

Consolidated Summary Report of Operating Results for the Second Quarter of Fiscal 2012 (Year ending December 2012) [Japan GAAP]

Company name: Future Architect, Inc.

Shares listed on: First Section of Tokyo Stock Exchange

Security code number 4722

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Scheduled submit date of quarterly report: August 13, 2012

Scheduled date for distribution of dividend payments: September 21, 2012

Creation of supplemental material on quarterly financial results: Yes

Holding of quarterly results briefing: Yes (for institutional investors and securities analysts)
(Amount rounded off to million yen)

1. Consolidated Results for the Second Quarter of Fiscal 2012 (January 1, 2012 to June 30, 2012)

(1) Consolidated operating results (accumulated total) (Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Quarterly net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q, Fiscal 2012	11,126	(5.5)	724	(55.5)	804	(53.0)	463	(56.8)
2Q, Fiscal 2011	11,768	7.6	1,629	50.9	1,711	49.2	1,073	102.8

(Reference) Comprehensive income 2Q, Fiscal 2012: 479 million yen (-52.6%)

2Q Fiscal 2011: 1,010 million yen (— %)

	Quarterly net income per share	Quarterly net income per share (fully diluted)
	Yen	Yen
2Q, Fiscal 2012	1,025.65	—
2Q, Fiscal 2011	2,350.20	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q, Fiscal 2012	14,489	11,429	78.0	25,115.05
Fiscal 2011	14,453	11,410	78.9	24,964.67

(Reference) Shareholders' equity 2Q, Fiscal 2012: 11,307 million yen Fiscal 2011: 11,399 million yen

2. Dividends

	Dividends per share (yen)				
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	—	750.00	—	750.00	1,500.00
Fiscal 2012	—	750.00	—	750.00	1,500.00
Fiscal 2012 (Forecast)	—	—	—	750.00	1,500.00

Note: Modification of the projected dividends announced most recently: No

[Translation]

3. Projected Consolidated Results for Fiscal 2012 (January 1, 2012 to December 31, 2012)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	24,800	6.5	3,300	12.6	3,330	9.1	1,930	12.5	4,268.68

Note: Modification of the projected consolidated results announced most recently: No

[Translation]

* Notes

(1) Changes in significant subsidiaries in the consolidated second quarter under review (Changes in specified subsidiaries that involved changes in the scope of consolidation): No

(2) Application of special accounting for the preparation of quarterly consolidated financial statements: Yes

Income taxes and payables are calculated by appropriately estimating the legal effective tax rate after the adoption of tax effect accounting which is to be assessed upon net income before taxes of the consolidated fiscal year including the consolidated second quarter under review and multiplying such estimated legal effective tax rate to the net income before taxes of the previous consolidated quarter.

(3) Change in accounting policies or estimates and retrospective restatements

- 1) Change in accounting policies in accordance with revision of accounting standards : No
- 2) Change in accounting policies other than item 1) above : No
- 3) Change in accounting estimates : No
- 4) Retrospective restatements : No

(4) Number of outstanding shares (common stock)

1) Total outstanding shares as of the end of the period (including treasury stocks)	2Q Fiscal 2012:	476,640 shares	Fiscal 2011:	476,640 shares
2) Total treasury stocks as of the end of the period	2Q, Fiscal 2012:	26,408 shares	Fiscal 2011:	20,008 shares
3) Average number of outstanding stocks during the quarter under review (accumulated period for quarter)	2Q, Fiscal 2012:	452,195 shares	2Q, Fiscal 2011:	456,632 shares

* Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from the quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of this document's release, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act had not been completed.

* Points to note about the proper use of projections, and other noteworthy events

(Points to note regarding descriptions about future, etc.)

The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. For details of the preconditions used in making the above-mentioned forecast and other relevant matters, refer to "Qualitative Information on the Consolidated Results Forecast" on page 3 of the accompanying material of the quarterly earnings report.

