

Information Meeting For Financial Results For the Second Quarter of FY2012

July 31, 2012
Future Architect, Inc.

1. Overview of Earnings for the Second Quarter of FY2012

(Yuji Higashi, Executive Senior Vice President)

2. Topics Related to the Second Quarter of FY2012

(Yutaka Anma, Executive Senior Vice President)

3. Future Outlook for the Second half of FY2012

(Yutaka Anma, Executive Senior Vice President)

1. Overview of Earnings for the Second Quarter of FY2012

(Yuji Higashi, Executive Senior Vice President)

Overview of the First Half of FY2012

1. Consolidated net sales were almost as forecast, although slightly below the original target. The ratio of sales in the development phase decreased, while that in the grand design phase increased. (Future Architect)
2. Profit margin declined in 1Q, due to increased costs for improving quality of some projects underway. The margin picked up a little in 2Q, but was still in the process of a recovery. (Future Architect, Future One)

Besides, excess costs were incurred for overseas and new businesses, such as healthcare and Tokyo Calendar Inc., in which we made strategic investments, because they were still at the start-up stage.

3. We received orders for VAO, financial cloud computing, lisnar+, global ERP and related projects, which are among the key services of our new growth strategy, so related businesses are expected to expand.

Consolidated Results for the First Half of FY2012

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	FY2011 results for the first half	FY2012 plan for the first half	FY2012 results for the first half	Year-on-year change	Compared to plan
Net sales	11,768	11,480	11,126	-5.5%	-3.1%
Operating income Operating income margin	1,629 13.8%	1,280 11.1%	724 6.5%	-55.5%	-43.4%
Ordinary income Ordinary income margin	1,711 14.5%	1,300 11.3%	804 7.2%	-53.0%	-38.1%
Net income Net income margin	1,073 9.1%	780 6.8%	463 4.2%	-56.8%	-40.5%

Balance Sheets

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	End of Jun. 2011	End of Dec. 2011	End of Jun. 2012	Change
Current assets	10,596	10,529	10,055	-473
Fixed assets	3,695	3,924	4,433	+509
Total assets	14,292	14,453	14,489	+35
Current liabilities	2,807	2,716	2,735	+19
Non-current liabilities	360	326	324	-2
Total liabilities	3,168	3,042	3,059	+17
Total Net Assets	11,124	11,410	11,429	+18
Shareholders' equity ratio	77.8%	78.9%	78.0%	-0.9 pt

Main changes		End of Dec.	End of Jun.	Change
(Millions of yen)		2011	2012	
Current assets:	Decrease in cash and deposits	5,076	4,713	-363
	Increase in accounts receivable	2,770	3,135	+365
	Decrease in securities	701	1	-699
Fixed assets:	Increase in software	386	684	+297
	Increase in goodwill	145	228	+82
	Increase in investment securities	1,523	1,631	+107

Cash Flows

(Million yen)	FY2011 results for the first half	FY2012 results for the first half	Change
Cash flows from operating activities	1,216	-22	-1,239
Cash flows from investing activities	87	-256	-344
Cash flows from financing activities	-562	-584	-21
Effect of exchange rate changes on cash and cash equivalents	0	0	-0
Changes in cash and cash equivalents	742	-862	
Cash and cash equivalents at the beginning of the period	5,153	5,526	
Cash and cash equivalents at the end of the period	5,895	4,663	

Main changes (Million yen)		First half of FY2011	First half of FY2012	Change
Operating CF:	Net income before taxes	1,714	832	-881
	Increase (decrease) in accounts receivable	524	-165	-689
Investing CF:	Acquisition of intangible fixed assets	-18	-321	-302
	Proceeds from sale of investment securities	228	-	-228
Financing CF:	Purchase of treasury stock	-	-223	-223

Results by Segment

Challenge Together Future Architect, Inc. which designs management and IT.

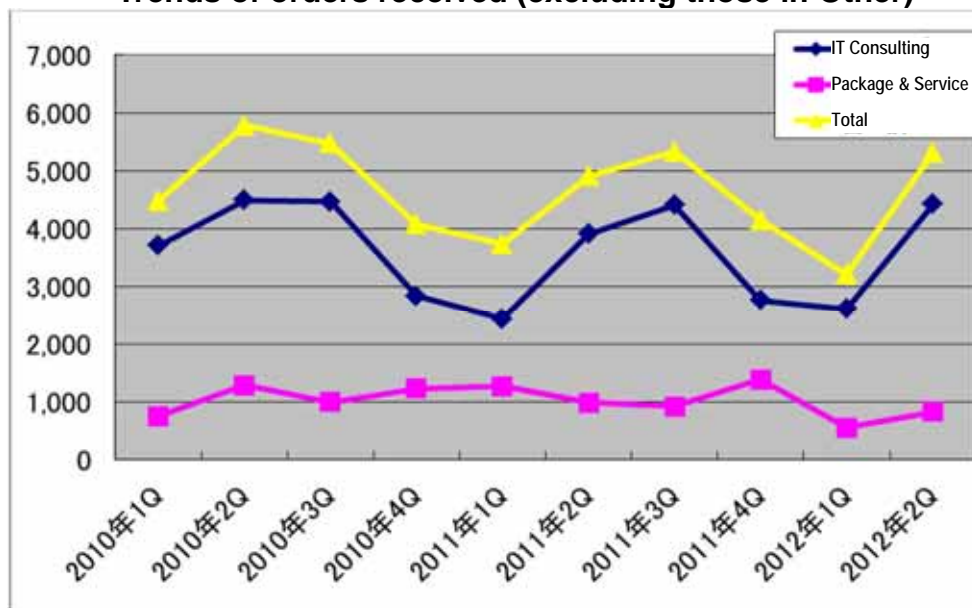
(Million yen)	FY2011 results for the first half	FY2012 results for the first half	Year-on-year change
Net Sales	11,768	11,126	-5.5%
IT Consulting	7,413	7,068	-4.7%
Package & Service	2,193	1,992	-9.1%
Corporate Revitalization	2,324	2,249	-3.2%
Other	55	100	80.1%
Adjustments	-219	-285	-
Operating Income	1,629	724	-55.5%
IT Consulting	1,450	754	-48.0%
Package & Service	120	10	-91.1%
Corporate Revitalization	47	32	-13.9%
Other	-2	-89	-
Adjustments	13	16	-

