

# **Information Meeting For Financial Results For the Second Quarter of FY2013**

**July 30, 2013**

**Future Architect, Inc.**

## **1. Overview of Earnings for the Second Quarter of FY2013**

## **2. Topics Related to the Second Quarter of FY2013**

## **3. Future Outlook for the Second half of FY2013**

# 1. Overview of Earnings for the Second Quarter of FY2013

# Earnings Highlights from the First Half of FY2013

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

## 1. Consolidated net sales surpassed the original target.

- Consolidated net sales amounted to ¥13,545 million (up 21.7% year-on-year), with Future Architect and all subsidiaries having posted increased sales.
- Consolidated net sales were 10.6% higher than forecasted, a favorable indicator for achieving the original target for the full year.

## 2. Improving consolidated income.

- Consolidated operating income was ¥1,570 million (up 116.7% year-on-year) and consolidated ordinary income stood at ¥1,697 million (up 111.1% year-on-year). Consolidated net income for the 2<sup>nd</sup> period of FY2013 also increased to ¥1,037 million (up 123.8% year-on-year) due to an increase in sales.
- Earnings of each subsidiary are improving, and positive operating income was posted in terms of the combined total of all subsidiaries.

## 3. Orders received remained robust.

- With consolidated orders received standing at ¥11,777 million (up 38.2% year-on-year), and the consolidated backlog amounting to ¥8,048 million (up 83.1% year-on-year), orders have been steady since last year.

# Consolidated Results for the First Half of FY2013

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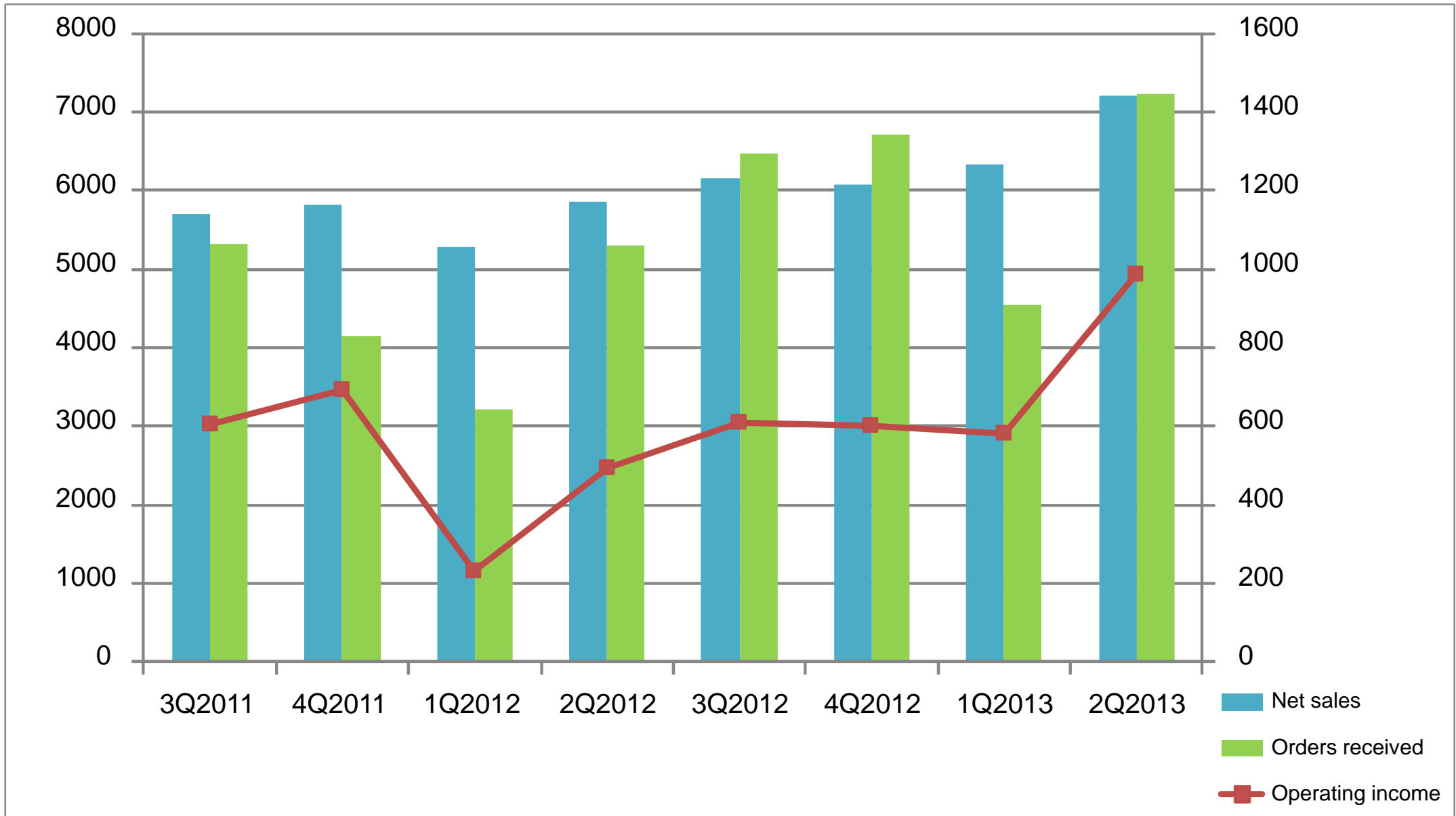
Future Architect, Inc. which designs management and IT.

(Million yen)	FY2013 Results for the first half	FY2013 Plan for the first half	Compared to plan	FY2012 Results for the first half	Year-on-year change
Net sales	13,545	12,250	+10.6%	11,126	+21.7%
Operating income Operating income margin	1,570 11.6%	1,340 10.9%	+17.2% (+0.7pts.)	724 6.5%	+116.7% (+5.1pts.)
Ordinary income Ordinary income margin	1,697 12.5%	1,365 11.1%	+24.4% (+1.4pts.)	804 7.2%	+111.1% (+5.3pts.)
Net income Net income margin	1,037 7.7%	750 6.1%	+38.4% (+1.6pts.)	463 4.2%	+123.8% (+3.5pts.)

# Trends of Quarterly Consolidated Results

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Future Architect, Inc. which designs management and IT.



# Balance Sheets

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Future Architect, Inc. which designs management and IT.