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1. Qualitative information about consolidated operating results for the second quarter of the fiscal year under review

(1) Qualitative information about consolidated operating results

During the second quarter of the fiscal year under review, the outlook for the Japanese economy remained uncertain as there were many sources of concern. These included a deceleration of overseas economies, originating in the European debt issue, ongoing appreciation of the yen and power supply problems. Nevertheless, there were signs of recovery thanks to restoration demand related to the Great East Japan Earthquake and other factors.

Under such circumstances, consolidated net sales of the Group for the second quarter were ¥11,126 million, down 5.5% from the corresponding period of the previous fiscal year, operating income was ¥724 million, down 55.5%, and ordinary income was ¥804 million, down 53.0%. Net income declined 56.8% year-on-year to ¥463 million.

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

In the IT Consulting Business, one large project reached completion. At the same time, we were able to begin several projects relating to new services, including cloud services for financial institutions, value added outsourcing (VAO) services, and global ERP, which are part of new growth strategies on which the Group has worked since last year. We also broadened the base of new customers. Meanwhile, costs for improving quality increased in some projects during the first quarter. In addition, businesses in Southeast Asia, in which we made strategic investments, and the healthcare and other new businesses are still at the start-up stage, and need major investments. As a result, net sales were ¥7,068 million, down 4.7% from a year ago, with operating income at ¥754 million, down 48.0%.

In the Package & Service Business, Ascendia Inc. continued to perform solidly, supported by stable orders received. At Future One, Inc., whose performance picked up in the second quarter, the profit margins of projects deteriorated, due to an increase in costs for improving quality in some projects during the first quarter. Consequently, net sales fell 9.1% year on year to ¥1,992 million, and operating income decreased 91.1% to ¥10 million.

In the Corporate Revitalization Business, Uoei Shoten Corporation, which operates grocery supermarkets, enjoyed healthy sales, mainly due to the expansion of sales floor space for products that meet the needs of individual stores. Uoei Shoten also continued to record a stable gross profit margin through the implementation of IT measures, while working to reduce costs chiefly by efficiently distributing leaflets. As a result, net sales were ¥2,249 million, down 3.2% year on year. The operating balance continued to be positive, with operating income of ¥32 million, down 31.9% year on year.

As a result, net sales were ¥2,249 million, down 3.2%, year on year and operating income was ¥32 million, up 31.9%. The business segment has continued to post positive operating income.

(2) Qualitative information about consolidated financial condition

(Assets, liabilities and net asset)

At the end of the second quarter under review, total assets were ¥14,489 million, up ¥35 million from a year earlier. The increase is mainly attributable to a rise in fixed assets, such as software (increase of ¥297 million from the end of the previous consolidated fiscal year) and investment securities (up ¥107 million), despite a fall in current assets, such as cash and deposits (decrease of ¥363 million from the end of the previous consolidated fiscal year) and securities (down ¥699 million), which resulted from investments.

Liabilities stood at ¥3,059 million, up ¥17 million from the previous fiscal year. The increase was chiefly due to rises in accounts payable (increase of ¥155 million from the end of the previous consolidated fiscal year) and other current liabilities, despite a fall in income tax payable, etc. (down ¥205 million).

Net assets were ¥11,429 million, up ¥18 million from the previous fiscal year, primarily reflecting rises in retained earnings (increase of ¥121 million from the end of the previous fiscal year) and minority interests, and an increase in treasury shares (down ¥221 million).

(Analysis of cash flows)

Net cash outflow from operating activities was ¥22 million (compared to an inflow of ¥1,216 million for the corresponding period of the previous fiscal year), which was primarily due to an increase in accounts receivable of ¥165 million and income tax, etc., paid of ¥569 million, despite booking net income before taxes of ¥832 million.

Net cash outflow from investing activities totaled ¥256 million (compared to an inflow of ¥87 million for the corresponding

period of the previous fiscal year), chiefly due to the purchase of intangible fixed assets of ¥321 million and a payment of ¥64 million for the purchase of shares in subsidiaries resulting in changes to the scope of consolidation.

Net cash outflow from financial activities was ¥584 million (compared to an outflow of ¥562 million for the corresponding quarter of the previous fiscal year), mainly due to purchase of treasury stock of ¥223 million and dividends paid of ¥343 million.