Orders Received and Backlog by Segment

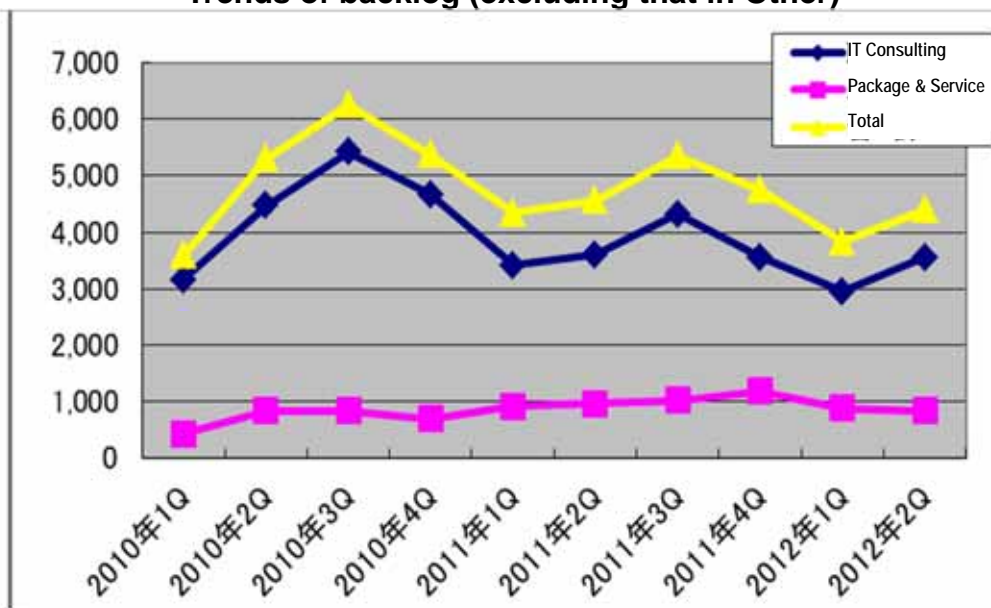
Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	Orders received			Backlog		
	First half of FY2011	First half of FY2012	Year-on year change	First half of FY2011	2012	Year-on year change
IT Consulting Business	6,336	7,035	+11.0%	3,597	3,552	-1.2%
Package & Service Business	2,252	1,380	-38.7%	958	831	-13.2%
Other	47	107	+128.8%	10	11	+3.8%
Total	8,635	8,523	-1.3%	4,565	4,395	-3.7%

Trends of orders received (excluding those in Other)



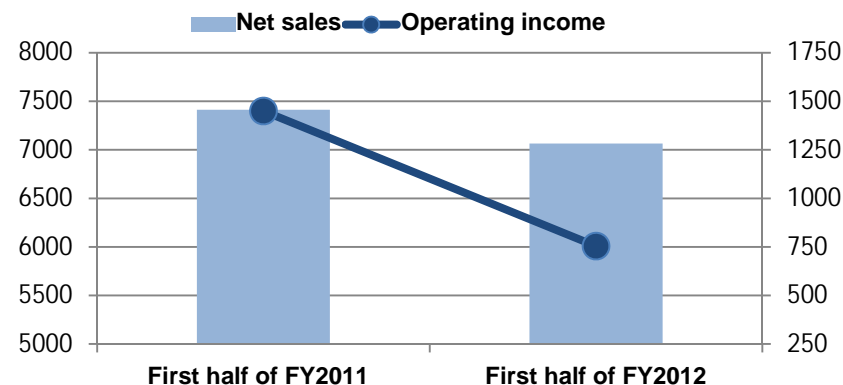
Trends of backlog (excluding that in Other)



Results by Segment (IT Consulting Business)

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	First half of FY2011	First half of FY2012
Net Sales	7,413	7,064
Operating Income	1,450	754



Increase in investment costs

- ✓ Costs were incurred to improve the quality of some projects in 1Q.
- ✓ We made advance investments in overseas and new businesses such as healthcare.

Cultivating new clients

- ✓ We won orders for several large projects in the financial area (see Slide 11).
- ✓ Projects in the grand design phase, which are likely to lead to a rise in sales during and after the second half, increased. (See Slide 12).

