

Consolidated Summary Report of Operating Results for the Second Quarter of Fiscal 2014 (Year ending December 2014) [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 date for distribution of dividend payments: September 19, 2014

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 2014 (January 1, 2014 to June 30, 2014)

(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 2014	16,372	20.9	1,875	19.5	1,882	10.9	1,031	(0.6)
2Q, Fiscal 2013	13,545	21.7	1,570	116.7	1,697	111.1	1,037	123.8

(Note) Comprehensive income 2Q, Fiscal 2014: 1,013 million yen (-6.8%)

2Q Fiscal 2013: 1,087 million yen (126.9%)

	Quarterly net income per share	Quarterly net income per share (fully diluted)
	Yen	Yen
2Q, Fiscal 2014	23.11	—
2Q, Fiscal 2013	23.20	—

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net income per share was calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q, Fiscal 2014	19,501	13,703	69.4	303.50
Fiscal 2013	19,225	13,047	67.1	288.99

(Reference) Shareholders' equity 2Q, Fiscal 2014: 13,543 million yen Fiscal 2013: 12,895 million yen

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. Net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

[Translation]

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 2013	–	750.00	–	8.00	–
Fiscal 2014	–	8.00			
Fiscal 2014 (Forecast)			–	9.00	17.00

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

(Notes) 1. Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common share. Dividend for the second quarter of fiscal 2013 is the amount before the said share split.

2. The year-end dividend of ¥9.00 for Fiscal 2014 (forecast) comprises an ordinary dividend of ¥8.00 and a 25th anniversary commemorative dividend of ¥1.00.

3. Projected Consolidated Results for Fiscal 2014 (January 1, 2014 to December 31, 2014)

(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	33,400	11.1	4,000	19.3	4,040	17.0	2,280	12.4	51.09

(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 income before income taxes of the consolidated fiscal year including the consolidated second quarter under review and multiplying such estimated legal effective tax rate to the income before income 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 shares)	2Q, Fiscal 2014:	47,664,000 shares	Fiscal 2013:	47,664,000 shares
2) Total treasury shares as of the end of the period	2Q, Fiscal 2014:	3,040,800 shares	Fiscal 2013:	3,040,800 shares
3) Average number of outstanding stocks during the quarter under review (accumulated period for quarter)	2Q, Fiscal 2014:	44,623,200 shares	2Q, Fiscal 2013:	44,727,079 shares

(Note) Effective July 1, 2013, the Company conducted a 1:100 split of each share of its common stock. The above numbers relating to shares were calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

* 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

The earnings forecast and statements concerning the future contained in these materials are based on information currently obtained by the Company and on certain premises the Company judges to be rational. The Company does not intend to guarantee their realization. Actual results may differ from forecasts due to various uncertain factors.

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

(1) Explanation on operating results

The Group posted net sales of ¥ 16,372 million for the first six months of the consolidated fiscal year under review, up 20.9 % from the previous year, operating income of ¥ 1,875 million, up 19.5 %, and ordinary income of ¥ 1,882 million, up 10.9 %. Net income was ¥ 1,031 million, down 0.6 %.

For the first six months of the fiscal year under review, consolidated net sales, operating income and ordinary income increased from the corresponding period of the previous fiscal year mainly due to the favorable performance of the IT Consulting Business and the Package & Service Business and contributions of consolidation of eSPORTS Co., Ltd. (“eSPORTS”). Consolidated operating income and ordinary income respectively posted all-time highs in the first six months of the fiscal year. (Income before income taxes and minority interests also increased 14.4% from the corresponding period of the previous fiscal year. However, net income, which takes taxes into consideration, decreased from a year earlier. This is because the tax burden was small in the first six months of the previous fiscal year as loss carried over as a result of a merger with a subsidiary was taken over.)

Earnings results of each business segment are as follows. The earnings results by business segment represent values before adjusting for internal sales or transfers among segments.