As a result of these operating, investment, and financial activities, the balance of cash and cash equivalents at the end of the second quarter under review was ¥4,663 million.

(3) Qualitative information about consolidated earnings forecast

The Company will make no revision to the earnings forecast for the full fiscal year ending December 2012 that it announced on April 26, 2012.

2. Matters related to summary information (notes)

(1) Changes in significant subsidiaries in the consolidated first quarter under review

Not applicable

(2) Application of special accounting for the preparation of quarterly consolidated financial statements

Income taxes and payables are calculated by appropriately estimating the legal effective tax rate after the adoption of tax effect accounting which is to be assessed upon net income before taxes of the consolidated fiscal year including the consolidated second quarter under review and multiplying such estimated legal effective tax rate to the net income before taxes of the previous consolidated quarter.

(3) Change in accounting policies or estimates and retrospective restatements

Not applicable

3. Quarterly Period Consolidated Financial Statements

(1) Quarterly Period Consolidated Balance Sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2011)	Consolidated second quarter under review (June 30, 2012)
Assets		
Current assets		
Cash and deposits	5,076,449	4,713,393
Notes and accounts receivable	2,770,586	3,135,853
Investment securities	701,110	1,800
Merchandise and finished goods	126,890	146,138
Work in process	54,928	86,970
Accounts receivable-other	1,357,981	1,395,265
Other	448,566	581,168
Allowance for doubtful accounts	(7,364)	(4,949)
Total current assets	10,529,150	10,055,640
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,077,281	3,095,919
Accumulated depreciation	(2,654,607)	(2,693,196)
Buildings and structures, net	422,673	402,722
Land	122,868	122,868
Other	1,549,422	1,672,996
Accumulated depreciation	(1,308,490)	(1,372,275)
Other, net	240,931	300,721
Total tangible fixed assets	786,474	826,312
Intangible fixed assets		
Goodwill	145,464	228,361
Software	386,794	684,476
Other	22,063	22,591
Total intangible fixed assets	554,322	935,429
Investments and other assets		
Investment securities	1,523,639	1,631,176
Other	1,119,817	1,100,111
Allowance for doubtful accounts	(60,043)	(59,489)
Total investments and other assets	2,583,414	2,671,798
Total fixed assets	3,924,210	4,433,540
Total assets	14,453,360	14,489,180

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2011)	Consolidated second quarter under review (June 30, 2012)
Liabilities		
Current liabilities		
Accounts payable	644,020	799,914
Short-term borrowings	32,327	30,960
Long-term borrowings due within one year	16,000	-
Income tax payable, etc.	590,481	385,149
Reserve for bonuses	106,269	97,901
Reserve for quality assurance	65,359	24,545
Reserve for loss on projects	4,200	-
Other	1,257,508	1,397,386
Total current liabilities	2,716,167	2,735,857
Non-current liabilities		
Asset retirement obligations	309,408	311,211
Other	16,899	12,875
Total non-current liabilities	326,307	324,086
Total liabilities	3,042,475	3,059,943
Net assets		
Shareholders' equity		
Common stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,495,772
Retained earnings	8,661,248	8,782,567
Treasury stock	(1,171,668)	(1,393,328)
Total shareholders' equity	11,407,167	11,306,826
Valuation and translation adjustments		
Net unrealized gain (loss) on available-for-sale securities	(1,483)	10,727
Foreign currency translation adjustments	(6,017)	(9,954)
Total valuation and translation adjustments	(7,501)	772
Minority interests	11,220	121,637
Total net assets	11,410,885	11,429,236
Total liabilities and net assets	14,453,360	14,489,180

(2) Quarterly Period Consolidated Statements of Income and Comprehensive Income (First half period)

