¥2,995 million, and the operating profit margin rose to 21.4% from 18.4% for the previous fiscal year.

By business category, sales at the IT Consulting Business are broken down into: 80% (70% in the previous year) for the logistics and service industries; 19% (20% in the previous year) for the financial industry; and 1% (10% in the previous year) for the other industries.

Sales at the IT Consulting Business are broken down into 14% (13% in the previous year) for the strategic phase, 30% (24% in the previous year) for the design phase, 43% (51% in the previous year) for the development phase and 13% (12% in the previous year) for the operation and maintenance phase.

2. Package & Service Business

Businesses on consignment of Ascendia Inc. continued to be strong due to a recovery in orders received through the year and sales from its maintenance services in cooperation with Future Architect, Inc. increased steadily. Earnings of ELM Corporation remained poor in the first half, but picked up in the second half because it made every effort to drastically reinforce its marketing abilities and the economy hit the bottom. As a result, net sales of this business segment were ¥4,415 million, up 4.8% from a year ago, and operating income was ¥170 million, compared with the year-before loss of ¥16 million.

3. Corporate Revitalization/New Business Cultivation Business

The grocery supermarket (Uoei Shoten Corporation), which constitutes a major part of the business, continuously benefited from enhanced competitiveness achieved by renovating old outlets, a streamlined sales strategy achieved by introducing IT, and reduced costs achieved by restructuring. However, net sales of this business segment remained almost on the same level as in the previous fiscal year at ¥4,558 million. The segment posted an operating loss of ¥40 million, an improvement from a loss of ¥103 million a year ago.

4. Non-operating income and expenses; ordinary income

The Group booked non-operating income of ¥152 million, including ¥69 million in amortization of negative goodwill.
Meanwhile, non-operating expenses were ¥11 million, including ¥3 million in interest expenses. As a result, ordinary income for the fiscal year under review was ¥3,281 million (up 21.3% from the previous year).

5. Extraordinary income and losses, net income before taxes, corporate taxes, and net income

The Group booked extraordinary income of ¥50 million, including ¥30 million in gains on sale of investment securities. Meanwhile, extraordinary losses were ¥492 million, including ¥260 million in impairment losses and ¥73 million in losses on valuation of investment securities. Net income before taxes was ¥2,840 million.
As a result of incorporating corporate taxes and minority interest in net loss into net income before taxes, net income was ¥1,591 million (up 32.1% year-on-year).

(Outlook for the next fiscal year)

1. Forecast for the next fiscal year

Our earnings forecast for the fiscal year ending December 2010 is as follows:

Net sales:	¥24,500 million (up 8.2% year-on-year)
Operating income:	¥3,400 million (up 8.2% year-on-year)
Ordinary income:	¥3,450 million (up 5.1% year-on-year)
Net income:	¥1,950 million (up 22.5 % year-on-year)

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

1) IT Consulting Business

Though corporations are expected to remain cautious about IT investment as a whole, orders received by the Group have been increasing, centering on customers in the logistics and service industries where IT investment is very important. The Group expects these orders received to result in increased sales in the next fiscal year.
Also, the Group plans to launch large projects successively in the next fiscal year, and this is expected to boost the operating ratio of employees and increase outsourcing costs. The Group believes that one of its major challenges is to post a steady profit through proper project management, while maintaining an optimum management system by making the most of its efforts in the past several years.

2)Package & Service Business

Though the wave of global economic slowdown, triggered by the financial crisis in 2008, had a great impact particularly on small and midsize companies, the recession has bottomed out. As a result, IT investment that was curbed is now recovering, and a growing number of corporations are implementing strategic IT investment in pursuit of new innovation.
Against this backdrop, the Group will reorganize the package business for small and midsize companies within the Group and integrate human resources and products that are dispersed within the Group. The aim is to enhance the sales system and bring out next-generation products that conform to new technological innovation. In the belief that technologies such as cloud computing and next-generation mobile terminals will encourage new IT investment in the market of small and midsize companies as well, the Group will also fully push forward with unearthing this market.

3)Corporate Revitalization Business / New Business Cultivation Business

Uoei Shoten Corporation is a midsize supermarket chain with seven outlets and is based in the Chuetsu Region of Niigata Prefecture. This company has improved its gross profit margin notably, but it will continue to make efforts toward this end. It will also strive to push forward with thorough improvement of operational efficiency and reinforcement of customer analysis capability and increase customer satisfaction and expand sales by reflecting the results of customer analysis in sales strategies.

(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 fiscal year under review.

Assets:	¥13,931 million (up 10.9% year-on-year)
Liabilities:	¥3,269 million (up 20.4% year-on-year)
Net assets:	¥10,662 million (up 8.3% year-on-year)

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

1)Current assets

Current assets were ¥10,274 million on a consolidated basis at the end of the fiscal year under review, up ¥2,133 million from the previous year. The main factors were increases of cash and deposits (an increase of ¥1,447 million from the end of the previous consolidated fiscal year) and notes receivable and accounts receivable (an increase of ¥640 million from the end of the previous consolidated fiscal year).
For the breakdown of decrease in cash and deposits, please see “2. Analysis of cash flows.”

2)Fixed assets

Fixed assets amounted to ¥3,657 million at the end of the fiscal year under review, down ¥759 million from the preceding year. The main factors included a decrease in software (a decrease of ¥260 million from the end of the previous consolidated fiscal year) and a decline in lease and lease and guarantee deposits (a decrease of ¥177 million from the end of the previous consolidated fiscal year).

3)Current liabilities

Current liabilities amounted to ¥3,171 million at the end of the fiscal year under review, up ¥721 million from a year earlier. The main factors included an increase in accounts payable (an increase of ¥48 million from the end of the previous consolidated fiscal year) and a rise in income tax payable and other taxes (an increase of ¥515 million from the end of the previous consolidated fiscal year).

4)Fixed liabilities

Non-current liabilities were ¥98 million at the end of the fiscal year under review, down ¥167 million from the previous year. The main factors were decreases in long-term borrowings (a decrease of ¥32 million from the end of the previous consolidated fiscal year) and allowance for retirement benefits (a decrease of ¥102 million from the end of the previous consolidated fiscal year).

5)Net assets

Net assets were ¥10,662 million at the end of the fiscal year under review, up ¥820 million from the preceding year.
The main factors included an increase of retained earnings (an increase of ¥860 million from the end of previous consolidated fiscal year).

6)Total assets

Total assets were ¥13,931 million at the end of the fiscal year under review, up ¥1,374 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.

1)Cash flows from operating activities

Net income before taxes recorded a cash inflow of ¥2,840 million. Sales accounts receivable decreased ¥646 million. As a result, net cash flow from operating activities showed a net inflow of ¥2,163 million (compared with an inflow of ¥2,834 million in the previous fiscal year).

2)Cash flows from investing activities

Net cash flow from investment activities showed a net inflow of ¥170 million (compared with an outflow of ¥999 million in the previous fiscal year), due mainly to proceeds from withdrawals of time deposits of ¥200 million and proceeds from collection of deposits and guarantees of ¥205 million.

3)Cash flows from financing activities

Net cash flow from financing activities showed a net outflow of ¥762 million, due primarily to an outflow of ¥730 million from dividend payments (compared with an outflow of ¥871 million in the previous fiscal year).

4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥5,153 million, because of an increase of ¥1,567 million in cash and cash equivalents, the result of calculating cash flows from operating, investing and financing activities.

3. Capital resources and liquidity

1) 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 on 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. However, funds may be borrowed from financial institutions when bonuses or income taxes and other taxes are paid. In the Package & Service Business, we need funds for operating expenses because we charge for and collect service fees after clients inspect and receive those services. The Group raises such funds by financing within the Group, and dependence on outside funds remains low. In the Corporate Revitalization/New Business Cultivation Business, funds for operating expenses generally can be covered by cash flows from operating activities, partly thanks to improvement in gross profit.

(Funds for strategic investments)

The Group needs funds to purchase investment securities for strategic investments for M&A and alliances.

(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 intangible fixed assets, in the IT Consulting Business and the Package & Service Business.

(Funds for outlets)

In the Corporate Revitalization/New Business Cultivation Business, the Group needs funds for renovation and repair of retail stores.

(Funds for other purposes)

The Group sometimes acquires its treasury stocks as one of the means of carrying out capital policies, and needs funds for that purpose.

2) Financial policies

The Group's main policy is to use 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 is also efficiently utilizing funds within the Group through lending of necessary funds by the parent to subsidiaries when they procure funds.

As described in "(3) Dividend policy and dividends for the current year" and "a. Demand for operating funds" on page 8, 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 d) proceed M&A activities and e) strengthen alliances with external partner companies in order to raise the value added of services provided by the Group. Aiming for an astute M&A in the IT-related industries, where business is fast, the Group regards borrowings from financial institutions as an option to raise funds, while considering liquidity at hand as important funds for that purpose. In addition, the Group pays attention to recouping its investments by selling products, for the purpose of effective utilization of funds.

At its developing stage, the Group needs to raise funds directly from capital markets in order to further grow and expand, including the effective utilization of treasury stocks (acquisition, allotment, retirement). Therefore, the Group will continue to consider pursuing direct financing as well as financial operations as described above.

3) Acquisition and disposal of treasury stocks

The Group neither acquired nor disposed of treasury stock in the fiscal year under review. However, aiming to maximize corporate value, the Group will consider the timing to acquire or dispose of treasury stock by taking into consideration the economic situation, market trends and other factors, with a view to following flexible capital policies. The amount of treasury stock amounted to 20,008 shares worth ¥1,171 million at the end of the said period.

(3) Dividend policy and dividends for the current and next year

The Company 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.
Historically, the Company has maintained a dividend payout ratio on a non-consolidated basis of 30% or more of earnings, and in accordance with this standard, the Company plans to pay dividends for fiscal 2010 in the amount of ¥1,200 per share. This corresponds to a consolidated dividend payout ratio of 34.4% and a non-consolidated payout ratio of 37.0%. The Company's planned dividend payment for the next fiscal year would be ¥1,500 per share, and this would represent a dividend payout ratio of 35.1% on a consolidated basis and that of 37.0% on a non-consolidated basis.

(4) Business risks

The followings 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 February 8, 2011.

1)Economic conditions and business climate

The outlook for the Japanese economy is not encouraging, as exemplified by a rapid advance in the appreciation of the yen and financial issues in Europe. The deflationary trend has not improved, although there were some signs of a recovery in the Japanese economy, mainly supported by the government's economic measures and a recovery in exports following the development of emerging markets. In the Company's major client sectors, the logistics and service fields, demand remains strong for the time being. However, the future direction is uncertain in the financial sector, and it is necessary to implement management that can handle abrupt changes in the business environment at any time.
Under such a harsh business climate, the Group is expected to face competition not only in consulting functions but also in delivery capability.
Under such circumstances, the Group has renewed its conviction that its highly specialized solutions and technical know-how about downsizing are an effective means of establishing 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 small and medium-sized companies, which are the majority of Japanese corporations, remains at comparatively low levels. Such companies have got out of the critical situation resulting from the economic downturn triggered by the financial crisis in 2008, and their IT investment, which had been curbed, started picking up. However, they have not recovered enough to be able to make sufficient investment in IT.
Hence, it is effective for these companies to use solutions based on inexpensive and highly versatile software packages to improve the efficiency of their operations. In the Package & Service Business, the Group will increase additional libraries to reduce the customization processes in order to realize low-cost packages that can be installed quickly, as well as develop products in anticipation of the next generation.
As described above, the Group will continue to implement measures to further increase its competitive edge. However, it is highly likely that corporate investments will slow due to the economic trends, and orders will decrease. Hence, we need make preparations so that we will be able to better respond to such a situation.
In the Corporate Revitalization Business, the Group provides services that closely meet the needs of local clients. However, its operational results may be influenced by such external factors as economic trends, heightened competition, and substantial price fluctuations of perishables owing to abnormal weather.

2)Staying abreast of technological innovation

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

Thus, 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 software packages by making existing ones compatible with and developing next-generation products so that our software packages stay abreast of new technologies.

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

3)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 making the most of various components and development support tools.

Such components and development support tools have enabled the Group to significantly improve system quality and productivity in actual systems development. However, the technological evolution of IT is rapid and client needs are becoming more sophisticated and complicated.

To respond to such needs, 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 more promptly; improve processing performance through decentralization; facilitate the system maintenance through centralized management; and 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 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.