(Million yen)	End of Jun. 2013	End of Dec. 2012	Change
Current assets	10,622	9,771	+850
Noncurrent assets	5,824	5,058	+765
<b>Total assets</b>	<b>16,446</b>	<b>14,830</b>	<b>+1,616</b>
Current liabilities	3,709	2,747	+961
Non-current liabilities	369	316	+53
<b>Total liabilities</b>	<b>4,078</b>	<b>3,063</b>	<b>+1,014</b>
<b>Total net assets</b>	<b>12,368</b>	<b>11,766</b>	<b>+601</b>
Shareholders' equity ratio	74.3%	78.5%	-4.2pts

## Main changes

(Million yen)		End of Jun. 2013	End of Dec.2012	Change
Current assets:	Increase in cash and deposits	4,283	4,156	+127
	Increase in accounts receivable	3,881	3,523	+358
	Increase in merchandise	376	134	+241
Noncurrent assets:	Increase in goodwill	952	195	+757
	Current liabilities:			
	Increase in accounts payable	1,218	739	+478

# Cash Flows

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(Million yen)	FY2013 results for the first half	FY2012 results for the first half	Change
Cash flows from operating activities	1,638	-22	+1,661
Cash flows from investing activities	-1,072	-256	-815
Cash flows from financing activities	-488	-584	+95
Effect of exchange rate changes on cash and cash equivalents	27	0	+27
Increase (decrease) in cash and cash equivalents	105	-862	
Cash and cash equivalents at beginning of the period	4,184	5,526	
Cash and cash equivalents at end of the quarterly period	4,290	4,663	

## Main changes

(Million yen)

	First half of FY2013	First half of FY2012	Change
Operating CF: Net income before taxes	1,647	832	+814
Increase (decrease) in notes and accounts payable-trade	277	85	+192
Investing CF: Purchase of property, plant and equipment	-192	-39	-152
Purchase of intangible assets	-121	-321	+199
Purchase of investments in subsidiaries	-999	-64	-934



# Results by Segment

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Future Architect, Inc. which designs management and IT.

(Million yen)	FY2013 results for the first half	FY2012 results for the first half	Year-on-year change
<b>Net Sales</b>	<b>13,545</b>	<b>11,126</b>	<b>+21.7%</b>
IT Consulting	9,321	7,068	+31.9%
Package & Service	2,148	1,992	+7.8%
Corporate Revitalization	2,257	2,249	+0.3%
Other	182	100	+81.6%
Adjustments	-365	-285	—
<b>Operating Income</b>	<b>1,570</b>	<b>724</b>	<b>+116.6%</b>
IT Consulting	1,388	754	+84.1%
Package & Service	127	10	—
Corporate Revitalization	46	32	+42.5%
Other	-6	-89	—
Adjustments	14	16	—

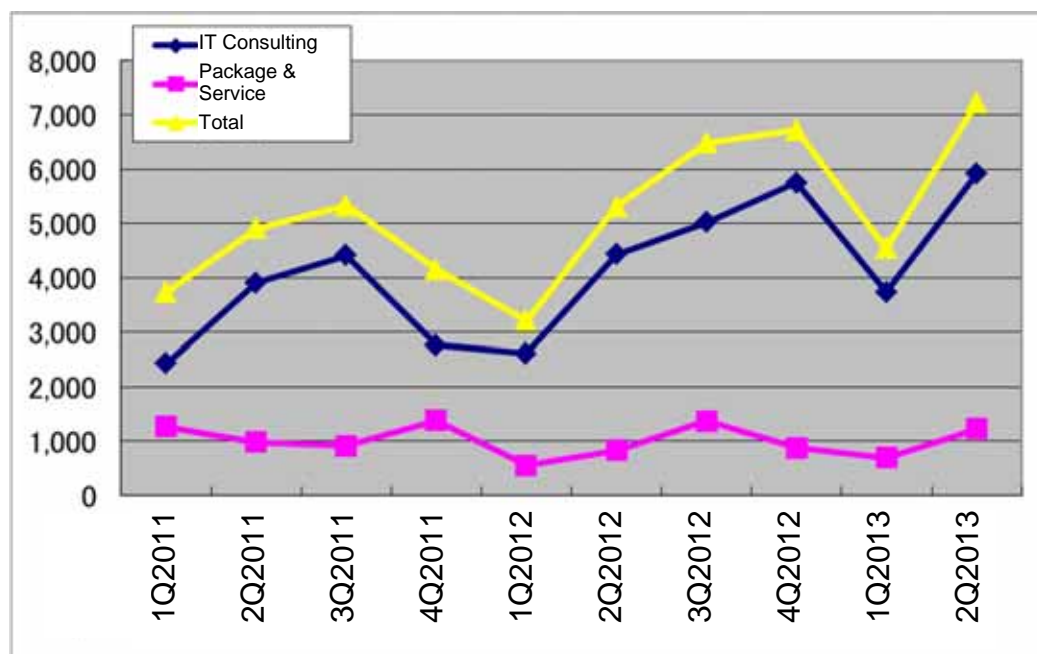
# Orders Received and Backlog by Segment

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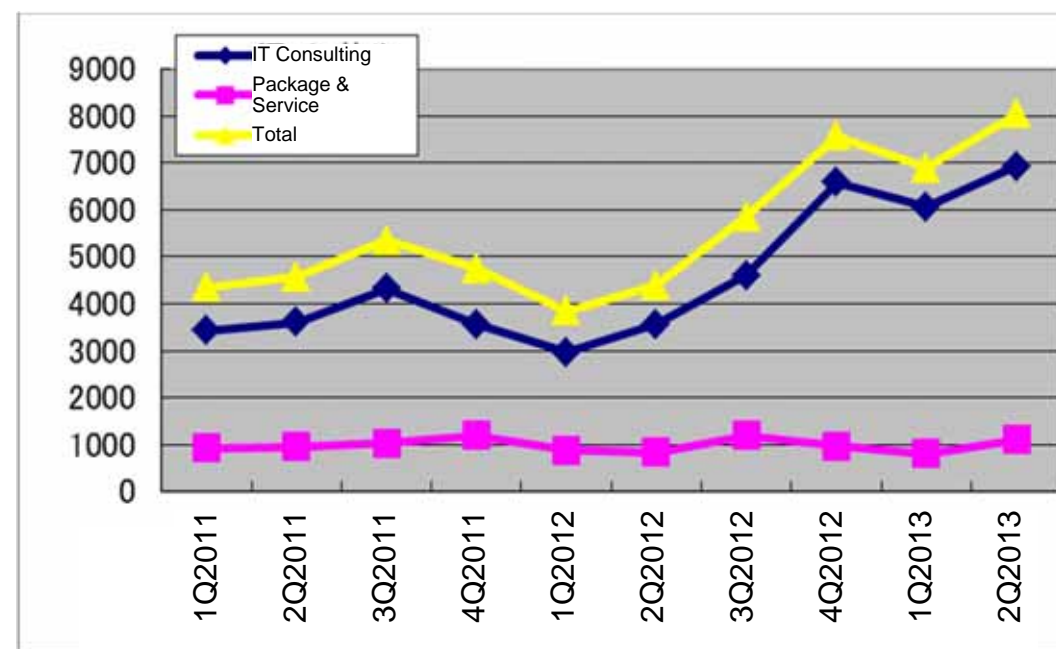
Future Architect, Inc. which designs management and IT.