Expansion of new services (details to be described later)

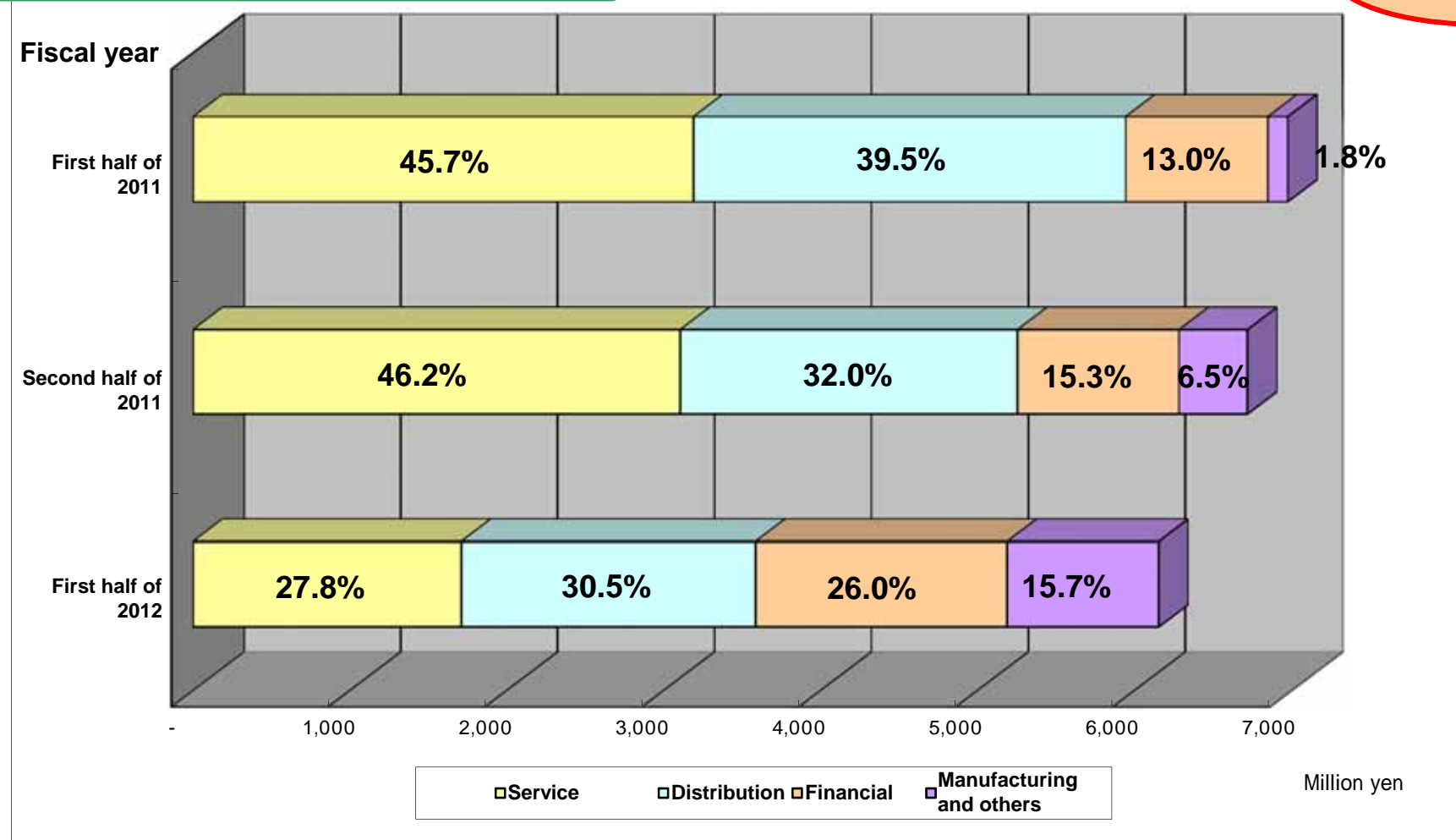
- ✓ We launched projects relating to new services, such as VAO, financial cloud computing, lisnar+, and global ERP.
- ✓ We started projects in new fields, such as establishing the EC base.

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

Challenge Together Future Architect, Inc. which designs management and IT.