4)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. Software for in-house use may be stated in assets, with the expectation that costs decrease due to improvement in operational efficiency, but the value of software can decline if specific functions should rapidly become obsolete due to changes in technological trends and drastic operational changes.

(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.

5)Recruitment and training

The Group understands that recruiting excellent personnel and training them are the most important tasks for the development of the Group's businesses. To this end, the Group develops various employment activities and focuses on training and education. In the fiscal year under review, recruitment and training expenses amounted to ¥92 million and ¥111 million, respectively. The Group intends to continue to attach importance 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.

6)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, or a possibility that projects may be delayed as no partners who agree to the management policies of the Group are found

7)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 engineers experienced in quality control.

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 concerning IT and to focus on education and training in project management, while solving bugs and thoroughly managing progress in projects using a new project information sharing system.

In the Package & Service Business, though most projects are small and relatively easy to control, the Group is striving to improve quality management, including enhancing the review system.

As seen above, the Group is continuing to strengthen quality control and project management. 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.

8)Dependence on specific clients

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

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

9)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 skill is required.

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

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

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

10) Reserve for quality assurance and provision for loss on project

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 additional costs after the end of projects, which is among the risks mentioned above, the Group has established a reserve for quality assurance, stating an amount for future costs based on estimates calculated from past experience. For the fiscal year under review, the Group set aside ¥139 million as a reserve, considering this amount sufficient to meet potential future payments.

For specific ongoing projects for which a loss is expected to occur, the Group has established a provision for loss on projects, stating an amount for future loss based on estimates calculated reasonably. For the fiscal year under review, the Group set aside ¥7 million as provision.

The possibility remains that actual payments may exceed this amount if there are extenuating circumstances.

11) Fixed assets

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

12) Prior investments in assets

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

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

13) Hygiene management

Consumers are increasing their awareness about food safety, as seen in the publicized cases of 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.

14) 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.

15) Strategic investments

The Group may make investments in securities taking business relationships and the prospect of possible future partnerships into consideration. 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. Furthermore, depending on operating performance of the firms in which the Group invests, the Group earnings may be affected as a result of the statutory requirement to devalue its investment in the firms.

16) Lawsuits, etc.

The Company initiated legal action in November 2009 relating to payment of contract fees, etc. against NITTO

DENKO CORPORATION, and the case is still pending in the Tokyo District Court. There also is a possibility that lawsuits or disputes will occur between the Company and the targets of investment and loans, business partners, suppliers, and other parties as the Group operates its business. At this time, we cannot foresee the final judgment that will be passed by courts concerning the lawsuit currently under trial and cases of lawsuits that could occur in the future. However, the details and results of these lawsuits may seriously affect the Group's earnings and performance.

Furthermore, regardless of the results of these lawsuits, the Group's earnings may be adversely affected as a result of a decline in the credibility and reputation of the Group due to critical reports concerning the lawsuits.

2. The Future Group

The Group (the parent and related companies) consists of 10 consolidated subsidiaries and 5 equity-method affiliates, and operates three main businesses, the IT Consulting Business, the Package & Service Business, and the Corporate Revitalization Business / New Business Cultivation Business. Business activities and involved companies are as follows.

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

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

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

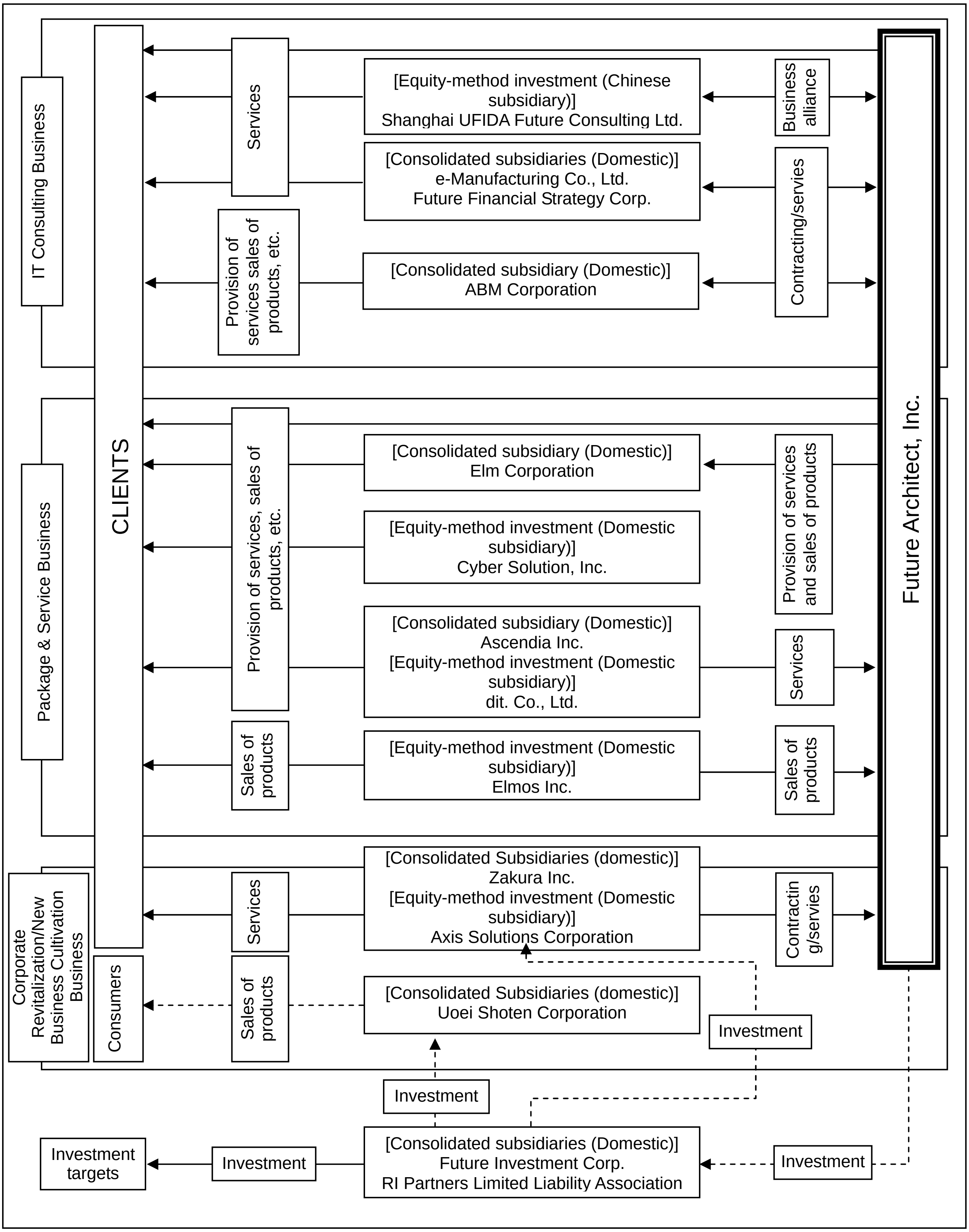
Company name	Business activities
Future Architect, Inc. (Parent company)	Provision of total solutions based on ERP packages for midsize companies
Elm Corporation (subsidiary)	Development and sales of operational support systems by industry for small and midsize companies, backbone systems and EOS systems, and provision of related support services
Ascendia Inc. (subsidiary)	Development of systems based on Java and Web technologies, personnel training, sales of systems for e-Government and development tools
dit Co., Ltd. (affiliate)	Development and sales of security network products and development and provision of such services
Cyber Solution, Inc. (affiliate)	Establishment of ASP service systems and corporate information system bases, and provision of operations planning and management services
Elmos Inc. (affiliate)	General printing, and sales of office fixtures, OA (office automation) supplies, OA equipment, POS systems, etc.

(Corporate Revitalization Business)
In this business, the Group goes deep into the management of client companies, revitalizes them through quick and drastic reforms, and creates models of success for each industry. In forming alliances with companies operating businesses that the Group does not run, and founding and making investments in the new firms, the Group maximizes these companies' value and accelerates their growth by using and combining the Company's know-how and technologies in management, operations, and overall IT, aiming to contribute to the development of these companies' industries.

Company name	Business activities
Uoei Shoten Corporation (subsidiary)	Grocery supermarket
Zakura Inc. (subsidiary)	Internet media business and provision of information system consulting service
Axis Solutions Corporation (affiliate) (new)	Information system consulting service

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

Company name	Business activities
Future Investment Corp. (subsidiary)	Securities holding, management and investment
RI Partners Limited Liability Association (subsidiary)	Investment
Future Architect, Inc. (subsidiary)	Research, development and study of advanced information technology in the U.S.
Associant Technology Inc. (subsidiary)	Asset management


CLIENTS
Future Architect, Inc.
IT Consulting Business
Services
[Equity-method investment (Chinese subsidiary)]
Shanghai UFIDA Future Consulting Ltd.
Business alliance
[Consolidated subsidiaries (Domestic)]
e-Manufacturing Co., Ltd.
Future Financial Strategy Corp.
Contracting/servies
Provision of services sales of products, etc.
[Consolidated subsidiary (Domestic)]
ABM Corporation
Package & Service Business
Provision of services, sales of products, etc.
[Consolidated subsidiary (Domestic)]
Elm Corporation
Provision of services and sales of products
[Equity-method investment (Domestic subsidiary)]
Cyber Solution, Inc.
[Consolidated subsidiary (Domestic)]
Ascendia Inc.
[Equity-method investment (Domestic subsidiary)]
dit. Co., Ltd.
Services
Sales of products
[Equity-method investment (Domestic subsidiary)]
Elmos Inc.
Sales of products
Corporate Revitalization/New Business Cultivation Business
Services
[Consolidated Subsidiaries (domestic)]
Zakura Inc.
[Equity-method investment (Domestic subsidiary)]
Axis Solutions Corporation
Contracting/servies
Consumers
Sales of products
[Consolidated Subsidiaries (domestic)]
Uoei Shoten Corporation
Investment
Investment
Investment targets
Investment
[Consolidated subsidiaries (Domestic)]
Future Investment Corp.
RI Partners Limited Liability Association
Investment

Affiliated companies
(1) Consolidated subsidiaries

Name	Location	Capital (in thousands of yen)	Main Business activities	Voting right ratio (%)	Relationship			
					Interlocking directors		Monetary assistance	Business transactions
					Number of company directors	Number of company employees		
Future Financial Strategy Corp.	Shinagawa-ku, Tokyo	30,000	IT Consulting Business	100.0	1	3	None	Consigning of financial consulting
ABM Corporation	Shinagawa-ku, Tokyo	80,000	IT Consulting Business	100.0	-	2	Fund lending	Provision of the license for ABC cost accounting packages
Elm Corporation	Shinagawa-ku, Tokyo	200,000	Package & Service Business	100.0	1	2	None	Provision of the license for sales management packages
Ascendia Inc.	Oita-shi, Oita	83,700	Package & Service Business	100.0	-	3	Fund lending	Receipt of services for development
Uoei Shoten Corporation	Minami-ku, Niigata	198,000	Corporate Revitalization/ New Business Cultivation Business	100.0 (100.0)	-	1	Fund lending	None
Zakura Inc.	Shinagawa-ku, Tokyo	17,500	Corporate Revitalization/ New Business Cultivation Business	100.0 (100.0)	-	2	Fund lending	Receipt of services for development
Future Investment Corp.	Shinagawa-ku, Tokyo	10,000	Entire company	100.0	2	1	Fund lending	Consignment of custody and management of stocks, and investment
RI Partners Limited Liability Association	Shinagawa-ku, Tokyo	348,000	Entire company	100.0 (100.0)	-	-	None	Consignment of investment
Future Architect, Inc.	California, USA	11,912 (US$ 100 thousand)	Entire company	100.0	3	-	None	None
Associant Technology Inc.	Oita-shi, Oita	273,475	Entire company	100.0	1	1	None	None

Notes:
1. The name of the business segment is stated in “Main business activities.”
2. Elm Corporation, Uoei Shoten Corporation and Associant Technology Inc. are specified subsidiaries.
3. The above subsidiaries file neither securities registration statements nor securities reports.
4. Figures in the parentheses in “Voting right ratio” represent an indirectly owned ratio and are included in the figures above the parentheses.
5. Future Investment Corp. is a managing partner of RI Partners Limited Liability Association.