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)	First half of the consolidated fiscal year under review (from January 1, 2012 to June 30, 2012)
Net sales	11,768,001	11,126,485
Cost of sales	7,227,983	7,142,614
Gross profit	4,540,017	3,983,871
Selling, general and administrative expenses		
Officers' remuneration	142,218	136,228
Salaries and bonuses	1,489,149	1,770,803
Employee training expenses	46,616	79,334
Research & development expenditures	26,857	9,168
Depreciation	51,648	53,010
Recruitment expenses	102,719	100,167
Other	1,051,081	1,110,437
Total selling, general and administrative expenses	2,910,290	3,259,150
Operating income	1,629,726	724,720
Non-operating income		
Interest income	1,190	2,715
Dividends income	18,475	21,776
Amortization of negative goodwill	28,308	-
Equity in income of non-consolidated subsidiaries & affiliates	15,173	34,424
Other	20,465	22,850
Total non-operating income	83,613	81,766
Non-operating expenses		
Interest expenses	709	351
Commission for purchase of treasury stock	-	1,647
Other	1,079	227
Total non-operating expenses	1,788	2,226
Ordinary income	1,711,550	804,261

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)	First half of the consolidated fiscal year under review (from January 1, 2012 to June 30, 2012)
Extraordinary income		
Gains on sale of investment securities	160,275	-
Gains on sale of fixed assets	203	-
Gain on negative goodwill	-	75,209
Reversal of reserve for quality assurance	38,275	-
Compensation for damages received	94,945	-
Total extraordinary income	293,700	75,209
Extraordinary losses		
Losses on disposal of fixed assets	5,743	-
Losses on sale of investment securities	1,349	-
Losses on devaluation of investment securities	1,191	1,275
Litigation expenses	-	44,000
Effects due to application of accounting standard for asset retirement obligations	252,519	-
Other	30,000	1,666
Total extraordinary losses	290,803	46,942
Net income before taxes (quarterly period)	1,714,448	832,528
Income taxes	641,272	359,827
Income before minority interests	1,073,175	472,701
Minority interests in income	-	8,908
Quarterly net income	1,073,175	463,792
Minority interests in income	-	8,908
Income before minority interests	1,073,175	472,701
Other comprehensive income		
Valuation difference on available-for-sale securities	(63,642)	12,568
Foreign currency translation adjustment	583	(5,523)
Share of other comprehensive income of associates accounted for using equity method	(15)	(673)
Other comprehensive income	(63,074)	6,371
Quarterly comprehensive income	1,010,100	479,072
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,010,100	472,066
Comprehensive income attributable to minority interests	-	7,006

(3) Quarterly Period Consolidated Statements of Cash Flows

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)	First half of the consolidated fiscal year under review (from January 1, 2012 to June 30, 2012)
Cash flows from operating activities		
Net income before taxes (quarterly period)	1,714,448	832,528
Depreciation and amortization	102,058	113,267
Increase (decrease) in allowance for doubtful accounts	(2,198)	(2,968)
Increase (decrease) in reserve for bonuses	(30,190)	(9,582)
Increase (decrease) in reserve for quality assurance	(62,109)	(40,814)
Increase (decrease) in reserve for loss on projects	8,000	(4,200)
Earned interest and dividends	(19,665)	(24,491)
Interest expenses	709	351
Equity in income (losses) of subsidiaries & affiliates	(15,173)	(34,424)
Gain on negative goodwill	–	(75,209)
Compensation for damages received	(94,945)	–
Gains (losses) on sale of fixed assets	(203)	–
Losses on disposal of fixed assets	5,743	–
Gains (losses) on sale of investment securities	(158,925)	–
Gains (losses) on valuation of investment securities	1,191	1,275
Litigation expenses	–	44,000
Effects due to application of accounting standard for asset retirement obligations	252,519	–
Increase (decrease) in accounts receivable	524,072	(165,649)
Increase (decrease) in inventories	17,176	(39,968)
Increase (decrease) in accounts payable	22,757	85,374
Other	(271,971)	(112,566)
Subtotal	1,993,290	566,922
Interest and dividends received	20,465	24,866
Interest paid	(791)	(433)
Income and other taxes	(796,043)	(569,795)
Litigation expenses	–	(44,000)
Net cash provided by (used in) operating activities	1,216,920	(22,440)