(i) IT Consulting Business

Projects on the reform and integration of IT systems accompanying operational reforms continued to progress steadily at the Company, while the enhancement of the relationship of mutual trust with clients on medium- and long-term perspectives resulted in orders received. Consequently, sales steadily increased from the corresponding period of the previous fiscal year. Operating income also grew year on year mainly thanks to the improvement of the capacity utilization rate and a decline in selling, general and administrative expenses, excluding personnel expenses.

With regard to business in Southeast Asia, the number of clients increased in each country and IT service revenues other than license sales grew. Particularly due to increases in earnings at subsidiaries in Malaysia and Thailand, total operating income in the region increased from a year earlier.

Consequently, net sales of this segment were ¥9,959 million for the first six months, up 6.8% from a year earlier and operating income surged 19.8% year-on-year to ¥1,664 million.

(ii) Package & Service Business

Future One saw an increase in both sales and profits mainly thanks to the start of operations of multiple principal projects and an increase in the number of projects primarily due to upgrading due to the revision of the consumption tax rate. Both sales and profits increased year on year at Ascendia Inc. (“Ascendia”) as well, since projects were obtained and progressed smoothly.

Consequently, net sales of this segment were ¥2,515 million for the first six months, up 17.1% from a year earlier, and operating income was ¥211 million, up 66.1%.

(iii) New Media & Web Service Business

eSPORTS saw both sales and profits remain strong due to the success of purchase and sale of a fitness product (“WONDER Core”) before it becomes a trend in addition to robust online sales of sports and outdoor gear. Meanwhile, Tokyo Calendar Inc. (“Tokyo Calendar”) saw its deficit increase temporarily from the corresponding period of the previous fiscal year because of prior investment in new online services/renewal of magazines, which will be released in the second half of the year.

As a result, net sales of this segment were ¥1,967 million, up 975.3% from a year ago, and operating loss after reflecting the amortization of goodwill of eSPORT was ¥20 million, against the loss of ¥8 million a year earlier.

Following the conversion of eSPORTS into a consolidated subsidiary, the Company added the “New Media & Web Service Business” as a new segment from the third quarter of the previous consolidated fiscal year. Figures for Tokyo Calendar were stated in “Others” for the first six months of the previous consolidated fiscal year, and those for eSPORTS were stated under the new segment. Year-on-year comparison was made by including the figures (those of only Tokyo Calendar) of the two companies for the previous second quarter of the previous consolidated fiscal year in the new segment.

(iv) Corporate Revitalization Business

Uoei Corporation (“Uoei”), which operates a grocery supermarket, saw its operating income decline due to an increase in selling, general and administrative expenses, reflecting a rise in personnel expenses and a hike in power rates, etc., though its sales remained almost unchanged from the previous year thanks mainly to effective use of store space.

Consequently, net sales of this segment were ¥2,249 million for the first six months, down 0.4% from a year earlier and operating income decreased 92.8% year-on-year to ¥3 million.

(2) Explanation on financial condition

(Assets, liabilities and net assets)

Total assets at the end of the second quarter under review increased by ¥276 million from the end of the previous consolidated fiscal year to ¥19,501 million. The main underlying factor was an increase in cash and deposits (an increase of ¥614 million from the end of the previous consolidated fiscal year) despite a decrease in notes and accounts receivable - trade (a decrease of ¥421 million).

Liabilities decreased by ¥379 million from the end of the previous consolidated fiscal year to ¥5,797 million. The main factors included a decrease in accounts payable - trade (a decrease of ¥290 million from the end of the previous consolidated fiscal year) and income taxes payable (a decrease of ¥209 million).

Net assets increased by ¥656 million from the end of the previous consolidated fiscal year to ¥13,703 million. The main factors included an increase in retained earnings (an increase of ¥674 million from the end of the previous consolidated fiscal year).

(Analysis of cash flows)

Net cash provided by (used in) operating activities accounted for an inflow of ¥1,184 million for the first six months under review (compared to an outflow of ¥1,638 million a year ago), mainly due to the posting of income before taxes and minority interests of ¥1,884 million, and an decrease in notes and accounts receivable-trade of ¥393 million, despite of income taxes paid of ¥1,078 million.