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

Name	Location	Capital (in thousands of yen)	Main Business activities	Voting right ratio (%)	Relationship			
					Interlocking directors		Monetary assistance	Business transactions
					Number of company directors	Number of company employees		
Shanghai UFIDA Future Consulting Ltd.	Shanghai, China	28,703 (US$ 247 thousand)	IT Consulting Business	40.1	2	–	None	Provision of IT Consulting services in the Chinese market
dit Co., Ltd.	Koto-ku, Tokyo	428,745	Package & Service Business	47.9	1	–	None	Receipt of services for network consulting
Cyber Solution, Inc.	Koto-ku, Tokyo	310,000	Package & Service Business	47.9 (47.9)	1	–	None	None
Elmos Inc.	Chuo-ku, Osaka	10,000	Package & Service Business	40.0 (40.0)	1	–	None	Purchase of OA equipment and fixtures
Axis Solutions Corporation	Koto-ku, Tokyo	17,000	Corporate Revitalization/ New Business Cultivation Business	20.0 (20.0)	–	–	None	Receipt of services for development

Notes:

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

3. Management Policy

(1) Basic corporate tenets

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

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

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

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

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

We fully meet the client's needs by not only providing IT systems that support businesses of the client at a lower cost and in a shorter installation period in accordance with the needs of small and midsize companies, but also customizing these software packages according to the client's business type and market. We are also striving to upgrade software packages so that we can offer cutting-edge functions, such as visualization of internal control and work, as standards.

In the Corporate Revitalization Business, the Group will revitalize the operations of a regional supermarket chain with seven stores (a consolidated subsidiary) by fully using its strategic and technical experiences in the distribution industry and introducing information technologies. In the New Business Cultivation Business, we aim to contribute to the relevant industries by maximizing the value of target companies or accelerating their growth. We will do this by using and merging the know-how and technological capabilities of the Company concerning management, operation and IT in general through alliances with corporations that operate businesses in which the Group is not engaged, by establishing rising companies, making investments and taking other measures.

(2) Goals and objectives

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

(3) Medium to long-term management strategies

Ever since its establishment, the Group has consistently pushed forward with creating the future value of clients by providing the proper state in which business should be and an optimal mechanism to realize it by proactively taking in cutting-edge IT technologies. We will further develop this basic policy and put designing management and IT in the center of our medium to long-term management strategies, as a leading company of IT consulting.

In addition, the Group will organically combine the know-how on management reform, IT technological capabilities, etc., obtained in the IT Consulting Business, with the Package & Service Business, aiming to have its solutions utilized by small and midsize companies more than ever.

As mentioned above, we will endeavor to enhance the Group's corporate value.

The specific strategies for this are as follows:

IT Consulting Business

1) The Group will strive to become a force for change, changing the people and companies that choose it as partners, through further strengthening of technology, professionalism, and sense of mission in the pursuit of both the philosophy and realities of reform.

2) The Group will endeavor to further differentiate itself from its rivals in speed, cost and quality, by responding

to clients' needs to see benefit in the short-term through knowledge-sharing, enhanced component groups and the use of easily re-configured system architecture.

3) Through successful upgrading of project management, risk control and design methodologies, The Group will strengthen its ability to build large-scale systems, thereby ensuring continued high growth.

4) The Group will establish an infrastructure to ensure continued recruitment of high caliber human resources who are thoroughly committed to their craft and are results-oriented. Through continued research and development, training and enhanced career planning, the Group aims to improve employee satisfaction levels and ensure high employee retention. The Group believes that by upholding its corporate principles and strengthening its corporate culture, it can further enhance Group cohesion.

5) In addition to its existing business domains, the Group will launch the ERP business for large companies to increase opportunities for making proposals to clients while aiming to build backbone systems that are a hybrid of component-type development and ERP.

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) Aiming to integrate organizations involved in software packages, which were dispersed within the Group, and consolidation of sales, technologies and business know-how, the Group will carry out reorganization and fully develop the market of small and midsize companies.

3) Also to meet the needs of clients that are diversifying, the Group will aim to realize one-stop solution for small and midsize companies by innovating its existing product system and using the technologies and know-how cultivated in the IT Consulting Business.

Corporate Revitalization Business / New Business Cultivation 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 short-term and 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

1) Stepping up our large scale project management capabilities and establishing a support infrastructure [IT Consulting Business, 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.

2) 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.

3) Recruitment and training of professionals and strengthening of alliances with external partners [IT Consulting Business, Package & Service Business]
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.

4) Enhancement of outside alliances [IT Consulting Business]
Ever since its establishment, the Company has maintained a neutral position, independent of any hardware vendors or software vendors, and has been pursuing optimization of information systems.
To always provide optimal solutions to clients, the Company will maintain good relations with corporations that have particularly excellent technologies and strive to enhance alliances with them, while grasping the technological trends in the world and widely seeking companies with excellent technologies.

5) Overseas (Asia) development [IT Consulting Business and Package & Service Business]
Compared with the Japanese IT market that is entering a period of maturity, the IT markets in Asia outside of Japan are smoothly expanding, backed by the growth of China and India in recent years. The Group believes that it is vital to enter not only China but also such Asian countries as Southeast Asian nations for its future growth. Against this backdrop, the Group will drive ahead with development of markets in steps and expand business in Asia by making existing solutions and products conform to multiple languages and utilizing software packages and cloud computing.

6) Improvement of product capability of software packages [Package & Service Business]
In the Package & Services Business, the Group customizes existing software packages. However, customization services involve risks such as a prolonged period up to the completion of a project and lower profitability, if it takes time to decide specifications with clients or customization requires more development person-hours than expected.
Accordingly, the Group will enhance the completeness of software packages to reflect the needs of clients while reducing customization person-hours as much as possible, aiming to reduce risks.

7) Enhancement of sales capability [Package & Service 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. The Group has so far carried out sales activities mainly in the Kanto region, centering on Tokyo, and the Kansai region, centering on Osaka. From now on, we will concentrate sales resources on Tokyo, where most companies are located, to expand our sales share.

8) Management of information on sales, purchase and inventory [Corporate Revitalization Business/ 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.

9) Enhancement of individual stores [Corporate Revitalization Business/ 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

Uncertainty over the course of the Japanese economy seems likely to remain as there are such misgivings as a rapid advance in the appreciation of the yen and financial issues in Europe, despite some signs of an earnings recovery in some business categories.
With regard to the market's awareness of the value of IT, some clients are strongly demanding only a shorter period between development and delivery and lower prices. Given this, the Group predicts that its business environment will remain severe and continue to change violently.
The Group ensured profits of the highest levels through precise project management and improved cost management, although net sales declined. Net sales have remained firm since the second fiscal half when corporate earnings started recovering. As orders received and our order backlog, including those received from new clients, are recovering, we believe that net sales will also increase in and after the next fiscal year.
The Group will be required to properly manage the delivery time, quality and person-hours in the next fiscal year, since the projects acquired during the fiscal year under review will move to the development phase and large projects that have been under way for several years will be released. Under such circumstances, we will endeavor to expand into other business areas and ensure profits by making more efforts than ever to enhance project management.
Also, we will further focus on the business targeting small and midsize companies by making Elm Corporation succeed the software package division of the Company through company spin-off and make a fresh start as Future

One, Inc.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

		Fiscal 2009 (December 31, 2009)		Fiscal 2010 (December 31, 2010)
Assets				
Current assets				
Cash and deposits		3,785,549		5,233,036
Notes and accounts receivable		2,301,382		2,941,834
Merchandise and finished goods		133,162		136,929
Work in process		38,529		48,752
Deferred tax assets		185,654		188,282
Accounts receivable-other	*4	1,374,764	*4	1,419,725
Other		330,850		318,544
Allowance for doubtful accounts		(9,302)		(13,001)
Total current assets		8,140,590		10,274,105
Fixed assets				
Tangible fixed assets				
Buildings and structures		2,779,272		2,783,895
Accumulated depreciation	*2	(2,339,229)	*2	(2,361,122)
Buildings and structures, net		440,043		422,772
Land		172,662		127,762
Other		1,446,479		1,459,776
Accumulated depreciation	*2	(1,174,914)	*2	(1,223,002)
Other, net		271,565		236,773
Total tangible fixed assets		884,271		787,309
Intangible fixed assets				
Software		439,805		179,203
Other		94,016		20,529
Total intangible fixed assets		533,821		199,732
Investments and other assets				
Investment securities	*1	1,883,250	*1, *5	1,778,560
Lease and guarantee deposits		946,669		769,357
Deferred tax assets		100,552		115,096
Other		166,900		60,044
Allowance for doubtful accounts		(98,813)		(52,565)
Total investments and other assets		2,998,559		2,670,494
Total fixed assets		4,416,652		3,657,535
Total assets		12,557,243		13,931,640

(in thousands of yen)

		Fiscal 2009 (December 31, 2009)		Fiscal 2010 (December 31, 2010)
Liabilities				
Current liabilities				
Accounts payable		591,498		639,573
Short-term borrowings		30,000		30,000
Long-term borrowings due within one year		32,000		32,000
Accounts payable-other		599,736		607,229
Income tax payable, etc.		365,079		880,886
Reserve for bonuses		61,182		98,783
Reserve for quality assurance		74,301		139,163
Reserve for loss on projects		-		7,000
Other		696,112		736,393
Total current liabilities		2,449,910		3,171,030
Non-current liabilities				
Long-term borrowings		48,000		16,000
Allowance for retirement benefits		102,027		-
Negative goodwill	*3	102,228	*3	52,786
Other		13,378		29,710
Total non-current liabilities		265,634		98,496
Total liabilities		2,715,544		3,269,527
Net assets				
Shareholders' equity				
Common stock		1,421,815		1,421,815
Capital surplus		2,495,772		2,495,772
Retained earnings		6,975,347		7,836,204
Treasury stock		(1,171,668)		(1,171,668)
Total shareholders' equity		9,721,266		10,582,123
Valuation, translation adjustments, etc.				
Net unrealized gain (loss) on available-for-sale securities		62,355		82,095
Foreign currency translation adjustments		(1,558)		(2,105)
Total valuation, translation adjustments, etc.		60,797		79,989
Minority interests		59,634		-
Total net assets		9,841,698		10,662,113
Total liabilities and net assets		12,557,243		13,931,640

(2) Consolidated Statements of Income

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)		Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net sales	23,658,414		22,639,154
Cost of sales	14,990,335	*1	13,605,853
Gross profit	8,668,078		9,033,301
Selling, general and administrative expenses			
Officers' remuneration	363,248		274,186
Salaries and bonuses	2,854,772		3,032,964
Miscellaneous salaries	126,179		91,446
Employee training expenses	263,584		111,596
Research & development expenditures	*2 50,715	*2	85,072
Depreciation	191,435		116,051
Recruitment expenses	82,545		92,822
Amortization of goodwill	137,628		7,235
Other	1,979,265		2,080,881
Total selling, general and administrative expenses	6,049,374		5,892,257
Operating income	2,618,704		3,141,043
Non-operating income			
Interest income	6,559		2,820
Dividends income	10,210		20,335
Amortization of negative goodwill	56,753		69,797
Equity in earnings of affiliates	-		21,957
Other	38,385		37,423
Total non-operating income	111,908		152,335
Non-operating expenses			
Interest expenses	9,911		3,508
Expenses for equity-method affiliates	10,245		-
Foreign exchange losses	-		3,302
Other	5,458		4,804
Total non-operating expenses	25,615		11,615
Ordinary income	2,704,998		3,281,763

(in thousands of yen)

		Fiscal 2009 (from January 1, 2009 to December 31, 2009)		Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Extraordinary income				
Gains on sale of investment securities		70,457		30,518
Gain on transfer of business		-		12,365
Gain on sales of fixed assets		-	*4	7,635
Total extraordinary income		70,457		50,519
Extraordinary losses				
Loss on prior period adjustment		-	*6	99,214
Losses on sales of fixed assets	*5	6,068		-
Loss on retirement of non-current assets	*3	6,125	*3	4,874
Losses on the sale of investment securities		-		23,993
Losses on valuation of investment securities		19,220		73,430
Impairment losses	*7	249,777	*7	260,764
Office transfer expenses	*8	161,619		-
Valuation loss on goods		15,669		-
Litigation expenses		-		30,000
Total Extraordinary losses		458,481		492,277
Net income before taxes		2,316,974		2,840,005
Corporate, residential and enterprise taxes		834,121		1,278,671
Corporate tax adjustments		278,685		(28,770)
Total income taxes		1,112,806		1,249,900
Minority interests in net income (loss)		(635)		(1,363)
Net income		1,204,802		1,591,467