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)	First half of the consolidated fiscal year under review (from January 1, 2012 to June 30, 2012)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	30,000	–
Purchase of short-term investment securities	–	(201,196)
Proceeds from redemption of securities	–	400,464
Purchase of tangible fixed assets	(10,067)	(39,851)
Proceeds from sale of tangible fixed assets	4,389	–
Acquisition of intangible fixed assets	(18,519)	(321,287)
Payments for execution of asset retirement obligations	(3,800)	(1,211)
Proceeds from sale of investment securities	228,255	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(64,435)
Purchase of shares in affiliates	–	(56,833)
Payments for deposits and guarantee	(159,156)	(4,524)
Proceeds from collection of deposits and guarantees	14,058	22,376
Proceeds from transfer of business	–	8,240
Other	2,150	1,500
Net cash provided by (used in) investing activities	87,309	(256,758)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(2,441)
Repayment of long-term borrowings	(16,000)	(38,721)
Proceeds from payment by minority shareholders	–	24,021
Purchase of treasury stock	–	(223,307)
Dividends paid	(546,295)	(343,578)
Net cash provided by (used in) financing activities	(562,295)	(584,028)
Effect of exchange rate changes on cash and cash equivalents	379	308
Increase (decrease) in cash and cash equivalents	742,314	(862,917)
Cash and cash equivalents at beginning of the period	5,153,036	5,526,311
Cash and cash equivalents at end of the quarterly period	5,895,351	4,663,393

- (4) Notes on the going-concern assumption
Not applicable.
- (5) Notes on significant changes to shareholders' equity
Not applicable.

(6) Segment information

I. Second quarter of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)

1. Amounts of net sales and income or loss by business segment reported

(in thousands of yen)

	Segment reported				Others (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting Business	Package & Service Business	Corporate Revitalization Business	Total				
Net sales								
(1) Net sales to outside clients	7,410,321	1,990,941	2,323,819	11,725,082	42,919	11,768,001	–	11,768,001
(2) Inter-segment sales or transfer	3,620	202,231	831	206,683	13,040	219,723	(219,723)	–
Total	7,413,941	2,193,172	2,324,651	11,931,765	55,959	11,987,724	(219,723)	11,768,001
Segment income or loss	1,450,905	120,169	47,428	1,618,502	(2,652)	1,615,850	13,876	1,629,726

Notes: 1. "Others," a segment not included in the business segment reported, include Internet-related businesses and securities investment, holding, and management activities.

2. "Adjustment" of segment income or loss of ¥13,876 thousand refers to elimination of inter-segment transactions.

3. Segment income or loss is adjusted with operating income in the Quarterly Period Consolidated Statements of Income.

II. Second quarter of the consolidated fiscal year (from January 1, 2012 to June 30, 2012)

1. Amounts of net sales and income or loss by business segment reported

(in thousands of yen)

	Segment reported				Others (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting Business	Package & Service Business	Corporate Revitalization Business	Total				
Net sales								
(1) Net sales to outside clients	7,042,268	1,734,250	2,249,205	11,025,724	100,761	11,126,485	–	11,126,485
(2) Inter-segment sales or transfer	26,309	258,350	708	285,369	–	285,369	(285,369)	–
Total	7,068,578	1,992,601	2,249,914	11,311,094	100,761	11,411,855	(285,369)	11,126,485
Segment income or loss	754,418	10,691	32,313	797,423	(89,439)	707,983	16,736	724,720

Notes: 1. "Others," a segment not included in the business segment reported, include Internet-related businesses, publishing business and securities investment, holding, and management activities.

2. "Adjustment" of segment income or loss of ¥16,736 thousand refers to elimination of inter-segment transactions.

3. Segment income or loss is adjusted with operating income in the Quarterly Period Consolidated Statements of Income.

4. Supplemental information

(1) Orders received

(in thousands of yen)

Segment	First half of the previous consolidated fiscal year (from January 1, 2011 to June 30, 2011)		First half of the consolidated fiscal year under review (from January 1, 2012 to June 30, 2012)	
	Orders received	Backlog	Orders received	Backlog
IT Consulting Business	6,336,395	3,597,032	7,035,693	3,552,577
Package & Service Business	2,252,117	958,234	1,380,380	831,444
Others	47,040	10,718	107,642	11,130
Total	8,635,553	4,565,984	8,523,716	4,395,152