Trends of sales by Industry

Non-consolidated



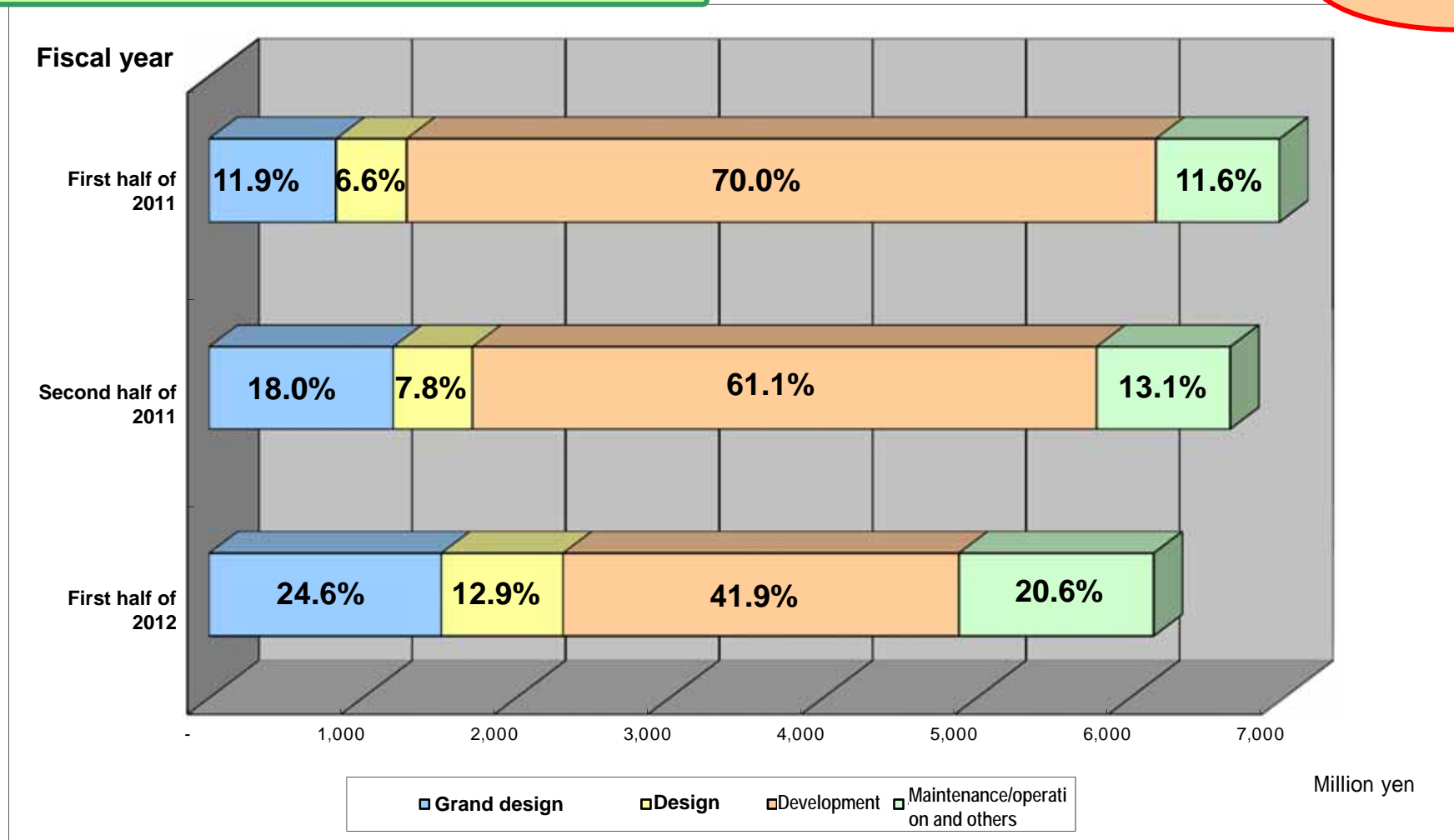
(Note) As a result of reviewing industry categories, data for 2011 and before may differ from those in previous briefing materials.

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

Challenge Together Future Architect, Inc. which designs management and IT.

Trends of sales by phase

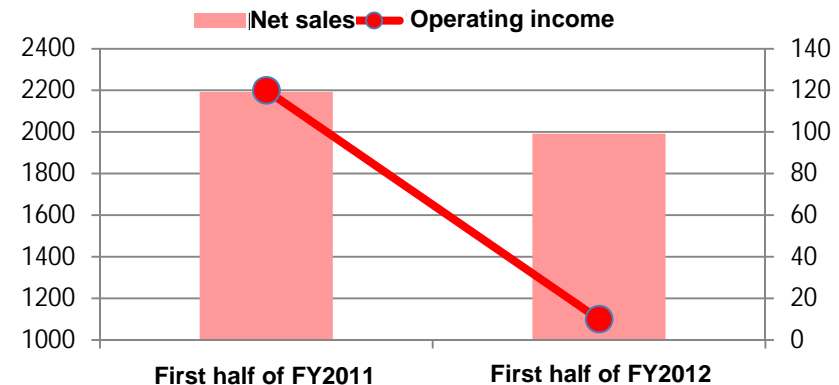
Non-consolidated



Results by Segment (Package & Service Business)

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	First half of FY2011	First half of FY2012
Net Sales	2,193	1,992
Operating Income	120	10



ERP packages for mid-size companies and SMEs (FutureOne)

- ✓ Earnings recovered in 2Q, although profit margin decreased in 1Q due to increased costs for quality improvements.
- ✓ To improve quality, organizational changes were made and structure was strengthened.

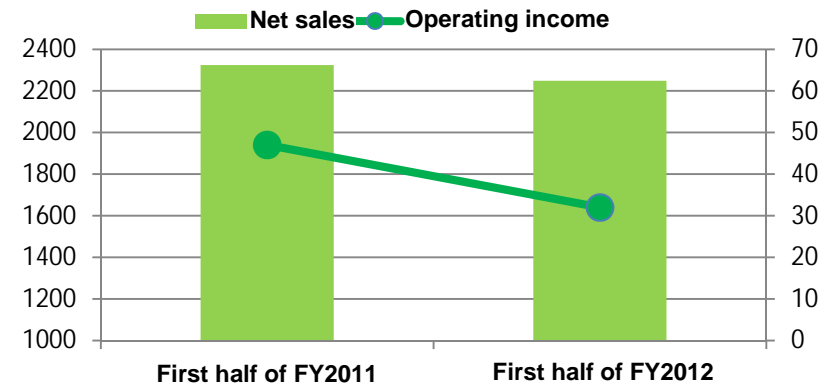
Outsourced development and regional business (Ascendia)

- ✓ Earnings continued to be stable, backed by strong orders received.
- ✓ Operation services were enhanced in cooperation with Future Architect.
- ✓ Near-shore development and operations, which use regional bases, moved into high gear.