(3) Consolidated Statements of Changes in Shareholders' Equity

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Shareholders' equity		
Common stock		
Balance at the end of the previous period	1,421,815	1,421,815
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of the period	1,421,815	1,421,815
Capital surplus		
Balance at the end of the previous period	2,866,178	2,495,772
Changes of items during the period		
Disposal of treasury stock	(370,405)	-
Total changes of items during the period	(370,405)	-
Balance at the end of the period	2,495,772	2,495,772
Retained earnings		
Balance at the end of the previous period	6,493,346	6,975,347
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,204,802	1,591,467
Disposal of treasury stock	(19,794)	-
Total changes of items during the period	482,001	860,856
Balance at the end of the period	6,975,347	7,836,204
Treasury stock		
Balance at the end of the previous period	(2,252,724)	(1,171,668)
Changes of items during the period		
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	1,171,200	-
Total changes of items during the period	1,081,055	-
Balance at the end of the period	(1,171,668)	(1,171,668)
Total shareholders' equity		
Balance at the end of the previous period	8,528,615	9,721,266
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,204,802	1,591,467
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	781,000	-
Total changes of items during the period	1,192,651	860,856
Balance at the end of the period	9,721,266	10,582,123

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Valuation, translation adjustments, etc.		
Net unrealized gain (loss) on available-for-sale securities		
Balance at the end of the previous period	179,601	62,355
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(117,245)	19,740
Total changes of items during the period	(117,245)	19,740
Balance at the end of the period	62,355	82,095
Foreign currency translation adjustments		
Balance at the end of the previous period	(1,665)	(1,558)
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	107	(547)
Total changes of items during the period	107	(547)
Balance at the end of the period	(1,558)	(2,105)
Total valuation, translation adjustments, etc.		
Balance at the end of the previous period	177,936	60,797
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(117,138)	19,192
Total changes of items during the period	(117,138)	19,192
Balance at the end of the period	60,797	79,989
Minority interests		
Balance at the end of the previous period	61,522	59,634
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(1,887)	(59,634)
Total changes of items during the period	(1,887)	(59,634)
Balance at the end of the period	59,634	-
Total net assets		
Balance at the end of the previous period	8,768,073	9,841,698
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,204,802	1,591,467
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	781,000	-
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(119,026)	(40,441)
Total changes of items during the period	1,073,624	820,414
Balance at the end of the period	9,841,698	10,662,113

(4) Consolidated statements of cash flows

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Cash flows from operating activities		
Net income before taxes	2,316,974	2,840,005
Depreciation	501,412	248,133
Increase (decrease) in allowance for doubtful accounts	(20,035)	(11,601)
Increase (decrease) in reserve for bonuses to directors/reserve for bonuses	9,863	37,601
Increase (decrease) in reserves for quality assurance	(102,146)	64,862
Increase (decrease) in reserve for loss on projects	-	7,000
Increase (decrease) in allowance for retirement benefits	(38,044)	14,226
Earned interest and dividends	(16,770)	(23,156)
Interest expenses	9,911	3,508
Equity in income (losses) of subsidiaries & affiliates	10,245	(21,957)
Gains (losses) on transfer of business	-	(12,365)
Valuation loss on goods	15,669	-
Office transfer expenses	161,619	-
Gains (losses) on sale of fixed assets	6,068	(7,635)
Loss on retirement of non-current assets	6,125	4,874
Gains on sale of investment securities	(70,457)	(30,518)
Losses on the sale of investment securities	-	23,993
Gains (losses) on valuation of investment securities	19,220	73,430
Litigation expenses	-	30,000
Impairment losses	249,777	260,764
Gains (losses) on prior period adjustment	-	99,214
Increase (decrease) in accounts receivable	*2 3,296,960	(646,569)
Increase (decrease) in inventories	60,465	(13,989)
Increase (decrease) in other assets	(1,213,056)	32,576
Increase (decrease) in accounts payable	(468,635)	48,074
Increase (decrease) in other liabilities	(351,556)	(91,083)
Subtotal	4,383,611	2,929,389
Interest and dividends income received	15,989	23,508
Interest paid	(11,693)	(3,673)
Income and other taxes	(1,552,935)	(756,078)
Payment of litigation expenses	-	(30,000)
Net cash provided by (used in) operating activities	2,834,972	2,163,146

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Cash flows from investing activities		
Payments into time deposits	(65,323)	(80,000)
Proceeds from withdrawal of time deposits	107,812	200,000
Purchase of tangible fixed assets	(153,172)	(205,933)
Proceeds from sale of tangible fixed assets	3,877	52,800
Acquisition of intangible fixed assets	(168,827)	(39,929)
Purchase of investment in subsidiaries	(5,680)	(45,151)
Purchase of stocks of subsidiaries and affiliates	-	(5,000)
Purchase of investment securities	(795,000)	-
Proceeds from sale of investment securities	102,817	82,624
Proceeds from redemption of investment securities	-	5,200
Payments for lease and guarantee deposits	(108,378)	(12,364)
Proceeds from collection of lease and guarantee deposits	81,890	205,312
Proceeds from collection of loans	520	-
Proceeds from business transfer	-	12,365
Other	-	910
Net cash provided by (used in) investing activities	(999,463)	170,833
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(602,000)	-
Repayment of long-term borrowings	(259,466)	(32,000)
Purchase of treasury stock	(90,845)	-
Proceeds from sales of treasury stock	781,000	-
Dividends paid	(698,934)	(730,642)
Dividends paid to minority shareholders	(1,252)	-
Net cash provided by (used in) financing activities	(871,498)	(762,642)
Effect of exchange rate changes on cash and cash equivalents	8,577	(3,850)
Increase in cash and cash equivalents	972,586	1,567,487
Cash and cash equivalents at beginning of the period	2,612,962	3,585,549
Cash and cash equivalents at end of the period	*1 3,585,549	*1 5,153,036

Notes regarding the premise of a going concern

None

Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
1. Scope of consolidation	Number of consolidated subsidiaries: 10 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, ABM Corporation, Elm Corporation, Ascendia Inc., Uoei Shoten Corporation, Zakura, Inc., Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc. XEBEC LAND Inc. was removed from the scope of consolidation because it was absorbed as a result of the merger with Elm Corporation on December 1, 2009. There are no non-consolidated subsidiaries.	Number of consolidated subsidiaries: 10 Names and other details of consolidated subsidiaries Future Financial Strategy Corporation, ABM Corporation, Elm Corporation, Ascendia Inc., Uoei Shoten Corporation, Zakura, Inc., Future Investment Corporation, RI Partners LLC., Future Architect Inc., Associant Technology Inc. There are no non-consolidated subsidiaries.
2. Application of equity method	Number of affiliated companies to which equity-method is applicable: 4 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. d-worx Inc. ceased to be an affiliated company of the Company due to the transfer of shares owned by the Company on November 30, 2009. Meanwhile, Success Consulting Co., Ltd. ceased to be an affiliated company due to the transfer of shares owned by the Company on December 7, 2009. There are no non-consolidated subsidiaries and affiliates to which the equity method is not applicable.	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, d-worx Inc., and Axis Solutions Corporation On April 9, 2010, the Group purchased shares of Axis Solutions Corporation, 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.
3. Accounting period of consolidated subsidiaries	Uoei Shoten Corporation's account settlement date is 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.	Same as on the left.
4. Accounting policies (1) Valuation standards/methods for principal assets	(a) Securities Other securities: 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). Non-marketable securities: Stated at cost based on moving average method.	(a) Securities Other securities: Marketable securities: Same as on the left. Non-marketable securities: Same as on the left.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
	(b) Inventories Merchandise and finished goods Stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability) Uoei Shoten Corporation adopts the cost method based on the retail method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability). Work in process: Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).	(b) Inventories Commodities/products Same as on the left. Work in process: Same as on the left.
(2) Depreciation/ amortization of major depreciable/ amortizable assets	(a) Tangible fixed assets (Excluding lease 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 are as follows: Buildings 3-34 years Other 3-20 years (b) Intangible fixed assets (Excluding lease assets) Software for in-house use Software for in-house use is depreciated using the straight-line method over its useful life (5 years). Software for sale 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). Other Straight-line method (c) Lease assets Lease assets concerning finance lease transactions not accompanying the transfer of property rights Of lease transactions other than those deemed to accompany the transfer of property rights to lessees, lease transactions that commenced before the start of the initial year of the application of the “Accounting Standard for Lease Transactions” (Accounting Standard Board of Japan Statement No. 13) are accounted for in a manner similar to the accounting treatment for regular lease transactions.	(a) Tangible fixed assets (Excluding lease assets) Same as on the left. (b) Intangible fixed assets (Excluding lease assets) Software for in-house use Same as on the left. Software for sale Same as on the left. Other Same as on the left. (c) Lease assets Lease assets concerning finance lease transactions not accompanying the transfer of property rights Same as on the left.
(3) Accounting standards for allowances/reserves	(a) Allowance for doubtful accounts To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed	(a) Allowance for doubtful accounts Same as on the left.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
	(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 Architect and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Packaging & 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. ———	(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 after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Packaging & 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. (c) Reserve for loss on project 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. To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss. (Additional information) Reserve for future loss expected to occur concerning ongoing projects was previously stated in the reserve for quality assurance. However, with the application of the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007), reserve for future loss projected to be incurred concerning ongoing projects is stated in reserve for loss on project from the fiscal year under review.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
	(d) Allowance 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 fiscal year under review is set aside in the reserve for bonuses account. (e) 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 bonuses Same as on the left. (e) Allowance for retirement benefits ——— (Additional information) The Group abolished the retirement benefit system as of December 31, 2010. The outstanding balance of allowance for retirement benefits as of December 31, 2010 has been transferred to “Accounts payable-other” under current liabilities as fixed obligations.
(4) Recognition of sales and cost of sales	Costs of sales for IT consulting services 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.
(5) Other material information concerning the compiling of financial statements	Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.	Accounting treatment of consumption taxes, etc. Same as on the left.
5. Valuation of assets and liabilities of consolidated subsidiaries	The full market price method is adopted.	Same as on the left.
6. Amortization of goodwill and negative goodwill	Goodwill and negative goodwill are amortized evenly over their useful lives. However, if they are of little significance in terms of monetary amounts they are treated as profits or losses for the fiscal year in which they occur.	Same as on the left.
7. Cash and cash equivalents	“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.	Same as on the left.

Changes in Material Information for the Preparation of Consolidated Financial Statements

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
(Accounting standard for lease transaction) Finance lease transactions not accompanying the transfer of property rights were previously accounted for in a manner similar to the accounting treatment for regular lease transactions. However, the Company applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 prescribed by the First Division of Corporate Accounting Council on June 17, 1993, revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 prescribed by the Accounting System Committee of Public Accountant Association of Japan on January 18, 1994, revised on March 30, 2007) from the fiscal year under review, and finance lease transactions not accompanying transfer of property rights have been accounted for in a similar manner to the accounting treatment for regular sale transactions. Also, straight line method is applied to depreciation of leased assets, with leasing period as useful life and residual value as zero. For finance lease transactions without transfer of property right, which commencement date of lease was before the first year of adopting the above standards, accounting procedure based on regular lease transaction is applied continuously. There is no effect of the above change of procedure to profit and loss. (Consolidated Financial Statement) The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) was applied effective of the fiscal year under review. There is no effect of the above change of procedure to profit and loss.	(Accounting standard for construction contracts) The "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were applied effective of the fiscal year under review. This adoption had no effect on the Group's earnings for the fiscal year under review. (Accounting standard for business combinations, etc.) The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial Amendments to the Accounting Standard for Research and Development Cost" (ASBJ Statement No. 23, December 26, 2008) , the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, announced on December 26, 2008) and the "Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) were applied effective of the fiscal year under review.