(Million yen)	Orders received			Backlog		
	First half of FY2013	First half of FY2012	Year-on-year change	First half of FY2013	First half of FY2012	Year-on-year change
IT Consulting Business	9,652	7,035	+37.2%	6,929	3,552	+95.1%
Package & Service Business	1,932	1,380	+40.0%	1,096	831	+31.8%
Other	192	107	+78.7%	22	11	+104.3%
<b>Total</b>	<b>11,777</b>	<b>8,523</b>	<b>+38.2%</b>	<b>8,048</b>	<b>4,395</b>	<b>+83.1%</b>

Trends of orders received (excluding those in Other)



Trends of backlog (excluding that in Other)



## Increase in sales

- ✓ Business reform projects commenced for several new customers.
- ✓ IT support services premised on medium- to-long-term partnerships continued/expanded with existing clients.
- ✓ New service models, including SKYBANK (financial cloud), medical cloud, and the global ERP service also advanced.

## Increase in profits

- ✓ With the expansion in orders received since the previous year, the consultant utilization rate rose.
- ✓ With sales increasing, the selling, general and administrative expense ratio declined.
- ✓ Periodic inspection of projects for which there was concern over quality was conducted to reliably manage progress and implement necessary measures.

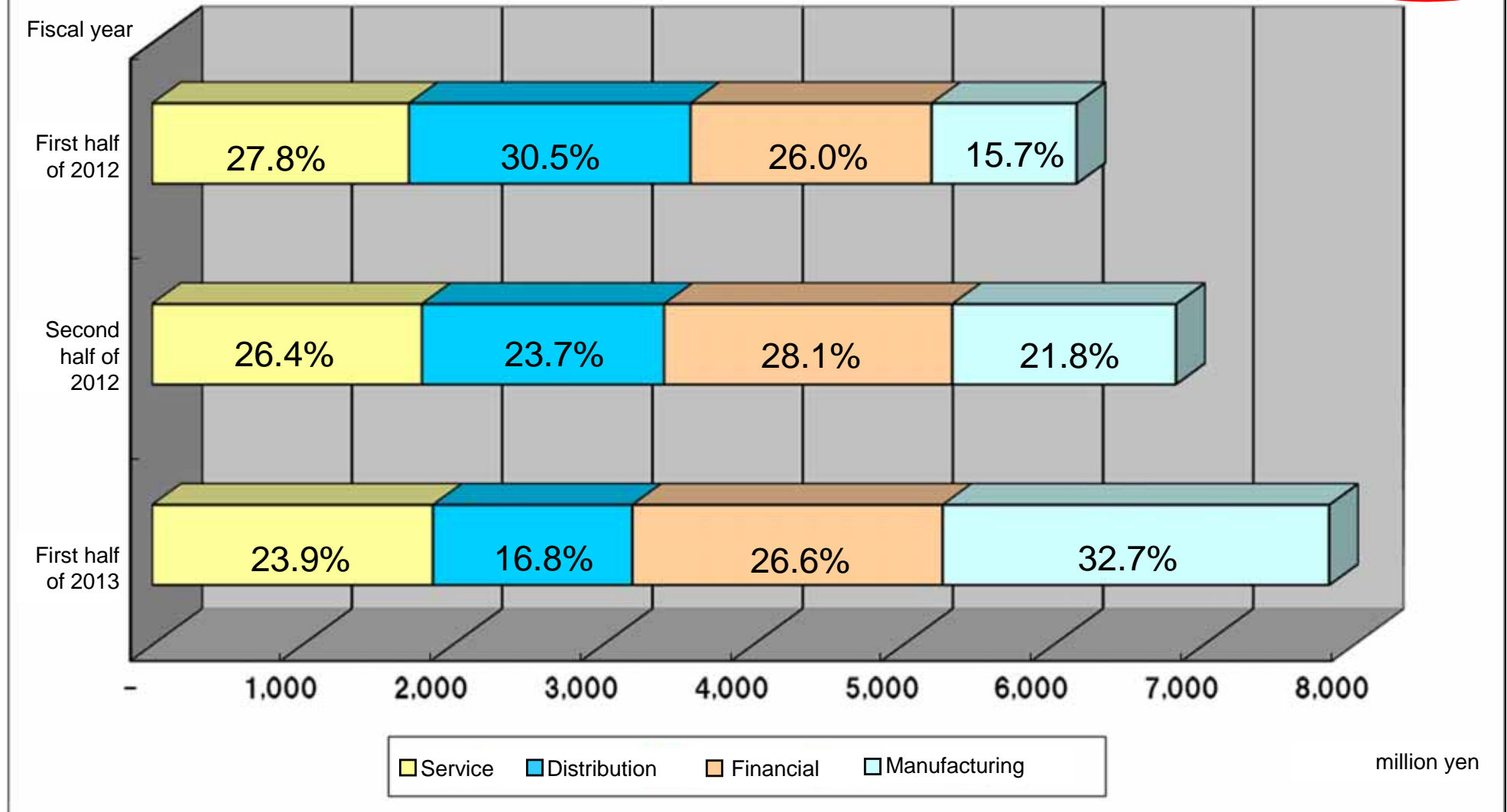
# Sales Analysis of IT Consulting Business: non-consolidated (1/2)

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## Trends of sales by industry