Net cash provided by (used in) investing activities consisted of an outflow of ¥196 million (compared to an outflow of ¥1,072 million a year ago), chiefly due to the purchase of property, plant and equipment of ¥90 million and payments for lease and guarantee deposits of ¥104 million.

Net cash provided by (used in) financing activities accounted for an outflow of ¥362 million (compared to an outflow of ¥488 million a year ago), mainly due to dividends paid of ¥357 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 ¥7,555 million, up ¥662 million from the end of the previous consolidated fiscal year.

(3) Explanation on qualitative information about consolidated earnings forecast

We have not changed our previous earnings forecast for the full term of the fiscal year ending December 2014, which was announced on April 25, 2014.

2. Matters related to summary information (notes)

(1) Changes in significant subsidiaries in the consolidated first half 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 income before income taxes of the consolidated fiscal year including the consolidated second quarter under review and multiplying such estimated legal effective tax rate to the income before income 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, 2013)	Consolidated second quarter under review (June 30, 2014)
Assets		
Current assets		
Cash and deposits	6,892,910	7,507,571
Notes and accounts receivable - trade	4,330,728	3,909,044
Securities	1,865	49,822
Merchandise and finished goods	462,055	532,916
Work in process	107,765	176,213
Accounts receivable - other	1,541,943	1,344,814
Deferred tax assets	217,576	226,973
Other	434,919	672,557
Allowance for doubtful accounts	(11,388)	(11,242)
Total current assets	13,978,375	14,408,671
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,228,480	3,309,650
Accumulated depreciation	(2,782,062)	(2,820,978)
Buildings and structures, net	446,418	488,671
Land	109,474	109,474
Other	1,956,834	2,018,110
Accumulated depreciation	(1,555,282)	(1,623,848)
Other, net	401,551	394,262
Total property, plant and equipment	957,444	992,407
Intangible assets		
Goodwill	823,705	692,408
Software	703,544	633,998
Other	21,480	20,492
Total intangible assets	1,548,729	1,346,899
Investments and other assets		
Investment securities	1,757,591	1,672,003
Lease and guarantee deposits	951,363	995,164
Deferred tax assets	25,518	66,684
Other	55,626	66,803
Allowance for doubtful accounts	(49,582)	(47,218)
Total investments and other assets	2,740,517	2,753,438
Total non-current assets	5,246,691	5,092,745
Total assets	19,225,067	19,501,417

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2013)	Consolidated second quarter under review (June 30, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	1,660,351	1,369,784
Short-term loans payable	35,000	30,000
Accounts payable - other	774,748	658,189
Income taxes payable	1,024,280	814,454
Provision for bonuses	167,483	144,620
Provision for quality assurance	12,109	36,240
Provision for loss on projects	173,600	155,194
Provision for point card certificates	2,439	2,615
Other	959,622	1,181,251
Total current liabilities	4,809,634	4,392,350
Non-current liabilities		
Long-term loans payable	1,000,000	1,000,000
Asset retirement obligations	357,691	395,391
Other	10,239	10,043
Total non-current liabilities	1,367,931	1,405,435
Total liabilities	6,177,566	5,797,786
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,495,772	2,495,772
Retained earnings	10,506,520	11,180,974
Treasury shares	(1,540,983)	(1,540,983)
Total shareholders' equity	12,883,124	13,557,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87,158	47,997
Foreign currency translation adjustment	(74,683)	(62,481)
Total accumulated other comprehensive income	12,475	(14,484)
Minority interests	151,900	160,536
Total net assets	13,047,500	13,703,631
Total liabilities and net assets	19,225,067	19,501,417