Change in classification

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
(Consolidated balance sheets) With the application of the "Cabinet Office Ordinance on Partial Amendment of the Regulations on Terminology, Format and Preparation Method of Financial Statements, etc." (Cabinet Office Ordinance No. 50, August 7, 2008), what was stated as "Inventories" in the previous fiscal year are separately stated as "Merchandise and finished goods" and "Work in process," starting from the fiscal year under review. "Merchandise and finished goods" and "Work in process," which were included in "Inventories" in the previous fiscal year, respectively amounted to ¥171,746 thousand and ¥76,080 thousand. "Accounts receivable-other" (¥63,104 thousand in the previous fiscal year) had been included in the "Other" section of the current assets account until the previous fiscal year. However, since the amount of accounts receivable-other exceeded 5/100 of the total assets in the period under review, the item in question was reported separately.	(Consolidated balance sheets) With the application of the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as "Reserve for quality assurance" in the previous fiscal year are separately stated as "Reserve for quality assurance" with regard to reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and "Reserve for loss on project" concerning reserve for future loss, projected to be incurred about ongoing projects. "Reserve for quality assurance" in the previous fiscal year, which amounted to ¥74,301 thousand, did not include what fell under "Reserve for loss on project."
(Consolidated statements of income) "Foreign exchange losses" was separately reported in the non-operating expenses account in the previous fiscal year." Foreign exchange gains" (¥8,486 thousand in the fiscal year under review) was posted in the fiscal year under review. However, as the amount of foreign exchange gains is insignificant, the subject item was included in the "Other" section.	(Consolidated statements of income) "Foreign exchange gains" (¥8,486 thousand in the previous fiscal year) was included in the "Other" section of the non-operating income account in the previous fiscal year. "Foreign exchange losses" was posted in the fiscal year under review. Since the amount of foreign exchange losses exceeded 10/100 of the total non-operating expenses in the period under review, the item in question was reported separately.
	(Consolidated statements of cash flows) "Proceeds from collection of loans" (¥1,410 thousand in the fiscal year under review) under cash flows from investing activities was separately reported in the previous fiscal year. However, as the amount of proceeds from collection of loans is insignificant, the subject item was included in the "Other" section in the fiscal year under review. With the application of the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as "Increase (decrease) in reserve for quality assurance" in the previous fiscal year are separately stated as "Increase (decrease) in reserve for quality assurance" with regard to the increase (decrease) in reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and "Increase (decrease) in reserve for loss on project" concerning the increase (decrease) in reserve for future loss, projected to be incurred about ongoing projects. Of ¥102,146 thousand in "Decrease in reserve for quality assurance" in the previous fiscal year, ¥176,447 thousand fell under "Decrease in provision for loss on project."

Notes

(Notes to consolidated balance sheet) (in thousands of yen unless otherwise noted)

Fiscal 2009 (December 31, 2009)	Fiscal 2010 (December 31, 2010)
*1. Investments in non-consolidated subsidiaries and affiliates Investment securities (stocks) ¥309,997	*1. Investments in non-consolidated subsidiaries and affiliates Investment securities (stocks) ¥336,955
*2. Total asset impairment losses are included in accumulated depreciation	*2. Same as on the left.
*3. Goodwill and negative goodwill After offsetting goodwill against negative goodwill, net goodwill is stated under negative goodwill of non-current liabilities. Before offsetting, the amounts of goodwill and negative goodwill are as follows: Goodwill ¥11,007 Negative goodwill -¥113,235	*3. Goodwill and negative goodwill After offsetting goodwill against negative goodwill, net goodwill is stated under negative goodwill of non-current liabilities. Before offsetting, the amounts of goodwill and negative goodwill are as follows: Goodwill ¥3,831 Negative goodwill -¥56,617
*4. Lawsuit The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009. The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.	*4. Lawsuit Same as on the left.
―――――	*5. Of investment securities, ¥168,686 thousand is lent under stock loan agreements.
―――――	6. Discount of notes receivable ¥1,519

(Notes to consolidated statements of income) (in thousands of yen unless otherwise noted)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
―――――	*1. Total of provision of reserve for loss on project Amount of provision of reserve for loss on project included in cost of sales ¥7,000
*2. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥50,715	*2. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥85,072
*3. Breakdown of loss on retirement of non-current assets Buildings and structures ¥497 Software ¥313 Other ¥5,314 Total ¥6,125	*3. Breakdown of loss on retirement of non-current assets Buildings and structures ¥4,012 Other ¥862 Total ¥4,874
―――――	*4. Breakdown of gain on sales of fixed assets Land ¥4,568 Other ¥3,066 Total ¥7,635
*5. Breakdown of losses on the disposal of fixed assets Other ¥6,068 Total ¥6,068	―――――

<table>
<tr><th>Fiscal 2009
(from January 1, 2009 to December 31, 2009)</th><th>Fiscal 2010
(from January 1, 2010 to December 31, 2010)</th></tr>
<tr><td>―――――</td><td>*6. Breakdown of loss on prior period adjustment
Adjustment of impairment losses reported in prior period ¥41,549
Adjustment of intangible fixed assets and others reported in prior period ¥30,851
Other ¥26,812
Total ¥99,214</td></tr>
<tr><td>*7. Impairment losses
In the fiscal year under review, the Group reported impairment losses of the following asset groups.
(1) Main assets on which impairment losses were recognized
<table><tr><th>Use</th><th>Type</th><th>Location</th></tr><tr><td>Food retail business</td><td>Buildings, land, and other</td><td>-</td></tr></table>
(2) Background of the recognition of impairment losses
As the revitalization business for the food retail industry continued to be weak due to sluggish consumer spending, the Group reduced the book values of asset groups in the food retail business to recoverable values.
(3) Amounts of impairment losses
Buildings and structures ¥177,560
Land ¥36,302
Other ¥35,915
Total ¥249,777
(4) Asset grouping method
The Company groups assets by businesses in terms of management accounting and by stores in terms of the food retail business, which it regards as the smallest units that generate almost independent cash flows.
(5) Calculation method of recoverable amounts
The recoverable value is the higher of either of the net selling price or the use value. The net selling price is calculated based on real estate appraisal, and the use value is calculated by discounting estimated future cash flows at 3% (capital costs).</td>
<td>*7. Impairment losses
In the fiscal year under review, the Group reported impairment losses of the following asset groups.
(1) Main assets on which impairment losses were recognized
<table><tr><th>Use</th><th>Type</th><th>Location</th></tr><tr><td>In-house system</td><td>Software</td><td>-</td></tr><tr><td>ASP accounting business</td><td>Other</td><td>-</td></tr></table>
(2) Background of the recognition of impairment losses
(i) As the Group changed to a policy to adopt the latest outside software and the state-of-the-art proprietary design method of the Company for the development of in-house systems under development in and after the following fiscal year, what cannot be utilized by such new technologies and new design method occurred in existing deliverables. The Group recognized the portion that cannot be utilized as impairment losses.
(ii) The Group reviewed business plans at subsidiaries in response to the cautious stance of the financial industry toward IT investment. As a result, the Group reduced the whole amount of book values of asset groups in the consulting business for financial companies, which amounted to ¥17,979.
(3) Amounts of impairment losses
Software ¥242,785
Other ¥17,979
Total ¥260,764
(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.
(5) Calculation method of recoverable amounts
With regard to in-house systems, the Company measures recoverable amounts based on use value, and reports impairment losses, judging the use value of existing deliverables that cannot be used to be zero. As for assets for the consulting business for financial companies, the Company measures recoverable amounts based on use value, and values the use value of such assets as zero after estimating the use value based on future cash flows.</td></tr>
<tr><td>*8. Office transfer expenses
Office transfer expenses include: expenses for restoration to original condition; expenses for cancellation of lease contracts; and loss on retirement of non-current assets.</td><td>―――――</td></tr>
</table>

(Statements of changes in shareholders' equity)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)

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 fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	476,640	-	-	476,640
Total	476,640	-	-	476,640
Treasury stock				
Common stock (*)	37,261	2,747	20,000	20,008
Total	37,261	2,747	20,000	20,008

(Note) 2,747 treasury stocks of common stock increased owing to the acquisition resolved by the Board of Directors, and 20,000 treasury stocks of common stock decreased owing to the disposal of treasury stock for a third-party allocation underwritten by SG Holdings Co., Ltd.

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (in thousands of yen)	Dividends per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on March 19, 2009	Common stock	703,006	1,600	December 31, 2008	March 23, 2009

(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 (in thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on March 19, 2010	Common stock	730,611	Retained earnings	1,600	December 31,2009	March 23, 2010

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

1 Matters related to the types and numbers of outstanding stocks and treasury stocks

	Number of stocks at the end of the previous fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number of stocks at the end of this fiscal year
Outstanding stocks				
Common stock	476,640	-	-	476,640
Total	476,640	-	-	476,640
Treasury stock				
Common stock	20,008	-	-	20,008
Total	20,008	-	-	20,008

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 19, 2010	Common stock	730,611	1,600	December 31,2009	March 23, 2010

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

Resolution	Stock type	Total dividend amount (thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on March 22, 2011	Common stock	547,958	Retained earnings	1,200	December 31,2010	March 23, 2011

(Notes regarding consolidated statements of cash flows) (in thousands of yen unless otherwise noted)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
*1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet Cash and deposits ¥3,785,549 Time deposits for which the depositing term is over three months -¥200,000 Cash and cash equivalents: ¥3,585,549	*1. Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet Cash and deposits ¥5,233,036 Time deposits for which the depositing term is over three months -¥80,000 Cash and cash equivalents: ¥5,153,036
*2. Increase (decrease) in accounts receivable under cash flows from operating activities includes ¥1,337,175 thousand, which was transferred from Accounts receivable to Accounts receivable-other.	―――

(Securities)

Fiscal 2009 (ended December 31, 2009)

1. Marketable securities (in thousands of yen)

	Type	Acquisition cost	Amount stated in B/S	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	134,545	251,015	116,470
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	134,545	251,015	116,470
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	120,402	109,065	(11,336)
	(2) Bonds			
	1) Central/local government bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	120,402	109,065	(11,336)
Total		254,947	360,081	105,134

Notes: Impairment losses of ¥111,786 thousand were posted for other securities for which the market 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. Other securities" sold in fiscal 2009 (from January 1, 2009 to December 31, 2009) (in thousands of yen)

Sale value	Total profits on sale	Total losses on sale
102,817	70,457	-

3 Non-marketable securities (in thousands of yen)

Type	Amount stated in B/S
(1) Stocks of subsidiaries and affiliates	309,997
(2) Other securities:	
Non-listed stocks	1,188,708
Corporate bonds	24,300

Notes: 1. Impairment losses of ¥19,220 thousand were posted for other securities (unlisted shares).
2. Allowance for doubtful accounts of ¥23,800 thousand was set for other securities (corporate bonds).
The amount stated in B/S in the table represents the amount before the deduction of allowance for doubtful accounts.

4. Amount of payments receivable on other securities that have maturity dates but on which payments have not yet been made

(in thousands of yen)

Type	Within one year	Over one year but within five years	Over five years butwithin ten years	Over ten years
1. Bonds				
(1) Central / local government bonds	-	-	-	-
(2) Corporate bonds	11,700	12,600	-	-
(3) Other	-	-	-	-
Total	11,700	12,600	-	-

Fiscal 2010 (ended December 31, 2010)

1. Other securities: (in thousands of yen)

	Type	Amount stated in B/S	Acquisition cost	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	253,103	101,121	151,981
	(2) Bonds			
	1) Central / local government bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	253,103	101,121	151,981
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	69,371	82,935	(13,564)
	(2) Bonds			
	1) Central / local government bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	69,371	82,935	(13,564)
Total		322,474	184,056	138,417

Notes: Unlisted shares, etc. (the amount stated in B/S: ¥1,119,130 thousand) are not included in “Other securities” in the table, since they have no market price and it is deemed to be very difficult to grasp their market value.

2. “Other securities” sold in fiscal 2010 (from January 1, 2010 to December 31, 2010) (in thousands of yen)

Type	Sale value	Total profits on sale	Total losses on sale
(1) Stocks	82,624	30,518	23,993
(2) Bonds			
1) Central / local government bonds	-	-	-
2) Corporate bonds	-	-	-
3) Other	-	-	-
(3) Other	-	-	-
Total	82,624	30,518	23,993

3. Securities for which impairment losses are recognized

In the fiscal year under review, impairment losses of ¥73,430 thousand were posted for securities (unlisted shares among other securities, for which the market price was not available: ¥73,430 thousand). 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.

(Derivative transactions)

There are no applicable items, since the Group does not utilize derivative transactions.