Results by Segment (Corporate Revitalization Business)

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	First half of FY2011	First half of FY2012
Net Sales	2,324	2,249
Operating Income	47	32



Operating income remained positive

- ✓ Positive operating income was posted for five months of the six-month period, resulting in operating income remaining positive for the half period.
- ✓ Some stores expanded sales floor space to increase product lines that satisfy the needs of customers.
- ✓ Gross profit margin continued to be stable due to the use of automatic order placement and new EDI systems.
- ✓ Selling, general and administrative expenses were reduced due to an efficient advertising strategy.

2.Topics Related to the Second Quarter of FY2012

(Yutaka Anma, Executive Senior Vice President)

Application to Company's growth strategy

1. Increasing services provided

(VAO, financial cloud computing, lisnar+, and global ERP)

2. Broadening client base

(Modeling solutions, responding to needs for system integration, and entry into new markets)

3. Expanding operating areas through globalization

(Support for overseas expansion of Southeast Asian and Japanese companies)



Various measures implemented since last year as part of new strategies are steadily producing results. This is expected to lead to an increase in sales during and after the second half.

1. Increasing Services Provided (1/2)

■ VAO (Value Added Outsourcing)

We are providing new clients such as Internet-based securities companies and foreign exchange retail trading firms with services to switch systems built by other companies, as well as establishing new systems for them.

In addition, inquiries are increasing for this service from other companies, to which we are making proposals on the service.

■ Financial cloud computing

We received orders from several leading regional banks for consulting services on the introduction of this service.

The first financial cloud computing service is expected to be launched next spring.

1. Increasing Services Provided (2/2)

■ lisnar+

Inquiries about this service are increasing steadily, with the numbers of both inquiries and introductions of the service in the past six months marking record highs.

We expanded sales channels for this service, for example, through business partners.

We aim to establish a stable earnings structure, under which we will provide, for example, maintenance services for and win additional orders from existing customers.

■ Global ERP

We won orders for this service from leading Japanese companies, which are expanding their businesses overseas.

We won orders for total solutions including ERP.

Inquiries about this service are increasing, and we are making proposals for the service and implementing related projects.

2. Broadening Client Base

■ Model high-level solutions using the Company's expertise and technologies

Inquiries have increased about downsizing-related projects that use expertise and experience from the distribution business.

We provide the EC base, including a back office, using knowledge of the retail business.

We provide solutions promptly by modeling other companies' results.

■ Responding to needs for system integration in relation to industrial reorganization

We assist client companies in the financial and manufacturing industries to integrate their systems.

■ Entry into new markets and enhancing businesses there

We acquired Life Sciences Computing Corporation, making a full-scale entry into the healthcare field, where demand is expected to rise.

3. Expanding Operating Areas through Globalization

Challenge Together Future Architect, Inc. which designs management and IT.

■ Establishing local units and acquiring local firms in Southeast Asia (global ERP from overseas)

In Singapore, sales are increasing, and profits are expected to be achieved on a monthly basis in the second half.

In Malaysia, both sales and profits continued to be strong.

We are conducting activities to win orders from local companies in close collaboration with global ERP corporations.

■ Support for overseas expansion of existing Japanese corporate clients

We are supporting corporate customers to establish systems at overseas bases.

3.Outlook for the second half of FY2012

(Yutaka Anma, Executive Senior Vice President)

Earnings Outlook for FY2012 (1/2)

IT Consulting Business

- Sales are projected to rise due to continuation and expansion of projects for which we won orders from new clients last year.
- Profits are likely to increase due to the cancelling of projects with low profit margins.
- Earnings from new services (VAO, financial cloud computing, lisnar+, and global ERP) under the growth strategy, which were launched last year, are expected to further increase from the first half.
- We will establish solid earnings structures in Southeast Asia (Singapore, Malaysia, and Thailand).

Earnings Outlook for FY2012 (2/2)

Package & Service Business

- Profit margin is expected to improve by enhancing operations of projects (through the use of Future Architect's tools and personnel exchanges). (Future One)
- To meet the latest needs of clients, upgraded products are planned to be released. (Future One)
- Aggressive recruiting activities will be conducted in response to an increase in stable orders received. (Ascendia)
- Efforts will be made to win orders directly, including those from the public sector. (Ascendia)