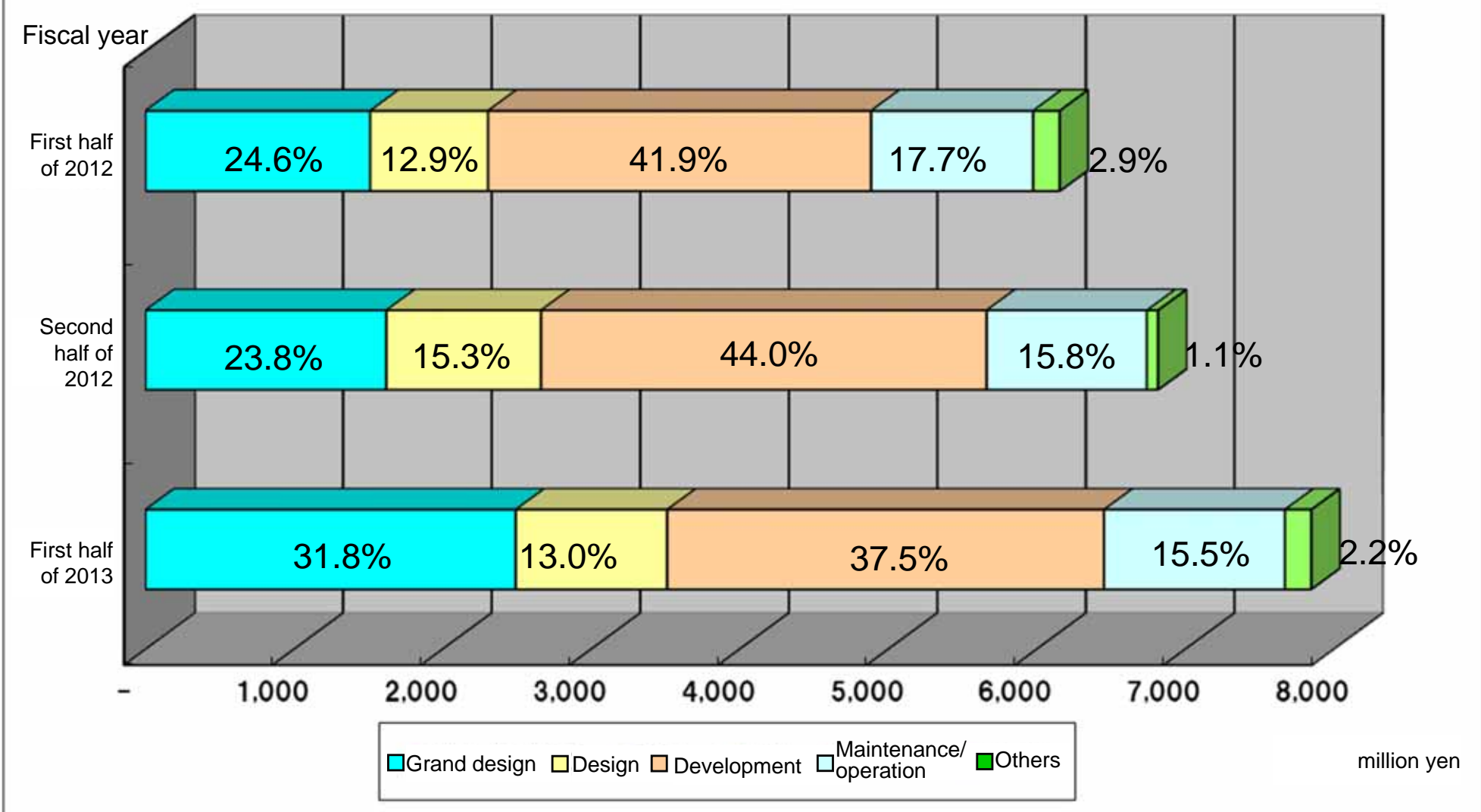
Non-consolidated



# Sales Analysis of IT Consulting Business : non-consolidated (2/2)

## Trends of sales by phase

Non-consolidated



Note: Since phase classification was reviewed and the maintenance/operation and others phase was divided into two separate phases, data for 2012 are different from figures of past materials.

# Results by Segment (Package & Service Business)

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

- ✓ Sales of sales management licenses and cloud accounting licenses increased.
- ✓ Profit margins for projects improved due to the enhancement of progress management and the quality management of mid-size projects.
- ✓ Sales of the software maintenance service increased, leading to an improved income margin.

## Outsourced development and regional business (Ascendia)

- ✓ Operation and maintenance services for new clients were expanded in cooperation with Future Architect.
- ✓ System development services for the group of existing clients also increased.
- ✓ Income margin declined due to increases in recruitment and training expenses and outsourcing costs for some projects.

# Result by Segment

(Corporate Revitalization Business-Uoei Shoten Corporation) **Challenge Together** Future Architect, Inc. which designs management and IT.

## Operating income sustained

- ✓ Positive operating income was posted at all stores in the first half under review.
- ✓ New services, including in-store sushi kitchen, and the direct purchase of materials from fishing ports were developed.
- ✓ Selling, general and administrative expenses were reduced mainly due to rationalization of advertising and utility expenses and a reduction of logistics cost.