(Tax effect accounting)

(in thousands of yen unless otherwise noted)

Fiscal 2009 (December 31, 2009)

1. Breakdown of major causes for deferred tax assets and liabilities

[Current]	
Deferred tax assets:	
Losses carried forward for tax purposes	¥163,254
Office transfer expenses	¥63,235
Enterprise tax payable	¥35,173
Reserve for quality assurance	¥30,233
Excess amount over the maximum reserve for bonus	¥25,069
Office tax payable	¥12,002
Other	¥37,988
Subtotal of deferred tax assets	¥366,957
Valuation allowance	-¥181,302
Total deferred tax asset	¥185,654
[Non-current]	
Deferred tax assets:	
Losses carried forward for tax purposes	¥947,699
Depreciation excess	¥400,502
Loss on valuation of investment securities	¥172,854
Allowance for retirement benefits	¥41,826
Excess amount over the maximum provision of allowance for doubtful accounts	¥27,176
Other	¥252
Subtotal of deferred tax assets	¥1,590,312
Valuation allowance	-¥1,371,439
Total deferred tax asset	¥218,873
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	¥39,563
Taxable temporary differences, consolidated	¥68,960
Reserve for programs	¥7,784
Other	¥2,012
Total deferred tax liabilities	¥118,320
Net deferred tax assets	¥100,552

2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

Normal effective statutory tax rate	40.7%
(Adjustment)	
Amortization of goodwill	1.3%
Valuation allowance	7.3%
Inhabitant tax, flat-rate	1.2%
Other	-2.5%
Rate of income taxes after application of deferred accounting	48.0%

Fiscal 2010 (December 31, 2010)

1. Breakdown of major causes for deferred tax assets and liabilities

[Current]	
Deferred tax assets:	
Enterprise tax payable	¥69,396
Reserve for quality assurance	¥57,688
Excess amount over the maximum reserve for bonus	¥40,468
Office tax payable	¥11,519
Retirement benefits payable	¥48,582
Other	¥41,347
Subtotal of deferred tax assets	¥269,003
Valuation allowance	-¥80,720
Total deferred tax asset	¥188,282
[Non-current]	
Deferred tax assets:	
Losses carried forward for tax purposes	¥1,345,298
Depreciation excess	¥449,421
Loss on valuation of investment securities	¥203,685
Other	¥31
Subtotal of deferred tax assets	¥1,998,436
Valuation allowance	-¥1,760,115
Total deferred tax asset	¥238,321
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	¥45,549
Taxable temporary differences, consolidated	¥76,118
Reserve for programs	¥1,556
Total deferred tax liabilities	¥123,224
Net deferred assets	¥115,096

2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

Normal effective statutory tax rate	40.7%
(Adjustment)	
Amortization of negative goodwill	-1.0%
Valuation allowance	2.3%
Inhabitant tax, flat-rate	0.9%
Other	1.1%
Rate of income taxes after application of deferred accounting	44.0%

(Segment information)

(a) Business segment information

Fiscal 2009 (from January 1, 2009 to December 31, 2009) (in thousands of yen)

	IT Consulting Business	Package & Service Business	Corporate Revitalization/ New Business Cultivation Business	Total	Elimination or corporate	Consolidated
I Net sales and operating income (or loss)						
Net sales						
(1) Net sales to outside clients	15,196,383	3,953,011	4,508,953	23,658,348	66	23,658,414
(2) Inter-segment sales or transfer	2,400	260,102	50,302	312,804	(312,804)	-
Total	15,198,783	4,213,113	4,559,255	23,971,152	(312,738)	23,658,414
Operating expenses	12,408,584	4,229,559	4,662,532	21,300,677	(260,967)	21,039,709
Operating income (loss)	2,790,198	(16,446)	(103,276)	2,670,475	(51,770)	2,618,704
II Assets, depreciation, impairment losses and capital expenditures						
Assets	7,391,047	1,503,136	713,939	9,608,123	2,949,119	12,557,243
Depreciation	357,540	85,558	56,083	499,183	2,228	501,412
Impairment losses	-	-	249,777	249,777	-	249,777
Capital expenditures	200,241	26,230	95,527	321,999	-	321,999

Fiscal 2010 (from January 1, 2010 to December 31, 2010) (in thousands of yen)

	IT Consulting Business	Package & Service Business	Corporate Revitalization/New Business Cultivation Business	Total	Elimination or corporate	Consolidated
I Net sales and operating income (or loss)						
Net sales						
(1) Net sales to outside clients	13,951,554	4,158,491	4,528,645	22,638,691	463	22,639,154
(2) Inter-segment sales or transfer	30,294	257,507	30,213	318,015	(318,015)	-
Total	13,981,848	4,415,998	4,558,859	22,956,706	(317,551)	22,639,154
Operating expenses	10,986,799	4,245,595	4,599,717	19,832,113	(334,002)	19,498,110
Operating income (loss)	2,995,049	170,403	(40,858)	3,124,593	16,450	3,141,043
II Assets, depreciation, impairment losses and capital expenditures						
Assets	8,818,270	1,970,463	663,265	11,451,999	2,479,641	13,931,640
Depreciation	152,033	48,961	44,910	245,904	2,228	248,133
Impairment losses	252,554	8,210	41,549	302,314	-	302,314
Capital expenditures	89,237	60,746	95,879	245,862	-	245,862

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/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. In forming alliances with companies operating businesses that the Group does not run, and founding and making investments in the new firms, the Group maximizes these companies' value and accelerates their growth by using and combining the Company's know-how and technologies in management, operations, and overall IT, aiming to contribute to the development of these companies' industries.

3. The amount of assets which were included under "Elimination or corporate" was ¥4,037,550 thousand in the previous fiscal year and ¥3,162,842 thousand in the fiscal year under review, and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.
4. Of the impairment losses for the fiscal year under review, ¥41,549 thousand is adjustment of the amount of impairment losses posted for the prior period and included in loss on the prior period adjustment.

b. Geographical segment information

Domestic operations accounts for more than 90% of consolidated sales and assets in the previous and the period under review. Geographical segment information is therefore omitted.

c. Overseas sales

In the previous and the period under review, sales from overseas operations accounts for less than 10% of consolidated sales. Overseas sales information is therefore omitted.

(Per share data)

(in yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net asset value per share	¥21,422.20	¥23,349.47
Net income per share	¥2,719.50	¥3,485.23
Net income per share (fully diluted)	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.

Notes: Net income per share is calculated based on the following:

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net income per share		
Net income (thousands of yen)	1,204,802	1,591,467
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,204,802	1,591,467
Average outstanding shares of common stock during the period (shares)	443,023	456,632
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: 1,150 units) Common stock: 4,600 shares	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (Stock acquisition rights: 996units) Common stock: 3,984 shares

(Significant subsequent events)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
――――――	Company split At the Board of Directors meeting of the Company and that of Elm Corporation, a consolidated subsidiary of the Company, both held on February 8, 2011, the following were decided concerning absorption-type company split, through which Elm Corporation will succeed the Company's package solution business for small and midsize companies. 1. Purpose of the company split To establish a system that can provide high-value-added services more quickly to satisfy IT system needs that are expected to continue to increase, by realigning and enhancing the IT solution business for small and midsize companies, which is dispersed within the Group 2. Operations and scale of business to be spun off (1) Business operations Business concerning services relating to the introduction of "NewRRR" application software in accordance with business characteristics of small and midsize companies and maintenance services after the introduction of the said system (2) Net sales (Fiscal year ended December 2010) ¥449 million 3. Form of company split Absorption-type company split, with the Company as the splitting company and Elm Corporation as the succeeding company 4. Name, assets, liabilities and net assets of the succeeding company in the company split (1) Name Elm Corporation (2) Assets ¥1,218 million (3) Liabilities ¥375 million (4) Net assets ¥843 million 5. Time of the company split April 1, 2011 (planned) 6. Other important matters Elm Corporation plans to change its trade name to "Future One, Inc." on the effective date, subject to a resolution at the Ordinary General Meeting of Shareholders of Elm Corporation, scheduled to be held in late March 2011.

(Notes that are not stated)

Notes to lease transactions, financial instruments, retirement benefits, stock options, corporate consolidations, real estate for leasing, and related party transactions are not stated since disclosure is deemed unnecessary.

5. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

(in thousands of yen)

		Fiscal 2009 (December 31, 2009)		Fiscal 2010 (December 31, 2010)
Assets				
Current assets				
Cash and deposits		3,067,270		4,202,350
Accounts receivable		1,802,523		2,410,164
Merchandise and finished goods		28		-
Work in process		926		8,007
Prepaid expenses		267,467		253,852
Deferred tax assets		113,593		107,567
Short-term loans to subsidiaries and affiliates		240,000		120,000
Accounts receivable-other	*1, *3	1,481,592	*3	1,422,568
Other		24,750		16,092
Allowance for doubtful accounts		(2,412)		-
Total current assets		6,995,740		8,540,603
Fixed assets				
Tangible fixed assets				
Buildings		421,320		424,270
Accumulated depreciation		(212,976)		(236,728)
Buildings, net		208,344		187,541
Tools, furniture and fixtures		1,015,628		997,587
Accumulated depreciation		(825,281)		(844,666)
Tools, furniture and fixtures, net		190,346		152,920
Land		23,719		23,719
Total tangible fixed assets		422,409		364,181
Intangible fixed assets				
Goodwill		1,031		-
Patent right		706		525
Trademark right		1,983		1,237
Software		387,700		122,631
Other		10,710		10,710
Total intangible fixed assets		402,132		135,104
Investments and other assets				
Investment securities		1,155,011	*4	1,117,404
Stocks of subsidiaries and affiliates		1,316,355		1,286,445
Long-term loans to affiliated companies		1,069,238		1,110,226
Deferred tax assets		31,429		98,246
Lease and guarantee deposits		824,334		647,705
Other		60,338		22,060
Allowance for doubtful accounts		(388,394)		(486,792)
Reserve for investment losses	*1	(313,788)	*1	(313,788)
Total investments and other assets		3,754,526		3,481,505
Total fixed assets		4,579,068		3,980,792
Total assets		11,574,808		12,521,396

(in thousands of yen)

		Fiscal 2009 (December 31, 2009)	Fiscal 2010 (December 31, 2010)
Liabilities			
Current liabilities			
Accounts payable		191,228	236,600
Short-term borrowings	*1	300,000	-
Long-term borrowings due within one year		32,000	32,000
Accounts payable-other		430,050	400,669
Accrued expenses		413	248
Income tax payable, etc.		343,103	857,329
Consumption tax payable, etc.		61,996	73,175
Deposits received		189,878	159,788
Deferred revenues		162,716	169,474
Reserve for quality assurance		74,301	58,031
Reserve for loss on projects		-	7,000
Total current liabilities		1,785,688	1,994,316
Fixed liabilities			
Long-term borrowings		48,000	16,000
Total fixed liabilities		48,000	16,000
Total liabilities		1,833,688	2,010,316
Net assets			
Shareholders’ equity			
Common stock		1,421,815	1,421,815
Capital surplus			
Capital reserves		2,495,772	2,495,772
Other capital surplus		-	-
Total capital surplus		2,495,772	2,495,772
Retained earnings			
Legal retained earnings		27,748	27,748
Other legal retained earnings			
Retained earnings brought forward		6,905,097	7,655,316
Total retained earnings		6,932,845	7,683,065
Treasury stock		(1,171,668)	(1,171,668)
Total shareholders’ equity		9,678,764	10,428,984
Valuation, translation adjustments, etc.			
Net unrealized gain (loss) on available-for-sale securities		62,355	82,095
Total valuation, translation adjustments, etc.		62,355	82,095
Total net assets		9,741,120	10,511,079
Total liabilities and net assets		11,574,808	12,521,396

(2) Non-consolidated statements of income

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net sales		
IT Consulting Business		
IT Consulting service	14,605,155	12,986,988
Procurement services related to hardware	249,377	776,994
Total of IT Consulting Business	14,854,532	13,763,983
Package & Service Business		
Package & service	514,516	498,456
Procurement services related to hardware	31,875	28,053
Total of Package & service	546,392	526,509
Total net sales	15,400,924	14,290,493
Cost of sales		
IT Consulting Business		
IT Consulting service	8,692,756	6,935,230
Procurement services related to hardware	215,956	636,653
Total of IT Consulting Business	8,908,713	7,571,884
Package & Service Business		
Package & service	*10 290,459	256,638
Procurement services related to hardware	26,307	23,777
Total of Package & service	316,766	280,416
Total cost of sales	9,225,480	7,852,301
Gross profit	6,175,444	6,438,192
Selling, general and administrative expenses		
Advertising costs	218,717	370,442
Officers’ remuneration	246,702	160,850
Salaries and bonuses	1,518,792	1,637,210
Miscellaneous salaries	134,538	97,225
Welfare expenses	30,311	66,795
Employee training expenses	261,750	107,633
Research & development expenditures	*1 20,966	*1 49,344
Depreciation	102,574	45,056
Rents	319,099	332,801
Recruitment expenses	77,407	82,504
Amortization of goodwill	102,993	1,031
Other	415,512	447,447
Total selling, general and administrative expenses	3,449,367	3,398,344
Operating income	2,726,077	3,039,847

(in thousands of yen)