(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, 2013 to June 30, 2013)	First half of the consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)
Net sales	13,545,437	16,372,849
Cost of sales	8,660,952	10,744,423
Gross profit	4,884,484	5,628,425
Selling, general and administrative expenses		
Directors' compensations	150,264	159,744
Salaries and bonuses	1,507,845	1,576,499
Training expenses	88,071	86,526
Research and development expenses	32,950	57,648
Depreciation	51,306	51,092
Recruiting expenses	134,406	152,608
Other	1,349,466	1,668,586
Total selling, general and administrative expenses	3,314,311	3,752,705
Operating income	1,570,173	1,875,719
Non-operating income		
Interest income	984	1,034
Dividend income	24,290	25,516
Share of profit of entities accounted for using equity method	24,216	404
Foreign exchange gains	70,414	-
Other	9,037	12,531
Total non-operating income	128,943	39,487
Non-operating expenses		
Interest expenses	248	4,840
Foreign exchange losses	-	26,345
Commission for purchase of treasury shares	1,005	-
Other	411	1,247
Total non-operating expenses	1,665	32,434
Ordinary income	1,697,451	1,882,773

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2013 to June 30, 2013)	First half of the consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)
Extraordinary income		
Gain on sales of investment securities	66,418	-
Gain on sales of shares of subsidiaries and associates	-	2,138
Gain on change in equity	3,099	-
Total extraordinary income	69,517	2,138
Extraordinary loss		
Loss on retirement of non-current assets	105,816	-
Impairment loss	13,813	-
Total extraordinary losses	119,630	-
Income before income taxes and minority interests	1,647,338	1,884,912
Income taxes	593,787	844,656
Income before minority interests	1,053,551	1,040,255
Minority interests in income	15,718	8,815
Quarterly net income	1,037,832	1,031,440
Minority interests in income	15,718	8,815
Income before minority interests	1,053,551	1,040,255
Other comprehensive income		
Valuation difference on available-for-sale securities	48,557	(39,211)
Foreign currency translation adjustment	(32,097)	13,039
Share of other comprehensive income of entities accounted for using equity method	17,215	(966)
Total other comprehensive income	33,675	(27,138)
Quarterly comprehensive income	1,087,226	1,013,116
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,068,033	1,004,481
Comprehensive income attributable to minority interests	19,193	8,635

(3) Quarterly Period Consolidated Statements of Cash Flows

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2013 to June 30, 2013)	First half of the consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,647,338	1,884,912
Depreciation	177,338	203,488
Impairment loss	13,813	-
Increase (decrease) in allowance for doubtful accounts	(3,883)	(2,510)
Increase (decrease) in provision for bonuses	4,512	(22,170)
Increase (decrease) in provision for quality assurance	(1,144)	24,131
Increase (decrease) in provision for loss on projects	10,900	(18,405)
Increase (decrease) in provision for office transfer expenses	(35,342)	-
Interest and dividend income	(25,275)	(26,551)
Interest expenses	248	4,840
Loss (gain) on change in equity	(3,099)	-
Share of (profit) loss of entities accounted for using equity method	(24,216)	(404)
Loss on retirement of non-current assets	105,816	-
Loss (gain) on sale of investment securities	(66,418)	-
Loss (gain) on sales of shares of subsidiaries and associates	-	(2,138)
Decrease (increase) in notes and accounts receivable-trade	(104,671)	(393,279)
Decrease (increase) in inventories	(30,685)	(139,309)
Increase (decrease) in notes and accounts payable-trade	277,917	285,318
Other	185,979	228,630
Subtotal	2,129,128	2,242,472
Interest and dividend income received	25,675	26,414
Interest expenses paid	(248)	(5,088)
Income taxed paid	(515,716)	(1,078,863)
Net cash provided by (used in) operating activities	1,638,838	1,184,934

(in thousands of yen)