## **2. Topics Related to the Second Quarter of FY2013**

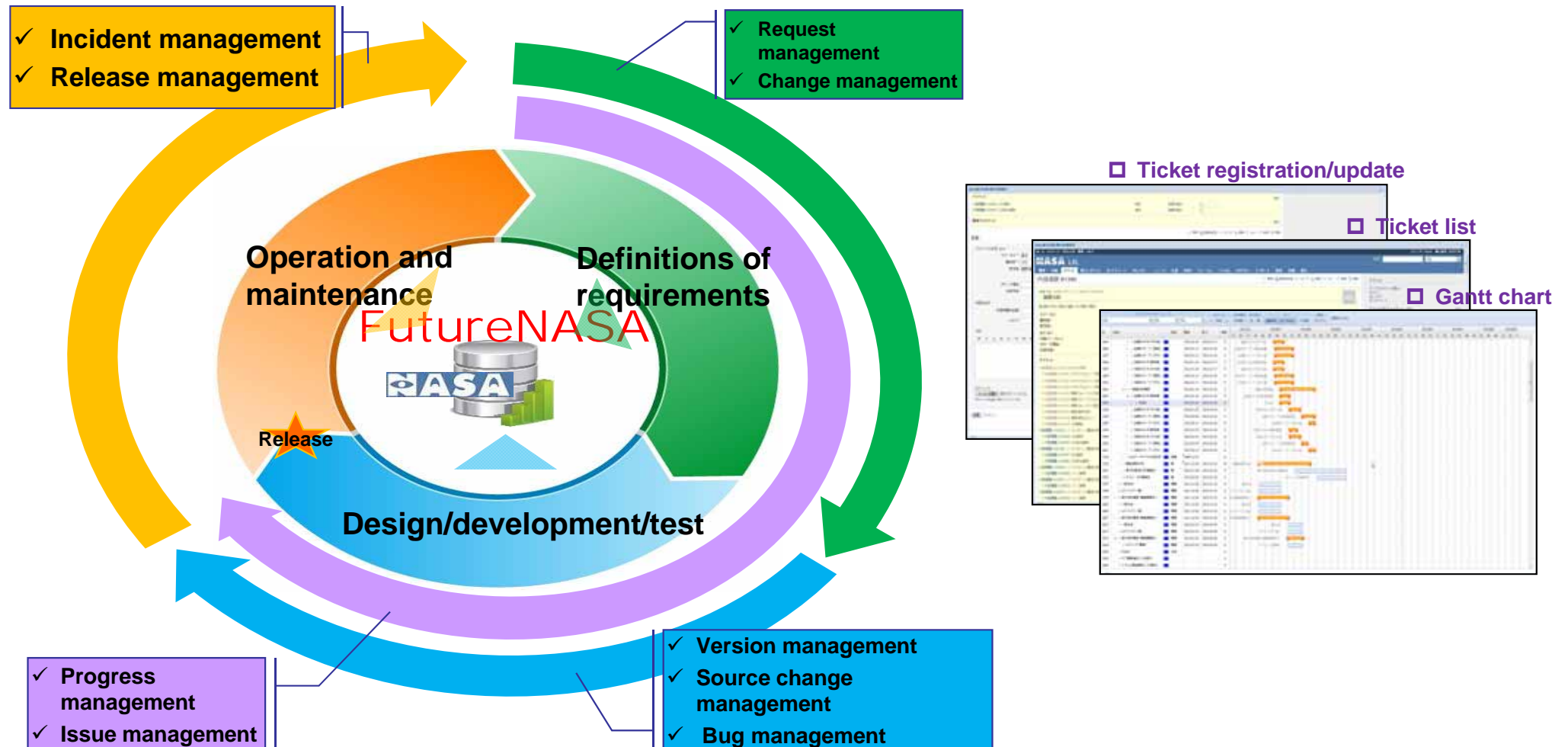


# Measures for 2013

1. Project quality enhancement
2. Improvement of subsidiaries earnings
3. Acceleration of new services expansion

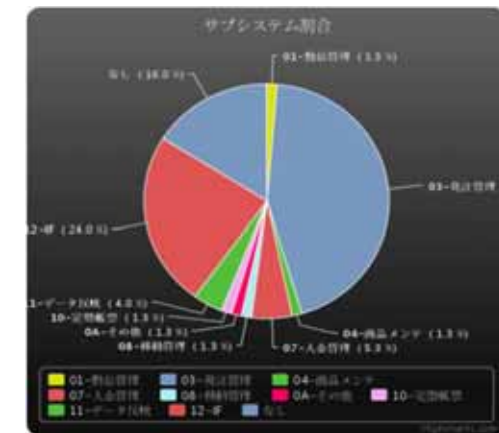
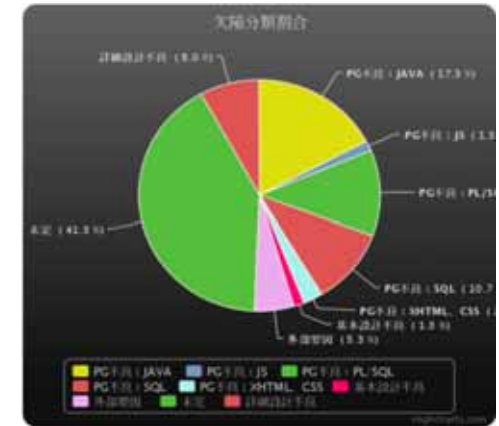
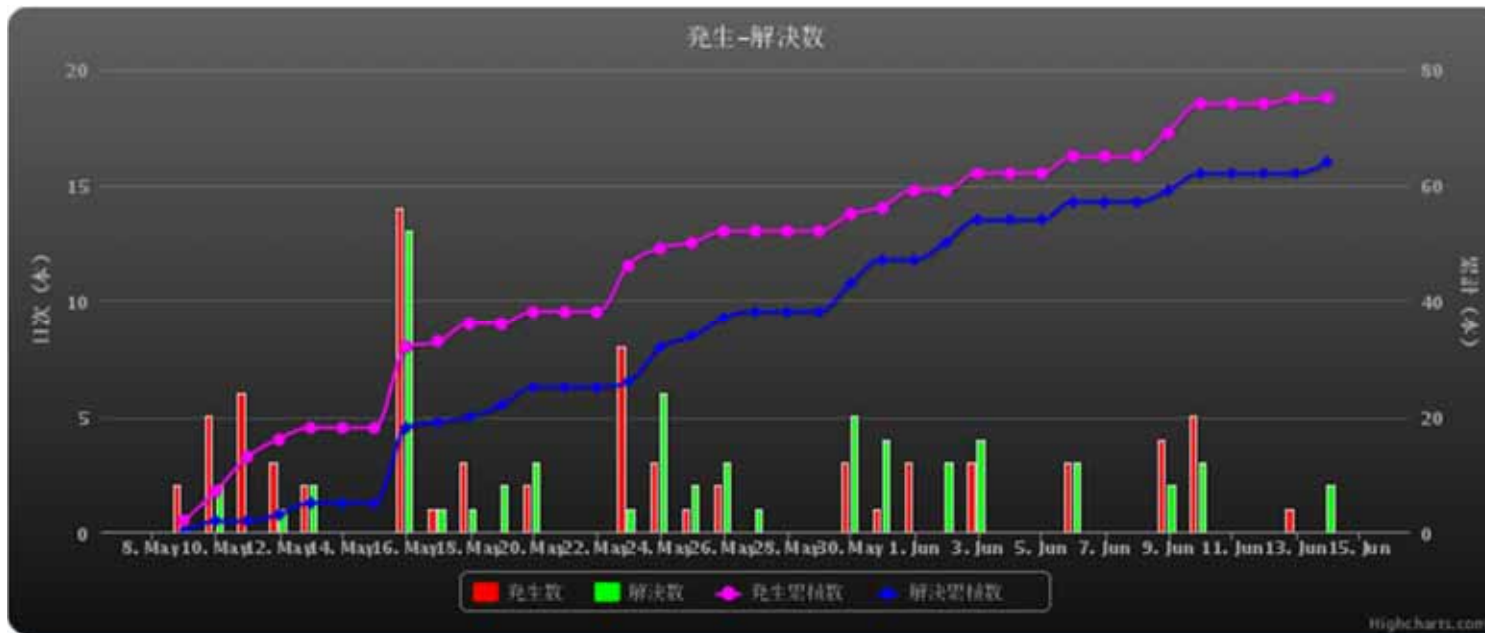
# 1. Project Quality Enhancement

- Integrated management of administrative work at all project phases



# 1. Project Quality Enhancement

- Visualization of the number of failures, as well as an analysis of bug causes occurred.
- Scientific analysis and quality control of all projects through integrated management based on unified indicators