		Fiscal 2009 (from January 1, 2009 to December 31, 2009)		Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Non-operating income				
Interest income	*2	16,274	*2	14,274
Dividends income	*2	24,911		16,940
Proceeds from compensation for damage		-		11,140
Group management expense	*2	2,219	*2	27,982
Foreign exchange gains		1,993		-
Other		10,801		6,712
Total non-operating income		56,201		77,051
Non-operating expenses				
Interest expenses	*2	11,340		3,419
Foreign exchange losses		-		3,303
Other		2,771		2,062
Total non-operating expenses		14,111		8,785
Ordinary income		2,768,166		3,108,112
Extraordinary income				
Gains on sale of investment securities		58,233		29,391
Gain on sales of fixed assets	*3	532	*3	3,066
Total extraordinary income		58,765		32,458
Extraordinary losses				
Losses on sales of non-current assets	*4	6,068		-
Loss on retirement of non-current assets	*5	4,808	*5	4,344
Losses on the sale of investment securities		-		23,993
Loss on valuation of stocks of subsidiaries and affiliates		-		29,970
Provision of reserve for investment losses	*6	313,788		-
Impairment losses		-	*7	242,785
Litigation expenses		-		30,000
Office transfer expenses	*8	101,286		-
Provision of allowance for doubtful accounts	*9	310,394	*9	128,398
Other		-		15,177
Total Extraordinary losses		736,346		474,668
Net income before taxes		2,090,586		2,665,902
Corporate, residential and enterprise taxes		814,924		1,259,405
Corporate tax adjustments		229,507		(74,333)
Total income taxes		1,044,432		1,185,071
Net income		1,046,153		1,480,830

Statement of cost of sales

1. IT Consulting Business

(1) IT Consulting service

(in thousands of yen)

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009) Amount		Ratio (%)	Fiscal 2010 (from January 1, 2010 to December 31, 2010) Amount		Ratio (%)
I Labor expenses						
1. Salaries and bonuses	3,736,767			3,653,991		
2. Welfare expenses	456,163	4,192,931	48.2	471,058	4,125,049	59.5
II Subcontract expenses						
1. Subcontract expenses	2,964,294	2,964,294	34.1	1,725,167	1,725,167	24.9
III Overheads						
1. Traveling expenses	669,106			372,006		
2. Depreciation	250,386			99,662		
3. Rents	412,060			396,908		
4. Supplies expenses	102,339			72,702		
5. Provision (reversal) of reserve for quality assurance	(97,825)			(12,856)		
6. Provision (reversal) of reserve for loss on project	-			7,000		
7. Other	199,704	1,535,771	17.7	150,649	1,086,073	15.6
Total manufacturing expenses in the period		8,692,997	100.0		6,936,290	100.0
Work in process at the beginning of the period		-			-	
Total		8,692,997			6,936,290	
Work in process at the end of the period		-			-	
Transfer to other accounts (*1)		240			1,059	
Cost of sales		8,692,756			6,935,230	

(Note) *1. The table below provides a breakdown of transfers to other accounts.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Transfer to selling, general and administrative expenses	240	1,059
Total	240	1,059

2. Actual job-order costing for each project is used to compute costs.

(2) Procurement services related to hardware

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)			Fiscal 2010 (from January 1, 2010 to December 31, 2010)		
Item	Amount		Ratio (%)	Amount		Ratio (%)
Commodities inventories at the beginning of the period		10,523			-	
Product inventories at the beginning of the period		3,415			-	
Purchases of commodities during the period		201,711			636,448	
Purchases of products during the period		306			204	
Total		215,956			636,653	
Commodities inventories at the end of the period		-			-	
Product inventories at the end of the period		-			-	
Cost of sales		215,956			636,653	

(Note): Actual job-order costing for each project is used to compute costs.

2. Package & Service Business

(1) Package & service

(in thousands of yen)

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009) Amount		Ratio (%)	Fiscal 2010 (from January 1, 2010 to December 31, 2010) Amount		Ratio (%)
I Labor expenses						
1. Salaries and bonuses	75,447			122,661		
2. Welfare expenses	10,979	86,427	34.4	17,395	140,056	53.1
II Subcontract expenses						
1. Subcontract expenses	66,231	66,231	26.4	28,756	28,756	10.9
III Overheads						
1. Traveling expenses	13,095			15,544		
2. Depreciation	10,367			4,026		
3. Rents	36,205			32,620		
4. Supplies expenses	5,791			4,155		
5. Provision (reversal) of reserve for quality assurance	(4,321)			3,586		
6. Other	37,285	98,425	39.2	35,021	94,953	36.0
Total manufacturing expenses in the period		251,084	100.0		263,766	100.0
Work in process at the beginning of the period		40,309			926	
Total		291,394			264,693	
Work in process at the end of the period		926			8,007	
Transfer to other accounts (*1)		8			46	
Cost of sales		290,459			256,638	

(Note) *1 The table below provides a breakdown of transfers to other accounts.

(in thousands of yen)

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Transfer to selling, general and administrative expenses	8	46
Total	8	46

2. Actual job-order costing for each project is used to compute costs.

(2) Procurement services related to hardware

(in thousands of yen)

Item		Fiscal 2009 (from January 1, 2009 to December 31, 2009) Amount		Ratio (%)	Fiscal 2010 (from January 1, 2010 to December 31, 2010) Amount		Ratio (%)
Commodities inventories at the beginning of the period			6,712			28	
Product inventories at the beginning of the period			-			-	
Purchases of commodities during the period			19,623			23,749	
Purchases of products during the period			-			-	
Total			26,336			23,777	
Commodities inventories at the end of the period			28			-	
Product inventories at the end of the period			-			-	
Cost of sales			26,307			23,777	

(3) Statements of changes in shareholders' equity

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Shareholders' equity		
Common stock		
Balance at the end of the previous period	1,421,815	1,421,815
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of the period	1,421,815	1,421,815
Capital surplus		
Capital reserves		
Balance at the end of the previous period	2,495,772	2,495,772
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of the period	2,495,772	2,495,772
Other capital surplus		
Balance at the end of the previous period	370,405	-
Changes of items during the period		
Disposal of treasury stock	(370,405)	-
Total changes of items during the period	(370,405)	-
Balance at the end of the period	-	-
Total capital surplus		
Balance at the end of the previous period	2,866,178	2,495,772
Changes of items during the period		
Disposal of treasury stock	(370,405)	-
Total changes of items during the period	(370,405)	-
Balance at the end of the period	2,495,772	2,495,772
Retained earnings		
Legal retained earnings		
Balance at the end of the previous period	27,748	27,748
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of the period	27,748	27,748
Other legal retained earnings		
Retained earnings brought forward		
Balance at the end of the previous period	6,581,744	6,905,097
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,046,153	1,480,830
Disposal of treasury stock	(19,794)	-
Total changes of items during the period	323,352	750,219
Balance at the end of the period	6,905,097	7,655,316

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Total retained earnings		
Balance at the end of the previous period	6,609,493	6,932,845
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,046,153	1,480,830
Disposal of treasury stock	(19,794)	-
Total changes of items during the period	323,352	750,219
Balance at the end of the period	6,932,845	7,683,065
Treasury stock		
Balance at the end of the previous period	(2,252,724)	(1,171,668)
Changes of items during the period		
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	1,171,200	-
Total changes of items during the period	1,081,055	-
Balance at the end of the period	(1,171,668)	(1,171,668)
Total shareholders' equity		
Balance at the end of the previous period	8,644,762	9,678,764
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)
Net income	1,046,153	1,480,830
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	781,000	-
Total changes of items during the period	1,034,002	750,219
Balance at the end of the period	9,678,764	10,428,984
Valuation, translation adjustments, etc.		
Net unrealized gain (loss) on available-for-sale securities		
Balance at the end of the previous period	179,601	62,355
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(117,245)	19,740
Total changes of items during the period	(117,245)	19,740
Balance at the end of the period	62,355	82,095
Total valuation, translation adjustments, etc.		
Balance at the end of the previous period	179,601	62,355
Changes of items during the period		
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(117,245)	19,740
Total changes of items during the period	(117,245)	19,740
Balance at the end of the period	62,355	82,095
Total net assets		
Balance at the end of the previous period	8,824,363	9,741,120
Changes of items during the period		
Dividends from surplus	(703,006)	(730,611)

(in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net income	1,046,153	1,480,830
Purchase of treasury stock	(90,144)	-
Disposal of treasury stock	781,000	-
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(117,245)	19,740
Total changes of items during the period	916,756	769,959
Balance at the end of the period	9,741,120	10,511,079

Notes regarding the premise of a going concern

Not applicable

Significant Accounting Policies

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
1. Valuation standards and methods for securities	(1) Stocks issued by subsidiaries/affiliates Stated at cost based on moving average method. (2) Other securities: Marketable securities: 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 shareholders' equity. Cost of sale is calculated based on moving average method). Non-marketable securities: Stated at cost based on moving average method.	(1) Stocks issued by subsidiaries/affiliates Same as on the left. (2) Other securities: Marketable securities: Same as on the left. Non-marketable securities: Same as on the left.
2. Valuation standards and method for inventories	(1) Merchandise and finished goods Stated at lower of cost or market using the gross average method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability) (2) Work in process: Stated at cost based on the specific cost method (amounts in the balance sheets are calculated using the method to devaluate the book value according to the decrease in profitability).	(1) Merchandise and finished goods Same as on the left. (2) Work in process: Same as on the left.
3. Depreciation method of fixed assets	(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 (3) years. Useful life are as follows: Buildings 3 - 31 years Tools, furniture and fixtures 3 - 10 years (2) Intangible fixed assets (a) Software for in-house use Software for in-house use is depreciated using the straight-line method over its useful life (5 years). (b) Software for sale 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 they are of little significance in terms of monetary amounts they are treated as profits or losses for the fiscal year in which they occur. (d) Other Straight-line method	(1) Tangible fixed assets Same as on the left. (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) Other Same as on the left.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
4. Accounting standards for allowances/ reserves	(1) Allowance for doubtful accounts To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed	(1) Allowance for doubtful accounts Same as on the left.
	(2) Reserve for quality assurance In projects related to open system consultation and system development (IT consulting services and Package & Service business), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect provides such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services and Package & Service business. To prepare for additional cost of sales in IT consulting services and Package & Service business 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.	(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 after sales are stated in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where Future Architect provides 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 Package & Service business 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.
	―――――――	(3) Reserve for loss on project 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. To prepare for future loss in IT consulting services and Packaging & Services, estimated amount of such loss in and after the following fiscal year is stated in the reserve for loss on project, concerning ongoing projects for which loss is projected to be incurred as of the end of the fiscal year under review and for which it is possible to rationally estimate the amount of loss.

Item	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
		(Additional information) Reserve for future loss expected to occur concerning ongoing projects was previously stated in the reserve for quality assurance. However, with the application of the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007), reserve for future loss projected to be incurred concerning ongoing projects is stated in reserve for loss on project from the fiscal year under review.
	(4) Reserve for investment losses To prepare for losses on investments in affiliated companies, estimated amount of potential losses, calculated in consideration of financial conditions and other characteristics of the relevant companies, is stated in the reserve for investment losses. (Additional information) With regard to stocks of subsidiaries and affiliates, whose actual values declined but are judged to be able to recover, the Company decided to set aside reserve for investment losses from the standpoint of financial soundness, since there are uncertain factors about future projections. As a result, provision of reserve for investment losses increased by 313,788 thousand yen, and net income before taxed decreased by the same amount.	(4) Reserve for investment losses To prepare for losses on investments in affiliated companies, estimated amount of potential losses, calculated in consideration of financial conditions and other characteristics of the relevant companies, is stated in the reserve for investment losses.
5. Recognition of sales and cost of sales	Cost of sales for IT consulting services is recognized on an accrual basis for each individual project. Corresponding sales are recognized based on "percentage-of-completion method" by taking the ratio of accrued cost to total estimated cost of the project.	Same as on the left.
6. Other material information concerning the compiling of financial statements	Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.	Accounting treatment of consumption taxes, etc. Same as on the left.