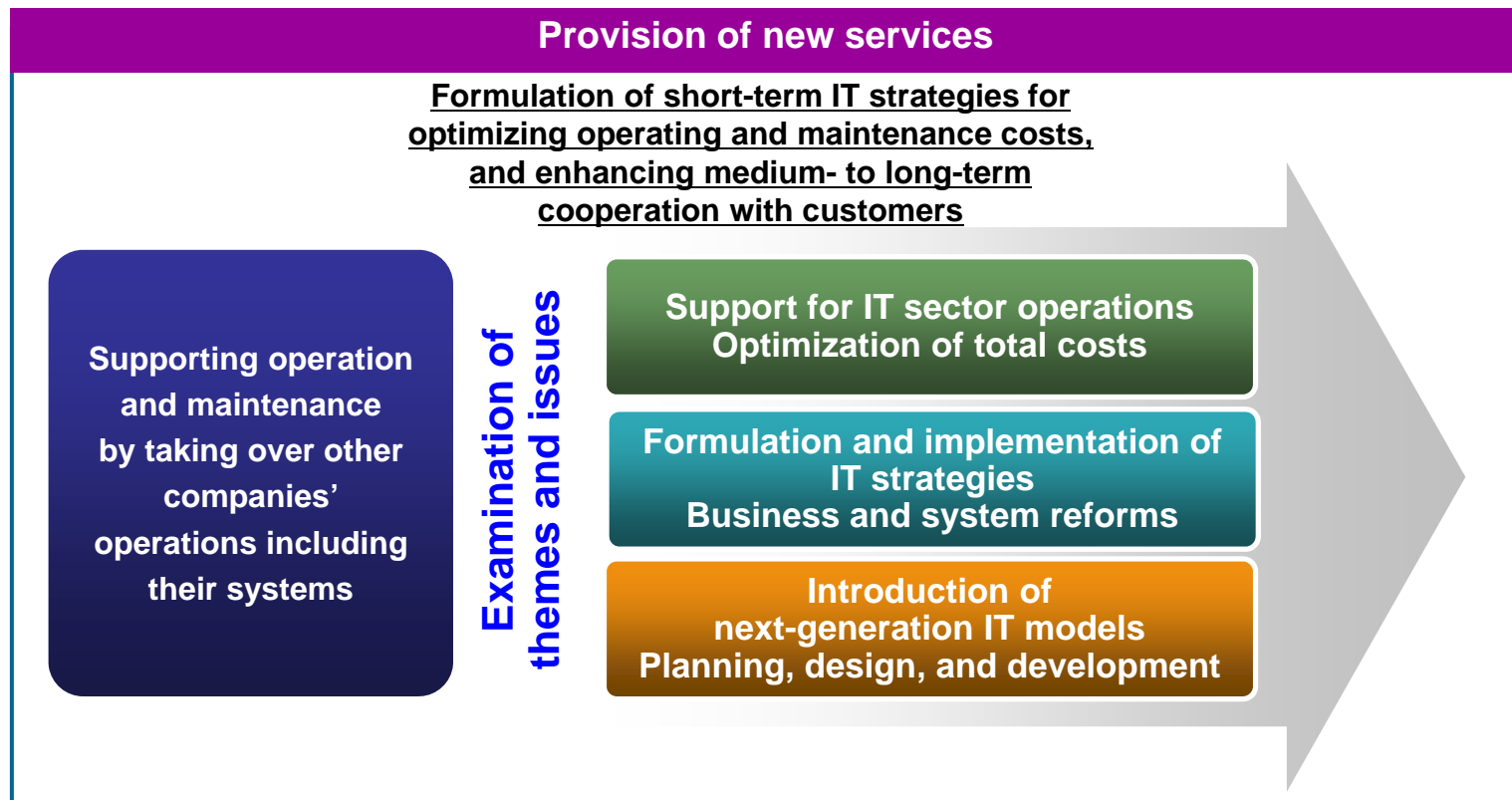
Corporate Revitalization Business

- We will begin to reestablish our own IT systems including mission-critical systems.
- We will optimize costs through efficient distribution, appropriate lineup of products, and review of advertising expenses.

Reference

Value Added Outsourcing (VAO)

- Adoption of operation and maintenance of systems built by other companies: achieved by dynamic switching service
- Optimization of customers' IT costs by supporting IT operations together with them
- Formulation and implementation of IT strategies for the next fiscal year while taking into account current issues (short-term measures)
- Proposal and introduction of next-generation IT model to further optimize costs (medium- to long-term measures)