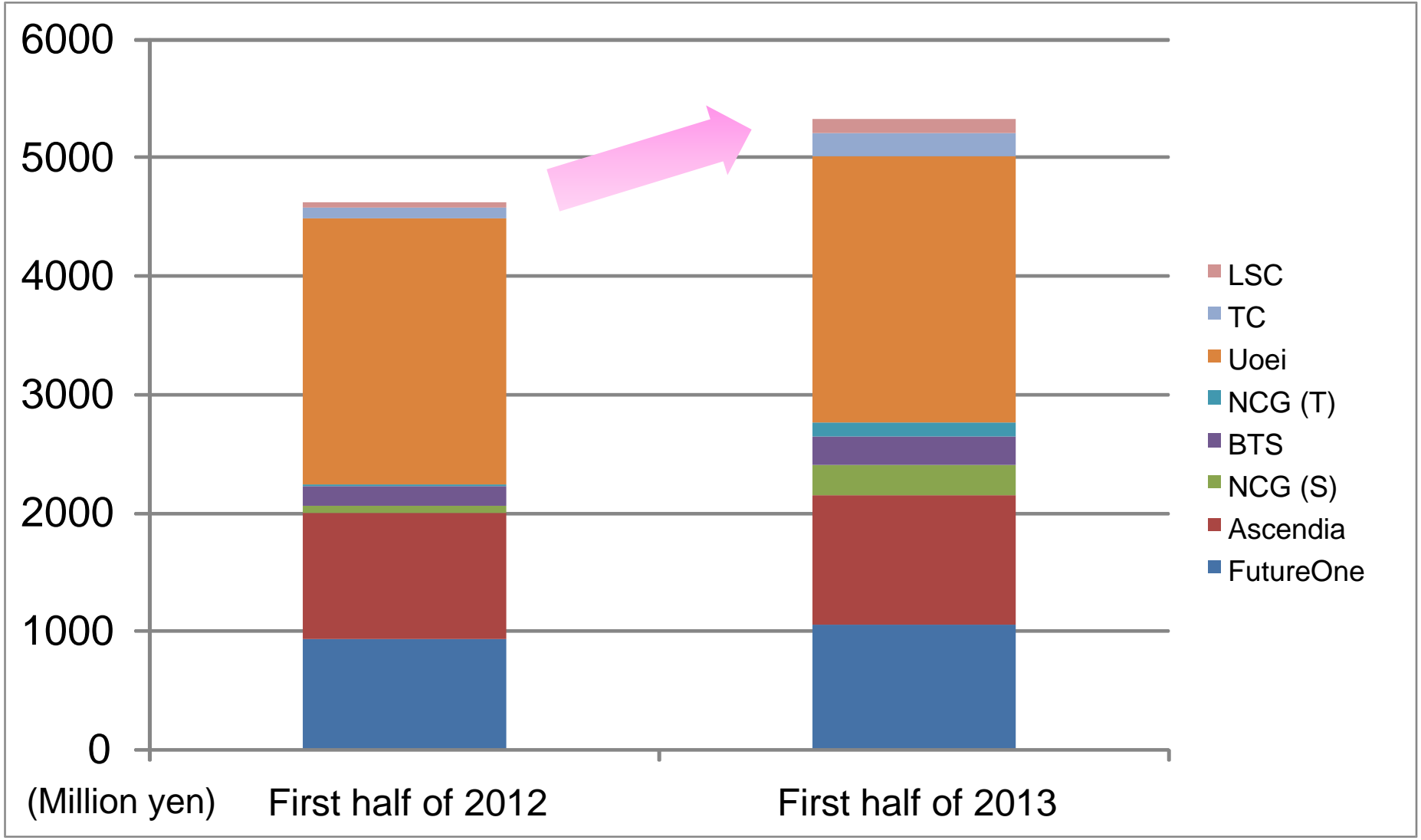
# 1. Project Quality Enhancement ~ Actual Operations in the First Half ~

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- January Course in mobile university entrance examinations for the educational service industry
- January EC mail order websites and logistics centers for convenience store operators
- March SKYBANK: Business support cloud service for regional banks
- March Business plan systems for the logistic services industry
- March Route management systems for the logistic services industry
- April Integrated master (product) system for the food manufacturing industry
- May Financing support system for regional banks
- June General collective approval system for the food manufacturing industry
- June Performance infrastructure system for the educational service industry