Change in significant accounting policies

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
(Accounting standard for lease transaction) Finance lease transactions not accompanying the transfer of property rights were previously accounted for in a manner similar to the accounting treatment for regular lease transactions. However, the Company applied "Accounting Standard for Lease Transactions" (ASBJ No. 13 prescribed by the First Division of Corporate Accounting Council on June 17, 1993, revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 prescribed by the Accounting System Committee of Public Accountant Association of Japan on January 18, 1994, revised on March 30, 2007) from the fiscal year under review, and finance lease transactions not accompanying transfer of property rights have been accounted for in a similar manner to the accounting treatment for regular sale transactions. Also, straight line method is applied to depreciation of leased assets, with leasing period as useful life and residual value as zero. For finance lease transactions without transfer of property right, which commencement date of lease was before the first year of adopting the above standards, accounting procedure based on regular lease transaction is applied continuously. There is no effect of the above change of procedure to profit and loss.	(Accounting standard for construction contracts) The "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) were applied effective of the fiscal year under review. This adoption had no effect on the Company's earnings for the fiscal year under review.

Change in classification

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010
(Balance sheets) With the application of the "Cabinet Office Ordinance on Partial Amendment of the Regulations on Terminology, Format and Preparation Method of Financial Statements, etc." (Cabinet Office Ordinance No. 50, August 7, 2008), what were stated as "Commodities" and "Products" in the previous fiscal year, are collectively stated as "Merchandise and finished goods," starting from the fiscal year under review. "Commodities," which is included in the fiscal year under review, amounted to ¥28 thousand, with no outstanding balance of "Products" at the end of the fiscal year.	(Balance sheets) With the application of the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year under review, what was stated as "Reserve for quality assurance" in the previous fiscal year are separately stated as "Reserve for quality assurance" with regard to reserve for loss on repair to be provided without compensation, which is projected to occur after the end of projects, and "Reserve for loss on project" concerning reserve for future loss, projected to be incurred about ongoing projects. "Reserve for quality assurance" in the previous fiscal year, which amounted to ¥74,301 thousand, did not include what fell under "Reserve for loss on project.
(Income Statement) Until the previous fiscal year, "Advertising costs" (¥56,272 thousand at the end of the previous fiscal year) were included in the "Other" section of the selling, general and administrative expenses account. However, since the amount exceeded 5/100 of total selling, general and administrative expenses, they are now stated separately.	―――――

Notes

(Notes regarding balance sheets)

(in thousands of yen unless otherwise noted)

Fiscal 2009 (December 31, 2009)	Fiscal 2010 (December 31, 2010)
*1. Items concerning affiliates Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows: Accounts receivable-other: ¥121,339 Reserve for investment losses -¥313,788 Short-term borrowings: ¥300,000	*1. Items concerning affiliates Assets and liabilities in relation to affiliated companies, which are not separately stated, are as follows: Reserve for investment losses -¥313,788
―――――――	*2. Debt guarantees Guarantee against trade accounts payable to suppliers Guarantee: Uoei Shoten Corporation — Amount: ¥78,859
*3. Lawsuit The Company initiated legal action in the Tokyo District Court relating to payment of contract fees, etc. (¥1,462 million) against NITTO DENKO CORPORATION as of November 30, 2009. The Company delivered the deliverables on September 4, 2009 in accordance with an agreement with NITTO DENKO. However, NITTO DENKO did not recognize the action by the Company as delivery and refused to pay the contract fees etc. Against this backdrop, the Company initiated legal action.	*3. Lawsuit Same as on the left.
―――――――	*4. Of investment securities, ¥168,686 thousand is lent under stock loan agreement.

(Notes regarding consolidated statements of income)

(in thousands of yen unless otherwise noted)

Fiscal 2009 (January 1, 2009 to December 31, 2009)	Fiscal 2010 (January 1, 2010 to December 31, 2010)
*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥20,966	*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥49,344
*2. Transactions with group affiliates are summarized below: Interest income ¥14,115 Dividends income ¥16,840 Group management expense ¥2,219 Interest expenses ¥2,234	*2. Transactions with group affiliates are summarized below: Interest income ¥13,229 Group management expense ¥27,982
*3. Breakdown of gain on sales of fixed assets Tools, furniture and fixtures ¥532 Total ¥532	*3. Breakdown of gain on sales of fixed assets Tools, furniture and fixtures ¥3,066 Total ¥3,066
*4. Breakdown of losses on sales of fixed assets Tools, furniture and fixtures ¥6,068 Total ¥6,068	―――――――
*5. Breakdown of loss on retirement of non-current assets Buildings ¥497 Tools, furniture and fixtures ¥4,310 Total ¥4,808	*5. Breakdown of loss on retirement of non-current assets Buildings ¥3,771 Tools, furniture and fixtures ¥573 Total ¥4,344
*6. Provision of reserve for investment losses Provision of reserve for investment losses is in relation to affiliated companies.	―――――――

Fiscal 2009 (January 1, 2009 to December 31, 2009)	Fiscal 2010 (January 1, 2010 to December 31, 2010)
______________	*7. Impairment losses In the fiscal year under review, the Group reported impairment losses of the following asset groups. (1) Main assets on which impairment losses were recognized <table><tr><th>Use</th><th>Type</th><th>Location</th></tr><tr><td>In-house system</td><td>Software</td><td>-</td></tr></table>(2) Background of the recognition of impairment losses As the Company changed to a policy to adopt the latest outside software and the state-of-the-art proprietary design method of the Company for the development of in-house systems under development in and after the following fiscal year, what cannot be utilized by such new technologies and new design method occurred in existing deliverables. The Company recognized the portion that cannot be utilized as impairment losses. (3) Amounts of impairment losses Software ¥242,785 Total ¥242,785 (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. (5) Calculation method of recoverable amounts The Company measures recoverable amounts based on use value, and reports impairment losses, judging the use value of existing deliverables that cannot be used to be zero.
*8. Office transfer expenses Office transfer expenses include: expenses for restoration to original condition; expenses for cancellation of lease contracts; and loss on retirement of non-current assets.	______________
*9. Provision of allowance for doubtful accounts Provision of allowance for doubtful accounts is in relation to affiliated companies.	*9. Provision of allowance for doubtful accounts Same as on the left.
*10. Loss on valuation of inventories included in Cost of sales ¥1,270	______________

(Notes regarding statements of changes in shareholders' equity)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)

Type and number of treasury shares (Unit: Shares)

	Number of shares at end of fiscal 2008	Increase in number of shares in fiscal 2009	Decrease in number of shares in fiscal 2009	Number of shares at end of fiscal 2009
Treasury stock				
Common stock Notes:	37,261	2,747	20,000	20,008
Total	37,261	2,747	20,000	20,008

Notes: 2,747 treasury stocks of common stock increased owing to the acquisition resolved by the Board of Directors, and 20,000 treasury stocks of common stock decreased owing to the disposal of treasury stock for a third-party allocation underwritten by SG Holdings Co., Ltd.

Fiscal 2010 (from January 1, 2010 to December 31, 2010)

Type and number of treasury shares (Unit: Shares)

	Number of shares at end of fiscal 2009	Increase in number of shares in fiscal 2010	Decrease in number of shares in fiscal 2010	Number of shares at end of fiscal 2010
Treasury stock				
Common stock	20,008	-	-	20,008
Total	20,008	-	-	20,008

(Securities)

There were no stocks issued by subsidiaries or affiliates for which market price is available for the previous fiscal year (as of December 31, 2009), and the fiscal year under review (as of December 31, 2010).

(Tax effect accounting) (in thousands of yen unless otherwise noted)

Fiscal 2009 (December 31, 2009)	Fiscal 2010 (December 31, 2010)
1. Breakdown of major causes for deferred tax assets and liabilities	1. Breakdown of major causes for deferred tax assets and liabilities

Fiscal 2009 (December 31, 2009)

[Current]	
Deferred tax assets:	
Office transfer expenses	¥41,213
Enterprise tax payable	¥33,322
Reserve for quality assurance	¥30,233
Office tax payable	¥8,823
Total deferred tax asset	¥113,593
[Non-current]	
Deferred tax assets:	
Stocks of subsidiaries and affiliates	¥539,533
Provision of reserve for investment losses	¥127,680
Excess amount over the maximum reserve for doubtful accounts	¥60,593
Depreciation excess	¥32,326
Other	¥438
Subtotal of deferred tax assets	¥760,572
Valuation allowance	-¥689,580
Total deferred tax asset	¥70,992
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	¥39,563
Total deferred tax liabilities	¥39,563
Net deferred tax assets	¥31,429

Fiscal 2010 (December 31, 2010)

[Current]	
Deferred tax assets:	
Enterprise tax payable	¥67,635
Reserve for quality assurance	¥23,612
Office tax payable	¥8,474
Other	¥7,843
Total deferred tax asset	¥107,567
[Non-current]	
Deferred tax assets:	
Stocks of subsidiaries and affiliates	¥551,728
Provision of reserve for investment losses	¥127,680
Excess amount over the maximum reserve for doubtful accounts	¥112,705
Depreciation excess	¥105,128
Other	¥438
Subtotal of deferred tax assets	¥897,679
Valuation allowance	-¥753,886
Total deferred tax asset	¥143,795
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	¥45,549
Total deferred tax liabilities	¥45,549
Net deferred tax assets	¥98,246

2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting

Fiscal 2009 (December 31, 2009)

Normal effective statutory tax rate	40.7%
(Adjustment)	
Valuation allowance	8.9%
Earnings excluded from dividends income	-0.4%
Amortization of goodwill	2.0%
Other	-1.2%
Rate of income taxes after application of deferred accounting	50.0%

Fiscal 2010 (December 31, 2010)

Normal effective statutory tax rate	40.7%
(Adjustment)	
Taxes on retained profits	0.5%
Valuation allowance	2.4%
Earnings excluded from dividends income	-0.1%
Inhabitant tax, flat-rate	0.3%
Added permanent difference	0.7%
Rate of income taxes after application of deferred accounting	44.5%

(Per share data) (in yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net asset value per share	¥21,332.54	¥23,018.71
Net income per share	¥2,361.40	¥3,242.94
Net income per share (fully diluted)	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.	Fully diluted net income per share is not stated because the average stock price during the period is below the exercise price of stock acquisition rights and hence net income per share is not diluted.

Note: Net income per share is calculated based on the following:

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
Net income per share		
Net income for the period (in thousands of yen)	1,046,153	1,480,830
Amount not available for common shareholders (in thousands of yen)	-	-
Net income for the period attributable to common shares (in thousands of yen)	1,046,153	1,480,830
Average outstanding shares of common stock during the period (shares)	443,023	456,632
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: 1,150 units) Common stock: 4,600 shares	Stock options granted by resolution of the Ordinary General Meeting of Shareholders on March 24, 2005 (stock acquisition rights: 996 units) Common stock: 3,984 shares

(Significant subsequent events)

Fiscal 2009 (from January 1, 2009 to December 31, 2009)	Fiscal 2010 (from January 1, 2010 to December 31, 2010)
―――――――	Company split At the Board of Directors meeting of the Company and that of Elm Corporation, a consolidated subsidiary of the Company, both held on February 8, 2011, the following were decided concerning an absorption-type company split, through which Elm Corporation will succeed the Company's package solution business for small and midsize companies. 1. Purpose of the company split To establish a system that can provide high-value-added services more quickly to satisfy IT system needs that are expected to continue to increase, by realigning and enhancing the IT solution business for small and midsize companies, which is dispersed within the Group 2. Operations and scale of business to be spun off (1) Business operations Business concerning services relating to the introduction of "NewRRR" application software in accordance with business characteristics of small and midsize companies and maintenance services after the introduction of the said system (2) Net sales (Fiscal year ended December 2010) ¥449 million 3. Form of company split Absorption-type company split, with the Company as the splitting company and Elm Corporation as the succeeding company 4. Name, assets, liabilities and net assets of the succeeding company in the company split (1) Name Elm Corporation (2) Assets ¥1,218 million (3) Liabilities ¥375 million (4) Net assets ¥843 million 5. Time of the company split April 1, 2011 (planned) 6. Other important matters Elm Corporation plans to change its trade name to "Future One, Inc." on the effective date, subject to a resolution at the Ordinary General Meeting of Shareholders of Elm Corporation, scheduled to be held in late March 2011.

(Omitted notes)

Notes to lease transactions are not stated since disclosure is deemed unnecessary.

6. Other

(1) Changes in Directors

None

(2) Other

Orders received (outstanding contracts) (in thousands of yen)

	Fiscal 2009 (from January 1, 2009 to December 31, 2009)		Fiscal 2010 (from January 1, 2010 to December 31, 2010)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	13,058,767	3,131,047	15,491,466	4,670,958
Package & Service Business	3,447,873	598,783	4,257,228	697,057
Corporate Revitalization/New Business Cultivation Business	27,901	2,167	48,711	6,597
Total	16,534,542	3,731,998	19,797,406	5,374,613