	First half of the previous consolidated fiscal year (from January 1, 2013 to June 30, 2013)	First half of the consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(192,833)	(90,136)
Purchase of intangible assets	(121,484)	(30,428)
Payments for asset retirement obligations	(12,500)	-
Proceeds from sales of investment securities	98,904	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(999,367)	-
Proceeds from sales of shares of subsidiaries and associates	-	25,000
Payments for lease and guarantee deposits	(945)	(104,883)
Proceeds from collection of lease and guarantee deposits	153,088	974
Other	2,400	2,740
Net cash provided by (used in) investing activities	(1,072,739)	(196,732)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(243)	(5,000)
Purchase of treasury shares	(148,660)	-
Cash dividends paid	(339,174)	(357,826)
Net cash provided by (used in) financing activities	(488,078)	(362,826)
Effect of exchange rate changes on cash and cash equivalents	27,816	37,241
Net increase (decrease) in cash and cash equivalents	105,837	662,617
Cash and cash equivalents at beginning of the period	4,184,672	6,892,975
Cash and cash equivalents at end of the quarterly period	4,290,510	7,555,593

(4) Notes to quarterly consolidated financial statements
(Notes regarding the premise of surviving company)

Not applicable.

(Notes regarding significant change in shareholders' equity)

Not applicable.

(Segment information)

Segment information

I. Second quarter of the previous consolidated fiscal year (from January 1, 2013 to June 30, 2013)

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

(in thousands of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalizat ion Business	Total				
Net sales									
Net sales to outside clients	9,299,357	1,808,187	182,328	2,255,564	13,545,437	–	13,545,437	–	13,545,437
Inter-segment sales or transfer	22,255	340,638	665	1,916	365,476	–	365,476	(365,476)	–
Total	9,321,612	2,148,825	182,994	2,257,481	13,910,914	–	13,910,914	(365,476)	13,545,437
Segment income or loss	1,388,797	127,372	(8,714)	46,034	1,553,489	(969)	1,552,520	17,652	1,570,173

(Notes)1. "Others," a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. "Adjustment" of segment income or loss of ¥17,652 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 consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)

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

(in thousands of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Period Consolidated Statements of Income (Note 3)
	IT Consulting Business	Package & Service Business	New Media & Web Service Business	Corporate Revitalizat ion Business	Total				
Net sales									
Net sales to outside clients	9,954,620	2,203,884	1,967,035	2,247,308	16,372,849	–	16,372,849	–	16,372,849
Inter-segment sales or transfer	4,403	311,527	658	2,152	318,742	–	318,742	(318,742)	–
Total	9,959,024	2,515,412	1,967,693	2,249,461	16,691,591	–	16,691,591	(318,742)	16,372,849
Segment income or loss	1,664,131	211,626	(20,445)	3,315	1,858,627	792	1,859,419	16,300	1,875,719

(Notes)1. "Others," a segment not included in the reportable segments, include securities investment, holding, and management activities.

2. "Adjustment" of segment income or loss of ¥16,300 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.

2. Matters related to changes in reportable segments

(Changes in reportable segments)

In the second quarter of the current consolidated fiscal year under review, the Company acquired all shares of eSPORTS to include it in the scope of consolidation. In the third quarter, as the importance of eSPORTS increased, the Company added the "New Media & Web Service Business" as a new reportable segments, and included eSPORTS' business in the new segment. The business of Tokyo Calendar, which was included in "Others" in the previous consolidated fiscal year, was accordingly changed to be included in the added segment "New Media & Web Service Business."

Segment information for the previous consolidated fiscal year was stated based on the new classification of reportable segments.

4. Supplemental information

(1) Orders received

(in thousands of yen)

Segment	First half of the previous consolidated fiscal year (from January 1, 2013 to June 30, 2013)		First half of the consolidated fiscal year under review (from January 1, 2014 to June 30, 2014)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting Business	9,652,772	6,929,808	9,952,872	6,827,573
Package & Service Business	1,932,439	1,096,099	2,551,955	1,515,848
New Media & Web Service Business	192,328	22,740	138,799	20,081
Total	11,777,540	8,048,648	12,643,626	8,363,502

- (Notes) 1. Business segments were changed in the first nine months of the previous consolidated fiscal year, and the amounts for the six months of the previous fiscal year were stated based on the new classification of reportable segments.
2. Orders received include adjustments for exchange rate fluctuations.