# 2. Improvement of Subsidiaries' earnings

## ■ Net sales of subsidiaries for the first half under review

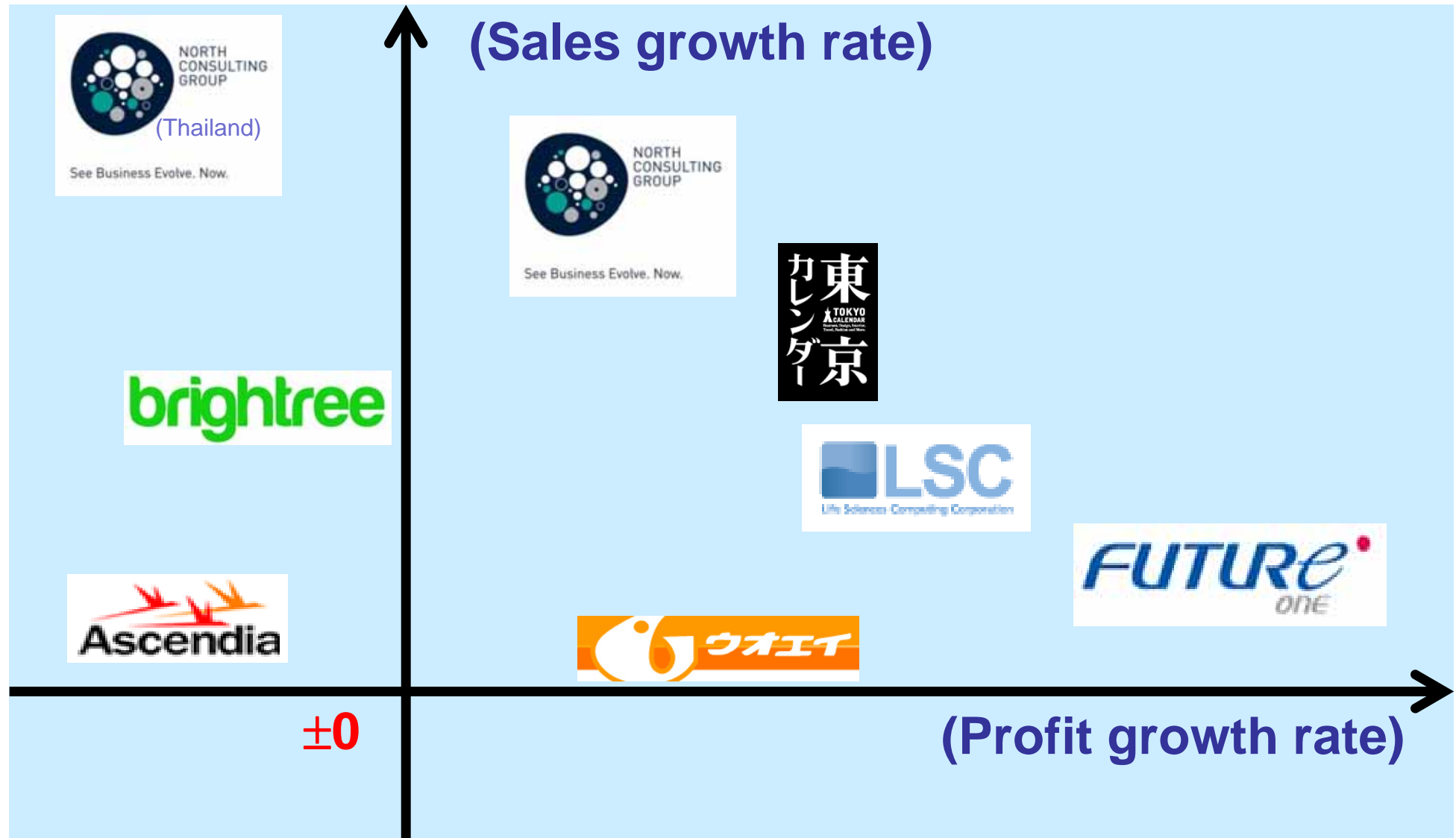


## 2. Improvement of Subsidiaries' earnings

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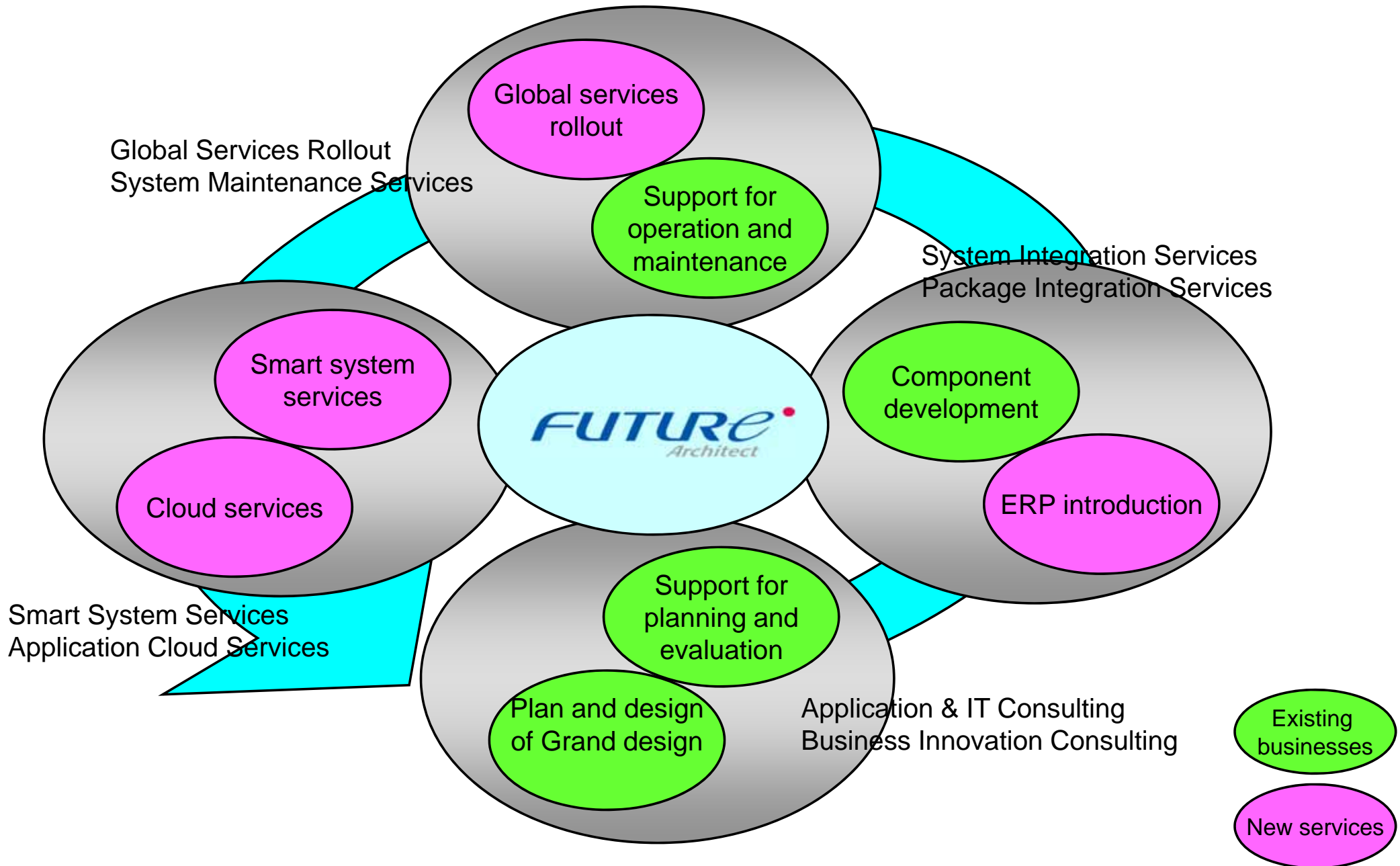
- Results of subsidiaries for the first half under review (year-on-year change)



# 3. Acceleration of New Services Expansion

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**Tomato Bank Ltd.**

## NEWS RELEASE

Tuesday, March 19, 2013

### Concerning operation of the new sales and financing support system “SKYBANK”

- We will start operation of “SKYBANK,” the new sales/financing support system from Friday, March 22, 2013.
- We will reinforce our sales capability by making sales and financing operations more efficient and sophisticate through the use of the new system.

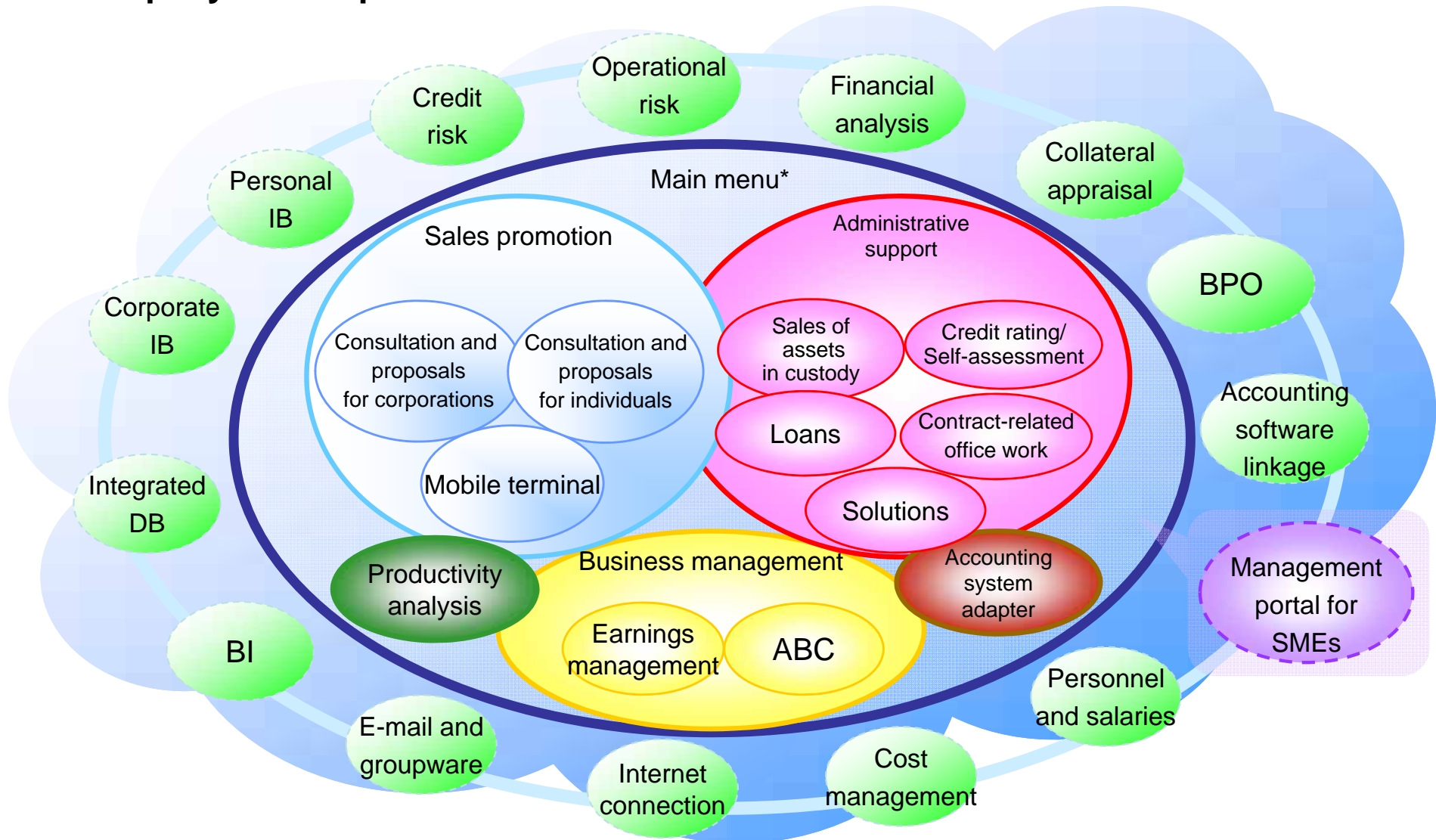
Tomato Bank is the first financial institution to introduce “SKYBANK” in Japan.