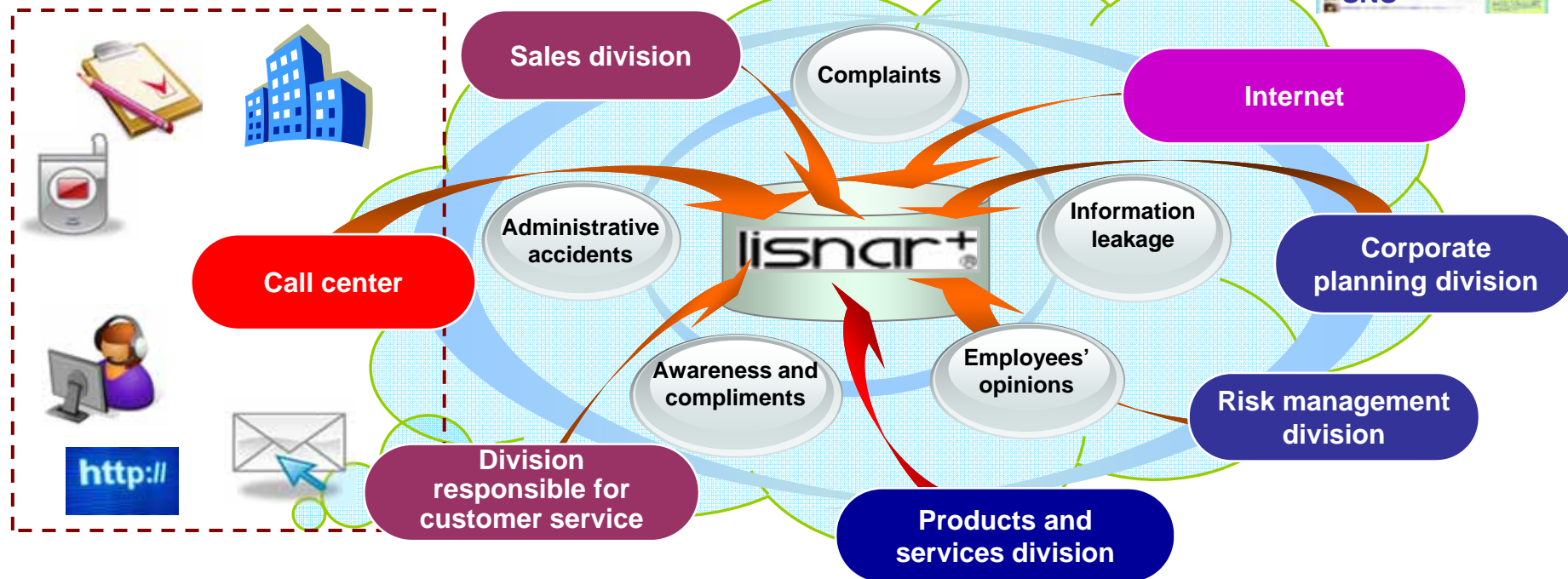
Financial cloud

- Wide-ranging cloud support for strategic (informational) solutions for banking operations
- The main menu is provided by the Company, and the option menu is provided jointly by the Company and its partners



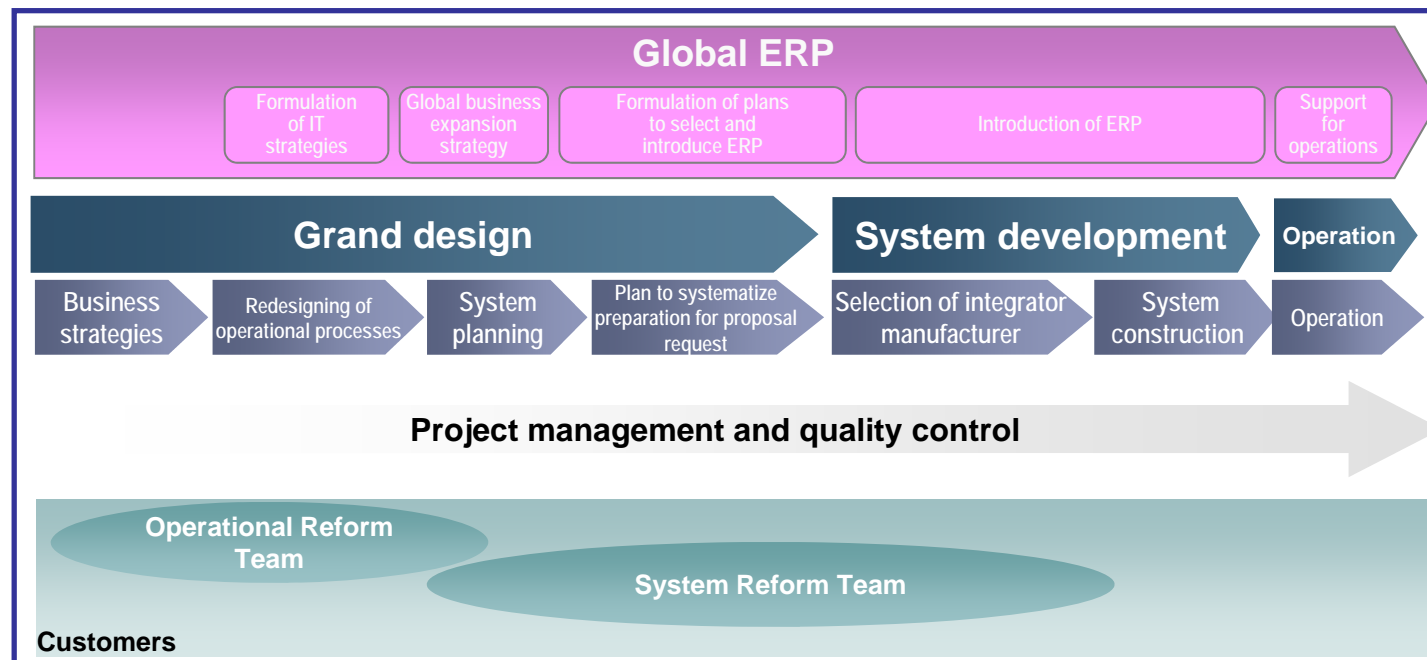
Application Cloud Iisnar+

- Iisnar+ (a system for collecting and using customers' opinions): Multifaceted collection, analysis, and reporting customers' opinions from **call center**, **sales division**, **services division**, **operation division**, and via **the Internet**
 - Adopted in many industries, including financial institutions, department stores, and Ministry of Health, Labor and Welfare.
 - Features multilingual support for overseas users (English, Korean, and Chinese).
 - Added function to automatically collect information scattered over the Internet.



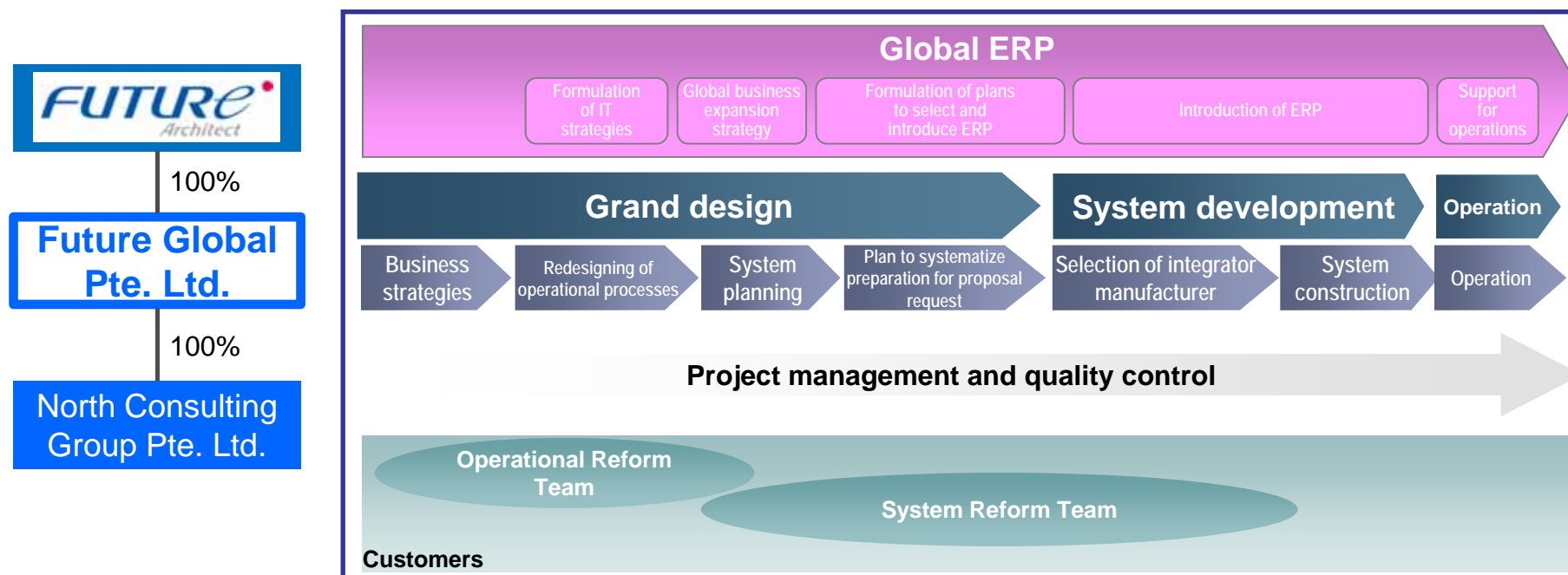
Global ERP from Japan

- Full-scale launch of ERP introduction service in addition to conventional component-type development
- Launch of teams specializing in SAP and Oracle
- Provision of planning, design, development, introduction, and operation services with overseas business expansion in mind from the start
- Achieve global rollout from Japan



Global ERP from Asia

- Establishment of North Consulting Group (NCG)
- Service: ERP introduction consulting, and application management
- Customers: Large and mid-size companies and SMEs in Southeast Asia, government-run corporations, Japanese companies expanding into the rest of Asia
- Operating in: Singapore, Malaysia, Thailand, Vietnam, and Hong Kong



(1) Future Global Pte. Ltd.

Country: Singapore

Representative: Yasufumi Kanemaru

Main business: Regional supervisory company in Southeast Asia

Shareholder: Future Architect: 100%

(2) North Consulting Group Pte. Ltd.

Country: Singapore

Representative: Francis Lee

Main business: Introduction of ERP and consulting

Shareholder: Future Global: 100%

Financial Topics (non-consolidated)

● Changes in net sales

(Million yen)	First half of 2011	First half of 2012	Y-o-Y ratio
Total net sales	7,504	6,772	-9.8%
IT Consulting	7,231	6,392	-11.6%
HW Procurement	124	380	206.3%
Package & Service	148	-	-

● Changes in cost of sales

(Million yen)	First half of 2011	First half of 2012	Y-o-Y ratio
Total cost of sales	4,308	4,044	-6.1%
IT Consulting	4,137	3,752	-9.3%
Labor expenses	2,007	1,858	-7.4%
Outsourcing expenses	1,562	1,374	-12.0%
Others	568	519	-8.7%
Cost of sales of HW Procurement	106	292	175.7%
Cost of sales of Package & Service	64	-	-

● Changes in selling, general and administrative expenses

(Million yen)	First half of 2011	First half of 2012	Y-o-Y ratio
Selling, general and administrative expenses	1,690	1,851	9.5%
Personnel expenses	868	992	14.3%
Strategic expenses	189	185	-1.9%
R&D expenditures	23	11	-53.7%
Depreciation expenses	23	24	2.6%
Employee training expenses	46	77	67.4%
Recruiting expenses	97	74	-23.5%

● Average sales and average value added (IT consulting) per consultant)

(Million yen)	First half of 2011	First half of 2012	Y-o-Y ratio
Net sales (IT Consulting)	7,231	6,392	-11.6%
Outsourcing expenses	1,562	1,374	-12.0%
Balance: value added*	5,669	5,018	-11.5%
Average number of consultants (persons)	613	610	-0.5%
Average sales per consultant	12	10	-11.2%
Average value added per consultant	9	8	-11.1%

* Value added = Net sales – Cost of sales – Subcontracting expenses



You can also check the summary report of operating results, supplementary materials, briefing materials and other various IR materials on the Company's website.

<http://www.future.co.jp/ir/>

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