**We love humans. – Tomato Bank**



- 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



## **3. Outlook for the second half of FY2013**

# Full-year Forecasts for FY2013

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(Million yen)	Full-year forecast for FY2013	FY2013 Results for the first half	Achievement rate	Full-year results for FY2012	Year-on-year change (Full-year forecast)
Net sales	25,700	13,545	52.7%	23,353	+10.0%
Operating income Operating income margin	3,200 12.5%	1,570 11.6%	49.1%	1,935 8.3%	+65.4%
Ordinary income Ordinary income margin	3,250 12.6%	1,697 12.5%	52.2%	2,057 8.8%	+57.9%
Net income Net income margin	1,800 7.0%	1,037 7.7%	57.7%	1,167 5.0%	+54.1%

## Steady approaches to achieve original targets for the full fiscal year

- **Execution of three measures**
  - Project quality enhancement
  - Improvement of subsidiaries earnings
  - Acceleration of the expansion of new services
- **M&As**
  - Taking in M&A deals, following the eSPORTS deal
- **Expansion in Asia**
  - Expansion into Southeast Asia and China following NCG

# Reference

- ✓ We won “Sports and Outdoor Category Grand Prize” of Rakuten Ichiba for the second straight year.

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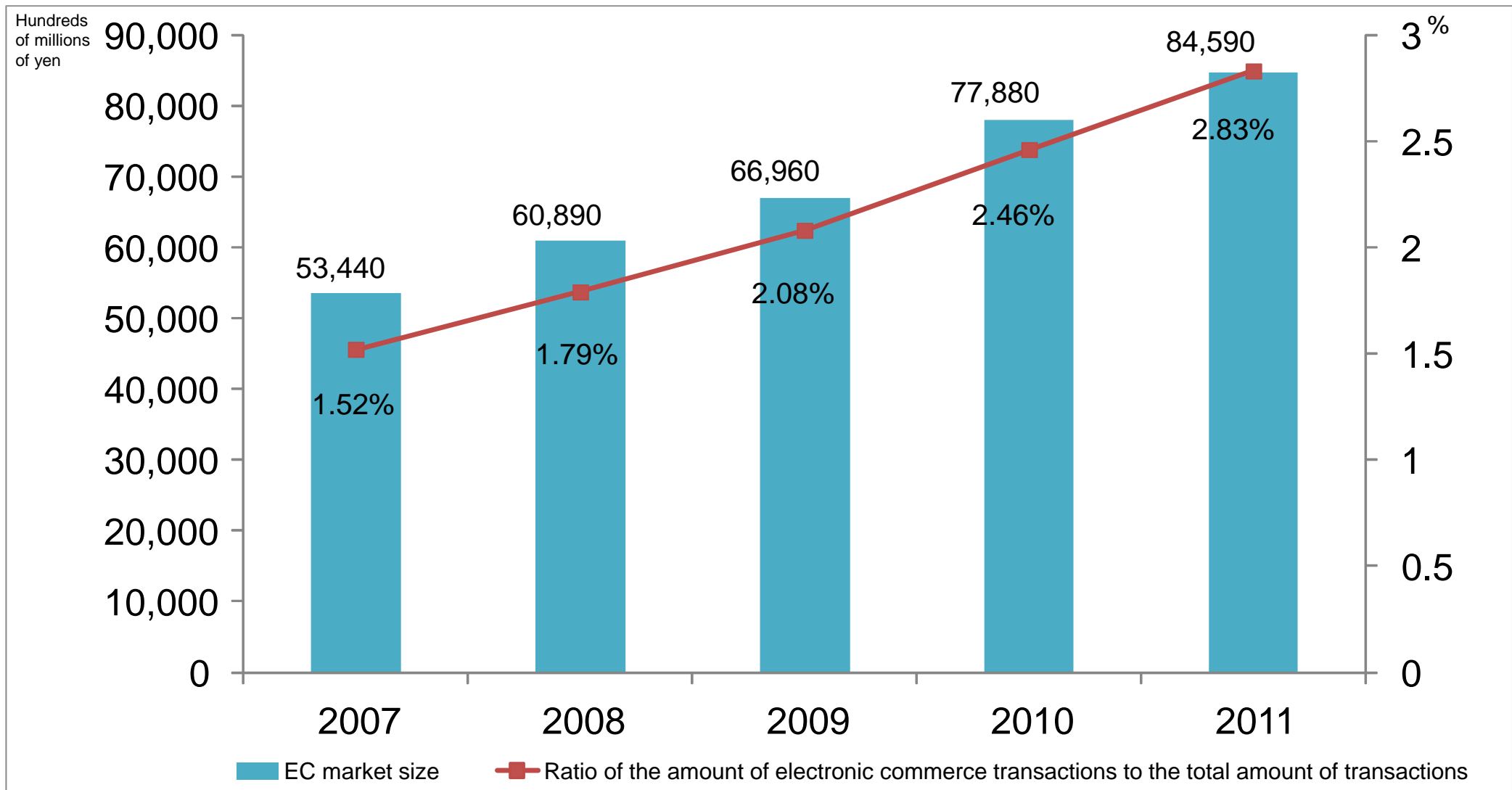
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# Trends of B to C-EC Market Size



Source: the Ministry of Economy, Trade and Industry, "FY 2011 Research on Infrastructure Development in Japan's Information-based Economy Society (E-Commerce Market Survey)"



**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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In this materials, the figures in the summary report of operating results, etc., described in units of thousand yen, are stated in units of million yen. Hence, disparity may be found in some of totals and differences. For detailed figures, please refer to the summary report of operating results.